*Mark Blyth*

# THE GREAT TRANSFORMATION IN UNDERSTANDING POLANYI: REPLY TO HEJEEBU AND McCLOSKEY

Mark Blyth, Department of Political Science, Johns Hopkins University, Baltimore MD 21218, mark.blyth@jhu.edu, is the author of Great Transformations: Economic Ideas and Political Change in the Twentieth Century (Cambridge, 2002).

ABSTRACT: Santhi Hejeebu and Deirdre McCloskey's rebuttal to Karl Polanyi's Great Transformation begs several important questions. Yes, commerce can be found throughout human history—but is that the same as saying that people have been equally capitalistic at all times? If not, then how did modern capitalism come into being? Hejeebu and McCloskey assert by implication that capitalism is seemingly timeless insofar as it evolved gradually, indeed quite naturally, and as a question of necessity, rather than being a product of human agency, politics, and contingency. This evolutionary/naturalistic picture of capitalist development is the implication of Hejeebu and McCloskey's attempt to radically distinguish between what people "think" and what they "do"—that is, between their ideas and their actions. Unfortunately this is also distinction that relies upon a view of human action as irreducibly, ahistorically capitalistic—whatever human agents at different times and places might think, or indeed do. As such, Hejeebu and McCloskey cannot avoid 'seeing capitalism' wherever they look.

Karl Polanyi's The Great Transformation is one of the most influential, widely cited, and hotly contested studies in political economy, which is little wonder given its scope. It wanders over 400 years of profound upheaval and borrows haphazardly from economics, sociology, anthropology, and history. More parochially, it was the work of an émigré Hungarian leftist living in the United States at the end of World War II, who wrote it up by virtue of a series of grants gleaned from the tax-avoidance schemes (*writ* Foundations) of large capitalist enterprises. It is, in short, a book of contradictions. Yet its influence has been profound. As Santhi Hejeebu and Deirdre McCloskey (1999, 286) wrote in these pages, "fifty years since its first appearance, The Great Transformation . . . has never gone out of print. No work of economic history except Capital and The Protestant Ethic . . . has had more influence." The purpose of this essay is to re-examine Polanyi's claims in light of Hejeebu and McCloskey's critique of them.

Hejeebu and McCloskey advance three broad criticisms of Polanyi. First, that by misunderstanding market agents' motives, Polanyi underplays the historical ubiquity of markets and overplays the uniqueness of modern market society. Second, that market society is not an elite imposition made possible by laissez-faire ideas. Third, that Polanyi gets "think history" right, but gets "do history" wrong. There is much to applaud in this critique, but it goes too far in some respects. Specifically, Hejeebu and McCloskey err in underestimating the constitutive role of ideas in making markets possible, while making too much of the distinction between actions and interpretations.

## What Polanyi Said

Polanyi's thesis is simple. In a nutshell he argues that "laissez-faire was planned; planning was not" (Polanyi 1944, 141).[i] Yet despite its simplicity, the way Polanyi arrived at this conclusion is rather complex. Contra evolutionist accounts, Polanyi argues that capitalism was created through the deliberate commodification of land, labor, and capital--what he terms the three "fictitious commodities." Polanyi maintains that these components of modern economic life were unknown as such for most of human history: until the modern era, economic subsistence rather than gain, “habitation rather than improvement,” was the defining purpose of economic activity (Polanyi 1944, 33-42).

Until relatively recently then, the economy was not a separate sphere of activity governed by laws of supply and demand. Rather, market forces were “embedded” in a series of social relationships that facilitated subsistence. Reciprocity, householding, and redistribution existed alongside exchange undertaken for gain; and in such an Aristotelian world, trade and profit were the exception rather than the rule (Polanyi 1944, 46-55). How (or why), then, did things change?

Polanyi (1944, 71-73) reconstructs English economic history to show how the move from status to contract began with the development of commodity production. Commodities are “objects produced for sale on the market,” and markets consist of “actual contracts between buyers and sellers” of such objects (ibid., 72). Standing in the way of these transformative innovations, however, were traditional institutions designed to protect the population from indigence. What Marx described as “medieval rubbish” were exactly these “embedded” social and economic institutions: Speenhamland laws, parish councils, and other devices designed to make subsistence sustainable. They, also, however made commodity production and capitalism impossible. The transformation from a world of status to one of contract bespoke both the withdrawal of state protection from these embedding institutions; and the redeployment of the state as the author of a new institutional order, one based upon improvement and individualism rather than habitation and collectivism.

