1 Introduction: Learning from Polanyi 1

Keith Hart and Chris Hann

Market and society

Markets are networks constituted by acts of buying and selling, usually through the medium of money. For most of history they were kept marginal to the mainstream institutions on which societies were built. But not long ago, and at first only in some parts of the world, markets came to be accepted as central to society, leading to a vigorous political debate, which is ongoing, about the appropriate relationship between the two. It is widely acknowledged that the publication of Adam Smith's *The Wealth of Nations* in 1776 provided a charter for "the market" (now often singular) to assume its place as the dominant institution of modern societies. The idea of economy, which started out as a principle of rural household management, now became closely identified with markets, as did the profession of economics which grew up to study them. One man, however, made the modern history of the relationship between market and society his special concern: Karl Polanyi (1886–1964), whose *The Great Transformation*, published during the Second World War, remains the most powerful indictment of what he considered to be the utopian and ultimately destructive attempt to build society on the basis of self-regulating markets. Our authors therefore consider the relevance of this Central European polymath for their work.

All the agrarian civilizations of Eurasia tried to keep markets and money in check, since power came from the landed property of an aristocratic military caste who were afraid that markets might undermine their control over society. This opposition was expressed in medieval Europe as one between the "natural economy" of the countryside and the commerce of the city. Earlier, Aristotle, as tutor to Alexander the Great when the Macedonian cavalry overran the Greek cities, preferred to found society on the self-sufficiency of manorial estates, declaring that markets geared to profit-making were antisocial. This view of economy (*oikonomia*, literally "household management") prevailed until the dawn of the modern era, when Jane Austen could describe one of her characters as a poor "economist" for her inability to handle the servants. When Marx and Engels claimed that history had been a struggle between town and countryside, they had this conflict between landed power and urban commerce in mind.

In stateless societies, too, markets were usually kept marginal and subject to regulation by the agents of dominant social institutions. Thus, according to the contributors to *Markets in Africa* (Bohannan and Dalton 1962), a volume put together by Polanyi's followers, markets there were traditionally restricted to specific times and places, leaving the bulk of production and consumption to be organized by kinship ties. Colonial demand for export crops and wage labor meant that the market principle became more pervasive, undermining the existing authorities. Why are markets supposed to be subversive of traditional social arrangements? Because commerce knows no bounds – all markets are in a sense world markets – and this threatens local systems of control. They offer a potential means of escape to the dominated classes: women, young people, serfs and slaves, ethnic minorities. The power of long-distance merchants often modified the autonomy of local rulers; and markets have not always been peripheral. Rather, a dialectic of local and global economy defined the struggle between these competing interests long before they became prominent features of the way we perceive the modern world. Traditional societies have varied in the methods they adopted to tackle the problem of markets. But one common ploy was restriction of mercantile activities to excluded ethnic groups, thereby ensuring that local citizens had no access to money and that those who did lacked political power. The most famous example was the pariah status of Jews in medieval Europe. Another method was to prevent merchants from investing in production, with the same ultimate intention of protecting local monopolies of power from the disruptive influence of markets and money.

So Adam Smith knew what he was taking on when he proposed that society had nothing to fear from markets and indeed much to gain. As a moral philosopher, Smith was not prone to celebrate the narrow pursuit of self-interest in market transactions; but he found it preferable to indulge this trait en masse than to concentrate economic power in the hands of an ostensibly high-minded elite. He stood conventional wisdom on its head by asserting that a "propensity to truck and barter" was part of human nature and that markets had a better chance than any other means of increasing "the wealth of nations." He stopped short of claiming that society's interests as a whole were best served by markets left to their own devices; but these reservations have largely been forgotten.

The last two centuries have seen a strident debate between capitalist and socialist camps insisting that markets are either good or bad for society. The latter draws implicitly on the pre-industrial apologists for landed rule, whose line was, broadly speaking, Aristotle's. Karl Marx himself considered money to be indispensable to any complex economy and was radically opposed to the state in any form. However, many of his socialist and communist followers, when they did not try to outlaw markets and money altogether, preferred to return them to the marginal position they occupied under agrarian civilization and were less hostile to the state, pre-industrial society's enduring legacy for our world. Polanyi falls within this camp in that he acknowledged Aristotle as his master and considered "the self-regulating market" to have been the principal cause of the twentieth-century's horrors.

