OUR OBSOLETE MARKET MENTALITY

KARL POLANYI

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Civilization Must Find a New Thought Pattern

KARL POLANYI

THE first century of the Machine Age is drawing to a close amid fear and trepidation. Its fabulous material success was due to the willing, indeed the enthusiastic, subordination of man to the needs of the machine.

Liberal capitalism was in effect man's initial response to the challenge of the Industrial Revolution. In order to allow scope to the use of elaborate, powerful machinery, we transformed human economy into a self-adjusting system of markets, and cast our thoughts and values in the mold of this unique innovation.

Today, we begin to doubt the truth of some of these thoughts and the validity of some of these values. Outside the United States, liberal capitalism can hardly be said to exist any more. How to organize human life in a machine society is a question that confronts us anew. Behind the fading fabric of competitive capitalism there looms the portent of an industrial civilization, with its paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity. Science itself is haunted by insanity. This is the abiding concern.

No mere reversion to the ideals of a past century can show us the way. We must brave the future, though this may involve us in an attempt to shift the place of industry in society so that the extraneous fact of the machine can be absorbed. The search for industrial democracy is not merely the search for a solution to the problems of capitalism, as most people imagine. It is a search for an answer to industry itself. Here lies the concrete problem of our civilization.

Such a new dispensation requires an inner freedom for which we are but ill equipped. We find ourselves stultified by the legacy of a market-economy which bequeathed us oversimplified views of the function and role of the economic system in society. If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition.

Industrialism is a precariously grafted scion upon man's age-long existence. The outcome of the experiment is still hanging in the balance. But man is not a simple being and can die in more than one way. The question of individual freedom, so passionately raised in our generation, is only one aspect of this anxious problem. In truth, it forms part of a much wider and deeper need—the need for a new response to the total challenge of the machine.

The Fundamental Heresy

Our condition can be described in these terms:

Industrial civilization may yet undo man. But since the venture of a progressively artificial environment cannot, will not, and

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KARL POLANYI considers this article to represent his first significant advance over the thesis presented in *The Great Transformation* (1944), which attracted international attention as an original analysis of the dilemma of free enterprise capitalism as it affects our entire Western society. Dr. Polanyi was born in Vienna in 1886, and was from 1924 to 1934 on the staff of the *Oesterreichische Volkswirt*, a leading financial weekly. When the clerical dictatorship was established, he emigrated to England, where he lectured at Oxford and the University of London, co-edited *Christianity and Social Revolution*, and wrote *The Essence of Fascism*. He was at Bennington College from 1940 to 1943, and will return to the United States this month as visiting professor at Columbia University. This article is twelfth in the series, "The Crisis of the Individual."

indeed, should not, be voluntarily discarded, the task of adapting life *in such a surrounding* to the requirements of human existence must be resolved if man is to continue on earth. No one can foretell whether such an adjustment is possible, or whether man must perish in the attempt. Hence the dark undertone of concern.

Meanwhile, the first phase of the Machine Age has run its course. It involved an organization of society that derived its name from its central institution, the market. This system is on the downgrade. Yet our practical philosophy was overwhelmingly shaped by this spectacular episode. Novel notions about man and society became current and gained the status of axioms. Here they are:

As regards *man*, we were made to accept the heresy that his motives can be described as "material" and "ideal," and that the incentives on which everyday life is organized spring from the "material" motives. Both utilitarian liberalism and popular Marxism favored such views.

As regards *society*, the kindred doctrine was propounded that its institutions were "determined" by the economic system. This opinion was even more popular with Marxists than with liberals.

Under a market-economy both assertions were, of course, true. *But only under such an economy*. In regard to the past, such a view was no more than an anachronism. In regard to the future, it was a mere prejudice. Yet under the influence of current schools of thought, reinforced by the authority of science and religion, politics and business, these strictly time-bound phenomena came to be regarded as timeless, as transcending the age of the market.

To overcome such doctrines, which constrict our minds and souls and greatly enhance the difficulty of the life-saving adjustment, may require no less than a reform of our consciousness.

The Market Trauma

The birth of laissez faire administered a shock to civilized man's views of himself, from the effects of which he never quite recovered. Only very gradually are we realizing what happened to us as recently as a century ago.

Liberal economy, this primary reaction of man to the machine, was a violent break with the conditions that preceded it. A chain-reaction was started—what before was merely isolated markets was transmuted into a self-regulating *system* of markets. And with the new economy, a new society sprang into being.

The crucial step was this: labor and land were made into commodities, that is, they were treated *as if* produced for sale. Of course, they were not actually commodities, since they were either not produced at all (as land) or, if so, not for sale (as labor).

Yet no more thoroughly effective fiction was ever devised. By buying and selling labor and land freely, the mechanism of the market was made to apply to them. There was now supply of labor, and demand for it; there was supply of land, and demand for it. Accordingly, there was a market price for the use of labor power, called wages, and a market price for the use of land, called rent. Labor and land were provided with markets of their own, similar to the commodities proper that were produced with their help.

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of an automaton running in its own grooves and governed by its own laws.

Nothing similar had ever been witnessed before. Under the mercantile regime, though it deliberately pressed for the creation of markets, the converse principle still operated. Labor and land were not entrusted to the market; they formed part of the organic structure of society. Where land was marketable, only the determination of price was, as a rule, left to the parties; where labor was subject to contract, wages themselves were usually assessed by public authority. Land stood under the custom of manor, monastery, and township, under common-law limitations concerning rights of

real property; labor was regulated by laws against beggary and vagrancy, statutes of laborers and artificers, poor laws, guild and municipal ordinances. In effect, all societies known to anthropologists and historians restricted markets to commodities in the proper sense of the term.

Market-economy thus created a new type of society. The economic or productive system was here entrusted to a self-acting device. An institutional mechanism controlled human beings in their everyday activities as well as the resources of nature.

This instrument of material welfare was under the sole control of the incentives of hunger and gain—or, more precisely, fear of going without the necessities of life, and expectation of profit. So long as no propertyless person could satisfy his craving for food without first selling his labor in the market, and so long as no propertied person was prevented from buying in the cheapest market and selling in the dearest, the blind mill would turn out ever-increasing amounts of commodities for the benefit of the human race. Fear of starvation with the worker, lure of profit with the employer, would keep the vast establishment running.

In this way an "economic sphere" came into existence that was sharply delimited from other institutions in society. Since no human aggregation can survive without a functioning productive apparatus, its embodiment in a distinct and separate sphere had the effect of making the "rest" of society dependent upon that sphere. This autonomous zone, again, was regulated by a mechanism that controlled its functioning. As a result, the market mechanism became determinative for the life of the body social. No wonder that the emergent human aggregation was an "economic" society to a degree previously never even approximated. "Economic motives" reigned supreme in a world of their own, and the individual was made to act on them under pain of being trodden under foot by the juggernaut market.

Such a forced conversion to a utilitarian outlook fatefully warped Western man's understanding of himself.

Hunger and Gain Enthroned

This new world of "economic motives" was based on a fallacy. Intrinsically, hunger and gain are no more "economic" than love or hate, pride or prejudice. No human motive is *per se* economic. There is no such thing as a *sui generis* economic experience in the sense in which man may have a religious, aesthetic, or sexual experience. These latter give rise to motives that broadly aim at evoking similar experiences. In regard to material production these terms lack self-evident meaning.

The economic factor, which underlies all social life, no more gives rise to definite incentives than the equally universal law of gravitation. Assuredly, if we do not eat, we must perish, as much as if we were crushed under the weight of a falling rock. But the pangs of hunger are not automatically translated into an incentive to produce. Production is not an individual, but a collective affair. If an individual is hungry, there is nothing definite for him to do. Made desperate, he might rob or steal, but such an action can hardly be called productive. With man, the political animal, everything is given not by natural, but by social circumstance. What made the 19th century think of hunger and gain as "economic" was simply the organization of production under a market economy.

Hunger and gain are here linked with production through the need of "earning an income." For under such a system, man, if he is to keep alive, is compelled to buy goods on the market with the help of an income derived from selling other goods on the market. The name of these incomes—wages, rent, interest—varies accordingly to what is offered for sale: use of labor power, of land, or of money; the income called profit—the remuneration of the entrepreneur—derives from the sale of goods that fetch a higher price than the goods that go into the producing of them. Thus all incomes derive from sales, and all sales—directly or indirectly—contribute to production. The latter is, in effect, *incidental to the earning of an in-*

come. So long as an individual is "earning an income," he is, automatically, contributing to production.

Obviously, the system works only so long as individuals have a reason to indulge in the activity of "earning an income." The motives of hunger and gain—separately and conjointly—provide them with such a reason. These two motives are thus geared to production and, accordingly, are termed "economic." The semblance is compelling that hunger and gain are *the* incentives on which any economic system must rest.

This assumption is baseless. Ranging over human societies, we find hunger and gain not appealed to as incentives to production, and where so appealed to, they are fused with other powerful motives.

Aristotle was right: man is not an economic, but a social being. He does not aim at safeguarding his individual interest in the acquisition of material possessions, but rather at ensuring social good-will, social status, social assets. He values possessions primarily as a means to that end. His incentives are of that "mixed" character which we associate with the endeavor to gain social approval—productive efforts are no more than incidental to this. *Man's economy is, as a rule, submerged in his social relations*. The change from this to a society which was, on the contrary, submerged in the economic system was an entirely novel development.

Facts

THE evidence of facts, I feel, should at this point be adduced.

First, there are the discoveries of primitive economics. Two names are outstanding: Bronislaw Malinowski and Richard Thurnwald. They and some other research workers revolutionized our conceptions in this field and, by so doing, founded a new discipline. The myth of the individualistic savage had been exploded long ago. Neither the crude egotism, nor the apocryphal propensity to barter, truck, and exchange, nor even the tendency to cater to one's self was in evidence. But equally discredited was the legend of the communistic psychology of the savage, his supposed lack of appreciation for his own personal interests. (Roughly, it appeared that man was very much the same all through the ages. Taking his institutions not in isolation, but in their interrelation, he was mostly found to be behaving in a manner broadly comprehensible to us.) What appeared as "communism" was the fact that the productive or economic system was usually arranged in such a fashion as not to threaten any individual with starvation. His place at the camp fire, his share in the common resources, was secure to him, whatever part he happened to have played in hunt, pasture, tillage, or gardening.

Here are a few instances: Under the *kraal-land* system of the Kaffirs, "destitution is impossible: whosoever needs assistance receives it unquestioningly" (L. P. Mair, *An African People in the Twentieth Century*, 1934). No Kwakiutl "ever ran the least risk of going hungry" (E. M. Loeb, *The Distribution and Function of Money in Early Society*, 1936). "There is no starvation in societies living on the subsistence margin" (M. J. Herskovits, *The Economic Life of Primitive Peoples*, 1940). In effect, the individual is not in danger of starving unless the community as a whole is in a like predicament. It is this absence of the menace of individual destitution that makes primitive society, in a sense, more humane than 19th-century society, and at the same time *less "economic."*

The same applies to the stimulus of individual gain. Again, a few quotations: "The characteristic feature of primitive economics is the absence of any desire to make profits from production and exchange" (R. Thurnwald, *Economics in Primitive Communities*, 1932). "Gain, which is often the stimulus for work in more civilized communities, never acts as an impulse to work under the original native conditions" (B. Malinowski, *Argonauts of the Western Pacific*, 1930). If so-called economic motives were natural to man, we would have to judge all early and primitive societies as thoroughly unnatural.

Secondly, there is no difference between primitive and civilized society in this regard. Whether we turn to ancient city-state, des-

potic empire, feudalism, 13th-century urban life, 16th-century mercantile regime, or 18th-century regulationism—invariably the economic system is found to be merged in the social. Incentives spring from a large variety of sources, such as custom and tradition, public duty and private commitment, religious observance and political allegiance, judicial obligation and administrative regulation as established by prince, municipality, or guild. Rank and status, compulsion of law and threat of punishment, public praise and private reputation, insure that the individual contributes his share to production.

Fear of privation or love of profit need not be altogether absent. Markets occur in all kinds of societies, and the figure of the merchant is familiar to many types of civilization. But isolated markets do not link up into an economy. The motive of gain was specific to merchants, as was valor to the knight, piety to the priest, and pride to the craftsman. The notion of making the motive of gain universal never entered the heads of our ancestors. At no time prior to the second quarter of the 19th century were markets more than a subordinate feature in society.