Such a process hardly occurred overnight. Existing institutions had to be contested by those who sought such transformations. They did so through both argument and action: by spreading ideas, taking over the state, and reforming the legal order of the land (Polanyi 1944, 135-62). Speenhamland's protections gave way to Poor Laws that, in turn, gave way to national labor markets. In this way 'individuals-as-commodities' were created. Similarly, land was transformed from an elite inheritance into an alienable factor of production; and with the blossoming of finance, money itself, long a unit of exchange and store of value in uncertain times, became a commodity. None of this happened by accident. It was politics all the way through (ibid., 77-85, 103-29, 151-62).

For Polanyi, markets certainly existed historically, but market *society*--a historically new social form in which labor is seen as just another factor of production divorced from notions of reciprocity and obligation--did not. This was the great transformation that commodity production demanded: the disembedding of markets from their social moorings and the creation of what Polanyi (1944, 72) called "One Big Market." This whole new social form --market society--demanded an institutional order in which the state stood aside from commodification, and social beings became factor inputs.

This was the new world of laissez faire, and laissez faire, once planned, was to be self-regulating; with the intersection of supply and effectual demand determining distribution, and indeed, justice. But, while land and capital as objects have no particular opinion regarding their supply price, labor, as a subject, most certainly does; and this is where the fiction of labor as commodity breaks down. For the self-regulating market to self-regulate it must be left alone. But the adjustments demanded by One Big Market proved too much to leave alone.

The process of commodification central to the creation of a self-regulating market engendered a reaction among labor against their new status (Polanyi 1944, 132). They turned to the state for protection against the vagaries of the market and demanded its re-embedding. Protectionism, both international and domestic, was born, and the contradiction intensified. The more the self-regulating system was regulated, the more problems arose (Lacher 1999, 320). As the dislocations worsened, the demands for protection reached a crescendo. Those states unwilling to listen to such appeals fell during the ‘conservative Twenties and revolutionary Thirties’ (ibid. , 20-30) of the Twentieth century. The movement towards disembedded markets produced a double movement from ‘society’ as it attempted to protect itself from the vagaries of self-regulation; a double movement that found its expression in communism (where the market was abolished), Fascism (where freedom was abolished), and social democracy (where markets were re-embedded, albeit temporarily).

## So What is Wrong with this Narrative?

If a 260-odd page examination of the rise of the West and all its works does not contain any flaws, we should be very suspicious. Indeed, it is to The Great Transformation’s credit that while all-encompassing, its double-movement thesis avoids both the trivial circularity of liberalism–that because people want things, they do things, and that shows they wanted to do things--and the reductionism of Marxism, with its materialist totality and all the rest. Yet, it is perhaps the openness of Polanyi’s analytic that allows scholars differ over exactly what the great transformation actually was, which is no small consideration.

For example, much of American political science rediscovered Polanyi in the 1980’s through John Ruggie’s ‘Embedded Liberalism’ article (Ruggie 1982).[ii] Ruggie argued that post-war money and trade regimes conjoined with domestic welfare states to produce an embedded form of liberalism that was different in kind from the classical liberalism that preceded it. Thus, the great transformation was the re-embedding of markets after World War Two (see also

Helleiner 1994). In contrast, for Sandra Halperin, the Great Transformation was not the rise of welfare state. Rather it was the collapse of the last vestiges of the nineteenth century order before World War Two (Halperin 2003). In my own judgment, there was not one, but several such transformations, as cycles of embedding and disembedding occurred throughout capitalist development (Blyth 2002). What Polanyi actually said is far from universally accepted. And this is perhaps where much subsequent disagreement about the value of Polanyi's analysis springs from. It is in this regard that the recent critique of Polanyi by Hejeebu and McCloskey becomes especially interesting (Hejeebu and McCloskey 1999).

Hejeebu and McCloskey take issue with several aspects of Polanyi's thesis, but at base they all revolve around Polanyi's claim that market society, as a distinct social entity, did not actually exist until fairly recently. As they put it, "Polanyi searched assiduously for a society without markets that would justify his understanding of 'market economy' as a deliberate…imposition" (Hejeebu and McCloskey 1999, 288-9).

