

TRADE, MERCHANT CAPITAL, INDUSTRIAL CAPITAL, AND BLOCKED CAPITALIST DEVELOPMENT IN EARLY STATE ECONOMIES

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God uses knights and robbers as his devils to punish the injustice of the merchants.... He thus sets one rogue against the other, without implying in any way that knights are lesser robbers than merchants, although daily merchants rob the whole world, while a knight may rob one or two people once or twice a year... (Martin Luther, *Bücher vom Kaufhandel und Wucher, vom Jahr 1527*, quoted in Marx 1981, pp. 448-449).

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Abstract

Trade, for many archaeologists, is the means a society employs to maintain or extend its relations and linkages with the outside world. They also see trade as a motor of social and political-economic development leading to and culminating in the rise of civilization and the formation of states. However, by focusing on the distribution of raw materials and artifacts, they typically assume the nature of trade rather than specifying the social relations that underlie the circulation of goods. Furthermore, they rarely treat the analytical category itself as problematic.

Resumen

El comercio, para muchos arqueólogos, es el medio que una sociedad emplea para mantener o extender sus relaciones y conexiones con el mundo de afuera. Ellas además ven el comercio como un motor del desarrollo social y económico-político que se dirige y culmina en el surgimiento de las civilizaciones y en la formación de Estados. Como sea, al enfocarse en la distribución de materias primas y artefactos, ellos típicamente asumen la naturaleza del comercio más que especifica las relaciones sociales que apuntalan la circulación de bienes.

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This paper explores the theoretical underpinnings of the “trade thesis” which gained currency and quickly became an almost hegemonic explanation for social development during the 1970s, in the wake of the OPEC oil embargo and skyrocketing oil-price increases following the Yom Kippur War in October, 1973. The paper also probes the potential interconnections of commerce, industrialization, and capitalist development or non-development in early state societies.

Keywords: Trade, archaeology, history

Además, ellos raramente tratan la categoría analítica en si misma como problemática. En este artículo exploro los fundamentos teóricos de la “tesis del comercio” la cual ha ganado popularidad y rápidamente se ha convertido en casi la hegemónica explicación para el desarrollo social durante la década de 1970, a raíz del embargo de la OPEC y la subida de los precios del petróleo después de la guerra de Yom Kippur en octubre de 1973. Este artículo, además, sondea las potenciales interconexiones del comercio, la industrialización y el desarrollo del capitalismo o el no-desarrollo en sociedades con incipientes desarrollos estatales.

Palabras claves: comercio, arqueología, historia

S

udden increases in external trade, according to Colin Renfrew (1969:158; 1984:86-87), and the archaeologists who have followed his lead, are responsible for the rise of civilization and the origin of states. Trade, they argue, brings "... in its wake new wealth, new craft specialisations, new weapons and defensive needs, ... [as well as] the transformation of a village subsistence economy into an urban society..." (Renfrew 1969:158). Expanded commerce is described as an emergent factor, a response to the intensification of cultural life (Renfrew 1969:159). It is both the product and the source of new human needs. As a consequence of the expansion of market exchange, the traders who traveled over well-trod paths to ply their wares visited artisans (tradesmen and women) who congregated in the new urbanized centers to peddle the commodities they produced in market places. These achievements signaled the rise of civilization and the formation of clusters of early states, each "with a stratified organisation for exchange," that were held together by "trade as remote interaction" or "peer polity interaction" (Renfrew 1984:105; 1986).

Before the emergence of civilization and the clusters of early states, according to Renfrew and other advocates of the "trade thesis of state formation," the inhabitants of the semi-autonomous, kin-organized communities moved goods and services within the framework of institutions and practices--especially reciprocity and redistribution--that integrated each society and were specific to it. In other words, they have embraced Karl Polanyi's (1957) substantivist formulation of the "economy as an instituted process," embedded in the social relations of the communities. They have also accepted the contrast he drew between two kinds of economies: those based on markets and those rooted in reciprocity and redistribution, which take market systems as their point of reference. However, the proponents of the "trade thesis" have largely either ignored or rejected Polanyi's assertion that the three forms of economic integration he discussed--reciprocity, redistribution, and market exchange--did not constitute stages in an evolutionary sequence. They have equated reciprocity with band or tribal-level communal societies, which are conceived as primordial, and redistribution

with chiefdoms, which are viewed as the necessary, immediate precursors of class-stratified states or, alternatively, as evolutionary dead ends.

