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THE REPROVING OF KARL POLANYI

ABSTRACT: *Karl Polanyi's* The Great Transformation *has had enormous influence since its publication in 1944. In form, this influence has been salutary: Polanyi targets one of the main weaknesses of modern economics. But in substance, Polanyi's influence has been baneful. Mirroring the methodological blindness he criticizes, Polanyi insists on the all-or-nothing existence/nonexistence of laissez faire—and on its all-or-nothing goodness/badness.*

Károly Polányi (1886–1964), who wrote in English after 1935 as Karl Polanyi, was an economic journalist-turned-historian from 1933 to 1939 in England, and from then until his death was a researcher and professor in Canada and the United States. Karl's wife Ilona Duczynska was a physicist and all her life a communist, though she was expelled from the party for anarchistic deviation. In the chaotic style of *Mitteleuropa* between the wars, Karl himself was twice exiled, first from his native Budapest and then his adoptive Vienna. The family were assimilated and secular Jews, of Polish descent (as Pollacsek), a kind attracted to Budapest and New York as the places where Eastern European Jews could prosper at the end of the nineteenth century. His mother Cecile Polányi was hostess of a salon of revolutionary intellectuals in Budapest

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during and after World War I. The Polanyis have produced artists and scientists and intellectuals to the third generation from Cecile. Karl's brother Mihály, Michael, was a distinguished physical chemist in Britain who fell short of the Nobel prize (Michael's son John received it) and a conservative social philosopher. Michael, not Karl, has an entry in Bullock and Woodings's *Twentieth Century Culture: A Biographical Companion* (1983), but this judgment of relative cultural influence is mistaken.

The Great Transformation (1944) is Karl Polanyi's legacy, and it is more durable than most. It tells the story of nineteenth-century capitalism as the rise and fall of market economy: not "a" market economy, in his view, but just "market economy," the very essence. The work was conceived in England in 1939–40 and drafted at Bennington College in Vermont. Bennington at the time distinguished itself with unconventional appointments, such as Polanyi and the literary critic Kenneth Burke. Neither of these had a Ph.D. or indeed much academic training. It makes one wonder about Ph.D.s and academic training.

The Austrian-American management theorist Peter Drucker, another colleague of Polanyi's at Bennington and a fellow émigré, but with a different view of capitalism, was "a source of sustained encouragement" (Polanyi 1944, vi). The Rockefeller Foundation awarded Polanyi a two-year fellowship to write the chief modern indictment of capitalism. Joseph Schumpeter, who liked to point out that "the scheme of values of capitalist society, though causally related to its economic success, is losing its hold not only upon the public mind but also upon the 'capitalist' stratum itself" (Schumpeter 1950b,[1] 448) must have been amused by Polanyi's dealings with Rockefeller. Later, when he was at Columbia, Polanyi's writings against capitalism were financed by the Ford Foundation.

Fifty years after its first appearance, *The Great Transformation* is still being recommended, mistakenly, as a summary of modern economic history. It has never gone out of print. No work of economic history except *Capital* and *The Protestant Ethic and the Spirit of Capitalism* has had more influence.

In the year that Polanyi published *The Great Transformation,* the West Indian historian Eric Williams published *Capitalism and Slavery,* with a theme complementary to Polanyi's, and with a similarly long afterlife. Schumpeter a couple of years earlier had published *Capitalism, Socialism and Democracy*, his economic account of why "a socialist form of society will inevitably emerge from an equally inevitable decomposition of capitalist society" (Schumpeter 1950, xiii). Polanyi's book, like Williams's and Schumpeter's, has proven hardy, and the three constitute a triptych of anticapitalist masterpieces.

The Great Transformation is convincing. Sentence by sentence, it is elegant, quotable, authoritative, full of ringing phrases. Though trained as a lawyer, Polanyi was enough of an economist to dispute with Ludwig von Mises in the 1920s on the feasibility of socialist calculation. His main career in the Old World, however, was journalism, and in his only book as sole author he wrote with spirit on the dreariest of topics, from the Old Poor Laws in England to the Fall of Gold.

Economic history never seemed so important. The only appearance of economic historians in literature are the hero in *Lucky Jim* and the anti-hero in *Hedda Gabler* (Ibsen [1890] 1982, 537–8):

> *Hedda*: Tesman is a specialist, my dear Judge.
> *Brack*: Undeniably.
> *Hedda*: And specialists are not amusing traveling companions—Not for long, at any rate. . . . Just you try it! Nothing but the history of civilization morning, noon, and night.
> *Brack*: Everlasting.
> *Hedda*: And then all this business about the domestic industries of Brabant during the Middle Ages. That's the most maddening part of it all.

Polanyi was no maddening specialist. His metaphors burn on the page: "The creation of a labor market was an act of vivisection performed on the body of society" (Polanyi 1944, 127). It is a thrilling book, a detective story as history painting. He took colors from many variants of politics and scholarship, blue to red, and fashioned an alternative to both liberal and Marxian economics.

To overcome the "market mentality" Polanyi urged "the integration of economic anthropology, economic history, comparative economic systems into a comprehensive universal or general economic history" (Stanfield 1986, 32–33). "We shall encroach upon the field of many disciplines," he declares on the second page, and he is true to his word. Polanyi's recipes include nearly every type of human behavior. He would have none of the one-ingredient cookery of conventional economics. As one of his first students at Columbia writes, "He borrowed mercilessly from the entire gamut of the social sciences" (Fusfeld 1988, 268). Polanyi has inspired Marshall Sahlins, Immanuel Wallerstein, E. P. Thompson, James Scott, and Douglass North, to name a few, and has given numerous other intellectuals the conviction that in *The Great Transformation* economic history had been grasped.

Polanyi's narrative of the rise and fall of "market economy" is presented as an "economic treatise informed by principles of inquiry very different from those typical of economic analysis" (Lewis 1991, 478). Polanyi was one of the creators of modernization theory, fashionable among academics in the 1950s, a theory challenged in the 1960s and 1970s by economists such as Theodore Schultz and Robert Fogel, who persisted in economic analysis. In premodern societies but not in "market economy," Polanyi claimed, transactions were embedded in community relations. Exchange, in Polanyi's view, follows from three sociopolitical principles—redistribution, reciprocity, and householding—not Adam Smith's "propensity to truck, barter, and exchange one thing for another" (Smith [1776] 1976, 17). Contrary to the Smithian notion that markets are natural, Polanyi argued that market economy was a recent and unnatural intrusion. Markets are not, he claimed, of ancient growth, or the outcome of the expansion of world trade since 1600, or even, for that matter, a natural byproduct of the machine age. According to Polanyi, "There was nothing natural about laissez-faire. . . . Laissez-faire economy was the product of deliberate state action" (Polanyi 1944, 139–41). The deliberation could be reversed.

