

Cambridge University Press

978-0-521-81806-3 - War and Social Change in Modern Europe: The Great
Transformation Revisited

Sandra Halperin

Excerpt

[More information](#)

INTRODUCTION

Cambridge University Press

978-0-521-81806-3 - War and Social Change in Modern Europe: The Great
Transformation Revisited

Sandra Halperin

Excerpt

[More information](#)

I

Conflict and Change in World Politics

In *The Great Transformation* (1944), Karl Polanyi chronicled the rise of a self-regulating market system in Europe in the early nineteenth century and the “great transformation” that occurred when the system collapsed in the course of the world wars.¹ Two features of this chronicle, in particular, have made the book a focus of interest for scholars over the more than half a century since it was written. First, its account of the social implications of the new system presented an eloquent and powerful testimonial to the ravages generated by the commodification of land and labor and the operation of unregulated markets. Second, in explaining how and why the system collapsed through a contradictory “double movement” of expansion and protection, Polanyi offered a key and enduring insight into a universal dynamic of growth and change.

Polanyi’s analysis was concerned to demolish two notions that pervade liberal thought. First, in arguing that the market emerged as a result of deliberate state action, Polanyi rejected completely the notion that the self-regulating market was in any way “natural” or that it “evolved” or arose spontaneously as a result of the expansion of trade. His keen insights into how the international institutional context shaped the development of national markets strengthened the argument. Polanyi’s most insistent claim was that the unregulated market constitutes a threat to human society, and he argued that, irrespective of whatever indices are marshaled to show an improvement in living standards in the nineteenth century, the fact remains that the unregulated market wrought a social catastrophe in Europe.

Much of Polanyi’s book, and the interest it has generated, focuses on the elaboration of this “double movement” and its consequences: the emergence simultaneously of the market system and of a protective countermove to

¹ The “great transformation” about which Polanyi wrote has been interpreted wrongly to mean “the commodification of money, land, and labor” (see, e.g., Katznelson 1986: 14; Zolberg 1986: 413).

Cambridge University Press

978-0-521-81806-3 - War and Social Change in Modern Europe: The Great Transformation Revisited

Sandra Halperin

Excerpt

[More information](#)

check its action with regard to labor, land, and money,² and the pattern of stresses and strains that it generated and that ultimately led to two world wars and to the collapse of the system.

Despite the phenomenal resurgence of interest in Polanyi's work in recent years, the insight that a "double movement" shaped industrial development in Europe has not been sufficiently incorporated into our understanding of modern European history, nor have its implications for comparative-historical studies been recognized. Europe's industrial development was shaped by protectionism to a far greater extent than is generally recognized. I argue that before World War II, protectionism had enabled a small elite of landowners and wealthy industrialists to monopolize land and the entire field of industry and trade. As a result, the pattern of development in Europe before World War II was far more similar to contemporary third world development than is commonly thought.

Polanyi's focus on the interrelationship of global structures, states, and social forces offered important insights into how to study these subjects as well. Increasingly, contemporary analysts of social change are recognizing the need to conceptualize and theorize the interaction and fundamental interdependencies between domestic and international structures and processes (e.g., Skocpol 1979; Gilpin 1981; Spruyt 1996; Katznelson and Sheffer 2002).

Polanyi's analysis of the institutional complex underpinning Europe's "nineteenth-century civilization" (Polanyi 1944: 3) assumed that changes in the organization of the international economy provide particular kinds of opportunities for states to act that, in turn, shape the extent to which social forces will be able to influence state policy.³ Thus, working from the top down, Polanyi focused first on the international balance of power system (and the "Hundred Years' Peace" that it made possible) and the gold standard. These and the "liberal state" were the creation of the self-regulating market system (a series of connected markets). He argued that with the collapse of the market system in the course of the world wars, a new global opportunity structure would emerge and lay the basis for a new political and economic order in Europe. However, soon after the publication of *The Great Transformation*, it became clear that this expectation would not be fulfilled.⁴ In fact, following World War II, the United States was determined to restore a world economy based on the principles

² Polanyi argued that "While on the one hand markets spread all over the face of the globe and the amount of goods grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land and money" (1944: 76).