Thirdly, there was the startling abruptness of the change. Predominance of markets emerged not as a matter of degree, but of kind. Markets through which otherwise self-sufficient householders get rid of their surplus neither direct production nor provide the producer with his income. This is only the case in a market-economy where *all* incomes derive from sales, and commodities are obtainable exclusively by purchase. A free market for labor was born in England only about a century ago. The ill-famed Poor Law Reform (1834) abolished the rough-and-ready provisions made for the paupers by patriarchal governments. The poorhouse was transformed from a refuge of the destitute into an abode of shame and mental torture to which even hunger and misery were preferable. Starvation or work was the alternative left to the poor. Thus was a competitive national market for labor created. Within a decade, the Bank Act (1844) established the principle of the gold standard; the making of money was removed from the hands of the government regardless of the effect upon the level of employment. Simultaneously, reform of land laws mobilized the land, and repeal of the Corn Laws (1846) created a world pool of grain, thereby making the unprotected Continental peasant-farmer subject to the whims of the market.

Thus were established the three tenets of economic liberalism, the principle on which market economy was organized: that labor should find its price on the market; that money should be supplied by a self-adjusting mechanism; that commodities should be free to flow from country to country irrespective of the consequences—in brief, a labor market, the gold standard, and free trade. A self-inflammatory process was induced, as a result of which the formerly harmless market pattern expanded into a sociological enormity.

Birth of a Delusion

These facts roughly outline the genealogy of an "economic" society. Under such conditions the human world must appear as determined by "economic" motives. It is easy to see why.

Single out whatever motive you please, and organize production in such a manner as to make that motive the individual's incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political, or aesthetic; let it be pride, prejudice, love, or envy; and man will appear as essentially religious, political, aesthetic, proud, prejudiced, engrossed in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent "real" man.

As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly. Monks traded for religious reasons, and monasteries became the largest trading establishments in Europe. The Kula trade of the Trobriand

Islanders, one of the most intricate barter arrangements known to man, is mainly an aesthetic pursuit. Feudal economy was run on customary lines. With the Kwakiutl, the chief aim of industry seems to be to satisfy a point of honor. Under mercantile despotism, industry was often planned so as to serve power and glory. Accordingly, we tend to think of monks or villeins, western Melanesians, the Kwakiutl, or 17th-century statesmen, as ruled by religion, aesthetics, custom, honor, or politics, respectively.

Under capitalism, every individual has to earn an income. If he is a worker, he has to sell his labor at current prices; if he is an owner, he has to make as high a profit as he can, for his standing with his fellows will depend upon the level of his income. Hunger and gain—even if vicariously—make them plough and sow, spin and weave, mine coal, and pilot planes. Consequently, members of such a society will think of themselves as governed by these twin motives.

In actual fact, man was never as selfish as the theory demanded. Though the market mechanism brought his dependence upon material goods to the fore, "economic" motives never formed with him the sole incentive to work. In vain was he exhorted by economists and utilitarian moralists alike to discount in business all other motives than "material" ones. On closer investigation, he was still found to be acting on remarkably "mixed" motives, not excluding those of duty towards himself and others—and maybe, secretly, even enjoying work for its own sake.

However, we are not here concerned with actual, but with assumed motives, not with the psychology, but with the ideology of business. *Not on the former, but on the latter, are views of man's nature based.* For once society expects a definite behavior on the part of its members, and prevailing institutions become roughly capable of enforcing that behavior, opinions on human nature will tend to mirror the ideal whether it resembles actuality or not.

Accordingly, hunger and gain were defined as "economic" motives, and man was supposed to be acting on them in everyday life, while his other motives appeared more ethereal and removed from humdrum existence. Honor and pride, civic obligation and moral duty, even self-respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word "ideal." Hence man was believed to consist of two components, one more akin to hunger and gain, the other to honor and power. The one was "material," the other "ideal"; the one "economic," the other "non-economic"; the one "rational," the other "non-rational." The Utilitarians went so far as to identify the two sets of terms, thus endowing the "economic" side of man's character with the aura of rationality. He who would have refused to imagine that he was acting for gain alone was thus considered not only immoral, but also mad.

Economic Determinism

THE market mechanism moreover created the delusion of economic determinism as a general law for all human society.

Under a market-economy, of course, this law holds good. Indeed, the working of the economic system here not only "influences" the rest of society, but determines it—as in a triangle the sides not merely influence, but determine, the angles.

Take the stratification of classes. Supply and demand in the labor market were *identical* with the classes of workers and employers, respectively. The social classes of capitalists, landowners, tenants, brokers, merchants, professionals, and so on, were delimited by the respective markets for land, money, and capital and their uses, or for various services. The income of these social classes was fixed by the market, their rank and position by their income.

This was a complete reversal of the secular practice. In Maine's famous phrase, "contractus" replaced "status"; or, as Tönnies preferred to put it, "society" superseded "community"; or, in terms of the present article, *instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system.*

While social classes were directly, other institutions were indirectly determined by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life—everything had to comply with the utilitarian pattern, or at least not interfere with the working of the market mechanism. But since very few human activities can be carried on in the void, even a saint needing his pillar, the indirect effect of the market system came very near to determining the whole of society. It was almost impossible to avoid the erroneous conclusion that as "economic" man was "real" man, so the economic system was "really" society.

Sex and Hunger

YET it would be truer to say that the basic human institutions abhor unmixed motives. Just as the provisioning of the individual and his family does not commonly rely on the motive of hunger, so the institution of the family is not based on the sexual motive.

Sex, like hunger, is one of the most powerful of incentives when released from the control of other incentives. That is probably why the family in all its variety of forms is never allowed to center on the sexual instinct, with its intermittences and vagaries, but on the combination of a number of effective motives that prevent sex from destroying an institution on which so much of man's happiness depends. Sex in itself will never produce anything better than a brothel, and even then it might have to draw on some incentives of the market mechanism. An economic system actually relying for its mainspring on hunger would be almost as perverse as a family system based on the bare urge of sex.

To attempt to apply economic determinism to all human societies is little short of fantastic. Nothing is more obvious to the student of social anthropology than the variety of institutions found to be compatible with practically identical instruments of production. Only since the market was permitted to grind the human fabric into the featureless uniformity of selenic erosion has man's institutional creativeness been in abeyance. No wonder that his social imagination shows signs of fatigue. It may come to a point where he will no longer be able to recover the elasticity, the imaginative wealth and power, of his savage endowment.

No protest of mine, I realize, will save me from being taken for an "idealist." For he who decries the importance of "material" motives must, it seems, be relying on the strength of "ideal" ones. Yet no worse misunderstanding is possible. Hunger and gain have nothing specifically "material" about them. Pride, honor, and power, on the other hand, are not necessarily "higher" motives than hunger and gain.

The dichotomy itself, we assert, is arbitrary. Let us once more adduce the analogy of sex. Assuredly, a significant distinction between "higher" and "lower" motives can here be drawn. Yet, whether hunger or sex, it is pernicious to *institutionalize* the separation of the "material" and "ideal" components of man's being. As regards sex, this truth, so vital to man's essential wholeness, has been recognized all along; it is at the basis of the institution of marriage. But in the equally strategic field of economy, it has been neglected. This latter field has been "separated out" of society as the realm of hunger and gain. Our animal dependence upon food has been bared and the naked fear of starvation permitted to run loose. Our humiliating enslavement to the "material," which all human culture is designed to mitigate, was deliberately made more rigorous. This is at the root of the "sickness of an acquisitive society" that Tawney warned of. And Robert Owen's genius was at its best when, a century before, he described the profit motive as "a principle entirely unfavorable to individual and public happiness."

The Reality of Society

I PLEAD for the restoration of that unity of motives which should inform man in his

everyday activity as a producer, for the reabsorption of the economic system in society, for the creative adaptation of our ways of life to an industrial environment.

On all these counts, laissez-faire philosophy, with its corollary of a marketing society, falls to the ground. It is responsible for the splitting up of man's vital unity into "real" man, bent on material values, and his "ideal" better self. It is paralyzing our social imagination by more or less unconsciously fostering the prejudice of "economic determinism."

It has done its service in that phase of industrial civilization which is behind us. At the price of impoverishing the individual, it enriched society. Today, we are faced with the vital task of restoring the fullness of life to the person, even though this may mean a technologically less efficient society. In different countries in different ways, classical liberalism is being discarded. On Right and Left and Middle, new avenues are being explored. British Social-Democrats, American New Dealers, and also European fascists and American anti-New Dealers of the various "managerialist" brands, reject the liberal utopia. Nor should the present political mood of rejection of everything Russian blind us to the achievement of the Russians in creative adjustment to some of the fundamental aspects of an industrial environment.

On general grounds, the Communist's expectation of the "withering away of the State" seems to me to combine elements of liberal utopianism with practical indifference to institutional freedoms. As regards the withering State, it is impossible to deny that industrial society is complex society, and no complex society can exist without organized power at the center. Yet, again, this fact is no excuse for the Communist's slurring over the question of concrete institutional freedoms.

It is on this level of realism that the problem of individual freedom should be met. No human society is possible in which power and compulsion are absent, nor is a world in which force has no function. Liberal philosophy gave a false direction to our ideals in seeming to promise the fulfillment of such intrinsically utopian expectations.

But under the market system, society as a whole remained invisible. Anybody could imagine himself free from responsibility for those acts of compulsion on the part of the state which he, personally, repudiated, or for unemployment and destitution from which he, personally, did not benefit. Personally, he remained unentangled in the evils of power and economic value. In good conscience, he could deny their reality in the name of his imaginary freedom.

Power and economic value are, indeed, a paradigm of social reality. Neither power nor economic value spring from human volition; non-cooperation is impossible in regard to them. The function of power is to insure that measure of conformity which is needed for the survival of the group: as David Hume showed, its ultimate source is opinion—and who could help holding opinions of some sort or other? Economic value, in any society, insures the usefulness of the goods produced; it is a seal set on the division of labor. Its source is human wants—and how could we be expected not to prefer one thing to another? Any opinion or desire, no matter what society we live in, will make us participants in the creation of power and the constituting of value. No freedom to do otherwise is conceivable. An ideal that would ban power and compulsion from society is intrinsically invalid. By ignoring this limitation on man's meaningful wishes, the marketing view of society reveals its essential immaturity.

The Problem of Freedom

The breakdown of market-economy imperils two kinds of freedoms: some good, some bad.

That the freedom to exploit one's fellows, or the freedom to make inordinate gains without commensurable service to the community, the freedom to keep technological inventions from being used for the public benefit, or the freedom to profit from public calamities secretly engineered for private advantage, may disappear, together with the free market, is all to the good.

But the market-economy under which these freedoms thrived also produced freedoms that we prize highly. Freedom of conscience, freedom of speech, freedom of meeting, freedom of association, freedom to choose one's job—we cherish them for their own sake. Yet to a large extent they were by-products of the same economy that was also responsible for the evil freedoms.

The existence of a separate economic sphere in society created, as it were, a gap between politics and economics, between government and industry, that was in the nature of a no man's land. As division of sovereignty between pope and emperor left medieval princes in a condition of freedom sometimes bordering on anarchy, so division of sovereignty between government and industry in the 19th century allowed even the poor man to enjoy freedoms that partly compensated for his wretched status.

Current scepticism in regard to the future of freedom largely rests on this. There are those who argue, like Hayek, that since free institutions were a product of market-economy, they must give place to serfdom once that economy disappears. There are others, like Burnham, who assert the inevitability of some new form of serfdom called "managerialism."

Arguments like these merely prove to what extent economistic prejudice is still rampant. For such determinism, as we have seen, is only another name for the market-mechanism. It is hardly logical to argue the effects of its absence on the strength of an economic necessity which derives from its presence. And it is certainly contrary to Anglo-Saxon experience. Neither the freezing of labor nor selective service abrogated the essential freedoms of the American people, as anybody can witness who spent the crucial years 1940-1943 in these States. Great Britain during the war introduced an all-round planned economy and did away with that separation of government and industry from which 19th-century freedom sprang, yet never were public liberties more securely entrenched than at the height of the emergency. In truth, we will have just as much freedom as we will desire to create and to safeguard. There is no *one* determinant in human society. Institutional guarantees of personal freedom are compatible with any economic system. In market society alone did the economic mechanism lay down the law.