The free market that ate away human relations, Polanyi said, was brought to life by certain ideologues. It was the societal *response* to market economy that was spontaneous, natural, universal. The self-regulating market induced a "protective response," a widespread movement to reimpose social values on the laws of supply and demand. The "great transformation" looked forward to by the title would be a new world rising from the death of market economy. As Polanyi's student Abraham Rotstein explains, this transformation would be "the reconstitution of an institutional structure that would restore the primacy of social organism over social mechanism and embed once more man's economy within the norms and values of his social existence" (Polanyi-Levitt 1990, 100).

The Marketless World

Throughout the quarter-century or so of his scholarly career, Polanyi searched assiduously for a society without markets that would justify his understanding of "market economy" as a deliberate, idiosyncratic imposition. He borrowed first from the work of early twentieth-century anthropologists, whose naïveté about Otherness embarrasses nowadays. Polynesians and early Europeans share with their Native American and Babylonian equivalents, Polanyi believed, a disinclination to gain. He writes: "Broadly, the proposition holds that all economic systems known to us up to the end of feudalism in Western Europe were organized either on the principles of reciprocity or redistribution, or householding, or some combination of the three" (1944, 54–55).[2] Across cultures and for most of human history, he argued, material exchange had meaning far beyond individual want-satisfaction: it affirmed and strengthened the social values of the larger community. Trade occurred, no doubt, but usually not in a manner that would make sense to an economist.

Reciprocal exchange involves ritualized gift giving and receiving. The relations are highly personal: "the right person at the right occasion should return the right kind of object" (Polanyi 1977, 39). The model is politeness among friends. Like the Trobriand Islands as depicted by Malinowski, societies in which reciprocity is prominent usually have low populations and low divisions of labor. *Redistribution*, on the other hand, sometimes occurs even in large economies. "Redistribution obtains within a group to the extent that in the allocation of goods (including land and natural resources) they are collected in one hand and distributed by virtue of custom, law, or ad hoc central decision" (ibid., 40). The models are kingship and socialism. Polanyi asserted that ancient Greece, China, and India, the empire of the Incas, Hammurabi's Babylonia, the New Kingdom of Egypt, and the Dahomey Kingdom of West Africa were all organized on the principle of redistribution. Polanyi's two collaborative volumes with his students, *Trade and Markets in Early Empires* and *Dahomey and the Slave Trade*, make the case for "other allocation systems" in archaic, aboriginal, and precolonial societies, repeating throughout *The Great Transformation*'s claim that "orthodox economic history, in effect, was based on an immensely exaggerated view of the significance of markets as such" (Polanyi 1944, 58).

It is a puzzle how Polanyi could support his claim in the face of four thousand years of price history.[3] But he first wrote before much of it had been published, before Egyptian papyri and especially Mesopotamian tablets had revealed their riches. (One of us was lunching with an elderly art historian, much interested in Mesopotamia; someone noted the enormous volume of clay tablets, about which the art historian complained bitterly that 90 percent of it was rubbish, use-less for art history—merely unlimited records from the third ansd second millennia before Christ of the prices of goods and land and labor.)

In any case, when Polanyi confronted a price he saw the record of a culture or a polity as much as of an economy. In early state systems, he claimed, prices were often determined by decrees or administered through royal functionaries. Such rates of exchange were not prices generated by supply and demand. In his well-known essay, "Aristotle Discovers the Economy," he calls prices "equivalences," not market outcomes.

In fact, not just *prices* but *markets* needed to be redefined. Inspired by the work of Henri Pirenne and Max Weber, Polanyi grouped markets into three categories: external (long-distance), internal (national), and local. External markets were places—Polanyi never got over the noneconomist's inclination to think of markets as literal marketplaces, rather than relationships among people in many different places—for long-distance trade, specializing in goods not available locally. "The exchange of English woolens for Portuguese wines was an instance" (Polanyi 1944, 60). A domain of men, not women, external markets in such things as tea or sugar persisted only on the edges of communities, since these goods complemented rather than competed with local goods. Anticipating the idea of "export enclaves" in modernization theory, Polanyi asserted that long-distance trade was "unrelated to the internal organization of the economy" (Polanyi 1944, 58). He supposed that the earliest external markets were, in his terminology, reciprocal rather than emerging, à la Smith, from bartering. "Acts of barter here are usually embedded in long-range relations implying trust and confidence, a situation which tends to obliterate the bilateral character of the transaction" (Polanyi 1944, 61).

Local markets, on the other hand, are embedded in local culture, an outgrowth of Polanyi's third master category, *householding*, the women's realm. "Local markets are, essentially, neighborhood markets" (Polanyi 1944, 63), where women flock to gather provisions for the nest. Of obscure origin and steeped in local customs and taboos, local markets, Polanyi said, are never a substantial part of commerce as a whole. Before 1800 subsistence householding remained the norm for Europe's peasantry. No real market could be expected to emerge from *that*, he said. Despite state backing, mercantilist enterprises could not penetrate the "penny capitalism" of subsistence householding—which in Polanyi's description is irrelevant yet enduring.

In between these two, yet still not the modern market, stands the "internal" market, created, in Polanyi's view, by mercantilist legislation. This market seems modern, but only to the naive. Admittedly, "apart from complementary exchanges it includes a very much larger number of exchanges in which similar goods from different sources are offered in competition with one another." But Polanyi resisted seeing such markets as creatures of supply and demand. If a market was not perfect, or was regulated, Polanyi would deprecate its right to be called a market at all. In their pursuit of nation-building, the European sovereigns of the fifteenth and sixteenth centuries may have "freed trade from the confines of the medieval town" (Polanyi 1944, 66); but they merely remade national markets on the town model, as cozy monopolies—hardly, Polanyi would argue, the aggressively expanding markets of the nineteenth century. "This national market now took its place alongside, and partly overlapping, the local and foreign markets" (Polanyi 1944, 66).

Polanyi asserted that none of the so-called markets—reciprocal long-distance, householding local, or mercantilist internal—much resembled the self-regulating market of the nineteenth century. This is why Polanyi wished to argue against the notion that individual acts of barter lead naturally to the rise of local and then wider markets. Gain was not the life force. Since the premodern markets were governed by other principles of economic behavior—reciprocity, reallocation, and householding, all embedded in society and politics—the extent of the market had no automatic tendency to widen.