³ A good discussion of Polanyi's analytic schema, on which I depend for this brief consideration, is Block and Somers 1984: 72–75.

⁴ See Polanyi's article, "Our Obsolete Market Mentality" (1947), reprinted in Polanyi 1971: 59–77.

of a self-regulating market, and this worked to effectively block moves toward the establishment of socialist markets locally and new economic arrangements internationally.⁵ The market system *had* been transformed in important ways, but not, as Polanyi had assumed, because of changes at the top.⁶

The fact that the expected outcome of the great transformation failed to materialize in just the way Polanyi said it would does not depreciate his rich and insightful analysis, but it does invite closer scrutiny of his analytic schema and, in particular, his assumptions about how the world economy, states, and social forces are interrelated.

The next section focuses on these assumptions. It revisits the institutional complex underlying Europe's nineteenth-century market economy, starting, where Polanyi's analysis begins, with the international system. It finds that contradictions and problems stemming from his assumptions about the character and relations among the world economy, states, and social forces lead him logically to a flawed and misleading interpretation of nineteenth-century European institutions and of how and why they were transformed in the course of the world wars.

INDUSTRIAL EXPANSION IN NINETEENTH-CENTURY EUROPE: A CRITIQUE OF THE POLANYIAN VIEW

The Balance of Power System – and the “Hundred Years’ Peace”?

Europe's nineteenth-century balance of power system was maintained by a “Concert of Europe” that, according to Polanyi, was dominated by haute finance and by its concern for the preservation of liberal, free-market institutions. Motivated by this concern, the Concert acted as an “international peace interest.”⁷ For Polanyi, one of the most striking features of

⁵ For insightful analyses, see, e.g., Block 1977; van der Pijl 1984: 50–137.

⁶ As Polanyi himself recognized; see Polanyi 1947. A year after the publication of *The Great Transformation*, Polanyi wrote an article on the transformation of liberal capitalism that reiterated the analytical position he had elaborated in his book.

He argued that to understand the transformation of liberal capitalism, we must look first to the international environment, “since it is in the international field that the methods of private enterprise have broken down – as shown by the failure of the gold standard; and it is in that field that adherence to such methods constitutes a direct obstacle to practical solutions” (Polanyi 1945: 89).

⁷ Though “business and finance were responsible for many wars,” they were also responsible for “the fact that a general conflagration was avoided” (1944: 16). Business and finance maintained peace by providing the balance of power system with “concrete organized interests” (1944: 17):

Haute finance functioned as a permanent agency of the most elastic kind. Independent of single governments, even of the most powerful, it was in touch with all; independent

nineteenth-century Europe was what he called the “Hundred Years’ Peace.” The Concert lost its ability to keep the peace when the growth of protectionism and imperialist rivalries began to destroy the self-regulating market and the liberal state. The collapse of these institutions undermined the gold standard that, in turn, destroyed the balance-of-power system and in 1914 led to war.⁸

This characterization of the nature of the Concert of Europe and its role in European affairs is misleading. While the Concert may have been dominated by haute finance, it was also the tool of Europe’s monarchs and aristocracies who, after twenty-five years of war in Europe, feared that another major European war would trigger revolution and destruction of the social order.⁹ It was committed not to free markets and liberal states but to protection and autocracy. It was this commitment that motivated the series of Concert-sponsored antirevolutionary military actions in Europe.

In describing Europe’s nineteenth century as a “century of peace,” Polanyi is referring only to the relative absence, between 1815 and 1914, of multilateral great power wars in Europe. But while that may be the case, it is also true that during this period, European states were continually engaged in conflict with their own populations, with other European states and populations, and with territories and states outside Europe. Fourteen wars were fought in Europe between and among Britain, France, Germany, Spain, Russia, Denmark, Austria, Italy, Greece, and Serbia.¹⁰ Twelve wars were fought by Britain, France, Russia, and Austria against foreign populations in

of the central banks, even of the Bank of England, it was closely connected with them. . . . the secret of the successful maintenance of general peace lay undoubtedly in the position, organization, and techniques of international finance. (1944: 10)

⁸ The Concert of Europe ceased to operate in 1904 when Britain formed the Entente Cordiale with France. Then, in 1907, an Anglo-Russian agreement completed a triple alliance in opposition to Germany, Italy, and Austria-Hungary. With the split of Europe into two hostile power groupings, the balance of power system collapsed. There was an attempt to restore the system after World War I using the League of Nations in place of the Concert of Europe. But the League failed, according to Polanyi, because the defeated countries were not genuine power units.