Man Vs. Industry

WHAT appears to our generation as the problem of capitalism is, in reality, the far greater problem of an industrial civilization. The economic liberal is blind to this fact. In defending capitalism as an economic system, he ignores the challenge of the Machine Age. Yet the dangers that make the bravest quake today transcend economy. The idyllic concerns of trust-busting and Taylorization have been superseded by Hiroshima. Scientific barbarism is dogging our footsteps. The Germans were planning a contrivance to make the sun emanate death rays. We, in fact, produced a burst of death rays that blotted out the sun. Yet the Germans had an evil philosophy, and we had a humane philosophy. In this we should learn to see the symbol of our peril.

Among those in America who are aware of the dimensions of the problem, two tendencies are discernible: some believe in elites and aristocracies, in managerialism and the corporation. They feel that the whole of society should be more intimately adjusted to the economic system, which they would wish to maintain unchanged. This is the ideal of the Brave New World, where the individual is conditioned to support an order that has been designed for him by such as are wiser than he. Others, on the contrary, believe that in a truly democratic society, the problem of industry would resolve itself through the planned intervention of the producers and consumers themselves. Such conscious and responsible action is, indeed, one of the embodiments of freedom in a complex society. But, as the contents of this article suggest, such an endeavor cannot be successful unless it is disciplined by a total view of man and society very different from that which we inherited from market-economy.

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Today, we begin to doubt the truth of some of these thoughts and the validity of some of these values. Outside the United States, liberal capitalism can hardly be said to exist any more. How to organize human life in a machine society is a question that confronts us anew. Behind the fading fabric of competitive capitalism there looms the portent of an industrial civilization, with its paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity. Science itself is haunted by insanity. This is the abiding concern.

No mere reversion to the ideals of a past century can show us the way. We must brave the future, though this may involve us in an attempt to shift the place of industry in society so that the extraneous fact of the machine can be absorbed. The search for industrial democracy is not merely the search for a solution to the problems of capitalism, as most people imagine. It is a search for an answer to industry itself. Here lies the concrete problem of our civilization.

Such a new dispensation requires an inner freedom for which we are but ill equipped. We find ourselves stultified by the legacy of a market-economy which bequeathed us oversimplified views of the function and role of the economic system in society. If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition.

Industrialism is a precariously grafted scion upon man's age-long existence. The outcome of the experiment is still hanging in the balance. But man is not a simple being and can die in more than one way. The question of individual freedom, so passionately raised in our generation, is only one aspect of this anxious problem. In truth, it forms part of a much wider and deeper need—the need for a new response to the total challenge of the machine.

The Fundamental Heresy

Our condition can be described in these terms:

Industrial civilization may yet undo man. But since the venture of a progressively artificial environment cannot, will not, and

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KARL POLANYI considers this article to represent his first significant advance over the thesis presented in *The Great Transformation* (1944), which attracted international attention as an original analysis of the dilemma of free enterprise capitalism as it affects our entire Western society. Dr. Polanyi was born in Vienna in 1886, and was from 1924 to 1934 on the staff of the *Oesterreichische Volkswirt*, a leading financial weekly. When the clerical dictatorship was established, he emigrated to England, where he lectured at Oxford and the University of London, co-edited *Christianity and Social Revolution*, and wrote *The Essence of Fascism*. He was at Bennington College from 1940 to 1943, and will return to the United States this month as visiting professor at Columbia University. This article is twelfth in the series, "The Crisis of the Individual."

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indeed, should not, be voluntarily discarded, the task of adapting life *in such a surrounding* to the requirements of human existence must be resolved if man is to continue on earth. No one can foretell whether such an adjustment is possible, or whether man must perish in the attempt. Hence the dark undertone of concern.

Meanwhile, the first phase of the Machine Age has run its course. It involved an organization of society that derived its name from its central institution, the market. This system is on the downgrade. Yet our practical philosophy was overwhelmingly shaped by this spectacular episode. Novel notions about man and society became current and gained the status of axioms. Here they are:

As regards *man*, we were made to accept the heresy that his motives can be described as "material" and "ideal," and that the incentives on which everyday life is organized spring from the "material" motives. Both utilitarian liberalism and popular Marxism favored such views.

As regards *society*, the kindred doctrine was propounded that its institutions were "determined" by the economic system. This opinion was even more popular with Marxists than with liberals.

Under a market-economy both assertions were, of course, true. *But only under such an economy*. In regard to the past, such a view was no more than an anachronism. In regard to the future, it was a mere prejudice. Yet under the influence of current schools of thought, reinforced by the authority of science and religion, politics and business, these strictly time-bound phenomena came to be regarded as timeless, as transcending the age of the market.

To overcome such doctrines, which constrict our minds and souls and greatly enhance the difficulty of the life-saving adjustment, may require no less than a reform of our consciousness.

The Market Trauma

THE birth of laissez faire administered a shock to civilized man's views of himself, from the effects of which he never quite recovered. Only very gradually are we realizing what happened to us as recently as a century ago.

Liberal economy, this primary reaction of man to the machine, was a violent break with the conditions that preceded it. A chain-reaction was started—what before was merely isolated markets was transmuted into a self-regulating *system* of markets. And with the new economy, a new society sprang into being.

The crucial step was this: labor and land were made into commodities, that is, they were treated *as if* produced for sale. Of course, they were not actually commodities, since they were either not produced at all (as land) or, if so, not for sale (as labor).

Yet no more thoroughly effective fiction was ever devised. By buying and selling labor and land freely, the mechanism of the market was made to apply to them. There was now supply of labor, and demand for it; there was supply of land, and demand for it. Accordingly, there was a market price for the use of labor power, called wages, and a market price for the use of land, called rent. Labor and land were provided with markets of their own, similar to the commodities proper that were produced with their help.

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of an automaton running in its own grooves and governed by its own laws.

Nothing similar had ever been witnessed before. Under the mercantile regime, though it deliberately pressed for the creation of markets, the converse principle still operated. Labor and land were not entrusted to the market; they formed part of the organic structure of society. Where land was marketable, only the determination of price was, as a rule, left to the parties; where labor was subject to contract, wages themselves were usually assessed by public authority. Land stood under the custom of manor, monastery, and township, under common-law limitations concerning rights of

real property; labor was regulated by laws against beggary and vagrancy, statutes of laborers and artificers, poor laws, guild and municipal ordinances. In effect, all societies known to anthropologists and historians restricted markets to commodities in the proper sense of the term.

Market-economy thus created a new type of society. The economic or productive system was here entrusted to a self-acting device. An institutional mechanism controlled human beings in their everyday activities as well as the resources of nature.

This instrument of material welfare was under the sole control of the incentives of hunger and gain—or, more precisely, fear of going without the necessities of life, and expectation of profit. So long as no propertyless person could satisfy his craving for food without first selling his labor in the market, and so long as no propertied person was prevented from buying in the cheapest market and selling in the dearest, the blind mill would turn out ever-increasing amounts of commodities for the benefit of the human race. Fear of starvation with the worker, lure of profit with the employer, would keep the vast establishment running.

In this way an "economic sphere" came into existence that was sharply delimited from other institutions in society. Since no human aggregation can survive without a functioning productive apparatus, its embodiment in a distinct and separate sphere had the effect of making the "rest" of society dependent upon that sphere. This autonomous zone, again, was regulated by a mechanism that controlled its functioning. As a result, the market mechanism became determinative for the life of the body social. No wonder that the emergent human aggregation was an "economic" society to a degree previously never even approximated. "Economic motives" reigned supreme in a world of their own, and the individual was made to act on them under pain of being trodden under foot by the juggernaut market.

Such a forced conversion to a utilitarian outlook fatefully warped Western man's understanding of himself.

Hunger and Gain Enthroned

This new world of "economic motives" was based on a fallacy. Intrinsically, hunger and gain are no more "economic" than love or hate, pride or prejudice. No human motive is *per se* economic. There is no such thing as a *sui generis* economic experience in the sense in which man may have a religious, aesthetic, or sexual experience. These latter give rise to motives that broadly aim at evoking similar experiences. In regard to material production these terms lack self-evident meaning.

The economic factor, which underlies all social life, no more gives rise to definite incentives than the equally universal law of gravitation. Assuredly, if we do not eat, we must perish, as much as if we were crushed under the weight of a falling rock. But the pangs of hunger are not automatically translated into an incentive to produce. Production is not an individual, but a collective affair. If an individual is hungry, there is nothing definite for him to do. Made desperate, he might rob or steal, but such an action can hardly be called productive. With man, the political animal, everything is given not by natural, but by social circumstance. What made the 19th century think of hunger and gain as "economic" was simply the organization of production under a market economy.

Hunger and gain are here linked with production through the need of "earning an income." For under such a system, man, if he is to keep alive, is compelled to buy goods on the market with the help of an income derived from selling other goods on the market. The name of these incomes—wages, rent, interest—varies accordingly to what is offered for sale: use of labor power, of land, or of money; the income called profit—the remuneration of the entrepreneur—derives from the sale of goods that fetch a higher price than the goods that go into the producing of them. Thus all incomes derive from sales, and all sales—directly or indirectly—contribute to production. The latter is, in effect, *incidental to the earning of an in-*

come. So long as an individual is "earning an income," he is, automatically, contributing to production.

Obviously, the system works only so long as individuals have a reason to indulge in the activity of "earning an income." The motives of hunger and gain—separately and conjointly—provide them with such a reason. These two motives are thus geared to production and, accordingly, are termed "economic." The semblance is compelling that hunger and gain are *the* incentives on which any economic system must rest.

This assumption is baseless. Ranging over human societies, we find hunger and gain not appealed to as incentives to production, and where so appealed to, they are fused with other powerful motives.

Aristotle was right: man is not an economic, but a social being. He does not aim at safeguarding his individual interest in the acquisition of material possessions, but rather at ensuring social good-will, social status, social assets. He values possessions primarily as a means to that end. His incentives are of that "mixed" character which we associate with the endeavor to gain social approval—productive efforts are no more than incidental to this. *Man's economy is, as a rule, submerged in his social relations*. The change from this to a society which was, on the contrary, submerged in the economic system was an entirely novel development.

Facts

The evidence of facts, I feel, should at this point be adduced.

First, there are the discoveries of primitive economics. Two names are outstanding: Bronislaw Malinowski and Richard Thurnwald. They and some other research workers revolutionized our conceptions in this field and, by so doing, founded a new discipline. The myth of the individualistic savage had been exploded long ago. Neither the crude egotism, nor the apocryphal propensity to barter, truck, and exchange, nor even the tendency to cater to one's self was in evidence. But equally discredited was the legend of the communistic psychology of the savage, his supposed lack of appreciation for his own personal interests. (Roughly, it appeared that man was very much the same all through the ages. Taking his institutions not in isolation, but in their interrelation, he was mostly found to be behaving in a manner broadly comprehensible to us.) What appeared as "communism" was the fact that the productive or economic system was usually arranged in such a fashion as not to threaten any individual with starvation. His place at the camp fire, his share in the common resources, was secure to him, whatever part he happened to have played in hunt, pasture, tillage, or gardening.

Here are a few instances: Under the *kraal-land* system of the Kaffirs, "destitution is impossible: whosoever needs assistance receives it unquestioningly" (L. P. Mair, *An African People in the Twentieth Century*, 1934). No Kwakiutl "ever ran the least risk of going hungry" (E. M. Loeb, *The Distribution and Function of Money in Early Society*, 1936). "There is no starvation in societies living on the subsistence margin" (M. J. Herskovits, *The Economic Life of Primitive Peoples*, 1940). In effect, the individual is not in danger of starving unless the community as a whole is in a like predicament. It is this absence of the menace of individual destitution that makes primitive society, in a sense, more humane than 19th-century society, and at the same time *less "economic."*

The same applies to the stimulus of individual gain. Again, a few quotations: "The characteristic feature of primitive economics is the absence of any desire to make profits from production and exchange" (R. Thurnwald, *Economics in Primitive Communities*, 1932). "Gain, which is often the stimulus for work in more civilized communities, never acts as an impulse to work under the original native conditions" (B. Malinowski, *Argonauts of the Western Pacific*, 1930). If so-called economic motives were natural to man, we would have to judge all early and primitive societies as thoroughly unnatural.

Secondly, there is no difference between primitive and civilized society in this regard. Whether we turn to ancient city-state, des-

potic empire, feudalism, 13th-century urban life, 16th-century mercantile regime, or 18th-century regulationism—invariably the economic system is found to be merged in the social. Incentives spring from a large variety of sources, such as custom and tradition, public duty and private commitment, religious observance and political allegiance, judicial obligation and administrative regulation as established by prince, municipality, or guild. Rank and status, compulsion of law and threat of punishment, public praise and private reputation, insure that the individual contributes his share to production.