Hejeebu and McCloskey see two main problems with Polanyi's view. First of all, the idea of a society without markets flies in the face of four thousand years of price history (Ibid. 297). As such, Hejeebu and McCloskey maintain that Polanyi was empirically wrong, the market was not an elite project foisted upon society by a bunch of utopian liberals (Ibid., 293, 295, 297, 298, 301, 302; cf. Polanyi 1944, 135-150). Second, Polanyi underplays, and indeed misunderstands, the role of gain as a motive force of historical change. In doing so he misrepresents the evolutionist view of Adam Smith, Smith's understanding of the market, and the role that Smith's version of human nature plays in his theory; all of which Hejeebu and McCloskey offer as an alternative to Polanyi. Let us examine these claims.

Prices and Practices

Hejeebu and McCloskey counter Polanyi's pre-market utopianism with a series of claims concerning the historical existence of prices and evidence of gain-seeking behavior. First of all, since we have an abundance of evidence about the paying of wages from the thirteenth century onwards, the notion that a national labor market come into being around 1834 is simply not tenable, historically speaking (Ibid. 293). Indeed, one can go much further back and note how Egyptian papyri and Mesopotamian tablets are filled with prices; hence there must have been markets (Ibid. 189).

This seems a persuasive challenge. But is evidence of prices evidence of either gain-seeking, or indeed, of a market society? A thought experiment problematizes this evidence. Imagine that the USA and the USSR had a nuclear exchange and both civilizations were destroyed. Now, 1000 years later, archeologists dig down and find a supermarket. In the supermarket there are thousands of tins and boxes with prices on them. Clearly this shows that markets existed. Or does it? For if this was a Soviet supermarket (yes, they did exist) then does the existence of prices prove that the USSR was a market society? Does it demonstrate that Soviet individuals engaged in gain seeking? Prices are simply signals, and like all signals they are ambiguous at best and do not telegraph how an economy is constructed.[iii]

But what of evidence concerning motives? After all, Hejeebu and McCloskey (1999, 300-303) argue, Mayan Obsidian manufacturers exhibited cost sensitivity (ibid. 303); Seventeenth century husbanders wrote allegorical verse about financial prudence; and even Roman intellectuals opined that buying a house was a risky proposition (Ibid., 300-301). But once again, what does this show us, or rather, what does it allow us to claim? For Obsidian workers, scarcity is an issue. Hence if Obsidian is scarce, price goes up. Price is a rationing device. Yet does this make Mayan society capitalist? Similarly, profit and loss aphorisms such as those Hejeebu and McCloskey point to in the seventeenth century are indeed evidence of cost-benefit thinking. Yet such statements are replete throughout the Bible, for example; so are we to conclude that King David et al., were the antecedents of Adam Smith? Likewise, it appears that Cicero was worried about negative equity in his new home (Ibid. 301). Does this make the Roman Empire was a capitalist market economy? Indeed, what is the point of making such a claim? Hejeebu and McCloskey seem to be saying that if prices and notions of gain have always been around, then QED, markets have always been around; and if markets have always been around, then there cannot have been a great transformation. But this runs into two rather obvious objections.

First of all, regardless of when its dated, the proposition that there was a fundamental transformation in the way the world economy was organized in the nineteenth century is relatively uncontestable. And Polanyi tells us how: the rise of One Big Market where everything is for sale since – the commodification of all factors. This was a qualitatively new development.[iv] If this was not, then we have really misunderstood a lot of history. For example, were slavery and feudalism vastly overblown or otherwise restricted to small segments of the population? Were they aberrations of otherwise functioning capitalist labor markets? Salves had prices to be sure, but it is perhaps better to think of a slave society as one of domination than one of capitalism. What Polanyi was suggested was that it is not the presence of markets in goods that matters, but the presence of relatively complete markets in <u>factors</u> that make a <u>market society</u>. All of Obsidian manufacture and Roman house trading in history is simply different in kind.

While gain seeking has indeed existed throughout history, as Albert Hirschman (1978) reminds us, the historical oddity was that gain-seeking became equated with market transactions only relatively recently. This was a qualitative and not a quantitative change; otherwise Incas, Mayans, Romans, and contemporary Britons were/are all living is societies that were more or less similar in their economic structure, despite the differences in, for example, the presence of slaves. Painting the history of all hitherto existing societies as the history of capitalism in vitro probably obscures more economic history than it illuminates. Luckily then, Hejeebu and McCloskey have another line of criticism to pursue.

