

## Review of Karl Polanyi, *The Great Transformation*

A. Thomson

1975

In the light of Marx's expectation of the breakdown of capitalism, a leftist Rip van Winkle might take comfort in the opening sentence of *The Great Transformation* where Karl Polanyi asserts that: "Nineteenth century civilization has collapsed."<sup>1</sup> While it is common place in bourgeois society to identify 'civilization' with capitalism, in this case Polanyi has in mind a specific period of capitalism, which we can designate *laissez-faire*. *The Great Transformation* appears to be a highly original interpretation of the nineteenth century seen as a distinct epoch that is written in neither an orthodox nor a Marxist framework.

Polanyi provides some important insights into several aspects of economic and social history, particularly his interpretation of the Speenhamland system, the creation of a competitive, labour market, and his assertion that in fact *laissez-faire* capitalism never existed as a fully developed system. He exposes the classical economists as ideologists of the bourgeoisie and displays a strong moral sense of the negative social implications implicit in economic theories of self-regulating markets.

This brief review, however, will be concerned mainly with some of the criticisms that may be raised against Polanyi's interpretations at a few points. While not wishing to detract from the merits of the work, this approach seems the only feasible one in the light of time and space considerations and my own predilections which saw more negative than positive in the work. The criticisms will focus on the essence of capitalism and questions of market expansion, questions of style in relation to interpretation, Polanyi's analysis of class, the state, and the rise

of fascism.

Rather than defining the essence of capitalism in terms of the relationship between capital and labour, Polanyi's concern is with a specific form of capitalism which he identifies as a nexus of four institutions: the balance of power, the international gold-standard, the self-regulating market and the liberal state. Of these "in the last resort, [three were] ... shaped by one common matrix, the self—regulating market" (p. 30). While serious objections can be raised against his characterization of these institutions, the concept of market economy is the crux of his interpretations

What is essentially a moral critique of market capitalism is based on a view of human nature emphasizing "the changelessness of man as a social being" (p. 46). People predominantly strive for social standing, Polanyi explains, because society is run on non-economic motives. The content of social standing is socially defined, however, and therefore has empirically a high degree of relativity. For Polanyi, tribal society approximates the 'normal' state of human beings, rather than simply being another form of human society. Pre-capitalist formations are especially notable for their lack of distinct economic institutions. This reflects, for Polanyi, the normal state of human nature rather than the simple mode of production and social organization.

All pre-capitalist societies are assumed to constitute an epoch in, that all are prior to market predominance. Implicit in this periodization is the notion that in these earlier societies production and distribution were accomplished 'consciously' rather than unconsciously through an anonymous market. Certainly Polanyi recognizes the differentiation of past societies and he isolates reciprocity (symmetry), redistribution (centricity), and householding (autarchy) as forms of societal organization which may be thought to correspond to primitive communism, slavery

---

<sup>1</sup> Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), p. 3. Hereinafter page

and feudalism. His lowest common denominator thinking, however, allows him to identify these as essentially similar in being pre-market. While barter (and hence a form of market) existed in these societies, it was subordinate to other institutions. Barter is a unique principle, however, because it alone can create institutions designed specifically for one purpose or motive, in this case, economic. It may be thought that, on the one hand, those institutions surrounding Polyani's characteristic 'centricity' may ultimately reflect the 'will to power' as a single motive. Polyani's motive of truck or barter, on the other hand, may be seen as not entirely a single motive of 'gain', but a pattern of interrelated motives involving, for instance, the provision of subsistence. Polyani does not distinguish between the quantitative and qualitative aspects of 'gain'. Under a system of barter, the individual does not gain quantity but rather gains quality in the sense of utility.

Polyani would be on more concrete ground if he abandoned the universalistic concept of gain and instead recognized that what was specific about the rise of capitalism was the ascendancy of the 'profit motive', that is, the desire to quantitatively increase your return by buying and selling.

Although Polyani asserts that "no one single cause of the industrial revolution deserves to be lifted out of the chain and set apart as the cause" (p. 40), he believes that all attributes of this transformation "were merely incidental to one basic change, the establishment of market economy" (p. 40). The basic character was set by the interaction of machine and factory within a commercial society. It is not the case, then, that *The Great Transformation* is concerned with an interpretation of the industrial revolution based on the expansion of the markets; nor is it concerned with the omnipotence of machinery, both of which have been the subject of debate within the literature.