Polanyi, as Georges Dupré and Pierre Philippe Rey (1978:184) correctly argue, viewed "... the origin of the market as an emergence." The transformation of non-market economies based on reciprocity and redistribution occurred when bargaining behavior--the precursor of markets--which was embedded in social relations eventually imposed a coherence that ultimately permeated those systems. At that point, the law of supply and demand provided the mechanism to transform them into a new, even more coherent system based on market exchange. This implies that, once markets emerge in society, the anthropological mode of analysis required to understand communities integrated by reciprocity and redistribution must be replaced by a new mode of analysis rooted in neo-classical economics. While Renfrew and the other "trade thesis" boosters view anthropological analyses as appropriate for non-market societies, they also imply or claim explicitly that the principles of neo-classical economics are applicable to both market and non-market societies. In their view, "shopkeeper economics" is a universally valid form of social analysis for all communities from the "stone age" to the present, regardless of whether or not shopkeepers exist in the particular societies being investigated! One wonders whether this propensity to optimize or maximize which they attribute to all of humanity is some Hobbesian essence that flows through our bodies or a Social Darwinist gene that is better expressed in some individuals or more representative of some populations than others.

Through the lens informed by the rationality of neo-classical economics, the "trade thesis" theorists ultimately see a transhistorical, and almost transcendental, unity of the trade sphere (Servet 1982:42-43). There are few, if any, significant differences between "archaic commerce," on the one hand, and commodity market exchange, on the other. Gifts, the social practices that facilitate the circulation of goods within and between communities, redistribution, and taxation are conflated with the exchange of commodities--i.e., items that were produced to be sold for profit in the market. In the last analysis, they assert in barely audible asides, gifts are the same as commodities and taxes, and the social relations underwriting primitive trade, which are historically and socially peculiar to the commu-

nity and/or groups involved, mirror, in reality, the universalized bourgeois contracts and values--autonomy, individualism, property, equality, freedom, universality, and toleration--that underlie commercial transactions in capitalist markets (Goldmann 1973:18-24).

However, the temporal continuity between archaic commerce and market exchange, proclaimed by the "trade thesis" advocates, has been a problem for those anthropologists and political economists, whose lenses do not reveal the transhistorical or transcendental unity of either the trade sphere or the market (Servet 1982:51-53). The latter retain a discriminating, discerning facility that allows them to distinguish between different kinds of transactions: to describe one as a gift and another as tribute, taxation, or commercial exchange. They also recognize that a gift created under one set of circumstances and social relations is rapidly dissembled and transformed into a commodity, once it is introduced into a capitalist marketplace by merchants who truck and traffic in goods for profit. The logic of the market, in their view, is that useful goods produced in communities under diverse conditions and relations are separated from the specificity of those circumstances and their significance once they are enmeshed in capitalist market relations. As far as the profit-seeking merchant is concerned, these goods become autonomous products alienated from their communities of origin; once this occurs, they are no more than one of number of objects that can be exchanged against one another or against some universal exchange value or money in the market.

In recent times, the unification of non-capitalist and capitalist trade spheres was realized through the formation of a capital-dominated world market in the 19th century. Consequently, trade spheres and commerce are neither transhistorical nor transcendental social relations. Instead, they are historically contingent, constituted as parts of social processes that transform useful items into exotic objects and then into commodities which embody the realization of value. They reflect the articulation of societies with differently developed social relations of production and productive forces. As Jean-Michel Servet (1982:53) observed, "Placed at the centre, 'civilisation' entertained exchanges of different types with other spheres, and obtain[ed] from them products whose function was partly determined by its 'primitive' or 'barbaric' origins.... Thus, what should be called 'archaic

trade order' is partly incorporated into 'world market' and the 'savage' into the 'civilised'."

This claim contradicts those of the "trade thesis" advocates, who recognize that state formation simultaneously affects a number of societies. Barbara Price (1977) called it "cluster interaction" and Renfrew (1978, 1986) described the process and spatial arrangement it produces as "peer polity interaction". Once state formation occurs, they argue, the institutions and practices associated with it spread rapidly from one society to the next. This produces a kind of regional homogeneity with regards to forms of sociopolitical organization. Civilization, for the proponents of this view, is a spatially organized cluster of interconnected, self-governing, politically autonomous state-based societies. Evolutionism and stagism underlie this perspective, which assumes that the rise of class stratification and the state is a directional, natural process of social development that involves the gradual unfolding of certain core institutions and practices. The various societies in a region each pass through the same sequence of stages from relatively egalitarian communities to tribes and chiefdoms before statehood was ultimately achieved.