A less apocalyptic version of socialism in the tradition of Saint-Simon acknowledges the social damage done by unfettered markets (what Joseph Schumpeter (1948) called "creative destruction"), but would not wish to do away with the wealth they produce. Indeed, the leading capitalist societies at one stage all signed up for Hegel's (1821) idea that states should try to contain the inequality and ameliorate the social misery generated by markets. Within this framework, the emphasis has shifted over time between reliance on states and on markets for managing national economy, between social and liberal democracy of various hues. The general economic breakdown of the 1930s turned a large number of American economists away from celebrating the logic of markets toward contemplating their repair. This "institutional economics" persists as the notion that markets need self-conscious social intervention if they are to serve the public interest. John Maynard Keynes (1936) produced the most impressive synthesis of liberalism and social democracy in the last century. Much recent writing on Polanyi would place him more squarely in this category rather than as a card-carrying antimarketeer. Indeed, in *The Great Transformation* he did recognize that markets and the principle of barter associated with them coexisted with reciprocity, redistribution, and householding, which he viewed as the primary "principles of economic behavior" (2001: 59).

The market's apologists likewise divide between some for whom it is a transhistorical machine for economic improvement best left to itself and those who acknowledge a role for enlightened public management of commerce. Classical liberals promoted markets as a means toward greater individual freedom as a corrective to the arbitrary social inequality of the Old Regime. But the industrial revolution brought about a shift to urban commerce that made vast new populations of wage labourers rely on markets for food, housing, and all their basic needs. Under these circumstances, in Britain in particular, society itself seemed to retreat from view, being replaced by an "economy" characterized this time by market contracts instead of domestic self-sufficiency. Indeed, Margaret Thatcher, one of the architects of the contemporary revival of market fundamentalism, once said "There is no such thing as society." Others hold that society's remaining defenses are simply too weak to hold out against the rising tide of global money: you can't buck "the markets." Unregulated markets are engines of inequality, so this notion of markets as a natural force beyond social regulation serves also to legitimize wealth and even to make poverty seem deserved.

The founders of modern social theory all considered markets to be progressive in that they broke up the insularity of traditional rural society and brought humanity into wider circles of discourse and interaction. But the founders also differed over the consequences of this move. Karl Marx and Friedrich Engels considered that the power of private money ("capital") was too fragmented to organize the urban societies brought into being by machine-production of commodities; so they looked to the enhanced social potential of large concentrations of workers for a truly collective remedy. Max Weber recognized that the formal rationality of capitalist bureaucracy led to the substantive deterioration of livelihood for many. But, as a liberal, he considered wholesale state intervention in markets to be a recipe for economic disaster. Émile Durkheim and Marcel Mauss were both socialists who wanted to emphasize the human interdependence entailed in an expanded social role for markets and money, while rejecting the Social Darwinist claim that an unfettered capitalism ensures the "survival of the fittest."

Karl Polanyi's position in relation to these founders was distinctive. In what follows we will introduce the argument of his greatest book and explain its continuing relevance. In the process we hope to indicate why Polanyi's stock as a social thinker is rising and how we can learn from his work.

The Great Transformation

Karl Polanyi lived for most of his life in Central Europe, but he wrote the bulk of *The Great Transformation: The Political and Economic Origins of Our Times* ([1944] 2001) in a small New England college near the Canadian border at the height of the Second World War. He wrote it in the spirit of an Old Testament prophet, but his prophecy turned out to be wrong. The world was coming to the end of a period of unparalleled human disasters – two world wars, the Great Depression, Fascism, Stalinism, and a lot of ugly conflicts like the Spanish Civil War. He believed that only social planning could meet human needs and repair the disaster of committing society to a market framework. Even after 1945, many people thought civilization would not soon recover; and it took the Korean War to bump-start the economic recovery of the 1950s and 1960s. But the world liberal economy did recover under American leadership, thereby refuting Polanyi's claim that the market was finished as the prime vehicle for organizing society.

His historical analysis went as follows. The nineteenth century – 1815 (the end of the Napoleonic wars) to 1914 – was a period of peace and prosperity, at least for the major European nations. It rested on the self-regulating market, the gold standard, the liberal state, and the balance of power. But the whole exercise was utopian and misguided, and in the first half of the twentieth century the chickens came home to roost. Following Aristotle, Polanyi believed that society was a natural form designed to provide material sustenance for its members. In time various distribution measures had evolved to secure this: householding, reciprocity, and redistribution, with the market restricted to a peripheral role. The new apostles of political economy held that market economy could be self-regulating as long as everything was bought and sold without restriction. This led to what Polanyi called "the fictitious commodities." Nature, Society, and Humanity entered the market as land, money, and labor; and the traditions that ensured material provisioning for everyone were swept aside. In a "double movement," the rise of the market provoked various classes to act as the vehicles of protest on society's behalf, but the market was unswayed. The so-called "nightwatchman state" of liberal theory, a minimal state concerned only with regulating property, was a sham. Political power was used to ensure that capital was free to move where it wanted, but many other freedoms, such as the right to work, were sacrificed in order to achieve this. The gold standard made participation in international trade contingent on abandoning politically managed currencies (of the sort that Keynes reintroduced in order to cope with the 1930s' collapse of the market economy). And this economic interdependence underwrote a fragile peace, with only two minor wars being fought between the leading countries in the whole century.