The key transformation is from a 'natural' to a market economy. But for Polyani, a

market economy implies almost by definition self-regulation. Within orthodox economics, however, market capitalism is not fundamentally identified with laissez-faire, a period which is typically seen as just one historical form of market capitalism. In short, in the orthodox tradition, market capitalism has certainly not collapsed, although it has been modified. By defining the essence of human society too narrowly, relative to the existence of a market, Polanyi simplifies human history and precludes an understanding of twentieth century history which has certainly gone beyond a self-regulating market.

In style of interpretation, Polanyi seems overly rigid in his application of historical concepts. The classical economists justified enclosures on the grounds that they were ‘ultimately beneficial’ and that compensation would automatically follow. Polanyi criticizes this because “in no case can we assume the functioning of market laws unless a self-regulating market is shown to exist” (p. 35). His point is not entirely that economic laws are invalid — only that they are not conducive to human happiness. It seems unnecessary to adopt an all-or-nothing approach, for to the extent that a self-regulating market was approximated, then economic laws relating to this model would possess some validity.

Similarly Polanyi adopts the same rigid approach when he writes that not “until 1834 was a competitive labor market established in England; hence industrial capitalism as a social system cannot be said to have existed before this date” (p. 53) There is certainly a sense in which industrial capitalism presupposes a competitive labor market, but the process of creating such a market is developmental and proceeds in stages. It seems unnecessary to assert that it cannot exist until it is fully established. Since there are always some restrictions on the labor market one wonders if industrial capitalism has ever existed. This near-dogmatism is related to his conception of the externality of social change causation which will be touched on below.

Several problematic aspects are illustrated by Polanyi's treatment of the 'fictitious commodities', land and labour. He defines commodities as "objects produced for sale on the market (p. 72) and refers to this as an empirical definition. Now "labor is only another name for a human activity which goes with life itself" and "land is only another name for nature, which is not produced by man" (p. 72). Hence, by Polanyi's definition, neither can be really a commodity. However he recognizes that in reality (empirically?) land and labour "are being actually bought and sold on the market; their demand and supply are real magnitudes" (pp. 72-73). But based on his definition, this is obviously a perversion of nature from which, as every moralist knows, no good can possibly come. Polanyi has developed an idealist definition arbitrarily called 'empirical' and used it for a basically moral critique of bourgeois society focused on the concept of 'unnaturalness'. If after all this we can still agree with his conclusion that to "allow the market mechanism to be the sole director of the fate of human beings and their natural environment ... would result in the demolition of society", this is not because it follows scientifically from his logic of 'fictitious commodities', but rather because this hindsight is based on the logic of *laissez-faire* drawn out to its ultimate conclusion.

From a social science viewpoint, the greatest source of disagreement lies in Polanyi's analysis of class and class forces. From his perspective, "the fate of classes is much more often determined by the needs of society than the fate of society is determined by the needs of classes" (p. 152). He claims that the 'class theory' works "[g]iven a definite structure of society" but implies that it does not work "if that structure itself undergoes change" (p. 152). This is the case partly because classes must elicit support outside their own membership and hence their fulfillment of their tasks will depend upon interests wider than their own:

Thus, neither the birth nor the death of classes; neither their aims nor the degree to which they attain them; neither their co-operation nor their antagonisms can be

understood apart from the situation of society as a whole. (p. 152)

So much of Polyani's criticism of 'class theory' seems to be irrelevant to contemporary Marxism that it must be remembered that he was writing in 1944 following a period in which Marxist writers were guilty of the most crude determinism and mechanism. The real problem is that Polyani looks for the causes of societal transformation external to the society rather than internally generated through structural antagonisms and contradictions.

Polyani's further comments in this context fall outside the pale of contemporary Marxism, although not outside other schools of social science. He claims that the 'situation' of society is set by outside factors and that "it is for the mechanism of the change only that society relies on internal forces" (p. 152). He allows no sense of continuity between stages such that the forces making for change mature within the framework of the old society. This is related to the rigidity of interpretation that was alluded to above. Ideas seem to arise naturally in society and social classes are simply the agents that carry them out. For example it is the idea of the self-regulating economy, springing naturally from the productive forces (machinery), that is the cause of its creation. Hence Polyani can assert that the progenitor of the industrial revolution was social science, particularly economics. Once the negative social implications became manifest to people's consciousness, then a retreat from this ideal began.