However, empirical surveys, like those compiled by Henri Claessen and Peter Skalník (1978, 1981), show that state formation more commonly produces spatial arrangements in which all of the societies in a regions do not have the same kind of political-economic structures. They are characterized instead by uneven development since emerging states were unable to consolidate control over a region, because neighboring, less stratified societies successfully resisted annexation (Gailey and Patterson 1988; Rowlands, Larsen, and Kristiansen 1987). From this perspective, civilization is a constellation of societies with different cultural, social, and political-economic forms--a mosaic structured by continually shifting relations of dominance and subordination. Some are class-stratified, while, in others, kin communities retain significant use-rights and control over their means of production, their members, and the goods they produce. The proponents of this view reject the evolutionist conception of history as a slow but steady passage through a succession of predetermined stages. They advocate instead dialectical view of history in which all societies do not progress through the same sequence of stages because of their linka-

ges with one another and uneven development; history involves sudden leaps and contradictory fusions; states come and go, since the state is not the highest form of social development; societies dissolve and new ones are constituted as the conditions of everyday life change. The reason for uneven development is that state building "... is the pre-capitalist analogue to the capitalist drive to accumulate capital" (Brenner 1986:32). State-based societies extract goods and labor power from the communities around them and from their own subject populations--a process that Geoffrey de Ste. Croix (1981:503) has likened to a vampire sucking blood from its victim. The most distinctive feature of any civilization is the form of exploitation, "... how the dominant propertied classes, controlling the means of production, ensure the extraction of surplus, which makes their own leisured existence possible" (de Ste. Croix 1981:52). In this view, the state is clearly essential to the process of surplus appropriation, especially in circumstances where exploitation is collective and indirect (Thapar 1981).

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For the "trade thesis" theorists, the characteristics of the traders and artisans they describe remain vague and elusive. Do the traders traffic in gifts, pay tribute, or are they profiteering merchants who buy cheap and sell dear? In the civilizing process, Renfrew explicitly links the formation of markets with urbanization and the emigration of artisans from the countryside to the new towns. From his perspective, it seems, the traders who engaged in market exchange and the artisans who produced goods for the newly formed urban markets were rapidly surrendering or had already succumbed to neo-classical economic logic and rationality. They bought cheap and sold dear, produced surpluses for sale in the market, and presumably used the money they received to buy other commodities for consumption. Thus, what had formerly been primarily a subsistence economy was rapidly commercialized and transformed into one based on simple commodity production. Once the mentality of neo-classical economic rationality predominated and there was sufficient investment in the manufacturing sector, so the theory goes, capitalist development and institutions were only a step away.

The term "capitalism," paraphrasing Maxime Rodinson, is commonly used in two different ways. One usage refers to certain economic institutions



and/or to the ideas that accompany activities carried out within the framework provided by these structures; such capitalist institutions and mentalities can co-exist with non-capitalist structures and states of mind in the same society. Private ownership of the means of production, production for the market, free enterprise, competition, the motivation for profit, and economic rationality are among the institutions and mentalities described as capitalist. The other usage describes a whole society "... in which institutions or a mentality defined as capitalist are predominant. Thus, in particular, this description has been applied to Western European society (with its American extensions)..." (Rodinson 1978:4-5). For Marxist writers, the term "capitalism" takes on additional dimensions; it variously signifies (1) a mode of production in which the owners of the means of production employ wage workers to produce commodities, which the owners sell for profits which they keep for their own use; (2) the economic sector(s) of a society in which the capitalist mode of production predominates; and (3) those societies in the process of formation--i.e., social formations--in which capitalist production relations and corresponding political-juridical superstructures and ideologies or mentalities are already paramount (Rodinson 1978:6).