Polanyi defined and redefined his terms to protect the belief that market economy is historically peculiar. Displaying what Fernand Braudel (1979, 227) called an "almost theological taste for definition," he devised categories of social relationships from which he and his followers believed a new and comprehensive social science could be developed. He suggests that economies past and present might best be understood as instituted goods-moving (again, the market is a literal place). George Dalton called this Polanyi's "positive program," the elaboration of an alternative economics based on "reciprocity, redistribution, ports of trade, and other concepts" (Dalton 1975, 80). By assembling this "theory of sectors, processes, and institutions of actual economies" (Dalton 1975, 79), Polanyi told of an infection that did not spread, the flesh-eating bacterium, "market economy," awaiting its ideological day: around 1800.

Market Economy as Ideology

Nineteenth-century England is the offstage presence in Polanyi's writing. He wants to explain what caused England to arrive by 1834 at a fully commercial society. Contra Marx, in Polanyi's view the infection did not originate in capitalist modes of production; contra the anti-Marxists, it was not a mutation from the wave of gadgets or of machine production. The plague sprang from the ideology of The Market. Polanyi the historian was an idealist, not a materialist. As Charles Kindleberger (1973, 46) wrote of *The Great Transformation*, "The theme of the book is that it was not industrialization as such which created the social disruption of the nineteenth century, but the notion developed by Ricardo, Marx, and James Mill that markets should prevail." Polanyi devotes a third of his book to explaining how market economy evolved into a legal reality and examining the protective response to the resulting loss of social flesh. Ideas, not classes or gadgets, made modernity.

Polanyi defines market economy as "an economic system controlled, regulated, and directed by markets alone; order in the production and distribution of goods is . . . ensured by prices alone" (Polanyi 1944, 68). It is a rule-driven system that disembeds exchange relationships from their social and moral contexts. The system requires that all commodities, including land, labor, and capital, be traded according to relative prices, set by supply and demand. "But labor and land are no other than human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market" (ibid., 71).

Since labor, land, and money are not items produced for sale, in Polanyi's view, they cannot rightly be considered commodities. In particular, the fictitious treatment of labor as a commodity strips man of his "physical, psychological, and moral entity" (Polanyi 1944, 73). This was his root indignation, as it was Marx's: the supposed alienation inherent in a market for labor. Polanyi's parallel indignation about the market's attack on land, the natural world, foreshadows environmentalism, and is another reason for his continuing popularity. Polanyi argues that unregulated market economy, with its rigid rules, commodity fiction, and assumptions of scarcity and selfishness, destroys society. As Rotstein puts it, market economy is a "sociological enormity" (Polanyi-Levitt 1990, 100).

The system was put into place, Polanyi says, by the intellectual heirs of Adam Smith, utilitarian zealots who believed that "the laws of commerce were the laws of nature and consequently the laws of God" (Polanyi 1944, 117). Consistent with his views of administered trade in olden times, Polanyi cleaves to the idea that ideas matter: the ideologues of nineteenth-century *administered* England's transition to market economy. Liberals like Cobden and Spencer imposed their ideas from above. Writes Polanyi, "The road to the free market was open and kept opened by an enormous increase in continuous, centrally-organized and controlled interventionism" (ibid., 140)—a notion common in the 1940s in the works of American historians like Arthur Schlesinger, Jr., avidly looking for antecedents for the New Deal. Polanyi believed (mistakenly) that cotton manufacturing could not have come to dominate industrial output without the help of protective tariffs, export bounties, and the indirect wage subsidies of the Old Poor Law. The 1830s and 1840s witnessed the crescendo of Benthamite legislation that Polanyi takes as decisive, specifically the Poor Law Amendment Act of 1834, Peel's Bank Act of 1844, and the Anti-Corn Law Bill of 1846. These "three great measures" institutionalized the three great tenets of laissez faire: a competitive labor market, an automatic gold standard, and international free trade. The crux, though, was the market for labor. The market for land, Polanyi argues, evolved over two hundred years of enclosure acts; the labor market was grafted onto English society, in contrast, with a cruel suddenness.

The year 1834 and its New Poor Law was the turning point. Polanyi believed that the end of public charity made possible the establishment of a labor market, which is to say that he did not believe one existed before 1834—not a *real* one, he would have said, against all the evidence of wages paid in England from the thirteenth century to the nineteenth, adduced by scholars from M. M. Postan (1966) to Edward Hunt (1973). Prior to 1834, says Polanyi, if a worker's wage did not afford subsistence, he was ensured survival (in theory) through the Speenhamland law, the 1795 town ordinance supposed to have become a widespread subsidy tied to the price of bread. Polanyi attaches great importance to Speenhamland, on the one hand for the evil of dependency he felt it caused, and on the other for the surety of survival it supposedly provided. He detests it yet mourns its repeal in 1834, which he thinks heralded a greater evil: the competitive labor market. He emphasizes the horrors under the Speenhamland system so as to rationalize why workers might embrace such a market, forfeiting their safety net.

Inspired by the Webbs (1927), the Hammonds (1911), and Harriet Martineau (1833), and contrary to what has been discovered since he wrote, Polanyi is convinced that Speenhamland reduced rural workers to dependency, in preparation for the final shock.[4] For Polanyi (1944, 98–99) it is unimportant whether workers had been "attracted by high wages or chased from the land by tricky enclosers." He emphasizes instead the displaced villager's transformation into a "nondescript animal of the mire" (ibid., 99). In the countryside under Speenhamland he could at least hang on as some sort of human being. Yet even before 1834 the laborer had already lost his customary status, "a pattern set by his kin or fellows" for which "he could fight and regain his soul" (ibid.). Socially adrift, disembedded, the laborer had lost every incentive to improve his lot. Polanyi writes, "Unless he was able to make a living by his own work, he was not a worker but a pauper" (ibid.).

Polanyi thought the impact of Speenhamland so dehumanizing that a competitive labor market appeared attractive by comparison: "Out of the horrors of Speenhamland men rushed blindly for the shelter of a utopian labor market" (Polanyi 1944, 102). Ideas told. The Poor Law Reform of 1834 replaced Speenhamland with Dickensian work houses. For all their evils, at least work houses sheltered the rural masses from the commodification of labor. Yet "if Speenhamland had overlooked the value of neighborhood, family and rural surroundings, now a man was detached from home and kin, torn from his roots and all meaningful environment. In short, if Speenhamland meant the rot of immobility, now the peril was that of death through exposure" (ibid., 83).

