The year 2004 marks the 60th anniversary of the publication of The Great Transformation. Although the book enjoyed steady and consistent sales since its publication, and many scholars of diverse disciplines and successive generations have told me that they were deeply influenced by it, there has recently been an explosion of new interest in the work of Karl Polanyi. The Great Transformation, (1944) is now translated into fifteen languages and a Google search for Polanyi turns up some 30,000 hits.

Many authors have provided excellent expositions of the principal thesis of The Great Transformation and its relevance to contemporary globalisation. But none might give him more satisfaction, given his wish to engage the intellectual adversary, than to be identified as the most effective critic of the neo liberal project for the 21st century by a senior fellow at the Cato Institute, a leading right-wing think tank. “He has emerged in recent years as a kind of patron saint of globalisation’s critics. George Soros notes his intellectual debt in his acknowledgments at the beginning of The Crisis of Global Capitalism. Dani Rodrik, of Harvard University and author of Has Globalization Gone Too Far?, refers to him frequently. John Gray, a professor at the London School of Economics who wrote False Dawn: The Delusions of Global Capitalism titled his first chapter “From the Great Transformation to the Global Free Market.” These arguments are an almost perfect inversion of the truth. The tragedies of the 20th century stemmed, not from an over-reliance on markets, but from a pervasive loss of faith in them.”

Without doubt, Polanyi’s critique of the 19th century market economy and its fateful consequences resonate most strongly with critics of globalisation. In 1947, he believed universal capitalism was discredited everywhere except in the United States. He could not have imagined that the nineteenth century economic order would return to be acclaimed as a golden age of globalisation to serve as a model for universal capitalism. It was his hope that his warning of the destructive effects of subordinating society to the requirements of

the market economy could save humanity from disasters more profound than anything experienced to date. In a letter written to a friend of his youth in 1958, six years before his death, he wrote:

“\text{My life was a world life- I lived the life of the world. But the world stopped living for several decades, and then in a few years it advanced a century! So I am only now coming into my own, having somewhere lost 30 years on the way- waiting for Godot- until the world caught up again, caught up to me. In retrospect, it is all quite strange, the martyrdom of isolation was only apparent- ultimately, I was only waiting for myself. Now the scales are weighed against us- against you, against me- because in ten years, I would stand vindicated in my own lifetime. My work is for Asia and Africa, for the new peoples. The West should bring them spiritual and intellectual assistance; instead the west is destroying the tradition of the 19\text{th} century and is even demolishing its Victorian ideals… My ideas at last are drawing opposition and that is a good sign, I would dearly love to live to fight for them, but man is a mortal being.”\textsuperscript{3}

Fifty years had to pass before the originality of Karl Polanyi would emerge from relative obscurity to be embraced in so many quarters as a definitive critique of the fateful effects of the subordination of society to economic market criteria\textsuperscript{4}. Not until the Asian Crisis of 1997 and disasters of instant market capitalism in Russia would his work be cited in thousands of speeches, papers, articles and policy statements.

The lessons of \textit{The Great Transformation} were recovered and Polanyi now features in academic discourse and journalistic comment. Among the first to cite Polanyi was the Harvard economist Dani Rodrik. His position was that proposals to construct a new financial architecture for the global economy were doomed to frustration because global capitalism is inherently impracticable, and indeed, we have never truly had a global capitalist system. The real question, he suggested, was, how to make the world safe for different brands of national capitalism to prosper side by side? Until we understand this, he wrote, we cannot formulate workable solutions.

“To understand why, it helps to go back to \textit{The Great Transformation} by the economic anthropologist Karl Polanyi, which was first published in 1944. Polanyi took issue with the nineteenth-century liberal idea of a self-regulating market. He argued that markets could not exist outside the web of social relations for long without tragic consequences. Indeed, he interpreted the turmoil of the interwar period and its

aftermath—the collapse of the gold standard, the decline into protectionism and bilateralism, the rise of fascism and national socialism, and ultimately World War II—as the result of societies rising to protect themselves from the onslaught of the unregulated market.

The basic insights of the book germinated during formative years in Hungary and journalistic experience in Vienna. Ten years of teaching and research at Columbia University from 1947-1957 provided the opportunity to extend his historical research on economic livelihood back to archaic and primitive societies.

There was a constant theme in his world of thought. It was his insistence that there are no impersonal forces, which absolve us from personal responsibility for the fate of fellow human beings. Ideas matter, when people cease to believe in the legitimacy of the powerful, their power is in decline.