For Marx (1981:379-458), merchant's capital--i.e., buying cheap and selling dear--and money-lending or usurer's capital were the oldest forms of capitalism, preceding the development of factories and manufacturer's capitalism. Consequently, a Marxist writer might describe a particular class-stratified society as having a predominantly pre-capitalist subsistence economy with an attached, relatively undeveloped merchant capitalist sector representing both the realization and extent of commodity production. Formulating political-economic structures in this manner allows them to inquire about the roles that merchants who trafficked for profit played in the accumulation of capital or money-wealth in pre-capitalist societies and in the transition to the capitalist mode of production based on manufacturing.

In this view, merchant capital comes into existence when merchants succeed in detaching the exchange of commodities from their production. The autonomy of the circulation sphere, as Claudio Katz (1989:98-103) has noted, is a necessary condition for the emergence and viability of merchant capitalists. The merchants make profits (1) by creating and/or maintaining

disparities between buying and selling prices, (2) by establishing monopolies over the availability of products from communities on the periphery, (3) by excluding competitors, (4) by expanding the volume of trade, (5) by increasing the number of consumers, and (6) by altering the terms of trade in ways that are beneficial to them and detrimental to the producers and/or consumers. However, these tactics were neutralized in pre-capitalist societies with largely self-sufficient subsistence economies, where the limited demands of peasant households or communities presumably inhibited the development of local mass markets for inexpensive goods; hence, any demand for local artisanal production under these circumstances depended largely on expenditures for luxury goods.

In discussions of the transition from feudalism to capitalism, Marx portrayed the activities of merchant capitalists in two ways. During the mid 1840s in *The Poverty of Philosophy* or *The German Ideology*, he argued that the rise of industrial capitalism was the fruit of merchant capitalists who spread commercial networks, promoted commodity production, and dissolved the natural economy that dominated the countryside by restructuring labor processes and organizing rural putting-out industries. They removed production from the guild-imposed limitations of the towns and eventually transformed the class and power relations of the existing feudal order. Two decades later, in the third volume of *Capital*, Marx revised his assessment of the merchants, describing them instead as a conservative fraction of the ruling class bent on accumulating money-capital, spending it on conspicuous consumption, and preserving the conditions and social relations, both at home and abroad, that permitted them to do so. In the later appraisal, merchant capitalists were incapable of promoting a transition from one mode of production to another, because they depended on and buttressed the old social orders to which they had attached themselves; any development of the productive forces they succeeded in promoting ultimately stalled in crises and class struggle. Consequently, the development of the capitalist mode of production, rooted in manufacturing and the continuous transformation of the productive forces, "... presupposed the prior erosion of the merchant's power and independence" (Katz 1989:98).

Marx claimed that there were conservative and revolutionary pathways of industrial capitalist development from the feudal mode of production. The conservative route occurred when the merchant took direct control

of production--selling raw materials to the direct producers, buying their finished goods, and slowly changing them into wage laborers. This path preserved the old mode of production and worsened the conditions of the direct producers. The revolutionary way, which had the capacity to transform social relations, occurred when the producer became merchant and capitalist. He described the processes in the following manner

The transition to large-scale industry depends on the technical development of the small owner-operated establishment ... The transition can thus take three forms. First, the merchant becomes an industrialist directly; this is the case with crafts that are founded on trade ... where the merchants import both raw materials and workers from abroad.... Second, the merchant makes small masters into his middlemen, or even buys directly from the independent producer ... [leaving] him nominally independent and ... his mode of production unchanged. Third, the industrialist becomes a merchant and produces directly on a large scale for the market (Marx 1981:453-454).

Marx's earlier, more positive evaluation of merchant capital is rooted in Adam Smith's (1776) *The Wealth of Nations*, which also furnished the theoretical underpinnings for Max Weber's (1906; Love 1991) writings on capitalism and for Henri Pirenne's (1925, 1937) thesis on the development of Western civilization. Like the other members of this lineage, Renfrew and the "trade thesis" theorists point to the city as the center of development. However, Marx disputed the importance this group attached to urban centers. He argued that the locus of political-economic development during the transition from European feudalism to Western capitalism was situated in the countryside even though cities and towns may, in fact, have been the primary sites of capital accumulation. In other words, while the "trade thesis" advocates see innovative artisans emigrating to the cities, Marx saw the significant transformations--technological innovations in production and the reconfiguration of class relations--occurring in the rural hinterlands.