Market Decline: The Double Movement

Social and legal action disarmed the market before it could consume all social relations. The self-regulating market could "annihilate" society, but Polanyi the optimist believed that it had failed. His thesis of the "double-movement" explains how English society escaped the assault, bruised but intact. The antibodies reacted to the flesh-eating bacterium. Polanyi had faith in the recuperative powers of community. As Gregory Baum (1996, 46) writes, "Polanyi held that society was essentially a relationship among persons and that, whenever this relationship was reified or subjected to external forces, people experienced an inner summons to become active in social transformation." The expanding ideology of the market produced immediately a "counter-current" of government intervention—the second thrust of the "double movement"— legislation intended not to correct market failures (thus the Chicago School) but to blunt the very functioning of markets. Anne Mayhew (1989) has recently applied this interpretation to Coxey's Army of the Commonweal, the 250 or so unemployed men who marched on Washington in 1894. She thus argues that signs of an American "protective response" appeared early. Keynesian economics, much later, has of course long been viewed as a Polanyi-like societal response to save capitalism from itself. The protective responders demand that the state defend the victims of a ruthless market—overlooking the possibility that such defenses might be the product of the Chambers of Commerce or the Moral Majority; of interests, ideology, or demagoguery.[5] Polanyi's great transformation relies on an apolitical theory of the welfare state, and it is little wonder therefore that a book historicizing this theory was popular in 1944, and since.

Polanyi (1944, 146) dated the demise of market economy to the 1870s, when state actions ranging from workmen's compensation to vaccine laws began filling the need for "safeguarding some public interest against the dangers inherent either in such conditions or, at any rate, in the market method of dealing with them." The double movement appeared in Victorian England, in Bismarck's Prussia, in the France of the Third Republic, and in the Hapsburg empire. By the end of the nineteenth century, Polanyi claims, the domestic side of Europe's market economy was fast crumbling. When England abandoned the gold standard in 1931, the guarantor of international economic stability collapsed, too.

For readers sympathetic to Polanyi's account of the market's rise and decline, the last chapter of *The Great Transformation* offers a benediction: "The passing of market economy can be the beginning of unprecedented freedom" (Polanyi 1944, 256). The folly of nineteenth-century liberalism was its equation of freedom with private property and free enterprise. Polanyi's freedom was that of a Christian Stoic, a latter-day Epictetus. He writes that only in the full resignation to death, to the reality of the soul, and to social bonds can one experience freedom. "Uncomplaining acceptance of the reality of society gives man indomitable courage and strength to remove all removeable injustice and unfreedom" (ibid., 258B). For Polanyi, legislation, planning, industrial tribunals, and guaranteed employment are the instruments of personal freedom, freedom from hunger, freedom from fear itself.

Polanyi's Reception

Most readers took kindly to the message, beginning with a gushing forward provided by the sociologist Robert MacIver to the first edition. The initial generation of readers was awed, as was MacIver, by Polanyi's "original insights into nearly all the problems of the evolution of social institutions," by his "irrefutable" condemnation of laissez faire, by the way he made the "deep secrets of political economy simple." It was agreed that Polanyi was "on the right track throughout" (Brown 1944, 540; Parkes 1944, 10; *Current History* 1944, 434; Ayers 1943–45, 6). Still, opinion was not unanimous. In 20 reviews of *The Great Transformation* written in academic journals and the popular press between 1944 and 1946, the vote was 13 to 5 in favor, with 2 abstentions.[6]

Most who favored the book found Polanyi's historical narrative compelling. The book provided the educated reader with the impression of getting the lowdown about a field she would rather not study, the economic history of civilization morning, noon, and night (just you try it!). Polanyi's excoriation of the self-regulating market resonated with a then-common distaste for liberal economics. The reviewer for the *Journal of Economic History* hailed the book in these terms: "Persuasively written, the book may well foreshadow the type of interpretation of economic history which will be common if collectivist ideas prevail in the future" (Williams 1945, 124).

The most thorough and soberly sympathetic reading of Polanyi was a book by Alan Sievers in 1949. His *Has Market Capitalism Collapsed? A Critique of Karl Polanyi's New Economics* acknowledges Polanyi's "academic sins" (1949, 363). He faults Polanyi for exaggerating the absence of the profit motive in primitive and archaic societies. Concerning Polanyi's repeated denunciations of Smith's paradigm of the bartering man, Seivers (1949, 316) replies:

> Smith's edifice does not really depend on the historical validity of his assertions concerning the bartering habits of primitive man. The relation which Smith saw between division of labor and exchange was not merely historical but also analytical, and indeed the dependence of the division of labor upon the extent of the market is a more important doctrine in his system than the historical dependence of the division of labor on the universality of barter.

In his obsession with disproving the universality of barter based on self-interest, Polanyi misses Smith's larger point that the degree of the division of labor depends on the size of the market.

A further non sequitur is at work in *The Great Transformation's* attack on *Homo economicus*. How exactly did the historical oddity of the motive of gain result in satanic mills, environmental decay, and the "troubles of the modern age" (Sievers 1949, 332)? Polanyi does not tell us, says Seivers. Never mind about the historical record. For Polanyi it suffices to pummel the bartering man beyond recognition.

As early as 1949, Sievers had the materials at hand to criticize Polanyi's handling of British economic history. He catalogues Polanyi's chronological errors, his tendency for implicit analyses, his impressionistic evidence, and his abandonment of systematic method in favor of the essay. As Polanyi was writing, economic historians such as Thomas Ashton, Walt Rostow, and Alexander Gerschenkron were bringing a new economic precision to the study of the past. The evidence since 1949 has been crushingly anti-Polanyian.

Sievers acknowledges the sin, yet forgives. He views *The Great Transformation* as a masterwork in the social sciences. As have many others. Polanyi the man/the book was loved for his/its interpretive genius. Abraham Rotstein describes the effect of listening to Polanyi at his country home outside Toronto: "In the Toronto metropolis . . . I read the world news. . . . But in Rosebank, I heard Karl explain what it all meant. . . . With his extraordinary antennae he picked up the travails of the twentieth century and the rumblings of the planet" (Polanyi-Levitt 1990, 98). He made the random century cohere.

Polanyi was Right

Polanyi was certainly right about the anxieties of his time. The long peace, the gold standard, the market, the liberal state, he says on the first page, seemed one with Nineveh and Tyre. With a handful of democracies surviving and two decades of economic chaos concluding, it looked plain common sense to say that "every vestige of the international system had disappeared" (Polanyi 1944, 23), because it had. That it could be rebuilt seemed then impossible, as impossible as economic recovery from the War. True, the impossible occurred. The peace since 1945 approaches 1815–1914 in grandeur. The gold standard was reinvented as the dollar standard, and now as a commitment to hard currencies generally. The market has spread, the liberal state is triumphant.

Polanyi's predictions on these scores were quite wrong. But in 1944 his predictions were no worse than others. The economics profession, for example, was convinced that the Great Depression would resume after the War. As late as 1989 one could have thought, and many Sovietologists did, that the illiberal empires were here to stay.

One can argue that a demoralized capitalism was saved precisely by the "double movement" in Polanyi style, that the welfare state saved capitalism by replacing it. It was Keynes's hope in 1944. This argument, like many Cold War truths, seems less believable now, but it is hard to know what would have happened otherwise; and in any case, the long experiment in state activism that Polanyi dates to the 1870s is hardly finished. The share of national expenditure consumed by the state has gone down in no country since 1945.