**A World Life**

Polanyi’s life was indeed a ‘world life’ marked by three emigrations. He was born in 1886, in Vienna, but the family moved to Budapest shortly thereafter, and his formative years were Hungarian. He grew up in a comfortable upper middle class family. His father was a civil engineer and a successful railway contractor until a prolonged season of bad weather ruined the business and the family descended into genteel poverty. His mother, daughter of a rabbinical scholar from Vilna, then in Russia, was known for her role in hosting gatherings of Budapest’s literary, artistic and intellectual elite. The Polanyi children received a superb home education, including instruction in Latin and Greek, English, French and German. Karl graduated from the University of Budapest in 1912 with a doctorate at law, the only university qualification he ever had. He was prominent in Hungarian intellectual life as the founding president of the Galilee Circle, a student movement, which undertook educational activities on a remarkable scale of 2000 classes per year. The ideology was one of Western Enlightenment, opposed to obscurantism, clericalism and the moribund political order of the Hungarian monarchy.
He was twenty-eight in 1914 when he enlisted in the Austro-Hungarian army as a cavalry officer and served on the Russian front. He was hospitalised and in 1919 he emigrated to Vienna where he was soon followed by a large exodus of Hungarians fleeing the White Terror. Among them was Ilona Duczynska; they were married in 1923. The Russian Revolution of 1917 was fighting for its existence in a prolonged civil war. Polanyi joined the wide-ranging debate on how a socialist economy could be constructed. The model he favoured was a functional form of guild socialism associated with the English social historian G.D.H. Cole and the Austro-Marxist, Otto Bauer. He engaged in a debate on the feasibility of a socialist economy with Ludwig von Mises, mentor of Friedrich von Hayek, in the pages of the premier German language social science journal, Archiv Fur Sozialwissenschaft und Socialpolitik. It was in this context that he studied the works of the leading exponents of the Austrian school of economics. For many years he struggled to construct a socialist economic model, which would combine economic criteria of technical efficiency with social and cultural requirements and democratic decision-making. Eventually, he abandoned this exercise and found in history and anthropology a more effective means of developing insights regarding the place of the economy in society.

He remained, to the end of his life, a socialist. In a letter written a few days before his death, he wrote: “The heart of the feudal nation was privilege; the heart of the bourgeois nation was property; the heart of the socialist nations is the people, where collective existence is the enjoyment of a community culture. I myself have never lived in such a society.”

From 1924 his position as a senior editor of Oesterreichische Volkswirt, the leading financial and economic weekly of Central Europe, placed him in the eye of the storm of economic and political upheavals on the continent. From this observation post he followed the unravelling of attempts by the western powers to restore the pre 1914 economic order and its eventual break down in 1931, when the collapse of a major bank in Vienna

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triggered a financial crisis, which spread westward to England and the United States. “Conservative Twenties, Revolutionary Thirties” summarises these experiences. 7

In 1933, when the deteriorating political climate did not permit the journal to keep a prominent socialist on their editorial staff, Polanyi left for England, but continued to write for the journal. Kari joined him in 1934. Ilona remained to engage in the struggles of the illegal opposition to Austrian fascism until 1936 when she also came to England. 8

In his initial years in England he was associated with a small group of intellectuals and religious leaders who called themselves the Christian Left. He contributed an essay on “The Essence of Fascism” and co-edited Christianity and the Social Revolution (1935). Among other contributors was Joseph P. Needham 9. To this group he brought a continental perspective and introduced them to Karl Marx’s The Economic and Philosophic Manuscripts of 1844, 10. In 1937, recommendations by R.H. Tawney and G.D.H. Cole assisted him in obtaining employment as a tutor with the Workers’ Education Association (WEA) teaching courses on international relations and English social and economic history, a subject entirely new to him. His encounter with the conditions of working class life on overnight stays with the families who accommodated him was a profound culture shock. He contrasted the inferior status of the English working class in the richest country of Europe with the social and cultural achievements of the workers of socialist Red Vienna in impoverished post-1914 Austria. The lecture notes for his WEA classes 11, are the skeleton upon which he later developed The Great Transformation. Although the book was written at Bennington College, Vermont in 1941 to 1943, it was in England that he found the origins of the disasters that befell Europe from 1914 to 1945.