Fear of privation or love of profit need not be altogether absent. Markets occur in all kinds of societies, and the figure of the merchant is familiar to many types of civilization. But isolated markets do not link up into an economy. The motive of gain was specific to merchants, as was valor to the knight, piety to the priest, and pride to the craftsman. The notion of making the motive of gain universal never entered the heads of our ancestors. At no time prior to the second quarter of the 19th century were markets more than a subordinate feature in society.

Thirdly, there was the startling abruptness of the change. Predominance of markets emerged not as a matter of degree, but of kind. Markets through which otherwise self-sufficient householders get rid of their surplus neither direct production nor provide the producer with his income. This is only the case in a market-economy where *all* incomes derive from sales, and commodities are obtainable exclusively by purchase. A free market for labor was born in England only about a century ago. The ill-famed Poor Law Reform (1834) abolished the rough-and-ready provisions made for the paupers by patriarchal governments. The poorhouse was transformed from a refuge of the destitute into an abode of shame and mental torture to which even hunger and misery were preferable. Starvation or work was the alternative left to the poor. Thus was a competitive national market for labor created. Within a decade, the Bank Act (1844) established the principle of the gold standard; the making of money was removed from the hands of the government regardless of the effect upon the level of employment. Simultaneously, reform of land laws mobilized the land, and repeal of the Corn Laws (1846) created a world pool of grain, thereby making the unprotected Continental peasant-farmer subject to the whims of the market.

Thus were established the three tenets of economic liberalism, the principle on which market economy was organized: that labor should find its price on the market; that money should be supplied by a self-adjusting mechanism; that commodities should be free to flow from country to country irrespective of the consequences—in brief, a labor market, the gold standard, and free trade. A self-inflammatory process was induced, as a result of which the formerly harmless market pattern expanded into a sociological enormity.

Birth of a Delusion

These facts roughly outline the genealogy of an "economic" society. Under such conditions the human world must appear as determined by "economic" motives. It is easy to see why.

Single out whatever motive you please, and organize production in such a manner as to make that motive the individual's incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political, or aesthetic; let it be pride, prejudice, love, or envy; and man will appear as essentially religious, political, aesthetic, proud, prejudiced, engrossed in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent "real" man.

As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly. Monks traded for religious reasons, and monasteries became the largest trading establishments in Europe. The Kula trade of the Trobriand

Islanders, one of the most intricate barter arrangements known to man, is mainly an aesthetic pursuit. Feudal economy was run on customary lines. With the Kwakiutl, the chief aim of industry seems to be to satisfy a point of honor. Under mercantile despotism, industry was often planned so as to serve power and glory. Accordingly, we tend to think of monks or villeins, western Melanesians, the Kwakiutl, or 17th-century statesmen, as ruled by religion, aesthetics, custom, honor, or politics, respectively.

Under capitalism, every individual has to earn an income. If he is a worker, he has to sell his labor at current prices; if he is an owner, he has to make as high a profit as he can, for his standing with his fellows will depend upon the level of his income. Hunger and gain—even if vicariously—make them plough and sow, spin and weave, mine coal, and pilot planes. Consequently, members of such a society will think of themselves as governed by these twin motives.

In actual fact, man was never as selfish as the theory demanded. Though the market mechanism brought his dependence upon material goods to the fore, "economic" motives never formed with him the sole incentive to work. In vain was he exhorted by economists and utilitarian moralists alike to discount in business all other motives than "material" ones. On closer investigation, he was still found to be acting on remarkably "mixed" motives, not excluding those of duty towards himself and others—and maybe, secretly, even enjoying work for its own sake.

However, we are not here concerned with actual, but with assumed motives, not with the psychology, but with the ideology of business. *Not on the former, but on the latter, are views of man's nature based.* For once society expects a definite behavior on the part of its members, and prevailing institutions become roughly capable of enforcing that behavior, opinions on human nature will tend to mirror the ideal whether it resembles actuality or not.

Accordingly, hunger and gain were defined as "economic" motives, and man was supposed to be acting on them in everyday life, while his other motives appeared more ethereal and removed from humdrum existence. Honor and pride, civic obligation and moral duty, even self-respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word "ideal." Hence man was believed to consist of two components, one more akin to hunger and gain, the other to honor and power. The one was "material," the other "ideal"; the one "economic," the other "non-economic"; the one "rational," the other "non-rational." The Utilitarians went so far as to identify the two sets of terms, thus endowing the "economic" side of man's character with the aura of rationality. He who would have refused to imagine that he was acting for gain alone was thus considered not only immoral, but also mad.

Economic Determinism

The market mechanism moreover created the delusion of economic determinism as a general law for all human society.

Under a market-economy, of course, this law holds good. Indeed, the working of the economic system here not only "influences" the rest of society, but determines it—as in a triangle the sides not merely influence, but determine, the angles.

Take the stratification of classes. Supply and demand in the labor market were *identical* with the classes of workers and employers, respectively. The social classes of capitalists, landowners, tenants, brokers, merchants, professionals, and so on, were delimited by the respective markets for land, money, and capital and their uses, or for various services. The income of these social classes was fixed by the market, their rank and position by their income.

This was a complete reversal of the secular practice. In Maine's famous phrase, "contractus" replaced "status"; or, as Tönnies preferred to put it, "society" superseded "community"; or, in terms of the present article, *instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system.*

While social classes were directly, other institutions were indirectly determined by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life—everything had to comply with the utilitarian pattern, or at least not interfere with the working of the market mechanism. But since very few human activities can be carried on in the void, even a saint needing his pillar, the indirect effect of the market system came very near to determining the whole of society. It was almost impossible to avoid the erroneous conclusion that as "economic" man was "real" man, so the economic system was "really" society.

Sex and Hunger

YET it would be truer to say that the basic human institutions abhor unmixed motives. Just as the provisioning of the individual and his family does not commonly rely on the motive of hunger, so the institution of the family is not based on the sexual motive.

Sex, like hunger, is one of the most powerful of incentives when released from the control of other incentives. That is probably why the family in all its variety of forms is never allowed to center on the sexual instinct, with its intermittences and vagaries, but on the combination of a number of effective motives that prevent sex from destroying an institution on which so much of man's happiness depends. Sex in itself will never produce anything better than a brothel, and even then it might have to draw on some incentives of the market mechanism. An economic system actually relying for its mainspring on hunger would be almost as perverse as a family system based on the bare urge of sex.

To attempt to apply economic determinism to all human societies is little short of fantastic. Nothing is more obvious to the student of social anthropology than the variety of institutions found to be compatible with practically identical instruments of production. Only since the market was permitted to grind the human fabric into the featureless uniformity of selenic erosion has man's institutional creativeness been in abeyance. No wonder that his social imagination shows signs of fatigue. It may come to a point where he will no longer be able to recover the elasticity, the imaginative wealth and power, of his savage endowment.

No protest of mine, I realize, will save me from being taken for an "idealist." For he who decries the importance of "material" motives must, it seems, be relying on the strength of "ideal" ones. Yet no worse misunderstanding is possible. Hunger and gain have nothing specifically "material" about them. Pride, honor, and power, on the other hand, are not necessarily "higher" motives than hunger and gain.

The dichotomy itself, we assert, is arbitrary. Let us once more adduce the analogy of sex. Assuredly, a significant distinction between "higher" and "lower" motives can here be drawn. Yet, whether hunger or sex, it is pernicious to *institutionalize* the separation of the "material" and "ideal" components of man's being. As regards sex, this truth, so vital to man's essential wholeness, has been recognized all along; it is at the basis of the institution of marriage. But in the equally strategic field of economy, it has been neglected. This latter field has been "separated out" of society as the realm of hunger and gain. Our animal dependence upon food has been bared and the naked fear of starvation permitted to run loose. Our humiliating enslavement to the "material," which all human culture is designed to mitigate, was deliberately made more rigorous. This is at the root of the "sickness of an acquisitive society" that Tawney warned of. And Robert Owen's genius was at its best when, a century before, he described the profit motive as "a principle entirely unfavorable to individual and public happiness."

The Reality of Society

I PLEAD for the restoration of that unity of motives which should inform man in his

everyday activity as a producer, for the reabsorption of the economic system in society, for the creative adaptation of our ways of life to an industrial environment.

On all these counts, laissez-faire philosophy, with its corollary of a marketing society, falls to the ground. It is responsible for the splitting up of man's vital unity into "real" man, bent on material values, and his "ideal" better self. It is paralyzing our social imagination by more or less unconsciously fostering the prejudice of "economic determinism."

It has done its service in that phase of industrial civilization which is behind us. At the price of impoverishing the individual, it enriched society. Today, we are faced with the vital task of restoring the fullness of life to the person, even though this may mean a technologically less efficient society. In different countries in different ways, classical liberalism is being discarded. On Right and Left and Middle, new avenues are being explored. British Social-Democrats, American New Dealers, and also European fascists and American anti-New Dealers of the various "managerialist" brands, reject the liberal utopia. Nor should the present political mood of rejection of everything Russian blind us to the achievement of the Russians in creative adjustment to some of the fundamental aspects of an industrial environment.

On general grounds, the Communist's expectation of the "withering away of the State" seems to me to combine elements of liberal utopianism with practical indifference to institutional freedoms. As regards the withering State, it is impossible to deny that industrial society is complex society, and no complex society can exist without organized power at the center. Yet, again, this fact is no excuse for the Communist's slurring over the question of concrete institutional freedoms.

It is on this level of realism that the problem of individual freedom should be met. No human society is possible in which power and compulsion are absent, nor is a world in which force has no function. Liberal philosophy gave a false direction to our ideals in seeming to promise the fulfillment of such intrinsically utopian expectations.

But under the market system, society as a whole remained invisible. Anybody could imagine himself free from responsibility for those acts of compulsion on the part of the state which he, personally, repudiated, or for unemployment and destitution from which he, personally, did not benefit. Personally, he remained unentangled in the evils of power and economic value. In good conscience, he could deny their reality in the name of his imaginary freedom.

Power and economic value are, indeed, a paradigm of social reality. Neither power nor economic value spring from human volition; non-cooperation is impossible in regard to them. The function of power is to insure that measure of conformity which is needed for the survival of the group: as David Hume showed, its ultimate source is opinion—and who could help holding opinions of some sort or other? Economic value, in any society, insures the usefulness of the goods produced; it is a seal set on the division of labor. Its source is human wants—and how could we be expected not to prefer one thing to another? Any opinion or desire, no matter what society we live in, will make us participants in the creation of power and the constituting of value. No freedom to do otherwise is conceivable. An ideal that would ban power and compulsion from society is intrinsically invalid. By ignoring this limitation on man's meaningful wishes, the marketing view of society reveals its essential immaturity.

The Problem of Freedom

The breakdown of market-economy imperils two kinds of freedoms: some good, some bad.

That the freedom to exploit one's fellows, or the freedom to make inordinate gains without commensurable service to the community, the freedom to keep technological inventions from being used for the public benefit, or the freedom to profit from public calamities secretly engineered for private advantage, may disappear, together with the free market, is all to the good.

But the market-economy under which these freedoms thrived also produced freedoms that we prize highly. Freedom of conscience, freedom of speech, freedom of meeting, freedom of association, freedom to choose one's job—we cherish them for their own sake. Yet to a large extent they were by-products of the same economy that was also responsible for the evil freedoms.

The existence of a separate economic sphere in society created, as it were, a gap between politics and economics, between government and industry, that was in the nature of a no man's land. As division of sovereignty between pope and emperor left medieval princes in a condition of freedom sometimes bordering on anarchy, so division of sovereignty between government and industry in the 19th century allowed even the poor man to enjoy freedoms that partly compensated for his wretched status.

Current scepticism in regard to the future of freedom largely rests on this. There are those who argue, like Hayek, that since free institutions were a product of market-economy, they must give place to serfdom once that economy disappears. There are others, like Burnham, who assert the inevitability of some new form of serfdom called "managerialism."

Arguments like these merely prove to what extent economistic prejudice is still rampant. For such determinism, as we have seen, is only another name for the market-mechanism. It is hardly logical to argue the effects of its absence on the strength of an economic necessity which derives from its presence. And it is certainly contrary to Anglo-Saxon experience. Neither the freezing of labor nor selective service abrogated the essential freedoms of the American people, as anybody can witness who spent the crucial years 1940-1943 in these States. Great Britain during the war introduced an all-round planned economy and did away with that separation of government and industry from which 19th-century freedom sprang, yet never were public liberties more securely entrenched than at the height of the emergency. In truth, we will have just as much freedom as we will desire to create and to safeguard. There is no *one* determinant in human society. Institutional guarantees of personal freedom are compatible with any economic system. In market society alone did the economic mechanism lay down the law.