Polanyi was certainly right, too, that demoralization about capitalism started a century earlier, at any rate among the intelligentsia. As George Bernard Shaw ([1912] 1990, 334) observed:

> The first half of the XIX century considered itself the greatest of all centuries. The second discovered that it was the wickedest of all centuries. The first half despised and pitied the Middle Ages. . . . The second half saw no hope for mankind except in the recovery of the faith, the art, the humanity of the Middle Ages. . . . For that was how men felt, and how some of them spoke, in the early days of the Great Conversion, which produced, first, such books as the *Latter Day Pamphlets* of Carlyle, Dickens' *Hard Times* . . . and later on the Socialist movement . . . which has succeeded in convincing even those who most abhor the name of Socialism that the condition of the civilized world is deplorable.

The Great Conversion took decades to spread beyond a handful of avant-garde intellectuals. Popular literature from the Horatio Alger stories to Dale Carnegie and *The Reader's Digest* continued to reflect on bourgeois virtue. Yet the intellectuals won in the end, as they do. By 1944 their views had passed into the commonplaces that are smoothly summarized in *The Great Transformation*. Ideas do rule, as Polanyi's triumph shows.

And one of Polanyi's main points, somewhat surprisingly, can be defended rigorously. He says of enclosures, for instance, "the usual 'long-run' considerations of economic theory are inadmissible; they would prejudge the issue by assuming that the event took place in a market economy" (1944, 37). And: "In no case can we assume the functioning of market laws unless a self-regulating market is shown to exist" (ibid., 38). An economist reading such sentences—and they are very frequent in the book—is at first merely irritated. Just ignorant anti-economic muttering, she mutters to herself. The economic historian Witt Bowden (1945, 283) advised the economist to curb her annoyance and finish the book. If she does, she takes thought, and it eventually occurs to her that Polanyi's point is not so ignorant after all. The rigorous way to put it is that an economy without every market functioning does not present its participants with the correct relative prices. It is the same point made by Coase in 1960, Lancaster and Lipsey in 1956, Arrow and Debreu in 1954, Rosenstein-Rodan in 1943. Polanyi writes, for example, that "for the merchant this means that all factors involved must be on sale" (1944, 41), which is to say that markets must be complete. Polanyi's point is identical to the (So-Called) Coase Theorem. The (So-Called) Theorem (it is not what Coase had in mind as his contribution, but it is what has been universally attributed to him) is that if markets are perfect, nothing need be done. Coase meant this old and mathematical proposition in economics to be used as an absurdity only, to show that in any real world something does urgently need to be done, such as defining private property better. Polanyi has the identical *reductio* in mind. Coase and Polanyi differ only in what they want done: Coase wants more markets, Polanyi fewer.

The same point is made in the General Theory of the Second Best of Lancaster and Lipsey. Are you serious about proving that some removal of monopoly or other obstruction to a market is good? Well, then, it better be true that the First Best is in fact achieved in every market, for otherwise you can't say anything with only a blackboard and a piece of chalk. It is Polanyi's rebuttal to a priori claims about good markets. The same point is made in Arrow and Debreu. Are you serious about proving the invisible hand is beneficent? Well, it better be true that a market in every conceivable contingency into the indefinite future should exist, or else you can't prove it. Or Rosenstein-Rodan. Are you serious about capitalist investment being the best possible allocation of funds? Then you'd better already be in a capitalist paradise. Polanyi's valid point was that before 1834, no one was in such a paradise, that for a quarter century the English tried to be, and that by the 1870s they and others had abandoned the attempt.

History on the Altar of Proof

Vindicating Polanyi as a theorist, however, at the same moment (a "double movement") damns him . . . as a theorist. Like many economists since Ricardo, Polanyi thinks that by pointing out the absurdity of trying to vindicate "the market economy" a priori, he has—a priori—condemned it. Since non-absurd, real-world markets are imperfect, they should be dispensed with or regulated. Since the laissez-faire economist cannot soundly make his case with chalk on blackboard alone, he cannot make it at all. Polanyi desires proof where measurement is needed. The desire has ruined modern economics, and Polanyi, the great anti-economist and eager student of the historical record, shares in the disaster.

For example, he claims that before the nineteenth century, people lived in a "gainless economy" (Polanyi 1944, 49). Now in one restricted sense this is obviously correct: the restricted sense of ideology and of intellectually history. The intellectual historian Allan Megill is fond of distinguishing "Think" History from "Do" History, the history of how people thought and felt, which depends heavily on techniques of interpretation, as against the history of how they acted, which depends heavily on massed observations. The one is literary and anthropological; the other quantifying and economic. As Think History it is true that the ideological supports for the profit motive altered dramatically between, say, 1600 and 2000. But as Do History there is something wrong. The ways of showing the wrongness are myriad.

Take down from the shelf Thomas Tusser's *Five Hundred Points of Good Husbandry,* published about three centuries before Polanyi reckons that the pursuit of gain first dominated. In lines 1 and 3 of "The Authors Epistle," on the first page of the book, you read, "Time trieth the troth, in everie thing, / . . . Of works, which best may profit bring." And so for 200 pages of doggerel, saturated with Think History remarks on gain, as in Chapter 51, "Ill husbandrie selleth/ his corne on the ground;/ Good husbandrie smelleth/ no gain that way found. . . . Ill husbandry lieth/ in prison for debt:/ Good husbandry spieth/ where profit to get" (Tusser [1573] 1984, 1, 132–33). A world in which people did not, in the current argot, "do gain" could hardly generate such gain-focused thinking.

Another example of the same sort: "Previously to our time," Polanyi (1944, 43) says, "no economy has ever existed that, even in principle, was controlled by markets. . . . Gain and profit made on exchange never before played an important part in human economy." Cicero was previous to our time, and lived in an economy that existed. Take down the volume of letters between him and his friends, and open them at random. Quintus Metlus Nepos to Cicero, from Spain, 56 B.C., "I have written fully to Lollius, telling what I want done about my provincial accounts," his gain and profit there (Cicero 1927, V.iii). Cicero to Publius Sestus, December 62 BC: "I have now bought that very house for three thousand five hundred sestertia . . . . The consequence is that I am heavily in debt," an odd situation for someone in an economy markets did not control, and in which gain and profit played no important part (Cicero 1927, V. vi). This in a member of the senatorial class forbidden officially to deal in profit and loss. The ideology was anti-market, but Cicero's life was immersed in markets.