Scholars concerned with the transition to industrial capitalism developed the "proto-industrialization thesis" during the 1970s (Kriedte, Medick, and Schlumbohm 1981). Proto-industrialization--the development of domes-

tic industry in many of the rural regions of Europe, that mass-produced craft goods for distant markets--was viewed by many as a first, necessary step in the transition to industrial capitalism. The weaknesses of the "proto-industrialization thesis," according to critics, were (1) its concentration on an organizational form of production which obscured both the diversity and complexity of the form itself and the social relations that underwrote domestic and workshop industries in the countryside; and (2) its emphasis on an essentially linear or stagist model of economic development that concealed the dynamics underlying the formation of pre-factory industry in rural areas (Berg, Hudson, and Sonenscher 1983). Nevertheless, the development of mixed economies--i.e., where peasants take up industrial pursuits in the home in the context of a growing market--remained in an important issue.

In an important study of industrialization in South Asia, Frank Perlin (1983:43-49) referred to pre-factory industries located in towns and their rural hinterlands that were oriented toward the market as "commercial manufacture." Unlike the "proto-industrialization thesis" theorists, Perlin found it essential to distinguish pre-factory domestic manufacture from the kinds of domestic manufacture that were stimulated by the rise of factories. In India during the 17th and 18th centuries, he observed that (1) urban industrial growth occurred about the same time that commercial manufacture was extended into the countryside; (2) different kinds of commodities were produced in urban and rural areas; and (3) there was a somewhat greater tendency for craft-skilled, luxury good production to develop in the towns. Formulating pre-factory manufacture and the opposition between town and countryside in this manner allowed him to explore the conditions that facilitated the development of commercial manufacture in contexts shaped by exploitative relationships which demanded more labor power for less rewards from both urban and rural household units.

Commercial manufactures, Perlin (1983:89-94) argued, formed dependent parts of wider systems that were linked together by merchant capitalists. The importance of commercial manufacture, or "proto-capitalism," was that (1) it organized large quantities of available cheap labor; (2) it maintained and intensified high rates of exploitation, driving the prices given to producers to levels that were lower than those they might receive in an open market; and (3) it had the capacity to reduce labor costs as it extended

control over production. This meant that commercial manufacture intensified systems of exploitation instead of promoting the knowledge, technologies, and organizational changes that would facilitate a transition from one mode or form of production to another. Perlin concluded that commercial manufacturing did not underwrite local transitions to full industrialization and to the industrial capitalist mode of production. However, it did stimulate organizational change, capital accumulation, and capital re-investment elsewhere.

III

While the “trade thesis” writers see expanded commerce and urbanization as the underlying motors of change and the twin magnets that drew artisans to the city, they do not explain how or why artisans in primitive or peasant communities submit or succumbed in the past to the economic logic and rationality of simple commodity production, commercial manufacture, and the capitalist market. “There is nothing simple about simple commodity production,” as Jacques Chevalier (1983) observed. Handicraft production, according to Veronika Bennholdt-Thomsen (1982), is frequently the form of subsistence production in a primitive or peasant community that is transformed into simple commodity production and exploited. This means that artisans engaged in direct production and consumption under non-wage forms may, in fact, represent a continuation of the pre-capitalist forms of production in a community; they may be an intrinsic element of the capitalist mode of production already subordinated to the logic and processes of capitalist circulation and production; or they may represent resistance to capitalist penetration and the fragmentation of production relations within the community. What this means, of course, is that adequate analyses of the development of simple commodity production cannot be constructed without reference to wider economic structures and processes. This fact, taken together with Perlin’s work, raises the issue of both the structural and historical preconditions underlying the transformation of the mixed occupations in primitive and peasant communities into simple commodity production and commercial manufacture.

The proponents of the “trade thesis” seem to assume that the handicraft or domestic producers of rural communities, once recognizing the efficacy of capitalist logic, immediately reconfigure their worldviews so that eco-

conomic rationality comes to occupy the dominant and determinant central place in their thought and that they subsequently deploy this newly created ideology to reshape everyday social relations and production practices. While the “trade thesis” advocates have paid some attention to the logic underlying the development of simple commodity production and commercial manufacture, they have paid considerably less attention to the diverse, historically contingent circumstances in which such developments have actually taken place. Historical inquiries would show that these transformations cannot be adequately theorized in terms a simple ideal-typical evolutionary framework. They would also show that particular processes of transformation must be considered in their totality; that is, one aspect of the process--e.g., the subsumption of labor to the point where capitalist circulation and production become the preconditions for its existence--cannot be considered in isolation from the determining effects of other features--like underdevelopment, uneven development, pauperization, or artisanal resistance to subordination--and the contradictions they promote (Chevalier 1983). Finally, the “trade thesis” theorists have paid almost no attention to the effects of class and state formation on the development of simple commodity production and commercial manufacture and the concomitant reorganization of production relations.