From 1947 to his retirement in 1953, Polanyi taught a course in General Economic History as a visiting professor at Columbia University and from 1953 to 1957, he co-directed an Interdisciplinary Research Project with Conrad Arensberg on economic aspects of institutional growth. The results of this research were published as Trade and
Markets in Early Empire, Economies in History and Theory (1957), Several of his graduate students contributed to the volume, among others, Anne Chapman. Dahomey and the Slave Trade with an introduction by Paul Bohannan was published posthumously with the assistance of Abraham Rotstein in 1966. A former student, George Dalton, produced the invaluable collection of essays by Karl Polanyi, Primitive, Archaic and Modern Economies (1968), and Harry Pearson edited a posthumous volume of Polanyi’s writings, The Livelihood of Man (1977).

In 1950 the Polanyi’s made their home in Canada in Pickering, Ontario, because Ilona was blacklisted from entering the United States on the grounds of former communist activities in Hungary (1917 to 1920) and in Austria (1934 to 1936). In 1961, he initiated the journal Coexistence as a vehicle for dialogue across the Cold War divide. The editorial board included eminent economists Joan Robinson, Gunnar Myrdal, Oskar Lange, Jan Tinbergen, P.C. Mahalanobis, Ragnar Frisch and Shigeto Tsuru. The first issue appeared shortly after his death in 1964.

Both my parents died in Canada and now rest in a cemetery in Budapest.

The most frequently cited biographical source on the life of Karl Polanyi is a chapter in Peter F. Drucker’s, memoirs, on “The Polanyi’s.” In this highly entertaining exercise in imagined recollections of his friend Karl and other members of the family, almost none of the facts are correct, indeed some are manifestly absurd. Drucker was perceptive in noting that the Polanyi’s sought “a new society that would be free and yet not ‘bourgeois’ or ‘liberal’; prosperous and yet not dominated by economics; communal and yet not a Marxist collectivism.” But he could not have been more wrong in dismissing Karl Polanyi as a “minor figure” whose “failure(...) signifies the futility of the quest for(...) the perfect- or at least the good- society”. Or his research on economic organisation of past civilizations as a retreat “into academic busyness.”

The Great Transformation

14 Kenneth McRobbie’s systematic study "Re-Reading and Anti-Polanyi. Peter F. Drucker on "The Polanyis." has found that of over one hundred “facts” only 13 are correct.
15 Drucker: p.138.
Polanyi’s thesis was that the economic and social upheavals and political tensions resulting from the utopian attempt to restore the 19th century liberal economic order, including the gold standard, after the First World War were the essential cause of the world economic crisis and of the demise of democracy in most of the states of continental Europe. Like Keynes, he understood that the gold standard was a social mechanism designed to restructure the domestic economies of debtor countries in the interest of rentier financiers. My contribution to this volume, “The Great Transformation from the 1920s to the 1990s” prepared for the Fifth Karl Polanyi Conference in Vienna in 1994, explores similarities between the inter-war years and the neo-liberal project of restructuring the world to recreate the Golden Age of the 19th century.

In the rest of this paper, we review the basic concepts which underpin the narrative of The Great Transformation.

Fictitious commodities
While markets have existed since earliest times, it was Polanyi’s contention that price-making markets including the fictitious commodities of land, labour and money were an innovation more revolutionary than the mechanical inventions of early industrial capitalism. Land, labour and money are “fictitious” commodities because unlike true commodities they are not produced for sale. Natural resources including land are God –given; people do not have children to provide workers for the labour market; and money is a social convention, a book-keeping entry validated by the sanctity of contract and codified in law.

The divorce of agricultural producers from their means of subsistence by the privatization (enclosure) of communal lands created a new underclass of vagabonds and paupers. The threat to social stability was countered by measures of poor relief and wage subsidy.

The critical step in the creation of an industrial proletariat in 19th century England was the abolition of poor relief by the draconian New Poor Law of 1834, which gave legal sanction to the degradation of wage labour. It was instituted by the Reform Parliament of 1832, which subordinated the landed oligarchy to the urban and industrial bourgeoisie. The result was the unleashing of productive forces and the accumulation of capital. But wages failed to rise above subsistence until the second half of the nineteenth century.
The classical economists were concerned with capital accumulation, economic growth and the distribution of incomes from production. They largely ignored the dispossession, displacement and human degradation by the destruction of social relations in which economic livelihood, social status, pride in craft, and cultural expression had previously been embedded.