The important word in Polanyi's declaration that gain and profit made on exchange never before played an important part in human economy is "important." Polanyi acknowledges the bare existence of markets before 1800. But he emphatically denies their significance. In the numerous repetitions of the claim he commonly puts it quantitatively: "no economy prior to our own [was] even approximately controlled and regulated by markets" (Polanyi 1944, 44). How much market? How much profit, gain, Prudence in terms of Price? Polanyi implies: nil. But this qualitative implication is fudged by the quantitative caveat, "approximately."

Before the nineteenth century, Polanyi proclaims from his blackboard, people lived in a "gainless and marketless economy" (1944, 49). Now it's one thing to assert that the ideology of gain altered; to some large degree it did, and to a remarkable and even bizarre degree. What he says is true as Think History, though hardly original. Bourgeois virtues have many more defenses in 2000 than they had in 1600. We have known that for some time. But it's quite another matter to assert that in fact people in olden times were not motivated by gain. As Do History the assertion is wrong. It would be like saying that before Galileo, a falling stone followed Aristotelian rules. The ideology of falling stones, the Thinking that people did as they watched them fall, changed. But the behavior of the stones did not. Or at any rate one needs to inquire earnestly into the evidence as to whether it did, and if so, by how much.

A corollary to Polanyi's claim of a "gainless and marketless economy" is the notion that state action created the "free market." He imagines that administrative fiat can turn a free market on like a light switch. Once the switch is on, Polanyi believed that any regulation whatever obviates a market. An epsilon degree of social intrusion, as a social mathematician might put it, makes for No Market. Off again. A mistake that Polanyi and his school repeatedly make is to suppose, without evidence, that the free market is a discrete function of government action. This is a non sequitur based on a simplistic understanding of what laissez faire means.

Smith viewed the market as a continuous function of the interactions among disparate buyers and sellers. The interactions are hindered by many forms of government involvement and aided by certain others, such as a legal framework that ensures property rights. Smith's market is an elaborate construct girded by numerous trusses and spanning many types of what are today called market structures. By contrast, Polanyi's "free market" is first engineered by Benthamite legislation of the 1830s and 1840s; the "protective response" of the 1870s then demolishes it. Polanyi's standard is again that of Arrow-Debreu—flawless markets or nothing.

That standard is of no use for scientific investigation. We need to know *how much* regulation kills a market. The presence of regulation does of course change the relative prices, the Hayekian signals. But the question is, How much? In China at the height of the Cultural Revolution, the women of the villages secretly purchased produce from the farmers and fishers before the watchmen began their call. Supply and demand popped up in the unlikeliest place.

Theorizing—Polanyi's or "Coase's" or Arrow and Debreu's—has its use in suggesting where to look for evidence. The evidence certainly does not speak for itself. To speak, it needs generalized terms and posited relationships: a theory—a sort of grammar of evidence. When the classicist H. L. Heichelheim, for example, criticized Polanyi's interpretation of cuneiform and Greco-Roman evidence by holding it up against a theory-free standard, Polanyi (in Dalton 1968, 258) replied reasonably:

> Still another instance of Heichelheim's practice of "no theory" should perhaps be adduced. The methodological device of transcending time-bound institutions through the introduction of generalized terms was applied by me throughout the work. In order to avoid the marketing connotation of "price" where inappropriate, a new term . . . was introduced . . . which would apply irrespective of the pattern of integration.

Polanyi, however, sought a "generic economic science which accounts for all human economies" (Sievers 1949, 36–37). Such a programmatic goal could have appeared in th'to Polanyi's time, Lionel Robbins. It was typical of mid-century positivism in the social sciences. Polanyi's positivism sharpened during his years in Columbia's economics department, as a comparison of *The Great Transformation* with the later *Trade and Markets in Early Empires* makes clear. Polanyi attempted a science of institutions. But like other more recent attempts, such as Douglass North's, he instead created a set of definitions that assured that his new science could not be refuted by history.

The bulk of historical inquiry into the matter has refuted Polanyi's assertions about Do History. The doyen of African economic historians, Philip Curtin, for example, offers ample evidence that African economies before and during European contact were price economies. About Polanyi's notion that Dahomey was a "port of trade," which is to say a government-monopolized and non-market entrepôt, especially in slaves, Curtin (1984, 58) writes: "Later research has shown, unfortunately, that Polanyi misunderstood the evidence. The state did not have a monopoly over the slave trade. Rather than being administered, the economy as a whole responded to market considerations with roughly the same social and economic complexity that might be found in early European market economies."

Curtin (1984, 83–84) gives a striking example from an economy even more remote from English capitalism's taint: Raymond Sidrys and his team of archaeologists measured the ratio of the cutting length to the weight of obsidian blades produced by the Classic Mayans before 800 A.D. If Mayans lived in a gainless, profitless, nonmarket economy, it would not matter to them how expensive obsidian was. But Sidrys and company found that the ratio varied inversely with the distance from the sources of the obsidian. By taking more care with more costly obsidian, the blade makers were earning better profits, as they did by taking less care with less costly obsidian.

The assyriologist Daniel C. Snell (one of many students of the ancient Near East who has found Polanyi's notions of a gainless, profitless, marketless economy unpersuasive) analyzed a set of prices from 2044 to 2030 B.C. in southern Mesopotamia, and concluded that there was little evidence of "administered" prices, or, in Polanyi's terminology, "equivalences" set by governments rather than markets. As Curtin (1984, 70) emphasizes, "All later authorities [later than Polanyi] . . . portray an economic order [in Mesopotamia] where merchants were extremely sensitive to small changes in price [thus the masses of correspondence on clay tablets providing instructions for buying and selling items like copper], where price fluctuated rapidly, and where authorities interfered . . . —but never to the extent of successfully suppressing the underlying play of supply and demand."

In case after case in the history of Polanyism, in one academic field after another, an initial enthusiasm has ended in yet another demonstration that the market pops up if your theoretical categories allow you to see it (Curtin 1984, 57–70; Latham 1996, 8–14; Chaudhuri 1985, 223–28; Braudel 1979, 225–29; Veenhof 1972, 345–57; Snell 1991, 129–41; Silver 1983, 795–829). Currency in olden times turns out to be in fact for "general purpose"; port trade was not, after all, administered. In such a matter, to repeat, not "proof" but only magnitudes matter: *how close* to a perfect market economy does an actual economy have to be before the long-run considerations are to this or that degree admissible? *How much* of a self-regulating market needs to exist before we can assume "approximately" the functioning of market laws? It is not a matter of on/off, exist/not. Capitalism is not like a theorem, a statement true or false. It is like a bridge more or less stable.

Prudence vs. Solidarity

What is left of Polanyi's legacy if his history is hopelessly mistaken as to magnitudes, as it is?