## Markets, Motives, and Myths

Polanyi's case for the historical uniqueness of market society rests, in large part, on his rebuttal of Adam Smith's view that Homo Economicus, with his "propensity to barter and truck," is natural and thus historically universal; a universalism shared by Hejeebu and McCloskey. Polanyi argued instead that "the alleged propensity of man to barter, truck and exchange is almost entirely apocryphal" (Polanyi 1944, 44). In order to counter this rather devastating objection to the naturalism of markets, Hejeebu and McCloskey argue that if Smith's thesis is not dependent upon the bartering savage after all, then Polanyi's critique is not only empirically dubious, it is theoretically misplaced.

Specifically, Hejeebu and McCloskey argue that the existence of the bartering savage is unimportant for the Smithian thesis since the real determinant of gain and growth is the extent of the market (1999, 296-297). Polanyi can therefore find all the anthropological evidence he wants for pre-market societies and this still does not fundamentally challenge a Smithian perspective. Yet this position is also not without its problems. For if Smith's theory is to function, there is no escaping the bartering savage, and if the bartering savage is contestable, then so are Smith's conclusions and all that follow from them as empirical description.

Book One; chapters one through four, of The Wealth of Nations detail Smith's structural context: the world in which capitalism can happen. For Smith, the division of labor arises due to the innate need for cooperation among Mankind, which is due to co-dependence and mutual need (Smith 1993, 3-11). Given this interdependence, a unit of exchange (money) naturally arises to facilitate mutually beneficial exchanges (Ibid., 17-23). What limits those exchanges is the possible extent of the market (Ibid., 13).

Something is immediately wrong with this picture, namely, why cooperate? Why not steal? Indeed, the main function of the Roman Empire, prices notwithstanding, was exactly that – to steal by expansion (tribute). How then did we ever crawl out of the swamp of conquest and invent market society? For Polanyi it was the great trick played by liberal ideologists. And he was right, as is confirmed by Smith's own writings.

In Book Two of The Wealth of Nations, chapters one and three explain why we are all bartering savages. As Smith puts it, " a man must be perfectly crazy who, when there is tolerable security, does not employ all the stock he commands" (Smith 1993, 57). But where does tolerable security come from, not to mention the desire to invest so prudently and not blow it all on a huge party or stash it under the mattress? What makes us have this 'natural propensity to barter and truck' rather than fight, steal, or squander? Smith's answer is surprising.

According to Smith it comes from the innate tendency of all mankind to act like Eighteenth century Scottish Presbyterians. As Smith puts it "capitals are increased by parsimony, and diminished by prodigality" (ibid. 76). Prodigals "pervert" our natural drive to save and accumulate, but thankfully they are always outnumbered by the frugal among us, hence growth 'naturally' prevails. (Ibid., 74, 76, 77). And where do these behaviors come from? For Smith they "come with us from the womb and never leave us till we go into the grave" (ibid. 76). Let us pause for a moment and consider that Smith's assertions about human nature may well be as devoid of evidence as Polanyi's own Rousseau-like ruminations, and then think about what this tells us theoretically.

To me this indicates that all social and economic theories need a postulate governing action, otherwise agents cannot not act. Whether Benthamite calculators, Parsonian cultural dopes, or Althusser's 'Trägers,' structural arguments need a theory of agency. Polanyi offers us one drawn from 1940s anthropology of the Trobriand islanders. Smith offers one form 18th century post-Union Presbyterian Scotland. So why is Polanyi a misrepresentation of 'the facts' while Smith's version of events is not? Smith engages in exactly the same kind of dubious anthropology as Polanyi, yet Smith's theory is seen to stand with or without these claims about human nature since the extent of the market is a structural fact that somehow explains capitalism. But it does not. Structures do nothing without agents, and agents (at least in our theories) do nothing without a theory of agency. Consequently, within a Smithian model, Hejeebu and McCloskey's implicit alternative, there is no escaping the bartering savage regardless of the putative extent of the market, and thus no way of disproving Polanyi.