Polanyi insisted that, the creation of a self-regulating market by the commodification of land, labour and money required nothing less than the subordination of society to the requirements of the market economy. His central thesis was that the nineteenth century liberal economic order, was ‘economic’ in a different sense from that in which all societies have been limited by the material conditions of existence. It was ‘economic’ in the distinctive sense that it chose to base itself on a motive never before raised to the level of justification of action and behaviour in everyday life, namely individual gain. (GT:30) Prior to the rise of industrial capitalism, markets were never more than accessories of economic life. In that regard, the generalized market economy of modern capitalism stands as an exception.

Contrary to a commonly held belief, there was nothing natural or inevitable about the nineteenth century market system. As Polanyi demonstrated, laissez-faire liberalism was designed by the early English political economists and instituted by the power of the state. In a frequently quoted passage, Polanyi concluded that “laissez-faire” was “planned”-while the protective reaction against the discipline of the market was ‘spontaneous.’(GT:147)

The Double Movement

Regarding the creation of the self-regulating market, Polanyi warned, in a frequently cited passage that: “Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life and thus endangered society in yet another way.”(GT:3)

The reference here is to the ‘double movement’ of the explosive spread of market economy and checks to its expansion by protective civic, social and national movements.
Polanyi interpreted legislation regarding public health, factory conditions, social insurance, public utilities, municipal services, and trade union rights in Victorian England as countervailing measures to check the societal effects of the unfettered expansion of capital. He noted, that on the continent, governments of widely different political complexions enacted similar measures including protection of industries and agriculture threatened by ruinous competition. These measures were instituted by state interventions at the national level. Following the First World War, social conflicts arising from draconian financial requirements to conform to the rules of the gold standard, could not be mediated by the democratic process and resulted in the rise of authoritarian and fascist regimes in most of continental Europe.

When the world emerged from the Second World War to construct the international institutions which framed the post-war era, it was generally accepted that the market economy would have to serve national objectives of full employment and social security. Polanyi foresaw a world of regional blocks of diverse social and economic systems. The tide, it appeared, had turned against the unrestricted domination of the economy by capital. The historical swing of the pendulum had restored social control over the economy. This was the “great transformation” which closed the book on the economic liberalism of the English classical political economists.

The Bretton Woods international financial order permitted policy space for industrial countries to pursue full employment and social security financed by re-distributive fiscal arrangements. Developing countries were able to engage in import substituting industrialization and long-term economic planning.

As Polanyi reminded us, however, the measures taken by society to protect itself could impair the functioning of the market and set in motion a counter-attack by capital to free itself from social constraints. This indeed is what has happened since the late 1970s, when declining productivity and profits, low or negative real interest rates favouring debtors and a wave of political radicalism in the South unleashed a counter-revolution favouring capital. A macro economic regime change precipitated the Latin American debt crisis of the 1980s and the Reagan and Thatcher administrations dismantled gains made by labour in the first three post-war decades.

The liberalization of trade and capital in the last quarter of the twentieth century has once again freed capital from regulation- now on a global scale. The dictates of financial capital are again governing markets. Combined with the predominance of trans-
national corporations, the democratic political process in national societies is undermined and corrupted. The provisions of the WTO regarding investment, competition, government procurement and intellectual property are specifically designed to bind states to supra-national agreements to protect investors from legislation at the national level. The struggle to protect society from the disintegrating forces of the market economy has moved to the international arena. Inequality has escalated to unprecedented levels but there are no international institutions to moderate the polarizing effects of the liberalisation of capital. Fiscal resources that sustained the welfare state in the industrialised countries are eroding. Indebted developing countries are in the grip of conditionals, which do not permit them to follow strategies of economic development successful in the past.

A prolonged period of relative economic stability and strong economic growth in Europe and North America encouraged a reading of Polanyi’s ‘double movement’ as a kind of self-correcting mechanism. Such illusions were shattered in the 1990s. The surge of portfolio capital seeking high returns and capital gains in emerging markets of Asia and Latin America precipitated a series of severe financial and economic crises most dramatically in the high growth economies of Asia.

A longer historical perspective reveals that Polanyi’s ‘double movement’ is not a self-correcting mechanism to moderate excesses of market fundamentalism but an existential contradiction between the requirements of a capitalist market economy for unlimited expansion and the requirements of people to live in mutually supportive relations in society.