It couldn't last and it didn't. The balance of power broke down in the First World War, the gold standard had to be abandoned, countries turned to authoritarian governments, and the market economy was ruined. The "freedom" of liberal theory was false because we must accept society as necessary in its natural form before we can exercise any other freedoms. Modern societies should be built on the ancient mechanisms evolved for managing distribution in primitive societies and agrarian civilizations, with the market relegated to a supplementary and marginal role.

Polanyi's interpretation of world history was deceptively simple. He presented the emergence of "market society" in the nineteenth century as a radical break. In this he resembles another child of Central Europe. Ernest Gellner (1983) contrasted *Industria* with *Agraria* and maintained that the modern nation-state was demarcated by a "Great Ditch" from all previous social formations. By contrast, Jack Goody links the rise of capitalism to the spread of markets and "merchant cultures" over millennia in various regions of Eurasia (Goody 2004; see also Graeber, in Chapter 7). From Goody's point of view, to focus on the advantage gained by Western Europe in the nineteenth century (or in Polanyi's case just one country, Britain) is to distort the broader picture. Polanyi was certainly aware of the *longue durée* stressed by Goody, and, indeed, he taught courses in general economic history (Fusfeld 1994). Nonetheless, he insisted that we should acknowledge the qualitative change that took place when "market society" first became dominant. This moment was epitomized by the repeal of the Speenhamland law in 1834 and the consequent reduction of human labor itself to the status of a "fictitious commodity."

Polanyi's characterization of this new institutional form as "the market" misses some important features of the bureaucratic capitalism that built up in the late nineteenth century, leading to the denouement of 1914–1945 or "the second thirty years war," as Winston Churchill called it. The modern synthesis of the nation-state and industrial capitalism may be termed "national capitalism:" the institutional attempt to manage money, markets, and accumulation through central bureaucracy. It is linked to the rise of large corporations as the dominant form of capitalist organization and is, in essence, Hegel's recipe in *The Philosophy of Right* (1821), namely, that only state power could contain the excesses of capitalism, while markets could in turn limit the excesses of political power. Society should be managed by an educated bureaucratic elite in the national interest. Marx certainly didn't envisage anything of this sort, but Weber recognized in it Germany's historical experience of the alliance between Rhineland capitalism and Prussian bureaucracy. "National capitalism" is still the dominant social form in our world, even if the transnational aspects of neoliberalism obscure that fact.

Polanyi's challenge to organize an industrial economy without the dehumanization of society was met in a very different manner by the socialist regimes that held power until the last decade of the twentieth century. Yet, despite the obvious affinity between his critique of market society and Marx's critique of capitalism, Polanyi was unsympathetic to Marxist economic determinism; although his wife Ilona Duczynska was active in several communist parties, he himself never joined. He was influenced by Christian socialists, especially during his years in Britain, but he never joined a church either. His sympathy for guild socialism reveals an affinity with Durkheim and Mauss (Hart 2007a). Polanyi interpreted the Hungarian revolution of 1956 as an effort to reform socialism rather than to reject it, and he was clearly attracted by some notions of a "third way" (McRobbie 1994a). He devoted his last years to the literary works of "populist" writers in the land where he grew up. Soon after his death, in 1964, the introduction of the New Economic Mechanism promoted a form of "market socialism" in Hungary. The debates of those years would surely have reminded Polanyi of his work on "socialist accounting" in the Vienna of the 1920s, when he stressed the need to counter the market sphere with principles of redistribution.

Hungary's socialist mixed economy was transformed as a result of the collapse of the Soviet bloc in 1990, though the changes here were less radical than elsewhere in the region. In recent years its government has again been led by a party that calls itself socialist. Although this is a socialism that seems closer to Tony Blair's "third way" in Britain (see Alexander, in Chapter 12) than to any Marxist legacy, the continued widespread sympathy for socialist welfare policies is unmistakeable. The debates about "market socialism" are of more than antiquarian interest, if only because China has been pursuing comparable "mixed" policies for several decades now. Would Polanyi be repelled by the increasing dominance of the profit motive in contemporary China, which has led to enormous social inequality without the freedoms of bourgeois democracy? Or would he impressed by how the expansion of markets has undoubtedly been associated with a reduction in poverty (see Hann, Robotham below)?