Furthermore, to argue that in a world of parsimonious Presbyterians that there are no other limits to growth (save the rapacious state) is surely somewhat self-serving for the very class that Polanyi accuses of foisting the market project upon society – namely Smith and his ilk. As Albert Hirschman reminds us, capitalism did not simply evolve, it was argued for. It was propagandized by Scottish enlightenment intellectuals, English liberals, and French physiocrats long "before its triumph" (Hirschman 1978). And it was as much a project of governance; limiting the state; constructing the commodified individual; building a singular notion of economically based self-interest, as much as it was one of creating wealth (Hirschman 1978 passim).[v]

This is what Polanyi meant by laissez-faire bursting through as a ‘crusading passion’ (Polanyi 1944, 135-162). Such ideas were instruments that enabled agents to attack existing institutions by contesting and delegitimating the ideas of justice, fairness, and efficiency underpinning them. Such ideas provided the blueprints for the institutional replacement of the existing order (Blyth 2002, 27-45). Without the ideas of laissez faire, there could have been no market society. Smith’s bartering savage was at best wishful thinking, and at worst, instrumental cover for class interests.

If anything, Smith’s own writings, when seen as political agitation, as an attempt to create a timeless theory of action from a parochial set of observations, strengthens rather than weakens Polanyi’s case. Just as there is no capitalism evident in the mere existence of prices, there is no refutation of Polanyi’s anthropology, or the argument that follows from it, in accepting, as Hejeebu and McCloskey do, Smith’s equally time bound and dubious propositions about human nature and the naturalism of markets. After all, they too rest upon a different, but equally dubious, anthropology. Simply ignoring Smith’s equally dubious anthropology hardly strengthens the case against Polanyi. Capitalism was created, it did not just ‘happen’, and labeling all hitherto existing societies as ‘almost capitalism’ hardly erases the distinctions between historical periods and economic systems. The fact the ‘we’ today accept Smith far more readily than ‘we’ accept Polanyi speaks directly to the power of ideas rather than the discovery of facts.

Histories, Absences, Mysteries

Paradoxically then, in contesting Polanyi's view of capitalism as an elite project, Hejeebu and McCloskey may actually strengthen his case -given the implausibility of the Smithian view of human nature implied in the evidence they choose to present. A similar paradox occurs when, turning to more recent history, they argue that there was no durable great transformation in which the "double movement" of society checkmated the operations of market society. In the years since Polanyi wrote, they maintain, "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" (Hejeebu and McCloskey 1999, 297).

Not only does this sound suspiciously Smithian in its triumphalism, it fails even casual empirical scrutiny. Was there not a distinct difference between the type of capitalism that was constructed during the 40 years of the mid-twentieth century and the one that preceded World War I? Did capital restrictions, welfare states, profit taxes, income redistribution, active labor market policies and the like *not* occur throughout the developed world? Was the state *not* heavily implicated – as an elite project – in the creation and destruction of these very different institutional orders? (Helleiner 1994, Blyth 2001, 2002). Like the first time around a la Polanyi, liberal capitalism is no accident, but here it is painted as a seamless evolutionary web.[vi] To this type of critique the authors opine that "This argument [that the post war welfare state was different in kind] like many Cold War truths, seems less believable now, but it is hard to know what would have happened otherwise" (Hejeebu and McCloskey 1999, 298). This is a rather bald assertion without a shred of evidence to back it up, and is exactly the type groundless historical generalization that Polanyi is being criticized for.

Indeed, rather than such politics marking a re-embedding of market society after its tumultuous collapse in the interwar period, we are instead told that more likely than not, such institutions were more likely "the product of the Chambers of Commerce or the Moral Majority; of interest, ideology, or demagoguery" (Ibid. 295). Indeed, this might well have been the case, and some scholars have tried to argue that the welfare state was exactly that (Swenson 2002, Gordon 1994). But to argue this surely proves Polanyi's point rather than weakens it once again. Either history is composed of a seamless web of markets transcending every collapse, or it is an elite project; it cannot be both simultaneously. Either we have had, and will always have, 'markets über alles' given our hardwired bartering natures, or we have elite machinations; but to claim both is incoherent.

Contesting Polanyi's 'capitalism as elite project' thesis in isolation does not help much either, and yet the authors argue, "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" (Hejeebu and McCloskey 1999, 302). Not only does such a position mistakenly equate any claim about the existence of any given market with the social form of market society, it is actually disproven by the authors themselves. After all, are institutions such as the American Chamber of Commerce not part of the state, or at least implicated in the design of markets as an elite project? (Blyth 2002, 56-8, 81-4, 152-3). Perhaps they are not, but only under liberal ideas of where society starts and the state ends.