**The Disembedded Economy**

The concept of the disembedded economy is central to Polanyi’s contention that the 19th century liberal economic order—the template of contemporary globalisation—was economic in a different sense, than that in which economic livelihood was organised in all previous society. The ultimate economic resources of labour, land and other natural resources are subject to mechanisms of supply and demand in markets for wage labour and private property. In describing the economy as a distinct and separate sphere of human activity, Polanyi wrote: “The disembedded economy (...) stood apart from the rest of society. (...) In a market economy the production and distribution of material goods in principle is carried on through a self-regulating economic system of price-making markets.
It is governed by laws of its own, the so-called laws of supply and demand, and motivated by fear of hunger and hope of gain. Social relations of extended family, community and all other ties of traditional society are displaced by special economic institutions such as private property and the economic motive of individual gain. Because the disembedding of the economy was socially unsustainable, Polanyi contended that society protected itself from impersonal market forces in a variety of ways.

Instability, insecurity and serious financial crises associated with globalisation have led scholars and policy-makers, including the World Bank, to embrace institutional reform and good governance. The disastrous consequences of the attempt to introduce instant market capitalism in Russia in the absence of legal and social institutions of civil society, or even basic guarantees of personal security has drawn attention to the importance of institutional pre-requisites of a functioning capitalist market economy. In this connection, the “embedded economy” has gained currency in policy discourse and Polanyi is frequently cited. The institutional reforms advocated by the World Bank, emphasizing transparency, accountability and security of contract are indeed essential to the creation of a favourable investment climate. Markets must be embedded in such institutions. However, while accommodating the basic institutional requirements of a market economy, neoliberal policies have sought to eliminate institutions which have protected vulnerable sectors of the economy from the play of market forces such as subsidies on basic food items or granting credit to small farmers on special terms. The assumption here is that empowerment of civil society can substitute for the traditional role of the state. In reality, the rolling back of the state has disempowered civil society. The reduction of public provisions of health and education has impoverished people and agglomerations of private economic power, including private mercenaries, have undermined public authority and the rule of law. The result has been to diminish the capacity of societies to determine the allocation of their own resources. As never before, the economic livelihood of people is beyond national control as instanced by collapsing commodity prices, financial crises triggered by footloose capital, the relocation of production facilities to cheaper sources of labour, and the destruction of domestic food production by liberalised imports. In this regard, globalisation has disembedded economic life on an international scale and there

are, at this time, no effective international institutions which can redress the gross imbalance of power.

The disembedded economy has been dismissed by my colleague who wrote the introduction to the new edition of *The Great Transformation*. Fred Block contends that Polanyi’s real discovery was the ‘always embedded economy.’ He is of the view that there is a basic contradiction within the text of *The Great Transformation*. He maintains that there was a shift from Polanyi’s earlier Marxist influence to a later revision of his views and circumstances did not permit him to revise the manuscript of *The Great Transformation* to resolve this contradiction: “Polanyi glimpsed, but was not able to name or elaborate the idea of the always embedded market economy.” 17 “We can make systematic use of Polanyi’s insight in the GT (The Great Transformation) once we have ‘unpacked’ the text and shown the tensions between Polanyi’s original Marxist architecture for the book and the new ideas he developed as he was writing them.”

By discarding the disembedded economy, Block moved Polanyi into the mainstream of socio-economic discourse. The effect is to obscure the radical implications of the existential contradiction between a market economy and a viable society. There is a suggestion here that Polanyi was influenced by Marxism in the turbulent interwar years and that there was an ideological shift during the writing of the book in the United States from 1941 to 1943. Such an interpretation fails to understand what Polanyi accepted and what he rejected in Marx.

Polanyi shared Marx’s fundamental insight into the historically limited nature of the organisation of economic life by the universalization of the market principle, including private ownership of the means of production. His account of the societal consequences of the commodification of money, land, labour and indeed the essentials of life, recalls the Marx of *The Economic and Philosophical Manuscripts* (1932). What he rejected was the Ricardian labour theory of value and the economism of historical materialism, including the Marxian stagist theories of growth. Whereas Marx anticipated the eventual breakdown of the capitalist order on account of inherent economic contradictions, Polanyi emphasised the contradiction between the requirements of the capitalist market economy for limitless expansion and the human requirement to be sustained by mutually supportive social relations. In Polanyi’s account of this existential contradiction the outcome is not
determinate. There is no grand design of progress. There are no impersonal historical forces which inevitably move humanity forward.