In 1957 Polanyi, with two colleagues from a Ford Foundation interdisciplinary project designed to keep him employed after retirement (Conrad Arensberg and Harry Pearson), produced a collection of essays, *Trade and Market in the Early Empires: Economies in History and Theory*. Polanyi (1957a) himself revisited the Aristotelian roots of his approach in one chapter, but it was the other that shaped post-war economic anthropology (see also Polanyi 1977). In "The economy as instituted process," Polanyi (1957b) says there are two meanings of the word "economic" that have been conflated: the substantive and the formal. He attributed this distinction to Carl Menger (1871). The first refers to the provisioning of material wants, whereas the second is a means–end relationship, the mental process of economizing. Most preindustrial societies are ruled by institutions that guarantee collective survival; but industrial societies have a delocalized economy, "the market," in which individual decision-making rules. This proposal that anthropologists and historians should focus on noncapitalist economies, leaving modern capitalism to the economists, proved to be congenial at the time and led to what became known as "the formalist–substantivist debate" (Frankenberg 1967). But this division of academic labor never had much intellectual credibility and the present collection therefore pays more attention to his great war-time polemic.

Polanyi's relevance to changing times

Karl Polanyi was a maverick public intellectual who spent more years working as a journalist than as a tenured academic. He was fundamentally an historian, while a keen appreciation of literature lent his best writing a memorable vivacity (McRobbie 2000). He was more interested in substantive historical change than in speculating about an abstract, formal rationality. A distinctive vision of what makes us all human underpins his work; but, as Gregory points out below, he sought general patterns rather than universal laws. It is easy to argue that his contribution to the modern understanding of society is relatively unsystematic and imprecise. Yet, far from fading into obscurity, his influence seems greater now than ever. Polanyi's life and texts have, in recent decades, been intensively scrutinized by scholars of various disciplines.[1] We do not seek to replicate this effort in this section or to add to it in any significant way but only to note the major factors which have influenced the historical reception of his ideas.

In *The Great Transformation,* Polanyi brought a radical critique of modern capitalism to bear on his moment in history. His recommendations seemed to be contradicted by the postwar boom, which rested on a combination of world markets and political management of the economy in the leading industrial nations. In the real world of economic policymaking his dramatic vision was effectively refuted from the 1940s onward, initially by British liberals such as Keynes and Beveridge and later by many capitalist governments espousing more or less the principles of social democracy, from post-New Deal USA to Nehruvian India (see Parry, in Chapter 10). Polanyi never engaged in any detail with the impact of Keynesianism, the new welfare states and the dangers which lurked in new forms of corporatism. In the context of a Cold War that formed the backcloth to his last years, he never saw any need to renounce his radical diagnosis.

Ours is a very different world from when Polanyi so confidently predicted the demise of the market model of economy (see Hart, in Chapter 6). Yet the revival of market capitalism and dismantling of state provision since the 1980s furnish plentiful material for Polanyi's thesis that the neglect of social interests must eventually generate a political backlash and a retreat from market fundamentalism. The last three decades have seen the reintroduction of something more like Victorian capitalism, with a much reduced role for the state, at least in the organization of economy. It may be that we are due for another round of disasters such as those Polanyi attributed to reliance on "free" markets for social organization. Cracks are already appearing in the façade of neoliberal hegemony; and the ongoing globalization of capital – its spread to Japan, China, India, Brazil, Russia, and elsewhere after centuries of Western monopoly – is also bound to affect our understanding of economy. The absolute dominance of market logic is less plausible today than it was not long ago; the recent surge of interest in Polanyi's ideas is therefore not surprising.

[1] An important new collection of essays on Polanyi in French was published just when our volume was being submitted for publication: "Avec Karl Polanyi, contre la société tout-marchand," *Revue du MAUSS Semestrielle*, No. 29, Premier Semestre 2007. Paris: La Découverte and MAUSS. For rich personal materials see Polanyi Levitt (1990); McRobbie (1994b); Polanyi Levitt and McRobbie (2000). There is still no comprehensive intellectual biography, but this gap will shortly be filled by Gareth Dale, who is completing two complementary studies to be published by Polity Press and The University of Michigan Press. Meanwhile Stanfield (1986) and Baum (1996) explore key philosophical and economic aspects of his thought. See also Halperin (1984) for Polanyi's debt to Marx and Hann (1992) for comparisons with Malinowski. Isaac (2005) offers a balanced assessment of Polanyi's oeuvre and its current standing inside and outside anthropology. For a recent collection on Polanyi's relevance to the twenty-first century, see Bugra and Agartan (2007). See also the HomePage of the Karl Polanyi Institute of Political Economy: http://artsandscience1.concordia.ca/polanyi.