Man Vs. Industry

WHAT appears to our generation as the problem of capitalism is, in reality, the far greater problem of an industrial civilization. The economic liberal is blind to this fact. In defending capitalism as an economic system, he ignores the challenge of the Machine Age. Yet the dangers that make the bravest quake today transcend economy. The idyllic concerns of trust-busting and Taylorization have been superseded by Hiroshima. Scientific barbarism is dogging our footsteps. The Germans were planning a contrivance to make the sun emanate death rays. We, in fact, produced a burst of death rays that blotted out the sun. Yet the Germans had an evil philosophy, and we had a humane philosophy. In this we should learn to see the symbol of our peril.

Among those in America who are aware of the dimensions of the problem, two tendencies are discernible: some believe in elites and aristocracies, in managerialism and the corporation. They feel that the whole of society should be more intimately adjusted to the economic system, which they would wish to maintain unchanged. This is the ideal of the Brave New World, where the individual is conditioned to support an order that has been designed for him by such as are wiser than he. Others, on the contrary, believe that in a truly democratic society, the problem of industry would resolve itself through the planned intervention of the producers and consumers themselves. Such conscious and responsible action is, indeed, one of the embodiments of freedom in a complex society. But, as the contents of this article suggest, such an endeavor cannot be successful unless it is disciplined by a total view of man and society very different from that which we inherited from market-economy.

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CIVILIZATION MUST FIND A NEW THOUGHT PATTERN

The first century of the Machine Age is drawing to a close amid fear and trepidation. Its fabulous material success was due to the willing, indeed the enthusiastic, subordination of man to the needs of the machine.

Liberal capitalism was in effect man's initial response to the challenge of the Industrial Revolution. In order to allow scope to the use of elaborate, powerful machinery, we transformed human economy into a self-adjusting system of markets, and cast our thoughts and values in the mold of this unique innovation.

Today, we begin to doubt the truth of some of these thoughts and the validity of some of these values. Outside the United States, liberal capitalism can hardly be said to exist any more. How to organize human life in a machine society is a question that confronts us anew. Behind the fading fabric of competitive capitalism there looms the portent of an industrial civilization, with its paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity. Science itself is haunted by insanity. This is the abiding concern.

No mere reversion to the ideals of a past century can show us the way. We must brave the future, though this may involve us in an attempt to shift the place of industry in society so that the extraneous fact of the machine can be absorbed. The search for industrial democracy is not merely the search for a solution to the problems of capitalism, as most people imagine. It is a search for an answer to industry itself. Here lies the concrete problem of our civilization.

Such a new dispensation requires an inner freedom for which we are but ill equipped. We find ourselves stultified by the legacy of a market-economy which bequeathed us oversimplified views of the function and role of the economic system in society. If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition.

Industrialism is a precariously grafted scion upon man's age-long existence. The outcome of the experiment is still hanging in the balance. But man is not a simple being and can die in more than one way. The question of individual freedom, so passionately raised in our generation, is only one aspect of this anxious problem. In truth, it forms part of a much wider and deeper need - the need for a new response to the total challenge of the machine.

Karl Polanyi considers this article to represent his first significant advance over the thesis presented in The Great Transformation (1944), which attracted international attention as an original analysis of the dilemma of free enterprise capitalism as it affects our entire Western society. Dr. Polanyi was born in Vienna in 1886, and was from 1924 to 1934 on the staff of the Oesterreichische Volkswirt, a leading financial weekly. When the clerical dictatorship was established, he emigrated to England, where he lectured at Oxford and the University of London, co-edited Christianity and Social Revolution, and wrote The Essence of Fascism. He was at Bennington College from 1940 to 1943, and will return to the United States this month as visiting professor at Columbia University. This article is twelfth in the series, "The Crisis of the Individual."

THE FUNDAMENTAL HERESY

Our condition can be described in these terms:

Industrial civilization may yet undo man. But since the venture of a progressively artificial environment cannot, will not, and indeed, should not, be voluntarily discarded, the task of adapting life in such a surrounding to the requirements of human existence must be resolved if man is to continue on earth. No one can foretell whether such an adjustment is possible, or whether man must perish in the attempt. Hence the dark undertone of concern.

Meanwhile, the first phase of the Machine Age has run its course. It involved an organization of society that derived its name from its central institution, the market. This system is on the downgrade. Yet our practical philosophy was overwhelmingly shaped by this spectacular episode. Novel notions about man and society became current and gained the status of axioms. Here they are:

As regards man, we were made to accept the heresy that his motives can be described as "material" and "ideal," and that the incentives on which everyday life is organized spring from the "material" motives. Both utilitarian liberalism and popular Marxism favored such views.

As regards society, the kindred doctrine was propounded that its institutions were "determined" by the economic system. This opinion was even more popular with Marxists than with liberals.

Under a market-economy both assertions were, of course, true. But only under such an economy. In regard to the past, such a view was no more than an anachronism. In regard to the future, it was a mere prejudice. Yet under the influence of current schools of thought, reinforced by the authority of science and religion, politics and business, these strictly time-bound phenomena came to be regarded as timeless, as transcending the age of the market.

To overcome such doctrines, which constrict our minds and souls and greatly enhance the difficulty of the life-saving adjustment, may require no less than a reform of our consciousness.

THE MARKET TRAUMA

The birth of laissez faire administered a shock to civilized man's views of himself, from the effects of which he never quite recovered. Only very gradually are we realizing what happened to us as recently as a century ago.

Liberal economy, this primary reaction of man to the machine, was a violent break with the conditions that preceded it. A chain-reaction was started - what before was merely isolated markets was transmuted into a self-regulating system of markets. And with the new economy, a new society sprang into being.

The crucial step was this: labor and land were made into commodities, that is, they were treated as if produced for sale. Of course, they were not actually commodities, since they were either not produced at all (as land) or, if so, not for sale (as labor).

Yet no more thoroughly effective fiction was ever devised. By buying and selling labor and land freely, the mechanism of the market was made to apply to them. There was now supply of labor, and demand for it; there was supply of land, and demand for it. Accordingly, there was a market price for the use of labor power, called wages, and a market price for the use of land, called rent. Labor and land were provided with markets of their own, similar to the commodities proper that were produced with their help.

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of an automaton running in its own grooves and governed by its own laws.

Nothing similar had ever been witnessed before. Under the mercantile regime, though it deliberately pressed for the creation of markets, the converse principle still operated. Labor and land were not entrusted to the market; they formed part of the organic structure of society. Where land was marketable, only the determination of price was, as a rule, left to the parties; where labor was subject to contract, wages themselves were usually assessed by public authority. Land stood under the custom of manor, monastery, and township, under common-law limitations concerning rights of real property; labor was regulated by laws against beggary and vagrancy, statutes of laborers and artificers, poor laws, guild and municipal ordinances. In effect, all societies known to anthropologists and historians restricted markets to commodities in the proper sense of the term.

Market-economy thus created a new type of society. The economic or productive system was here entrusted to a self-acting device. An institutional mechanism controlled human beings in their everyday activities as well as the resources of nature.

This instrument of material welfare was under the sole control of the incentives of hunger and gain-or, more precisely, fear of going without the necessities of life, and expectation of profit. So long as no propertyless person could satisfy his craving for food without first selling his labor in the market, and so long as no propertied person was prevented from buying in the cheapest market and selling in the dearest, the blind mill would turn out ever-increasing amounts of commodities for the benefit of the human race. Fear of starvation with the worker, lure of profit with the employer, would keep the vast establishment running.

In this way an "economic sphere" came into existence that was sharply delimited from other institutions in society. Since no human aggregation can survive without a functioning productive apparatus, its embodiment in a distinct and separate sphere had the effect of making the "rest" of society dependent upon that sphere. This autonomous zone, again, was regulated by a mechanism that controlled its functioning. As a result, the market mechanism became determinative for the life of the body social. No wonder that the emergent human aggregation was an "economic" society to a degree previously never even approximated. "Economic motives" reigned supreme in a world of their own, and the individual was made to act on them under pain of being trodden under foot by the juggernaut market.

Such a forced conversion to a utilitarian outlook fatefully warped Western man's understanding of himself.

HUNGER AND GAIN ENTHRONED

This new world of "economic motives" was based on a fallacy. Intrinsically, hunger and gain are no more "economic" than love or hate, pride or prejudice. No human motive is per se economic. There is no such thing as a sui generis economic experience in the sense in which man may have a religious, aesthetic, or sexual experience. These latter give rise to motives that broadly aim at evoking similar experiences. In regard to material production these terms lack self-evident meaning.

The economic factor, which underlies all social life, no more gives rise to definite incentives than the equally universal law of gravitation. Assuredly, if we do not eat, we must perish, as much as if we were crushed under the weight of a falling rock. But the pangs of hunger are not automatically translated into an incentive to produce. Production is not an individual, but a collective affair. If an individual is hungry, there is nothing definite for him to do. Made desperate, he might rob or steal, but such an action can hardly be called productive. With man, the political animal, everything is given not by natural, but by social circumstance. What made the 19th century think of hunger and gain as "economic" was simply the organization of production under a market economy.

Hunger and gain are here linked with production through the need of "earning an income." For under such a system, man, if he is to keep alive, is compelled to buy goods on the market with the help of an income derived from selling other goods on the market. The name of these incomes - wages, rent, interest - varies accordingly to what is offered for sale: use of labor power, of land, or of money; the income called profit - the remuneration of the entrepreneur - derives from the sale of goods that fetch a higher price than the goods that go into a producing of them. Thus all incomes derive from sales, and all sales - directly or indirectly - contribute to production. The latter is, in effect, incidental to the earning of an income. So long as an individual is "earning an income," he is, automatically, contributing to production.

Obviously, the system works only so long as individuals have a reason to indulge in the activity of "earning an income." The motives of hunger and gain - separately and conjointly - provide them with such a reason. These two motives are thus geared to production and, accordingly, are termed "economic." The semblance is compelling that hunger and gain are the incentives on which any economic system must rest.

This assumption is baseless. Ranging over human societies, we find hunger and gain not appealed to as incentives to production and where so appealed to, they are fused with other powerful motives.

Aristotle was right: man is not an economic, but a social being. He does not aim at safeguarding his individual interest in the acquisition of material possessions, but rather at ensuring social good-will, social status, social assets. He values possessions primarily as a means to that end. His incentives are of that "mixed" character which we associate with the endeavor to gain social approval - productive efforts are no more than incidental to this. Man's economy is, as a rule, submerged in his social relations. The change from this to a society which was, on the contrary, submerged in the economic system was an entirely novel development.

FACTS

The evidence of facts, I feel, should at this point be adduced.

First, there are the discoveries of primitive economics. Two names are outstanding: Bronislaw Malinowski and Richard Thurnwald. They and some other research workers revolutionized our conceptions in this field and by so doing, founded a new discipline. The myth of the individualistic savage had been exploded long ago. Neither the crude egotism, nor the apocryphal propensity to barter, truck, and exchange, nor even the tendency to cater to one's self was in evidence. But equally discredited was the legend of the communistic psychology of the savage, his supposed lack of appreciation for his own personal interests. (Roughly, it appeared that man was very much the same all through the ages. Taking his institutions not in isolation, but in their interrelation, he was mostly found to be behaving in a manner broadly comprehensible to us.) What appeared as "communism" was the fact that the productive or economic system was usually arranged in such a fashion as not to threaten any individual with starvation. His place was at the camp fire, his share in the common resources, was secure to him, whatever part he happened to have played in hunt, pasture, tillage, or gardening.

Here are a few instances: Under the kraalland system of the Kaffirs, "destitution is impossible: whosoever needs assistance receives it unquestioningly" (L.P. Mair, An African People in the Twentieth Century, 1934). No Kwakiutl "ever ran the least risk of going hungry" (E:M. Loeb, The Distribution and Function of Money in Early Society, 1936). "There is no starvation in societies living on the subsistence margin" (M.J. Herskovits, The Economic Life of Primitive Peoples, 1940). In effect, the individual is not in danger of starving unless the community as a whole is in a like predicament. It is this absence of the menace of individual destitution that makes primitive society, in a sense, more humane than 19th-century society, and at the same time less "economic."