⁹ While in some respects the Concert of Europe sought to serve as a counterweight to the absolutist states of the Holy Alliance, it also guaranteed to them membership in the club of European great powers and that they would be consulted about any major change in the European status quo.

¹⁰

1821	France, Spain	1870–71	Prussia, France
1828–29	Russia, Turkey	1876	Russia, Turkey
1848–50	Denmark, Prussia	1877–78	Russia, Turkey
1853–56	Russia, Turkey	1897	Greece, Turkey, U.K., France, Austria
1864	Denmark, Prussia	1912–13	Serbia, Turkey
1866	Prussia, Austria	1913	the Balkans
1866	Italy, Austria	1911–12	Italy, Turkey

TABLE 1.1. *Wars Fought Outside Europe by European States*

1807–37	Netherlands in Central Sumatra	1871–72	France in Algeria
1823–26	Britain in Burma	1873–1908	Netherlands in Achin
1825–30	Britain in Tasmania	1878–80	Britain in Afghanistan
1836–52	France in Argentina	1878–81	Russia in Geok Tepe
1836–52	Britain in Argentina	1881	France in Tunisia
1838–42	Britain in Afghanistan	1881–85	Britain in Sudan
1839–42	Britain in China	1882	Britain in Egypt
1839–47	France in Algeria	1882–85	France in China
1843	Britain in India	1885–86	Britain in Burma
1833–36	Portugal in Zambesi in Delagoa Bay	1891–94	Netherlands in the Malay Archipelago
1845–46	Britain in India	1892–94	Belgium in East Congo
1846–49	Netherlands in Bali	1894–96	Italy in Abyssinia
1848–49	Britain in India	1894–1901	France in Madagascar
1850–52	Britain in South-East Africa	1896–1900	Britain in Sudan
1853	Britain in Burma	1897–98	Britain in India
1856–57	Britain in Persia	1897–1901	Britain in Uganda
1856–60	Britain in China	1898	Britain in Sierra Leone
1856–60	France in China	1898	Spain vs. the U.S.
1857	France in Senegal	1899–1900	Britain in China
1857–59	Britain in India	1899–1900	France in China
1859–60	Netherlands in South Celebes	1899–1900	Russia in China
1859–60	Spain vs. Morocco	1899–1900	Italy in China
1859–63	Netherlands in South Borneo	1899–1900	Germany in China
1859–64	Russia in Circassia	1899–1902	Britain in S. Africa
1861–67	Britain in Mexico	1903–8	Germany in S.W. Africa
1865–68	Russia in Bokhara	1904–5	Russia in Japan
1867–68	Britain in Abyssinia	1911–17	Italy in Libya
		1912	France in Morocco

Europe.¹¹ During that period, European states also fought some fifty-eight wars outside Europe, as shown in Table 1.1.

According to Polanyi, Europe enjoyed one hundred years of peace after 1815 because haute finance acted, through the agency of the Concert of Europe, as an “international peace interest” in the nineteenth century. In this, Polanyi advances a popular current of liberal thought that associates

¹¹ 1821 Austria in Piedmont 1849 France in Italy
 1826–33 Britain in Portugal 1849 Russia in Hungary
 1826–33 France in Portugal 1859 France in Italy
 1833–40 Britain in Spain 1859 Austria in Piedmont
 1848–49 Austria in Piedmont 1860–61 France in Italy
 1848 France in Italy 1866–69 Britain in Crete

high finance with peace. But he can do so only by restricting his focus to the occurrence, or nonoccurrence, of interstate wars in Europe. In fact, European states were continually at war during the nineteenth century, and in the very areas of the world where finance capital had migrated. That is why Lenin, Hobson, and others associated finance capital not with peace but with war. Polanyi's association of finance with peace is problematic, not only because of the imperialist wars fought by European powers throughout the century, but because European states were also continually at war with their own populations, as well as those of other territories and states both within Europe and around the world.