There is practically no sense given of class conflict in the formation of industrial capitalism (Polyani does not distinguish between commercial and industrial capitalists, the latter, presumably, simply became interested in production); nor does he differentiate between monopoly and competitive capitalists in relation to the policies of intervention. Apparently, regulation had very little to do with class transformation or the centralization and concentration of capital. Rather, it sprang naturally from society heading for disaster in an effort to save it. Not

class interests but the interest of society as a whole create history. It may be possible to accept Polyani's view that the regulations were designed to protect society, but they were designed to protect or preserve a specific kind of society and hence to protect dominant positions within it.

It is in relation to the state that Polyani's class analysis becomes somewhat confusing. He holds the position that the English state, before 1832, was not based on class interests but ruled for the benefit of society as a whole, for example, in its legislation restricting enclosures. It may be thought, however, that the class interests of traditional feudal landlords and clergy, interested in maintaining a rural labour force, may have been influential. In 1832 a specific class forced its way to power, presumably perverting the previously non-partisan government. In short, the "government of the Crown gave place to government by a class — the class which led in industrial and commercial progress"(p. 35), and the bourgeoisie was then in a position to implement its self-regulating market concept. The bourgeoisie did not share power with the working class until it was clear, in Britain at least, that the proletariat would operate within the framework of capitalism.

Class conflict was less peaceful elsewhere. When class conflict erupted, Polyani asserts, "society itself was endangered" (p. 133). (One is reminded here of Marx's comment that, for the bourgeoisie, 'society itself' is identified with 'bourgeois society'.) Having gained *de jure* power through universal suffrage, the working class eventually gained *de facto* power in Parliament. This changed the focus of class conflict from the workplace where it had been traditionally and instead "the contending parties were making government and business, state and industry respectively, their stronghold" (p. 133). It is possible, however, that in the light of the role of the state in class conflict, it is less than accurate to say that the working class has a stronghold in the state.

Polyani does not peer beneath the appearance of class rule. Protectionism, he claims, resulted in general rather than sectional interests. The obligation of social protection “falls to the persons in charge of the general interests in the community— under modern conditions, the government of the day” (p. 154). Yet the general interests of class society are confined within the maintenance of class exploitation. In modern society the interests are defined within bourgeois ideology which is definitely linked with a specific class and class interest. That does not have to mean that other intermediate classes do not benefit as well from this hegemony. We might want to conclude, following Talcott Parsons’ usage, that the goals of modern bourgeois society are defined permissively; that is, that there are certain delimitations which it is illegitimate to overstep. Within these limits class interests can be pursued in a myriad of covert ways.

One final word in this connection may be raised. Polyani’s idealistic view that ideas spring naturally from society and use class forces to work themselves out leads him to view the English working class as having been passive in determining its own fate and hence passive “ in deciding ... the course of English social history” (p. 166). This seriously underestimates the extent to which protective legislation resulted from militant class struggle, and reflects a typical view of modern society which sees the people as a ‘mass’.

The last point that should be touched upon is Polyani’s interpretation of fascism. According to Polanyi, the peasantry, which was interested in maintaining the market economy, was the only class the bourgeoisie could turn to in order to protect law and order. Consequently the peasantry held the bourgeoisie to ransom because they represented the only social force preventing the working class from introducing possible ruinous intervention. The bourgeoisie was finally freed from the peasantry through “the forming of the urban lower middle class into storm troops” (p. 188). The bourgeoisie could then resume intervention against the market

economy. This makes sense if it is assumed that there was a difference in the content between the working class's 'ruinous' intervention and the intervention of the bourgeoisie. For Polyani,

not the illusionary danger of a communist revolution, but the undeniable fact that the working classes were in the position to force possible ruinous intervention, was the source of the latent fear which, at a crucial juncture, burst forth in the fascist panic. (p.190)

It was not communist revolution the bourgeoisie feared, but the reforms of social democracy which the bourgeoisie feared would be ruinous. In this case, Polyani assumes that there are significant differences between the aims of intervention of the social classes.

Regardless of the content of the intervention, the rise of fascism is a bourgeois response to the rise of socialism.

In brief, the position taken here is that Polyani offers many meaningful insights into history, and writes with great vigor. His exposition is marred, however, by an ever present idealism, a moralism that overrides his social science, some rigid, near-dogmatic interpretations, and a level of periodization that is less than the most productive for understanding contemporary history. To identify communism, fascism and new-deal capitalism as essentially similar because of their conscious supercession of the self-regulating market is an absurd lowest common denominator thinking that actually abandons the attempt to make sense out of the twentieth century.