The same applies to the stimulus of individual gain. Again, a few quotations: "The characteristic feature of primitive economics is the absence of any desire to make profits from production and exchange" (R. Thurnwald, Economics in Primitive Communities, 1932). "Gain, which is often the stimulus for work in more civilized communities, never acts as an impulse to work under the original native conditions" (B. Malinowski, Argonauts of the Western Pacific, 1930). If so-called economic motives were natural to man, we would have to judge all early and primitive societies as thoroughly unnatural.

Secondly, there is no difference between primitive and civilized society in this regard. Whether we turn to ancient city-state, despotic empire, feudalism, 13th-century urban life, 16th-century mercantile regime, or 18th-century regulationism - invariably the economic system is found to be merged in the social. Incentives spring from a large variety of sources, such as custom and tradition, public duty and private commitment, religious observance and political allegiance, judicial obligation and administrative regulation as established by prince, municipality, or guild. Rank and status, compulsion of law and threat of punishment, public praise and private reputation, insure that the individual contributes his share to production.

Fear of privation or love of profit need not be altogether absent. Markets occur in all kinds of societies, and the figure of the merchant is familiar to many types of civilization. But isolated markets do not link up into an economy. The motive of gain was specific to merchants, as was valor to the knight, piety to the priest, and pride to the craftsman. The notion of making the motive of gain universal

never entered the heads of our ancestors. At no time prior to the second quarter of the 19th century were markets more than a subordinate feature in society.

Thirdly, there was the startling abruptness of the change. Predominance of markets emerged not as a matter of degree, but of kind. Markets through which otherwise self-sufficient householders get rid of their surplus neither direct production nor provide the producer with his income. This is only the case in a market-economy where all incomes derive from sales, and commodities are obtainable exclusively by purchase. A free market for labor was born in England only about a century ago. The ill-famed Poor Law Reform (1834) abolished the rough-and-ready provisions made for the paupers by patriarchal governments. The poorhouse was transformed from a refuge of the destitute into an abode of shame and mental torture to which even hunger and misery were preferable. Starvation or work was the alternative left to the poor. Thus was a competitive national market for labor created. Within a decade, the Bank Act (1844) established the principle of the gold standard; the making of money was removed from the hands of the government regardless of the effect upon the level of employment. Simultaneously, reform of land laws mobilized the land, and repeal of the Corn Laws (1846) created a world pool of grain, thereby making the unprotected Continental peasant-farmer subject to the whims of the market.

Thus were established the three tenets of economic liberalism, the principle on which market economy was organized: that labor should find its price on the market; that money should be supplied by a self-adjusting mechanism; that commodities should be free to flow from country to country irrespective of the consequences - in brief, a labor market, the gold standard, and free trade. A self-inflammatory process was induced, as a result of which the formerly harmless market pattern expanded into a sociological enormity.

BIRTH OF A DELUSION

These facts roughly outline the genealogy of an "economic" society. Under such conditions the human world must appear as determined by "economic" motives. It is easy to see why.

Single out whatever motive you please, and organize production in such a manner as to make that motive the individual's incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political or aesthetic; let it be pride, prejudice, love, or envy; and man will appear as essentially religious, political, aesthetic, proud, prejudiced, engrossed in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent "real" man.

As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly. Monks traded for religious reasons, and monasteries became the largest trading establishments in Europe. The Kula trade of the Trobriand Islanders, one of the most intricate barter arrangements known to man, is mainly an aesthetic pursuit. Feudal economy was run on customary lines. With the Kwakiutl, the chief aim of industry seems to be to satisfy a point of honor. Under mercantile despotism, industry was often planned so as to serve power and glory. Accordingly, we tend to think of monks or villeins, western Melanesians, the Kwakiutl, or 17th-century statesmen, as ruled by religion, aesthetics, custom, honor, or politics, respectively.

Under capitalism, every individual has to earn an income. If he is a worker, he has to sell his labor at current prices; if he is an owner, he has to make as high a profit as he can for his standing with his fellows will depend upon the level of his income. Hunger and gain - even if vicariously - make them plough and sow, spin and weave, mine coal, and pilot planes. Consequently, members of such a society will think of themselves as governed by these twin motives.

In actual fact, man was never as selfish as the theory demanded. Though the market mechanism brought his dependence upon material goods to the fore, "economic" motives never formed with him the sole incentive to work. In vain was he exhorted by economists and utilitarian moralists alike to discount in business all other motives than "material" ones. On closer investigation, he was still found to be acting on remarkably "mixed" motives, not excluding those of duty towards himself and others - and maybe, secretly, even enjoying work for its own sake.

However, we are not here concerned with actual, but with assumed motives, not with the psychology, but with the ideology of business. Not on the former, but on the latter, are views of man's nature based. For once society expects a definite behaviour on the part of its members, and prevailing institutions become roughly capable of enforcing that behaviour, opinions on human nature will tend to mirror the ideal whether it resembles actuality or not.

Accordingly, hunger and gain were defined as "economic" motives, and man was supposed to be acting on them in everyday life, while his other motives appeared more ethereal and removed from humdrum existence. Honor and pride, civic obligation and moral duty, even self-respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word "ideal." Hence man was believed to consist of two components, one more akin to hunger and gain, the other to honor and power. The one was "material," the other "ideal"; the one "economic," the other "non-economic"; the one "rational," the other "non-rational." The Utilitarians went so far as to identify the two sets of terms, thus endowing the "economic" side of man's character with the aura of rationality. He who would have refused to imagine that he was acting for gain alone was thus considered not only immoral, but also mad.

ECONOMIC DETERMINISM

The market mechanism moreover created the delusion of economic determinism as a general law for all human society.

Under a market-economy, of course, this law holds good. Indeed, the working of the economic system here not only "influences" the rest of society, but determines it - as in a triangle the sides not merely influence, but determine the angles.

Take the stratification of classes. Supply and demand in the labor market were identical with the classes of workers and employers, respectively. The social classes of capitalists, landowners, tenants, brokers, merchants, professionals, and so on, were delimited by the respective markets for land, money, and capital and their uses, or for various services. The income of these social classes was fixed by the market, their rank and position by their income.

This was a complete reversal of the secular practice. In Maine's famous phrase, "contractus" replaced "status"; or, as Tonnies preferred to put it, "society" superseded "community"; or, in terms of the present article, instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system.

While social classes were directly, other institutions were indirectly determined by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life - everything had to comply with the utilitarian pattern, or at least not interfere with the working of the market mechanism. But since very few human activities can be carried on in the void, even a saint needing his pillar, the indirect effect of the market system came very near to determining the whole of society. It was almost impossible to avoid the erroneous conclusion that as "economic" man was "real" man, so the economic system was "really" society.

SEX AND HUNGER

Yet it would be truer to say that the basic human institutions abhor unmixed motives. Just as the provisioning of the individual and his family does not commonly rely on the motive of hunger, so the institution of the family is not based on the sexual motive.

Sex, like hunger, is one of the most powerful of incentives when released from the control of other incentives. That is probably why the family in all its variety of forms is never allowed to center on the sexual instinct, with its intermittences and vagaries, but on the combination of a number of effective motives that prevent sex from destroying an institution on which so much of man's happiness depends. Sex in itself will never produce anything better than a brothel, and even then it might have to draw on some incentives of the market mechanism. An economic system actually relying for its mainspring on hunger would be almost as perverse as a family system based on the bare urge of sex.

To attempt to apply economic determinism to all human societies is little short of fantastic. Nothing is more obvious to the student of social anthropology than the variety of institutions found to be compatible with practically identical instruments of production. Only since the market was permitted to grind the human fabric into the featureless uniformity of selenic erosion has man's institutional creativeness been in abeyance. No wonder that his social imagination shows signs of fatigue. It may come to a point where he will no longer be able to recover the elasticity, the imaginative wealth and power, of his savage endowment.

No protest of mine, I realize, will save me from being taken for an "idealist." For he who decries the importance of "material" motives must, it seems, be relying on the strength of "ideal" ones. Yet no worse misunderstanding is possible. Hunger and gain have nothing specifically "material" about them. Pride, honor, and power, on the other hand, are not necessarily "higher" motives than hunger and gain.

The dichotomy itself, we assert, is arbitrary. Let us once more adduce the analogy of sex. Assuredly, a significant distinction between "higher" and "lower" motives can here be drawn. Yet, whether hunger or sex, it is pernicious to <u>institutionalize</u> the separation of the "material" and "ideal" components of man's being. As regards sex, this truth, so vital to man's essential wholeness, has been recognized all along; it is at the basis of the institution of marriage. But in the equally strategic field of economy, it has been neglected. This latter field has been "separated out" of society as the realm of hunger and gain. Our animal dependence upon food has been bared and the naked fear of starvation permitted to run loose. Our humiliating enslavement to the "material," which all human culture is designed to mitigate, was deliberately made more rigorous. This is at the root of the

"sickness of an acquisitive society" that Tawney warned of. And Robert Owen's genius was at its best when, a century before, he described the profit motive as "a principle entirely unfavorable to individual and public happiness."

THE REALITY OF SOCIETY

I plead for the restoration of that unity of motives which should inform man in his everyday activity as a producer, for the reabsorption of the economic system in society, for the creative adaptation of our ways of life to an industrial environment.

On all these counts, laissez-faire philosophy, with its corollary of a marketing society, falls to the ground. It is responsible for the splitting up of man's vital unity into "real" man, bent on material values, and his "ideal" better self. It is paralyzing our social imagination by more or less unconsciously fostering the prejudice of "economic determinism."

It has done its service in that phase of industrial civilization which is behind us. At the price of impoverishing the individual, it enriched society. Today, we are faced with the vital task of restoring the fullness of life to the person, even though this may mean a technologically less efficient society. In different countries in different ways, classical liberalism is being discarded. On Right and Left and Middle, new avenues are being explored. British Social-Democrats, American New Dealers, and also European fascists and American anti-New Dealers of the various "managerialist" brands, reject the liberal utopia. Nor should the present political mood of rejection of everything Russian blind us to the achievement of the Russians in creative adjustment to some of the fundamental aspects of an industrial environment.

On general grounds, the Communist's expectation of the "withering away"of the State" seems to me to corbine elements of liberal utopianism with practical indifference to institutional freedoms. As regards the withering State, it is impossible to deny that industrial society is complex society, and no complex society can exist without organized power at the center. Yet, again, this fact is no excuse for the Communist's slurring over the question of concrete institutional freedoms.

It is on this level of realism that the problem of individual freedom should be met. No human society is possible in which power and compulsion are absent, nor is a world in which force has no function. Liberal philosophy gave a false direction to our ideals in seeming to promise the fulfillment of such intrinsically utopian expectations.

But under the market system, society as a whole remained invisible. Anybody could imagine himself free from responsibility for those acts of compulsion on the part of the state which he, personally, repudiated, or for unemployment and destitution from which he, personally, did not benefit. Personally, he remained unentangled in the evils of power and economic value. In good conscience, he could deny their reality in the name of his imaginary freedom.

Power and economic value are, indeed, a paradigm of social reality. Neither power nor economic value spring from human volition; non-cooperation is impossible ir regard to them. The function of power is to insure that measure of conformity which is needed for the survival of the group: as David Hume showed, its ultimate source is opinion - and who could help holding opinions of some sort or other? Economic

value, in any society, insures the usefulness of the goods produced; it is a seal set on the division of labor. Its source is human wants - and how could we be expected not to prefer one thing to another? Any opinion or desire, no matter what society we live in, will make us participants in the creation of power and the constituting of value. No freedom to do otherwise is conceivable. An ideal that would ban power and compulsion from society is intrinsically invalid. By ignoring this limitation on man's meaningful wishes, the marketing view of society reveals its essential immaturity.

THE PROBLEM OF FREEDOM

The breakdown of market-economy imperils two kinds of freedoms: some good, some bad.

That the freedom to exploit one's fellows, or the freedom to make inordinate gains without commensurable service to the community, the freedom to keep technological inventions from being used for the public benefit, or the freedom to profit from public calamities secretly engineered for private advantage, may disappear, together with the free market, is all to the good.

But the market-economy under which these freedoms thrived also produced freedoms that we prize highly. Freedom of conscience, freedom of speech, freedom of meeting, freedom of association, freedom to choose one's job - we cherish them for their own sake. Yet to a large extent they were by-products of the same economy that was also responsible for the evil freedoms.

The existence of a separate economic sphere in society created, as it were, a gap between politics and economics, between government and industry, that was in the nature of a no man's land. As division of sovereignity between pope and emperor left medieval princes in a condition of freedom sometimes bordering on anarchy, so division of sovereignty between government and industry in the 19th century allowed even the poor man to enjoy freedoms that partly compensated for his wretched status.