## Thinking, Doing, and Measuring

A final set of criticisms leveled against Polanyi by Hejeebu and McCloskey turn on the issues of knowledge construction and epistemology. Literally, how do we know that Polanyi is right? To flesh out this issue Hejeebu and McCloskey borrow a distinction from Allan Megill between "Think" History and "Do" History where Think History equates with interpretation, while Do History equates with the observation and measurement of actions. The point of making this distinction is to show how people have historically 'thought' a myriad of things, but have actually 'acted' in quite another (gainful) way. Thus, seventeenth century husbanders and Roman intellectuals can act 'gainfully' while supposedly thinking something else (Hejeebu and McCloskey 300-1). Yet accepting this distinction between thinking and doing is far from unproblematic. Put simply, are the two really separable, and what is the analytic pay-off of this separation?

As many from Weber to Quine have taught us, facts are theory dependent and the idea of a neutral observation is a nonsense (Weber 1942). Thus 'measuring' anything is context, category, and theory dependent. If theory is not the mirror of nature, then the measurements that we take of phenomena depend upon the categories we invent and what we *think* is important, which is a theoretical and not empirical question. Moreover, can one act without thinking? To maintain that people think one way and act another is generally regarded as a form of mental illness. Nonetheless, Hejeebu and McCloskey maintain that what Polanyi

> says is true as Think History, though hardly original. Bourgeois virtues have many more defenses in 2000 than they had in 1600…But it is quite another 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. (Hejeebu and McCloskey, 301).

There are two problems here. The first, to repeat, is that Polanyi did not deny gain. He denied self-conscious acquisitive market-based gain as the defining human motivation that explains the natural and inevitable rise of market society. The second problem is an even deeper one. 'People' in the above example are not the functional equivalents of stones: Stones neither think nor act according to notions of gravity. People do however act in accord with notions of self-interest, and what we think about markets will most certainly effect their scope and operation. Reworking the authors' example is useful here.

Causes in the natural world may be highly complex, but our understandings of those causes have no impact on the outcomes we observe. What we believe about falling stones will have no impact whatsoever upon the trajectory they take. But in the economic world the problem is qualitatively different since the ideas that agents have about their interests, the impacts of their actions, and those of others, shapes outcomes themselves. If agents in the economy hold different ideas about how the economy works, or how they should behave in that economy, then this can lead to agents taking a variety of actions, thereby producing radically different outcomes, in the same circumstances.[vii] Thus, in the above example, if we change our ideas about gravity the stones will fall regardless. But if we change our ideas about, for example, the utility of tax cuts or the sources of inflation, the outcomes produced will vary.

This insight is important, for if one accepts this logic then the claim that markets 'happen behind our backs,' like gravity, stretches credulity. Markets are not a force of nature and they certainly do not appear by virtue of, or work with the precision of, physical laws, since our own cognition's shape their outcomes. As people rather than stones our actions cannot be separated from our cognitions, otherwise our actions would make no sense to us. We cannot 'think feudalism' and 'act capitalism' without creating a serious breech in our governing institutions. Yet if one accepts this, then where our actions come from remains a mystery. Smith has no answer, save latent Presbyterianism, but Polanyi does – from laissez faire ideas and the institutions that they make possible.

Acting in our gainful self-interest presupposes some notion that our interest lies in market transactions. But how does one come to think this? How can one create such ideas and motivations for individuals a priori to participation in the institutions of a market economy? I do not wake up in the morning and say to my wife, "See you later, I am off to replicate the structures of late capitalism," even if going to work has exactly this effect. But that does not mean that my doing trumps my thinking since my interest in going to work is institutionally derived. Interest, like gain, is an empty concept.

Cognition and learning are temporally bound processes. Hence timeless, ever-present markets, let alone market society and hard-wired acquisitive behavior, becomes impossible outside of the institutional context of markets themselves.[viii] The motive of 'gain' may indeed exist outside of formal market institutions, but outside of such institutions it cannot translate into the categories of thought and action that together make possible and sustain market society.