However, Polanyi also ignores the recurring and increasingly violent class conflicts that characterized European domestic relations throughout the nineteenth century. This critical dimension of European industrial development is almost entirely missing from Polanyi's account. According to Polanyi, it was only in the 1920s and 1930s, during the "final phase of the fall of market economy," that class conflicts emerged in Europe (1944: 219).

Yet the Concert of Europe was primarily and centrally concerned with class conflicts. The "peace interest" that it promoted was linked to this concern and with defending the existing sociopolitical order against revolutionary threats. Europe's monarchs and aristocracies realized that "if they weakened each other by a war comparable in size to the Napoleonic wars they would open the gates to their own internal destruction" (Holborn 1951: 36). As Viscount Castlereagh, Britain's foreign secretary from 1812 to 1822, recognized, with "revolutionary embers more or less existing in every state of Europe . . . true wisdom is to keep down the petty contentions of ordinary times, and to stand together in support of the established principles of social order."¹² As Eric Hobsbawm notes: "it was evident to all intelligent statesmen that no major European war was henceforth tolerable, for such a war would almost certainly mean a new revolution, and consequently the destruction of the old regimes" (1962: 126).

Polanyi's analysis is consistent with that of the many scholars who have drawn a contrast between the recurring violence that has accompanied industrialization in many parts of the contemporary third world and the supposedly peaceful domestic relations and relatively smooth development of industrial capitalism and democracy in Europe. But recurring violent conflict was a fundamental dimension of European industrial development. Ethnic and nationalist, religious and ideological conflicts; riots, insurrections, rebellions, revolutions, uprisings, violent strikes, and demonstrations; and coups, assassinations, political repression, and terrorism were characteristic of European societies up until 1945.

Polanyi begins his analysis with Europe's supposed century of peace because it is essential to his conception of Europe's nineteenth-century market

¹² *Correspondence*, Third Series, vol. 11, p. 105; in Hobsbawm 1962: 126.

system. For Polanyi, Europe's "unprecedented" one hundred years' peace is powerful evidence of the dominance in Europe of a 'new' liberal bourgeoisie, and the establishment of free markets, free trade, and the liberal state. The fact of war and social conflict involving European states throughout the nineteenth century not only challenges Polanyi's notion of Europe's hundred years' peace; it also casts doubt on institutional features of Europe's nineteenth-century market system that, in Polanyi's analysis, are logically connected to it.

The "Liberal" State?

As Polanyi rightly pointed out, "the road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism" (1944: 140). However, according to his account, the state subsequently assumed a predominantly liberal character and, consistent with conceptions of the state in liberal theory, functioned as an autonomous actor. Polanyi's characterization of nineteenth-century European states as both "liberal" and autonomous falls far from the mark: throughout the century, states in Europe were not liberal but exclusionary, not autonomous but nobilettarian.¹³

The "self-regulating" market was, as Polanyi acknowledged, an ideal, but it was farther from being a reality than he recognized. Throughout the nineteenth century, states in Europe adopted interventionist economic policies with regard to labor, industry, markets, and trade. In a free market, economic transactions are governed by the free play of all people's unrestricted and competitive pursuit of their economic advantage. However, throughout most of the nineteenth century this freedom was not seen as applicable to workers. Polanyi argued that the self-regulating market began to operate fully in 1834, when workers in England became "free," that is, gained sufficient mobility to sell their labor power in the market. But after 1834 labor was only theoretically free.¹⁴ In practice, its mobility was impeded by a variety of state-enforced legal and extralegal devices,¹⁵ as was its ability

¹³ The nobilettarian state: a state administered by notables as, for instance, Britain throughout the nineteenth century (Weber 1978: 974). More on the nobilettarian character of the state below.