There is no evidence of a “theoretical shift” (Block, 2001:2) in Polanyi’s thinking during the writing of *The Great Transformation*. What may appear to Fred Block as a contradiction is due to his misconceptions of the relationship of Polanyi to Marx. Fortunately, we have testimony on the writing of *The Great Transformation* by its author, in a letter written to me from Bennington College, Vermont, dated February 23rd, 1941. We note that the outline of the book, as we know it, was complete at the time this letter was written and that there was a deliberate decision to refrain from reading new material or extending beyond the original outline. Polanyi’s admiration for the New Deal, formed during several visits to the United States in the 1930s is explicit in the final passages of the letter. There is no evidence of new influences during his stay at Bennington College from 1941 to 1943.

“So about four weeks ago I began writing, and tomorrow I intend to go to New York to hand the Introduction and the first three chapters to the publishers. Curiously enough, it is not a draft, but a finished text, ready for print. Of the many surprises the writing was connected with, this is one. When Mother arrived, I had only an outline, in 25 chapters, appr. 20,000 words. I vaguely intended to amplify it and make it three times as long, before starting out to write the book. But hardly had I started out, I changed my mind and simply wrote the first chapter, which at once settled the book. Or now I knew what I had not even suspected before, namely, the length, shape and character of the book. So, my Darling, now I can tell you. It is going to be called *Liberal Utopia, The Origins of the Cataclysm*. It will be a very straight forward, simple story, easy to read and mainly historical in character, recounting the history of English enclosures, the Industrial Revolution, Speenhamland. But the two introductory chapters will deal with the Hundred Years Peace and the ‘Conservative twenties, Revolutionary thirties. The last chapters deal with America, Russia, the history of Economic theory and the history of the theory of the liberal state, It ends up with the formulation of new concept of freedom, the

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17 Fred Block, “Karl Polanyi and the Writing of the Great Transformation,” presented at the Eight
reform of human consciousness the transcending of Christianity. The structure is extremely strict and formal. The bulk of the book is called ‘Rise and Fall of Market Economy’ and takes some 20 chapters of the 25. It consists of three sections: A. Satanic Mill. B. Self-Protection of Society and C. Deadlock. There will be no footnotes, but all annexes will be added at the end with all notes under chapter headings; the notes will be full, and very much part of the book; written so as to be read- with gusto, even separately. I won’t do any extensive reading any more, if I can possibly avoid it, but only the reading needed to check all my statements insofar as the writing takes one beyond the original scope. The book will have approx 500 pages.

Mother was the greatest help imaginable. She typed the fresh MS pages for me so that I could at once correct them and rewrite them myself; she listened to every two or three pages as they were written, which is a tremendous thing, for it assists one to see exactly where you are. And she was so encouraging as we know only she can be. In America the title will have to be different, here liberal means progressive, or more precisely what radical meant in England, until not long ago. (By radical they mean here an anarchist or a communist; while the English term liberal is untranslateable into American unless you say laissez-faire, or more often conservative!) Hoover, eg. Is called a conservative because he is a liberal (in the English sense), while Roosevelt is called a liberal, meaning that he is for the New Deal. Therefore Liberal Utopia would be taken to mean an attack on supporters of the New Deal- which would be almost the opposite of my purpose. I intend to call it here The Great Transformation, Origins of the Cataclysm.”

As we enter the 21st century, we witness societal disintegration manifested in genocidal wars, displaced populations, the pandemic of HIV/AIDS, ethnic and religious conflicts and irreversible damage to the natural environment that sustains life on earth. Our world is arguably more turbulent and dangerous than Polanyi’s. The impulse of social
protection of societies threatened by the concentration of economic, financial and increasingly military power may be mobilized by appeals to solidarities as diverse as class, race, ethnicity, caste, religious belief or nationalisms. Where the conflict between the ‘economic’ and the ‘social,’ cannot be resolved there is chaos. In the so-called failed states, social and civic relations of mutual support have disintegrated.\(^\text{18}\) It is not by coincidence that Polanyi’s warning of the fateful consequences of liberating capitalist market relations from social control has such resonance today.