Current scepticism in regard to the future of freedom largely rests on this. There are those who argue, like Hayek, that since free institutions were a product of market-economy, they must give place to serfdom once that economy disappears. There are others, like Burnham, who assert the inevitability of some new form of serfdom called "managerialism."

Arguments like these merely prove to what extent economistic prejudice is still rampant. For such determinism, as we have seen, is only another name for the market-mechanism. It is hardly logical to argue the effects of its absence on the strength of an economic necessity which derives from its presence. And it is certainly contrary to Anglo-Saxon experience. Neither the freezing of labor nor selective service abrogated the essential freedoms of the American people, as anybody can witness who spent the crucial years 1940-1943 in these States. Great Britain during the war introduced an all-round planned economy and did away with that separation of government and industry from which 19th-century freedom sprang, yet never were public liberties more securely entrenched than at the height of the emergency. In truth, we will have just as much freedom as we will desire to create and to safeguard. There is no <u>one</u> determinant in human society. Institutional guarantees of personal freedom are compatible with any economic system. Im market society alone did the economic mechanism lay down the law.

MAN VS. INDUSTRY

What appears to our generation as the problem of capitalism is, in reality, the far greater problem of an industrial civilization. The economic liberal is blind to this fact. In defending ~~capitalism as an economic~~ system, he ignores the challenge of the Machine Age. Yet the dangers that make the bravest quake today transcend economy. The idyllic concerns of trust-busting and Taylorization have been superseded by Hiroshima. Scientific barbarism is dogging our footsteps. The Germans were planning a contrivance to make the sun emanate death rays. We, in fact, produced a burst of death rays that blotted out the sun. Yet the Germans had an evil philosophy, and we had a humane philosophy. In this we should learn to see the symbol of our peril.

Among those in America who are aware of the dimensions of the problem, two tendencies are discernible: some believe in elites and aristocracies, in managerialism and the corporation. They feel that the whole of society should be more intimately adjusted to the economic system, which they would wish to maintain unchanged. This is the ideal of the Brave New World, where the individual is conditioned to support an order that has been designed for him by such as are wiser than he. Others, on the contrary, believe that in a truly democratic society, the problem of industry would resolve itself through the planned intervention of the producers and consumers themselves. Such conscious and responsible action is, indeed, one of the embodiments of freedom in a complex society. But, as the contents of this article suggest, such an endeavor cannot be successful unless it is disciplined by a total view of man and society very different from that which we inherited from market-economy.

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Today, we begin to doubt the truth of some of these thoughts and the validity of some of these values. Outside the United States, liberal capitalism can hardly be said to exist any more. How to organize human life in a machine society is a question that confronts us anew. Behind the fading fabric of competitive capitalism there looms the portent of an industrial civilization, with its paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity. Science itself is haunted by insanity. This is the abiding concern.

No mere reversion to the ideals of a past century can show us the way. We must brave the future, though this may involve us in an attempt to shift the place of industry in society so that the extraneous fact of the machine can be absorbed. The search for industrial democracy is not merely the search for a solution to the problems of capitalism, as most people imagine. It is a search for an answer to industry itself. Here lies the concrete problem of our civilization.

Such a new dispensation requires an inner freedom for which we are but ill equipped. We find ourselves stultified by the legacy of a market-economy which bequeathed us over simplified views of the function and role of the economic system in society. If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition.

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THE FUNDAMENTAL HERESY—SUB.

Our condition can be described in these terms:

Industrial civilization may yet undo man. But since the venture of a progressively artificial environment cannot, will not, and

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Karl Polanyi considers this article to represent his first significant advance over the thesis presented in *The Great Transformation* (1944), which attracted international attention as an original analysis of the dilemma of free enterprise capitalism as it affects our entire Western society. Dr. Polanyi was born in on the staff of the *Oesterreichische Volkswirt*, Vienna in 1886, and was from 1924 to 1934 a leading financial weekly. When the clerical dictatorship was established, he emigrated to England, where he lectured at Oxford and the University of London, co-edited *Christianity and Social Evolution*, and wrote *The Essence of Fascism*. He was at Bennington College from 1940 to 1943, and will return to the United States this month as visiting professor at Columbia University. This article is twelfth in the series, "The Crisis of the Individual."

indeed, should not, be voluntarily discarded, the task of adapting life *in such a surrounding* to the requirements of human existence must be resolved if man is to continue on earth. No one can foretell whether such an adjustment is possible, or whether man must perish in the attempt. Hence the dark undertone of concern.

Meanwhile, the first phase of the Machine Age has run its course. It involved an organization of society that derived its name from its central institution, the market. This system is on the downgrade. Yet our practical philosophy was overwhelmingly shaped by this spectacular episode. Novel notions about man and society became current and gained the status of axioms. Here they are:

As regards *man*, we were made to accept the heresy that his motives can be described as "material" and "ideal," and that the incentives on which everyday life is organized spring from the "material" motives. Both utilitarian liberalism and popular Marxism favored such views.

As regards *society*, the kindred doctrine was propounded that its institutions were "determined" by the economic system. This opinion was even more popular with Marxists than with liberals.

Under a market-economy both assertions were, of course, true. *But only under such an economy*. In regard to the past, such a view was no more than an anachronism. In regard to the future, it was a mere prejudice. Yet under the influence of current schools of thought, reinforced by the authority of science and religion, politics and business, these strictly time-bound phenomena came to be regarded as timeless, as transcending the age of the market.

To overcome such doctrines, which constrict our minds and souls and greatly enhance the difficulty of the life-saving adjustment, may require no less than a reform of our consciousness.

The market trauma

THE birth of laissez-faire administered a shock to civilized man's views of himself, from the effects of which he never quite recovered. Only very gradually are we realizing what happened to us as recently as a century ago.

Liberal economy, this primary reaction of man to the machine, was a violent break with the conditions that preceded it. A chain-reaction was started—what before were merely isolated markets ~~were~~ was transmuted into a self-regulating *system* of markets. And with the new economy, a new society sprang into being.

The crucial step was this: labor and land were made into commodities, that is, they were treated *as if* produced for sale. Of course, they were not actually commodities, since they were either not produced at all (as land) or, if so, not for sale (as labor).

Yet no more thoroughly effective fiction was ever devised. By buying and selling labor and land freely, the mechanism of the market was made to apply to them. There was now supply of labor, and demand for it; there was supply of land, and demand for it. Accordingly, there was a market price for the use of labor power, called wages, and a market price for the use of land, called rent. Labor and land were provided with markets of their own, similar to the commodities proper that were produced with their help.

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of an automaton running in its own grooves and governed by its own laws.

Nothing similar had ever been witnessed before. Under the mercantile regime, though it deliberately pressed for the creation of markets, the converse principle still operated. Labor and land were not entrusted to the market; they formed part of the organic structure of society. Where land was marketable, only the determination of price was, as a rule, left to the parties; where labor was subject to contract, wages themselves were usually assessed by public authority. Land stood under the custom of manor, monastery, and township, under common-law limitations concerning rights of

real property; labor was regulated by laws against beggary and vagrancy, statutes of laborers and artificers, poor laws, guild and municipal ordinances. In effect, all societies known to anthropologists and historians restricted markets to commodities in the proper sense of the term.

Market-economy thus created a new type of society. The economic or productive system was here entrusted to a self-acting device. An institutional mechanism controlled human beings in their everyday activities as well as the resources of nature.

This instrument of material welfare was under the sole control of the incentives of hunger and gain—or, more precisely, fear of going without the necessities of life, and expectation of profit. So long as no propertyless person could satisfy his craving for food without first selling his labor in the market, and so long as no propertied person was prevented from buying in the cheapest market and selling in the dearest, the blind mill would turn out ever-increasing amounts of commodities for the benefit of the human race. Fear of starvation with the worker, lure of profit with the employer, would keep the vast establishment running.

In this way an "economic sphere" came into existence that was sharply delimited from other institutions in society. Since no human aggregation can survive without a functioning productive apparatus, its embodiment in a distinct and separate sphere had the effect of making the "rest" of society dependent upon that sphere. This autonomous zone, again, was regulated by a mechanism that controlled its functioning. As a result, the market mechanism became determinative for the life of the body social. No wonder that the emergent human aggregation was an "economic" society to a degree previously never even approximated. "Economic motives" reigned supreme in a world of their own, and the individual was made to act on them under pain of being trodden under foot by the juggernaut market.

Such a forced conversion to a utilitarian outlook fatefully warped Western man's understanding of himself.

Hunger and gain enthroned.

THIS new world of "economic motives" was based on a fallacy. Intrinsically, hunger and gain are no more "economic" than love or hate, pride or prejudice. No human motive is *per se* economic. There is no such thing as a *sui generis* economic experience in the sense in which man may have a religious, aesthetic, or sexual experience. These latter give rise to motives that broadly aim at evoking similar experiences. In regard to material production these terms lack self-evident meaning.

The economic factor, which underlies all social life, no more gives rise to definite incentives than the equally universal law of gravitation. Assuredly, if we do not eat, we must perish, as much as if we were crushed under the weight of a falling rock. But the pangs of hunger are not automatically translated into an incentive to produce. Production is not an individual, but a collective affair. If an individual is hungry, there is nothing definite for him to do. Made desperate, he might rob or steal, but such an action can hardly be called productive. With man, the political animal, everything is given not by natural, but by social circumstance. What made the 19th century think of hunger and gain as "economic" was simply the organization of production under a market economy.

Hunger and gain are here linked with production through the need of "earning an income." For under such a system, man, if he is to keep alive, is compelled to buy goods on the market with the help of an income derived from selling other goods on the market. The name of these incomes—wages, rent, interest—varies accordingly to what is offered for sale: use of labor power, of land, or of money; the income called profit—the remuneration of the entrepreneur—derives from the sale of goods that fetch a higher price than the goods that go into the producing of them. Thus all incomes derive from sales, and all sales—directly or indirectly—contribute to production. The latter is, in effect, *incidental to the earning of an in-*

come. So long as an individual is "earning an income," he is, automatically, contributing to production.

Obviously, the system works only so long as individuals have a reason to indulge in the activity of "earning an income." The motives of hunger and gain—separately and conjointly—provide them with such a reason. These two motives are thus geared to production and, accordingly, are termed "economic." The semblance is compelling that hunger and gain are *the* incentives on which any economic system must rest.

This assumption is baseless. Ranging over human societies, we find hunger and gain not appealed to as incentives to production, and where so appealed to, they are fused with other powerful motives.

Aristotle was right: man is not an economic, but a social being. He does not aim at safeguarding his individual interest in the acquisition of material possessions, but rather at ensuring social good-will, social status, social assets. He values possessions primarily as a means to that end. His incentives are of that "mixed" character which we associate with the endeavor to gain social approval—productive efforts are no more than incidental to this. *Man's economy is, as a rule, submerged in his social relations.* The change from this to a society which was, on the contrary, submerged in the economic system was an entirely novel development.

Facts.

THE evidence of facts, I feel, should at this point be adduced.

First, there are the discoveries of primitive economics. Two names are outstanding: Bronislaw Malinowski and Richard Thurnwald. They and some other research workers revolutionized our conceptions in this field and, by so doing, founded a new discipline. The myth of the individualistic savage had been exploded long ago. Neither the crude egotism, nor the apocryphal propensity to barter, truck, and exchange, nor even the tendency to cater to one's self was in evidence. But equally discredited was the legend of the communistic psychology of the savage, his supposed lack of appreciation for his own personal interests. (Roughly, it appeared that man was very much the same all through the ages. Taking his institutions not in isolation, but in their interrelation, he was mostly found to be behaving in a manner broadly comprehensible to us.) What appeared as "communism" was the fact that the productive or economic system was usually arranged in such a fashion as not to threaten any individual with starvation. His place at the camp fire, his share in the common resources, was secure to him, whatever part he happened to have played in hunt, pasture, tillage, or gardening.