¹⁴ Some scholars argue that the New Poor Law of 1834 that, Polanyi claims, introduced the market system, was designed to preserve the power of the traditional landed classes (e.g., Brundage 1974, 1979).

¹⁵ In Prussia, for instance, Junkers demanded certificates of morality from anyone who moved to a new estate. Thus, a Junker had only to deny a laborer such a certificate to prevent him from leaving his own estate (Reddy 1987: 172). Until 1890, workers in France had to produce an identification booklet (*livret*) attesting that they had met all debts and other obligations to past employers or be barred from further employment and subject to arrest for vagrancy. A provision barring workers from changing employment during most of the year and requiring that they show they had a source of income for "protection" was in use until

Cambridge University Press

978-0-521-81806-3 - War and Social Change in Modern Europe: The Great Transformation Revisited

Sandra Halperin

Excerpt

[More information](#)

to engage in collective resistance and bargaining.¹⁶ State legislation, as well as wealth, power, and the active collaboration of parish officers and justices of the peace, enabled employers to deny workers the right to bargain, to bind workers by long and inflexible contracts (e.g., the coalminers' "yearly bond" in parts of Britain), and to make them liable to imprisonment for breach of employment (by a law of contract codified in 1823, not applicable to employers). Wage levels were determined not by market forces or through collective bargaining but by employers. Employers supplemented their profits by requiring workers to make payments in kind and forced purchases in company shops and by imposing fines for any infraction of whatever measure they chose to devise (Hobsbawm 1968: 122).

If European states were not liberal in domestic economic affairs, neither were they with respect to foreign trade. The period 1860–75 represents the only free trade interlude in an otherwise protectionist century. It was not until the 1860s that Britain repealed the Navigation Laws and Usury Laws and abolished restrictions on exports and all but a few duties on imports. Starting in the late 1870s and continuing until the end of the Second World War, there was a steady closure and constriction of markets everywhere in Europe.¹⁷

1883 in Finland and 1885 in Sweden. In Hungary, a law passed in 1907 forbade agricultural workers from leaving their place of employment or receiving outside visitors without the permission of their landlords (Goldstein 1983: 59).

¹⁶ Though in Britain trade unions ceased to be formally illegal in 1824, efforts to destroy them continued. The courts did everything in their power to curb unions and prohibit strikes. *Temperton v. Russell* (1893) ruled against boycotts; *Trollope v. London Building Trades Federation* (1895) declared union officers who published blacklists of nonunion firms and free laborers to be guilty of conspiracy; *Lyons v. Wilkins* (1899) outlawed "picketing to persuade"; the Taff Vale decision of 1901 held unions liable for damages incurred by individual members during a strike; the Osborne judgment of 1909 declared that unions could not levy dues for political purposes (Meacham 1972: 1352–53).

Many European countries supplemented their basic restrictions on unions and strikes with additional regulations that severely curtailed workers' freedoms. Strikes were legalized in England in 1834, but Master and Servant Acts remained in use by judges to threaten striking workers with jail. Peaceful picketing was not clearly recognized as legal in the United Kingdom until 1906 (Goldstein 1983: 60–61). Unions and strikes were technically legalized in Hungary in 1872 and 1884, but until 1904, provisions of the Hungarian penal code outlawed "gatherings for the purpose of extracting wages" and "violent arguments for the furtherance of wage claims" (Goldstein 1983: 59). Even after labor unions were legalized in France in 1884, police and troops were routinely dispatched to major and some minor strikes, and clashes with workers were frequent (Goldstein 1983: 68). Vaguely worded legislation in Sweden, Germany, and Belgium was used to harass labor officials and jail workers who engaged in picketing or wage disputes.

¹⁷ The Great Depression and the agrarian distress of 1873–86 was the impetus for the raising of tariff walls throughout Europe. France developed a comprehensive system of agricultural protection in the 1880s (Meredith 1904: chaps. 4 and 5). Bismarck popularized all-around protectionism in 1879. By the end of the Depression, Germany had surrounded itself with protective tariffs, established a general cartel organization, set up an all-around social