**Reciprocity, Redistribution and Exchange**

We first encounter reciprocity and redistribution in chapter 4 of *The Great Transformation*, drawn from Polanyi’s early readings of anthropological writings of Malinowski and Thurnwald. To introduce a measure of order into the endless variations of the organization of economic life, Polanyi posited three forms of integration: reciprocity, redistribution and exchange. To be effective as integrative mechanisms, reciprocity requires movements between designated symmetrical groupings as in kinship relations; redistribution of goods in and out of a centre requires centricity and is generally accompanied by hierarchy; and exchange requires a system of price making markets. These patterns of integration do not derive from the summation of individual acts but are conditional on the existence of specific institutions. They do not represent stages of development; no sequence in time is implied. However, “economic systems” may be classified according to the dominant form of integration, corresponding to the manner in which labour and land are instituted in society to produce the material requirements of life. Thus, in communal societies, kinship relations of reciprocity predominate in the allocation of land and labour; in the floodwater empires, land was largely distributed and sometimes redistributed by palace or temple, and so to some degree was labour; and the rise of the market to a ruling force in the economy can be traced by noting the extent to which land, and food were mobilized through exchange, and labour was turned into a commodity free to be purchased in the market.” \(^\text{19}\)

We note Polanyi’s consistent reference to man and nature, labour and land, toil and soil as the ultimate economic resources of every society,

and the institutional modalities regarding land are no less significant than those regarding labour.

In the history of economic thought, man and nature as the original sources of wealth is a forgotten contribution of the Austrian school of economics. The emphasis on labour as the ultimate source of value derives from English political economy, elaborated by Ricardo and appropriated by Marx. Natural resources acquire value only when labour is applied to their extraction or use. In neo-classical economics, they have value only if they are scarce; hence, the well-known paradox, that air and water have no value because they have no exchange value, and diamonds are valuable because they are scarce. The unsustainable impact of the commodification of natural resources has attracted environmental economists to Polanyi’s critique of market economy and market society. Polanyi rejected Marxist historical “stages” of slavery, feudalism and capitalism based on the predominant labour regime as historically untenable. His three patterns of integration have an interesting correspondence with Samir Amin’s three modes of production: the primitive communal, tributary and capitalist. It must be noted that elements of all three patterns of integration are found in every society. Reciprocity relations of kinship persist in varying degree to modern times, redistributive institutions may be found in communal societies and play a crucial role in all variants of national capitalism, and markets, as Polanyi noted, are not a new phenomenon.

Relevance of Polanyi’s Historical and Theoretical Contribution

“The Economy as an Instituted Process” is perhaps the most comprehensive account of Polanyi’s attempt to construct a general theory of the organization of economic livelihood. In this approach, based on a substantive definition of economics, as “man’s relation to land in providing the essentials of life,” the market as the principle integrative mechanism is a special case. His un-packaging of the triad of trade, market and money from the baggage of assumptions drawn from the modern market economy and formalized in mainstream economics, opened a large and promising area of research of economic institutions in archaic and primitive societies.

20 Herman Daley and others.
Because the self-regulating market is, as Polanyi illustrated, an unattainable ideal fraught with social and ecological disaster, social institutions constrain and regulate the market and public goods are provided by the state whose fiscal operations also finance more or less comprehensive redistributive measures. Reciprocity exists beyond relations of kinship in social obligations of all kinds. International trade is not exclusively commercial, and may be motivated by political arrangements of mutual advantage. It is generally subject to international agreement. National currencies are a form of special purpose money especially when they are not convertible. Informal arrangements of local special purpose money may facilitate exchange within a community. Barter is a form of non-market exchange and non-market elements are present in a variety of cooperative associational or non-profit activities. When the formal economy breaks down, or otherwise fails to clear markets; non-market exchange plays a crucial role in survival strategies of individuals, communities and enterprises.

Globalisation presents a challenge of how to reconcile participation in international trade with the requirement of societies to be anchored in social and cultural institutions. When the state is unable to mediate conflict, support individual and community creativity, provide economic and social infrastructure and, ensure that, the gains of economic growth are shared by all; the benefits of growth will be captured by middle and upper income earners. Market forces of polarization will disembed the economy from traditional social relations and people will seek solidarities of community, ethnicity, religious belief or other solidarities of the excluded. Polanyi’s rejection of economic motives of individual gain as fundamental to human nature and his research into a diversity of patterns of economic organisation suggest that economic livelihoods can be instituted in a great variety of ways. This however, is incompatible with the universalisation of the market principle. It implies a civilisational transformation in accord with the fundamental need of people to be sustained by social relations of mutual respect.