Polanyi never denied the utility of markets for the allocation of some goods and services. What he condemned was the elevation of the "self-regulating market" to a position of dominance and the high price the British working classes paid for this. Laissez-faire liberalism was not the necessary, "natural" concomitant of industrialism: the "self-regulating market" is to some extent a misnomer, an illusion even, since this regime could only emerge and reproduce itself thanks to specific interventions by the state. At the same time many new enterprises depended on exploiting "unfree" forms of labor in family and kin networks. The dominance of the new order was challenged by countermovements within society, as the victims of the new liberalism sought to defend themselves against its consequences. The Chartists were the first mass movement through which workers sought to protect themselves from the new market mechanisms. The market thus remained thoroughly "embedded" in two distinct senses: first, in its dependence on the state, and, second, because, like other forms of exchange, it was associated with a range of domestic and social institutions, including some new ones explicitly formed to counter allegedly impersonal and "natural" market forces. Polanyi sometimes played down these tendencies, characterizing laissez-faire liberalism as a society that was "disembedded." This concept of market society is perhaps best viewed as an overdrawn ideal type, the rhetorical encapsulation of a lifelong anti-capitalism. His real objection was to "market fundamentalism" (see Servet, in Chapter 5).

Since the 1980s both Keynesian and traditional socialist techniques of economic management have been discredited and swept aside. The neoliberal ideology that has taken their place far exceeds the original liberal prototype in the claims it makes for the virtues of the market. This is why so many scholars in different fields now find inspiration in Polanyi's work. For example, the political economist Helleiner (2000) has argued that there are historical precedents for the dramatic expansion of finance capital in recent decades, and that a Polanyian critique is timely as a result (see Graeber, in Chapter 7). Analogous to Polanyi's "double movement," the current globalization of market capitalism has been accompanied by a comparable tendency in social movements. Society is now protecting itself not through the formation of trades unions within nation-states but through transnational networks of activists protesting against the power of the G8 states. Polanyi would probably sympathize with all those currently seeking to develop new and more radical forms of democracy. These constellations of forces may mitigate the continuing damage inflicted by "the market" on people and the natural environment. Global markets and "global civil society" implicate each other (Keane 2003); our task is to understand more closely the changing institutional forms of this interdependence.

Polanyi sometimes referred to the "human economy". What might this mean? In the remaining parts of this introduction we outline our aim to develop

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a more humane approach to economy and the role of economic anthropology in this undertaking.

The human economy

The days are long gone when politicians could concern themselves with affairs of state and profess ignorance of the livelihoods of the masses. Hence Bill Clinton's famous memo, "It's the economy, stupid!" For millennia, as we have seen, economy was conceived of in domestic terms. Then, when markets, money, and machines began their modern rise to social dominance, a new discipline of political economy was born, concerned with the public consequences of economic actions. For over a century now, this discipline has called itself economics and its subject matter has been the economic decisions made by individuals, not primarily in their domestic capacity, but as participants in markets of many kinds. People as such play almost no part in the calculations of economists and they find no particular reflection of themselves in the quantitative analyses published by the media.

The founders of neoclassical economics, such as Alfred Marshall (1890), started out with the same broad style of questioning as their classical predecessors, but their speculations on human nature and society subsequently dropped out of the modern discipline, leaving it to anthropologists and others to pick up on these questions. Anthropologists aim to produce an understanding of the economy that has people in it, in two senses. First, we are concerned with what people do and think, as workers or consumers, in economies that are dominated by large-scale organizations, but in which they nonetheless retain some freedom to organize themselves – as farmers, traders, managers of households, or givers of gifts. Second, our interest is in the universal history of humanity, in its past, present, and future; and our examples are drawn from all over the world. Somehow we have to find meaningful ways of bridging the gap between the two. There are, of course, many economies at every level from the domestic to the global and they are not the same, but economics is itself universal in pretension and so we, too, in giving priority to people's lives and purposes, aspire to a degree of intellectual unity. At the very least, an anthropological critique will show that claims for the inevitability of currently dominant economic institutions are false.

In *Capital*, Marx (1867) expressed humanity's estrangement from the modern economy by making abstract value (money) organize production, with the industrial revolution (machines) as its instrument and people reduced to the passive anonymity of their labor power. He aimed at reversing this order and that remains our priority today. The last two centuries saw a universal experiment in impersonal society. Humanity was everywhere organized by remote abstractions – states, capitalist markets, science. For most people it has become