In matters of method, modern economics would do well to relearn Polanyi's lesson that (of course) an economy is embedded in a society. All behavior is embedded in ethics, the language and culture of a commercial, or an anticommercial, society. At the heart of Polanyi's continuing appeal is his honoring of a more complex ethical system than is covered by the virtue of prudence, or utility, alone. Explicitly reckoning with a broad range of human motives, he gives his readers an ethical vote.

In answering "how much market," counting, the search for convergences and correlations of prices, must be done.[7] But this—positive science—is a mere beginning. Do History alone, the positivism that Karl's brother Michael (1962, 88) described as "voluntary imbecility," is not the whole. Polanyi recognized this, but he went too far in the antipositivist direction in his search for blackboard theories with which to smite laissez faire, which seemed to him to be premised on blackboard theories alone.

The official rules of polite conversation in economics since Jeremy

Bentham insist on reducing behavior to a narrow construction of "observable implications" and treating *all* behavior as emanating from prudence, that is, self-interest. If only "observable implications" are to matter, and if you do not look too deeply into what an observation is, the program works, at any rate as a device for publishing papers and attaining academic tenure. If you do not view the stories people tell as "behavior," you can go on believing that people are a good deal like experimental rats. Polanyi objected to all of this. It was his skill and his charm. But he substituted one chalkboard construct with another.

Jeremy Bentham cannot be blamed for the imbecility of, say, statistical significance. That is a late-twentieth-century failure of the positivist program. But Bentham is the source in economics and its imitators of treating all behavior as Prudence alone. Bentham and his heirs, such as the economists George Stigler and Gary Becker, the late sociologist James Coleman, and the federal judge Richard Posner (all of these gathered at the University of Chicago), assure us that Prudence alone is enough to explain everything. Just everything. Bentham's *Principles of Morals and Legislation* (1789, 146) called Prudence by the word *utility*, and claimed to prove that "the only right ground of action that can possibly subsist is after all the consideration of utility." Faith, Hope, and Love, to the Benthamite or Beckerian mind, are Prudence in another dress.

Adam Smith knew better, and said so at length. Smith created an ethical system for the middle class, following the precept of his friend David Hume, that "Readers as are plac'd in the Middle Station. . . . form the most numerous Rank of Men, that can be suppos'd susceptible of Philosophy, and therefore all Discourses of Morality ought principally to be address'd to them" (Hume [1742] 1985, 546). Smith's *Theory of Moral Sentiments* discusses five of the seven cardinal virtues. The Pagan Four are: courage, temperance, prudence (or wisdom), and justice. The Christian Three are faith, hope, and love—but Smith left out faith and hope as dangerous to a commercial society (faith and hope in fact proved to be very dangerous indeed in their nineteenth-century forms of nationalism and socialism). The five remaining can be arranged on a spectrum, from aristocratic through bourgeois to Christian:

Courage Temperance Prudence Justice Love

Prudence was the central ethical virtue of the bourgeoisie, with Temperance on one side and Justice on the other. Smith's book about prudence, *The Wealth of Nations*, should be read as embedded in the other virtues, especially temperance and justice, about which he wrote at length (he was uncomfortable with both courage and love, as tending to non-bourgeois excess).

Polanyi read *The Wealth of Nations* as open to social purposes. He writes of Smith: "Wealth was to [Smith] merely an aspect of the life of the community. . . . The economic sphere, with him, is not yet subject to laws of its own that provide us with a standard of good and evil" (Polanyi 1944, 111–112). He saw Smith correctly, in other words, as a social embedder. Polanyi aimed his attack at a Benthamite and nineteenth-century corruption of Smith, the reduction of all virtues to one.

Had Smith had been econometrically inclined he would have put it this way. Take any sort of behavior you wish to understand—voting, for example, or the scattering of plots in open fields, or the adoption of the Bessemer process in the making of steel. Call it B. It can be put on a scale and measured; or perhaps it can be seen to be present or absent. You want to give an account of B. What Bentham claimed is that you could explain B with a single variable, P—prudence, price, profit, the Profane. Polanyi replied that, no, you have forgotten love and courage, justice and temperance, in a word, Solidarity, the S variable of speech, stories, shame, the Sacred. Economists have specialized in P, sociologists in S.

What Smith said is that of course most behavior, B, is explained by both P and S:

$$B = \alpha + \beta P + \gamma S + \varepsilon.$$

Like Alfred Marshall's scissors of supply and demand, resolving in the late nineteenth century the long and pointless quarrel between supply *or* demand as *the* determinant of price, including both P and S is only sensible. It is not wishy-washy or unprincipled. *Of course* the S variables are the conditions under which the P variables work, and the P variables modify the effects of the S variables. The present-day institutionalist John Adams speaks of the market as an "instituted process," which is exactly correct. The institutions are the S, the process the P, or sometimes the other way around: anyway, both.

Econometrically speaking, if the P and S variables are not orthogonal, which is to say if they are not entirely independent, or alternatively if there is reason to believe that a variable such as PS has its own influence, then an estimate of the coefficients α and β that ignore S (or PS) will give biased results. The bias is important if the S variable is important. What Polanyi argued was that the S variable *was* only important "before market economy." In this he was wrong, but in a surprising way: it is important early and late, in recent market economies as much as in supposed "non-market" economies of redistribution or reciprocity.

One can give unlimited instances. The econowannabes in American departments of political science, for example, are much taken with "rational-choice models" of voting. People vote their pocketbooks. They throw the lever for the Republicans if the Republicans outbid the Democrats in offering tax cuts. People are Republicans for reasons of prudence, not because they are persuaded it is just to reduce the capital gains tax, or because courage requires them to stand up against creeping socialism, or because it seems a temperate move to throw the lying Democrats out, or because they love Ronald Reagan. $B = \alpha + \beta P + \varepsilon$. No S variables about it.

But the economists who invented this sort of thing, such as Anthony Downs and George Stigler (and Karl Marx, for that matter), knew that there was something peculiar at the heart of the argument. One of us had a bizarre quarrel with Stigler about it in the billiard room of the Quadrangle Club at the University of Chicago, around 1978.

Stigler: As Downs showed, people vote their pocketbooks. They are rational in voting.

McCloskey: But, George, they have to be crazy to come to the polls in the first place. One person's vote in a large election has virtually zero effect, so it would be imprudent to expend effort in troubling to get to the polls. That, too, is an implication of Prudence. As you show in your textbook *The Theory of Price* (1966, 90, 200), it is irrational for a single actor on a large stage to expend any effort, since he has no effect on the tableau.

Stigler (annoyed): All that matters are the empirical implications of the model.

McCloskey: You mean that if it is an empirical implication of an argument that A and not-A are both true, nothing is wrong? The behavior in question is going to the polls in the first place. That's empirical too, isn't it, George? The pocketbook, P-variable theory of voting is a theory of the rationality of madmen.