This was Polanyi's singular contribution regarding our understanding of economic history. That thinking and action are not separable, even analytically speaking, without inserting the very categories one seeks to explain back into the history one seeks to understand. As such, there is no Do History independent of Think History, nor are there markets always and everywhere. Such distinction are untenable, and the conclusions they produce concerning human behavior, especially behavior in markets, suggests a transcendentalism belied by the authors own insights. As Hejeebu and McCloskey put it; "In case after case in the history of Polanyism, in one academic field after another…initial enthusiasm has ended in yet another demonstration that the market pops up if your theoretical categories allow you to see it."[ix]

The key phrase here is <u>'if your theoretical categories allow you to see it.'</u> For if one rejects the thinking/action dualism offered by Hejeebu and McCloskey, then what one wants to see cannot be 'given' by the 'facts' themselves. Given his categories and assumptions, which are simply constructions and not dictated from some Archimedian point of truth, Polanyi sees markets without market society being present. Hejeebu and McCloskey in contrast, given their categories and assumptions, cannot see markets without seeing market society.

What this disagreement turns on is not 'fact' since facts are theory dependent. Rather, it tuns on the epistemological position one accepts <u>a priori</u>. As Patrick Jackson argued recently in the context of intellectual history, "it would be somewhat naïve to assume that the documentary record…would simply lend itself to a single unproblematic interpretation. Given time, one can usually find evidence to support virtually any position in the documentary record" (Jackson 2003, 748). As such, appealing to 'the facts' assumes a Mulder-esque 'Truth that is out there' that no perspective has. Perhaps then, Polanyi's epistemology, one which eschews this thinking/acting dualism, stands more surely than that of his critics. Indeed, it is surprising to find that critical economists such as Hejeebu and McCloskey who are acutely aware of how rhetorical structures shape truth claims can so unabashedly appeal to the 'facts' to either 'reprove' or 'disprove' Polanyi.

Rather than engage in such exercises I suggest that the continuing relevance of Polanyi lies in the richness of his ideas; the double movement, embeddedness, and decommodification. Not as a series of time-bound occurrences that one can somehow measure, but as recurrent patterns within capitalist development. For example, the market was indeed ascendant from the 1830's through to the 1930's as the dominant mode of social organization, and it had powerful backers. When this order collapsed in the 1930s it was reconstituted, again by elite action, into a different and more ‘decommodified’ form. Since the 1970s the market, at the behest of those who ‘do well’ through its operation, has once again become ascendant. In sum, politics is not an infection of an otherwise natural market order; politics is what makes markets and market outcomes happen. Realizing this was Polanyi’s greatest insight.

Polanyi may not have the answers as to how or why these things happen, but he does offer us powerful tools for conceptualizing the problems we face. Therefore, rather than reject, reprove, or disprove Polanyi, perhaps we will ‘gain’ most by rethinking what he was trying to tell about the relationship between politics and markets, the interpretation of history, and how any theory, and any theorist, interprets facts that are inescapably time and theory bound. Markets and Gravity both exist, but only one of them can be usefully assumed constant.

## Notes

[i] The simplicity of such a claim probably accounts for its popularity, at least in part.

[ii] Also influential at this time was Gosta Esping Andersen’s Politics Against Markets (1985).

[iii] The fact that the Soviets did evidence such behavior in black markets and other forms of curb activity does not damage this criticism since the prices in the supermarket were administrative prices and not evidence of black markets.

[iv] Hence when Hejeebu and McCloskey quoting Sievers write, “How exactly did the historical oddity of…gain result in…’the troubles of the modern age?’ Polanyi does not tell us,” I am somewhat at a loss. After all, isn’t this the main argument of the book? (Hejeebu and McCloskey 1999, 297).

[v] Polanyi is far from alone in making such arguments. One need only think of Foucault’s notions of disciplinary power and governmantality; instrumental constructions that enable particular forms of social power and disable others. See Burchell, Gordon, and Miller (1991); Foucault (1977).

[vi] And do these comments themselves not reflect the latest variant of the transformative liberal ideas Polanyi implicates in the first place? Markets are timeless, they have always been there etc., etc.

[vii] As Hahn and Solow put it, "The way the economy actually does work can depend on the way agents believe the economy to work...[and]...the way the economy responds to a policy move by the government can depend on the interpretation that other agents place on it, and therefore on the beliefs about the way things work…If participants believe that every increase in the money supply will be fully translated into the price level, irrespective of any other characteristics of the situation, then they are likely to behave in ways that will make it happen." Hahn and Solow (1995, 150).

[viii] Even within such institutions there is evidence that thinking economically has to be learned, even among economists. See Collander and Klamer (1987).

[ix] My Italics.

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