Here are a few instances: Under the *kraal-land* system of the Kaffirs, "destitution in impossible: whosoever needs assistance receives it unquestioningly." (L. P. Mair, *An African People in the Twentieth Century*, 1934). No Kwakiutl "ever ran the least risk of going hungry" (E. M. Loeb, *The Distribution and Function of Money in Early Society*, 1936). "There is no starvation in societies living on the subsistence margin" (M. J. Herskovits, *The Economic Life of Primitive Peoples*, 1940). In effect, the individual is not in danger of starving unless the community as a whole is in a like predicament. It is this absence of the menace of individual destitution that makes primitive society, in a sense, more humane than 19th-century society, and at the same time *less "economic."*

The same applies to the stimulus of individual gain. Again, a few quotations: "The characteristic feature of primitive economics is the absence of any desire to make profits from production and exchange" (R. Thurnwald, *Economics in Primitive Communities*, 1932). "Gain, which is often the stimulus for work in more civilized communities, never acts as an impulse to work under the original native conditions" (B. Malinowski, *Argonauts of the Western Pacific*, 1930.) If so-called economic motives were natural to man, we would have to judge all early and primitive societies as thoroughly unnatural.

Secondly, there is no difference between primitive and civilized society in this regard. Whether we turn to ancient city-state, des-

potic empire, feudalism, 13th-century urban life, 16th-century mercantile regime, or 18th-century regulationism—invariably the economic system is found to be merged in the social. Incentives spring from a large variety of sources, such as custom and tradition, public duty and private commitment, religious observance and political allegiance, judicial obligation and administrative regulation as established by prince, municipality, or guild. Rank and status, compulsion of law and threat of punishment, public praise and private reputation, insure that the individual contributes his share to production.

Fear of privation or love of profit need not be altogether absent. Markets occur in all kinds of societies, and the figure of the merchant is familiar to many types of civilization. But isolated markets do not link up into an economy. The motive of gain was specific to merchants, as was valor to the knight, piety to the priest, and pride to the craftsman. The notion of making the motive of gain universal never entered the heads of our ancestors. At no time prior to the second quarter of the 19th century were markets more than a subordinate feature in society.

Thirdly, there was the startling abruptness of the change. Predominance of markets emerged not as a matter of degree, but of kind. Markets through which otherwise self-sufficient householders get rid of their surplus neither direct production nor provide the producer with his income. This is only the case in a market-economy where *all* incomes derive from sales, and commodities are obtainable exclusively by purchase. A free market for labor was born in England only about a century ago. The ill-famed Poor Law Reform (1834) abolished the rough-and-ready provisions made for the paupers by patriarchal governments. The poorhouse was transformed from a refuge of the destitute into an abode of shame and mental torture to which even hunger and misery were preferable. Starvation or work was the alternative left to the poor. Thus was a competitive national market for labor created. Within a decade, the Bank Act (1844) established the principle of the gold standard; the making of money was removed from the hands of the government regardless of the effect upon the level of employment. Simultaneously, reform of land laws mobilized the land, and repeal of the Corn Laws (1846) created a world pool of grain, thereby making the unprotected Continental peasant-farmer subject to the whims of the market.

Thus were established the three tenets of economic liberalism, the principle on which market economy was organized: that labor should find its price on the market; that money should be supplied by a self-adjusting mechanism; that commodities should be free to flow from country to country irrespective of the consequences—in brief, a labor market, the gold standard, and free trade. A self-inflammatory process was induced, as a result of which the formerly harmless market pattern expanded into a sociological enormity.

Birth of a delusion.

These facts roughly outline the genealogy of an "economic" society. Under such conditions the human world must appear as determined by "economic" motives. It is easy to see why.

Single out whatever motive you please, and organize production in such a manner as to make that motive the individual's incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political, or aesthetic; let it be pride, prejudice, love, or envy; and man will appear as essentially religious, political, aesthetic, proud, prejudiced, engrossed in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent "real" man.

As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly. Monks traded for religious reasons, and monasteries became the largest trading establishments in Europe. The Kula trade of the Trobriand

Islanders, one of the most intricate barter arrangements known to man, is mainly an aesthetic pursuit. Feudal economy was run on customary lines. With the Kwakiutl, the chief aim of industry seems to be to satisfy a point of honor. Under mercantile despotism, industry was often planned so as to serve power and glory. Accordingly, we tend to think of monks or villeins, western Melanesians, the Kwakiutl, or 17th-century statesmen, as ruled by religion, aesthetics, custom, honor, or politics, respectively.

Under capitalism, every individual has to earn an income. If he is a worker, he has to sell his labor at current prices; if he is an owner, he has to make as high a profit as he can, for his standing with his fellows will depend upon the level of his income. Hunger and gain—even if vicariously—make them plough and sow, spin and weave, mine coal, and pilot planes. Consequently, members of such a society will think of themselves as governed by these twin motives.

In actual fact, man was never as selfish as the theory demanded. Though the market mechanism brought his dependence upon material goods to the fore, "economic" motives never formed with him the sole incentive to work. In vain was he exhorted by economists and utilitarian moralists alike to discount in business all other motives than "material" ones. On closer investigation, he was still found to be acting on remarkably "mixed" motives, not excluding those of duty towards himself and others—and maybe, secretly, even enjoying work for its own sake.

However, we are not here concerned with actual, but with assumed motives, not with the psychology, but with the ideology of business. *Not on the former, but on the latter, are views of man's nature based.* For once society expects a definite behavior on the part of its members, and prevailing institutions become roughly capable of enforcing that behavior, opinions on human nature will tend to mirror the ideal whether it resembles actuality or not.

Accordingly, hunger and gain were defined as "economic" motives, and man was supposed to be acting on them in everyday life, while his other motives appeared more ethereal and removed from humdrum existence. Honor and pride, civic obligation and moral duty, even self-respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word "ideal." Hence man was believed to consist of two components, one more akin to hunger and gain, the other to honor and power. The one was "material," the other "ideal", the one "economic", the other "non-economic", the one "rational", the other "non-rational." The Utilitarians went so far as to identify the two sets of terms, thus endowing the "economic" side of man's character with the aura of rationality. He who would have refused to imagine that he was acting for gain alone was thus considered not only immoral, but also mad.

"Economic determinism," moreover

THE market mechanism ~~also~~ created the delusion of economic ~~determination~~ as a general law for all human society.

Under a market-economy, of course, this law holds good. Indeed, the working of the economic system here not only "influences" the rest of society, but determines it ~~in the proper sense of the word~~—as in a triangle the sides not merely influence, but determine, the angles.

Take the stratification of classes. Supply and demand in the labor market were *identical* with the classes of workers and employers, respectively. The social classes of capitalists, landowners, tenants, brokers, merchants, professionals, and so on were delimited by the respective markets for land, money, and capital and their uses, or for various services. The income of these social classes was fixed by the market, their rank and position by their income.

This was a complete reversal of the secular practice. In Maine's famous phrase, "contractus" replaced "status"; or, as Tönnies preferred to put it, "society" superseded "community"; or, in terms of the present article, *instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system.*

While social classes were directly, other institutions were indirectly determined by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life—everything had to comply with the utilitarian pattern, or at least not interfere with the working of the market mechanism. But since very few human activities can be carried on in the void, even a saint needing his pillar, the indirect effect of the market system came very near to determining the whole of society. It was almost impossible to avoid the erroneous conclusion that as "economic" man was "real" man, so the economic system was "really" society.

Sex and hunger.

YET it would be truer to say that the basic human institutions abhor unmixed motives. Just as the provisioning of the individual and his family does not commonly rely on the motive of hunger, so the institution of ~~marriage~~ is not based on the sexual motive.

Sex, like hunger, is one of the most powerful of incentives when released from the control of other incentives. That is probably why the family in all its variety of forms is never allowed to center on the sexual instinct, with its intermittences and vagaries, but on the combination of a number of effective motives that prevent sex from destroying an institution on which so much of man's happiness depends. Sex in itself will never produce anything better than a brothel, and even then it might have to draw on some incentives of the market mechanism. An economic system actually relying for its mainspring on hunger would be almost as perverse as a family system based on the bare urge of sex.

To attempt to apply economic determinism to all human societies is little short of fantastic. Nothing is more obvious to the student of social anthropology than the variety of institutions found to be compatible with practically identical instruments of production. Only since the market was permitted to grind the human fabric into the featureless uniformity of selenic erosion has man[illegible] ance. No wonder that his social imagination shows signs of fatigue. It may come to a point where he will no longer be able to recover the elasticity, the imaginative wealth and power, of his savage endowment.

No protest of mine, I realize, will save me from being taken for an "idealist." For he who decries the importance of "material" motives must, it seems, be relying on the strength of "ideal" ones. Yet no worse misunderstanding is possible. Hunger and gain have nothing specifically "material" about them. Pride, honor, and power, on the other hand, are not necessarily "higher" motives than hunger and gain.

The dichotomy itself, we assert, is arbitrary. Let us once more adduce the analogy of sex. Assuredly, a ~~meaningful~~ distinction between "higher" and "lower" motives can here be drawn. Yet, whether hunger or sex, it is pernicious to institutionalize the separation of the "material" and "ideal" components of man's being. As regards sex, this truth, so vital to man's essential wholeness, has been recognized all along; it is at the basis of the institution of marriage. But in the equally strategic field of economy, it has been neglected. This latter field has been "separated out" of society as the realm of hunger and gain. Our animal dependence upon food has been bared and the naked fear of starvation permitted to run loose. Our humiliating enslavement to the "material," which all human culture is designed to mitigate, was deliberately made more rigorous. This is at the root of the "sickness of an acquisitive society" that Tawney warned of. And Robert Owen's genius was at its best when, a century before, he described the profit motive as "a principle entirely unfavorable to individual and public happiness."

The Reality of Society.

I PLEAD for the restoration of that unity of motives which should inform man in his

everyday activity as a producer, for the reabsorption of the economic system in society, for the creative adaptation of our ways of life to an industrial environment.

On all these counts, laissez-faire philosophy, with its corollary of a marketing society, falls to the ground. It is responsible for the spliting up of man's vital unity into "real" man, bent on material values,, and his "ideal" better self. It is paralyzing our social imagination by more or less unconsciously fostering the prejudice of "economic determinism."

It has done its service in that phase of industrial civilization which is behind us. At the price of impoverishing the individual, it enriched society. Today, we are faced with the vital task of restoring the fullness of life to the person, even though this may mean a technologically less efficient society. In different countries in different ways, classical liberalism is being discarded. On Right and Left and Middle, new avenues are being explored. British Social-Democrats, American New Dealers, and also European fascists and American anti-New Dealers of the various "managerialist" brands, reject the liberal utopia. Nor should the present political mood of rejection of everything Russian blind us to the ~~great~~ achievement of the Russians in creative adjustment to some of the fundamental aspects of an industrial environment.

On general grounds, the Communist's expectation of the "withering away of the State" seems to me to combine elements of liberal utopianism with practical indifference to institutional freedoms. As regards the withering State, it is ~~there self-delusion to forget~~ that industrial society is complex society, and no complex society can exist without organized power at the center. ~~However~~, ~~this fact ought not to be made an~~ excuse ~~by~~ the Communist ~~for~~ slurring over the question of concrete institutional freedoms.

It is on this level of realism that the problem of individual freedom should be met. No human society is possible in which power and compulsion are absent, nor is a world in which force has no function. Liberal philosophy gave a false direction to our ideals in seeming to promise the fulfillment of such intrinsically utopian expectations.

But under the market system, society as a whole remained invisible. Anybody could imagine himself free from responsibility for those acts of compulsion on the part of the state which he, personally, repudiated, or for unemployment and destitution from which he, personally, did not benefit. Personally, he remained unentangled in the evils of power and economic value. In good conscience, he could deny their reality in the name of his imaginary freedom.

Power and economic value are, indeed, a paradigm of social reality. ~~Power and economic value do not spring~~ from human volition; non-cooperation is impossible in regard to them. The function of power is to insure that measure of conformity which is needed for the survival of the group: as David Hume showed, its ultimate source is opinion—and who could help holding opinions of some sort or other? Economic value, in any society, insures the usefulness of the goods produced; it is a seal set on the division of labor. Its source is human wants—and how could we be expected not to prefer one thing to another? Any opinion or desire, no matter what society we live in, will make us participants in the creation of power and the constituting of value. No freedom to do otherwise is conceivable. An ideal that would ban power and compulsion from society is intrinsically invalid. By ignoring this limitation on man's meaningful wishes, the marketing view of society reveals its essential immaturity.

The meaning of freedom

The breakdown of market-economy imperils two kinds of freedoms: some good, some bad.

That the freedom to exploit one's fellows, or the freedom to make inordinate gains without commensurable service to the community, the freedom to keep technological inventions from being used for the public benefit, or the freedom to profit from public calamities secretly engineered for private advantage, may disappear, together with the free market, is all to the good.

Yet this fact, again, does not excuse

Neither power nor economic value spring