Stigler (intensely annoyed, striding off): The empirical implications! Positivism! Behaviorism! (He exhibits a cross, warding off the Devil.)

Most economics and most sociology is persuasion about the mixture of prudence and solidarity that matters in any particular case. Only in theory, a poor theory at that, are economists besotted with prudence. Without making it explicit, economists are considering solidarity all the time. Theodore Schultz argued in *Transforming Traditional Agriculture* (1964) that peasants in poor countries were prudent. He was arguing that it was a mistake to explain their behavior as $B = \alpha + \gamma S + \varepsilon$ alone. But he did not ignore the S variables. Educating women, he argued, was crucial in making prudence work, and doing it would depend on overcoming patriarchal objections to literate women. Robert Fogel and Stanley Engerman argued that American slavery was prudential and capitalistic. But they did not ignore the S variables. They measured them by indirection, finding that for some features of slavery, such as the price of slaves, variables other than business prudence were not very important. Fogel went on to write about the influence of religious belief on slavery and abolition, and Engerman to write about the historical roots of coercion and freedom in the labor market.

It is only in the fever of blackboard composition that economists forget S. Gary Becker forgets S as a matter of behaviorist principle, not because he actually believes that people do not love one another, or exhibit courage (even in their scholarship). Economists and especially cliometric historians actually spend most of their time investigating the salience of S variables. Studies of open fields, the Industrial Revolution, free banking, innovation in farming and manufacturing, the country store, the company town, Chinese agriculture, New Deal politics, and so forth are studies of institutions—seen through a lens of prudence, to be sure. Thus Douglass North's peculiar olive branch to Polanyi, an indictment of the cliometric history he fathered. "If his [Polanyi's] spirit does not haunt the new economic historians," North wrote, "it is only because they probably are not even aware that the ghost exists" (North 1977, 704). New economic historians have been studying institutions all along.

But it is equally mistaken to rely on S alone, and to reject P. That is what Polanyi does, and that is what is chiefly wrong with his book. At one point Polanyi gives an evolutionary argument showing that narrow prudence is unnatural (*pace* E. O. Wilson):

> The individual's economic interest is rarely paramount. . . . The maintenance of social ties, on the other hand, is crucial. . . . Such a situation must exert continuous pressure on the individual to eliminate economic self-interest from his consciousness. . . . The premium set on generosity is so great when measured in terms of social prestige as to make any

> other behavior than that of utter self-forgetfulness simply not pay. (Polanyi 1944, 46)

This argument is not very good biology, part of the long tradition in the social sciences of appropriating Darwinian arguments mistakenly. Polanyi claims for the sake of argument that prudence can be reduced to considerations of solidarity. In any event Polanyi's biology shows how deeply he regarded capitalism as artificial, unnatural, an episode, a world we should be glad, in 1944, to have lost.

Error and Understanding

Polanyi's passion for the non-market ways of reciprocity, redistribution, and householding led him to unreasonable skepticism about the scope of markets. In the end neither he nor his followers ever found the Isle of the Blessed, a past without markets. As Polanyi's great friend Peter Drucker (1979, 138) (a great friend of markets, too) put it:

> The more Karl delved into prehistory, primitive economics, and classical antiquity, the more proof did he find for the hated and despised market creed of Ricardo and Bentham, and also of Karl's contemporary bogeymen, Ludwig von Mises and Friedrich Hayek of the Austrian School. So Karl retreated into footnotes, into more and more anthropological studies, and into academic busyness.

Blinded by what his wife called his "sacred hate" (Polanyi 1977, xvi) of market society, Polanyi would have regarded prudence as an ethical nullity. Such hatred is unexpected from an intellectual once impatient of Hungary's feudalism and of a family riven by an excess of German solidarity. To his credit he sensed that he was wrong. Polanyi in his later writings understood: "If we can then find trade determined by the price differential obtaining between goods, we can speak of market trade" (Polanyi 1977, 136). Polanyi can be numbered among the unusual academics who have changed their minds about anything. He improved with age.

Polanyi's experience in the 1950s appeared to assuage his hatred of capitalism, but the sins of the father fell on the sons and daughters. Polanyi's "obsolete anti-market mentality" continues to exclude his followers from the conversation of mainstream economics. He did not live to engage the controversies arising from his analytical concepts. By the late 1960s George Dalton and others in the Polanyi Group were left to defend the master. The intellectual battle took place in economic anthropology, rather than in the economics or economic history where Polanyi began.

It's a pity. For all its defects, *The Great Transformation* could induce economists to take stock of Benthamism, and perhaps recognize its voluntary imbecility. It can help them turn from their current conversation of imbeciles toward a better and fully embedded economic science.

NOTES

1. This was the essay Schumpeter was working on the day he died.
2. Polanyi (1957, 1977) later grouped householding as a special case of redistribution and included "market" as a third type of "economic integration."
3. The earliest collected price series begin in 2044 B.C.E in the southern Mesopotamian city of Umma. See Snell 1982.
4. Actually neither the Webbs nor the Hammonds accorded Speenhamland the importance Polanyi attached to it. As the American institutionalist C. E. Ayers wrote, "Even the Hammonds, whom he [Polanyi] counts as his chief supporters on this point, specifically condemned the Poor Law Commissioners of 1834 because 'they could not take their eyes off the Speenhamland goblin.' *The Village Labourer*, p. 231." Nor did later studies (Blaug 1963 and McCloskey 1973) of the Old Poor Laws portray Speenhamland as the watershed represented in *The Great Transformation*.
5. See Thomasberger in Cangiani 1997, 61 and Bartel 1994. Polanyi never questions, as feminists point out, the gendered and hierarchical nature of the society being "protected." See Waller and Jennings 1991. Block and Somers 1984 endow "Polanyi's theory of the state" with a cogency not found in the text.
6. Favorable reviews appeared in the *Annals of the American Academy, Canadian Forum, Current History, International Affairs*, the *Journal of Economic History, The New Republic,* the *New York Herald Tribune,* the *Political Science Quarterly*, *Social Studies*, and the *Southwestern Social Science Quarterly.* Mostly favorable reviews appeared in the *Amerrican Economic Review, The Nation,* and the *New York Times Book Review. Library Journal* and *The New Yorker* ran neutral reviews. The *American Historical Review* was mostly unfavorable. Negative reviews were published by the *American Catholic Sociological Review,* the *Christian Science Monitor,* the *Journal of Political Economy,* and *Survey Graphic.*
7. It is of course being done with much illumination. Larry Neal's work (1990) on capital markets of the eighteenth century and Jeffrey Williamson's analysis (1995) of factor-price equalization in the nineteenth century are but two cases in point.

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