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Mark Elvin’s (1972, 1973) discussion of medieval China--manorialism without feudalism, the economic revolution, and quantitative growth without qualitative change (the “high-energy equilibrium trap”)--provides a classic example of this approach. Elvin argues that a major transformation of the Chinese economy began in the 10th century. Agricultural production rose rapidly; water transport systems were extended; there was a tenfold increase in the amount of money in circulation; moneylending merchants provided the linkage between remote villages and a national market which exhibited some degree of regional specialization and interdependence in basic commodity production; there were higher levels of urbanization and taxation based on commerce and industry; there were large-scale state and private foundries that employed thousands of furnace workers. In light these and other technological and organizational innovations, he muses about why the Industrial Revolution in textile manufacture occurred in 18th-century England rather than 14th-century China. He concludes that the Chinese economy stagnated during the 14th century in the face of population increase and the erosion of production above the subsistence level. Selling



became increasingly separated from production, and there was no profit incentive for the landlords, who constituted the only group capable of innovation, to develop new inventions that would alter the law of supply and demand, even though the demand for production above the subsistence was enormous. Consequently, there was no escape from the high-energy equilibrium trap that was re-established after population growth had reduced the surplus agricultural production above subsistence level available to most of the Chinese people. What had, in fact, changed was how and to whom surplus product was distributed (Elvin 1972:171).

However, as Nishijima Sadao's (1984) study of the cotton industry that developed autochthonously in China between the 14th and 17th centuries shows, these changes were intimately linked to class and state formation. Peasant households, faced with increasingly burdensome tax obligations, engaged in cotton textile production to meet the rising demands of the state. As time passed, they began to produce cotton cloth not only to pay taxes, which were eventually collected by merchants on behalf of the state, but also to sell for money in markets that were controlled and integrated by merchant capitalists. However, the peasants households were also unable to avoid the demands of rural landlords who continued to appropriate portions of their labor power as well as some of the rice and cotton cloth they produced; the landlords consumed portions of these goods and sold the remainder for cash in the markets. Consequently, rural cotton production remained an integral part of the peasant subsistence economy; it was bound by both the land tenure system and the merchants acting alone or as state agents. The urban cotton textile factories, that appeared during this period concentrated looms and employed full-time male weavers who produced finished cloth for the state and were paid in silver. However, neither the urban factories nor the state created the conditions which ensured the operation and continued existence of the urban weavers; instead, these were created and reproduced by the spread of commodity production among the peasant households in the countryside. In other words, the urban factories, supported by the state which sold their finished goods in the countryside, were, in reality, an extension of the rural textile industry which, in turn, was fettered by landlords, merchant capitalists, and the state.

In the *Grundrisse*, Marx (1973:459-471) observed that the specific historic conditions and relations that underwrote the development of industrial

capitalism were not the same ones that were necessary for its reproduction once it had appeared and its existence was realized. The conditions for the emergence of capital presuppose that it is not yet in being; they disappear once capital has arisen and posited new conditions for its continued realization and reproduction. Marx (1977:873-876) and subsequent writers in this tradition--e.g., Maurice Dobb (1967:22-31)--have pointed to the central role played by the state in the accumulation of capital which underwrote the development of industrial capitalism. State-sponsored force has historically played a prominent role in the processes of accumulation: conquest, colonialism, slavery, robbery, murder, and the expropriation of the means of production are only a few of the ventures that states have regularly and repeatedly supported. Once industrial capitalist social relations were set in place, states have regularly intervened directly in the economic domain: they have enforced harsh attitudes and punishments toward crime in periods when labor was plentiful and more humane views in periods when it was scarce; they have moved to regulate the economy during periods of real or perceived labor scarcity, and they have lessened their grip on the economy when the reserve army of labor was large. In a sense, Marxist analyses focus attention on how hoards were created, how they were used, and how they reinforced or transformed existing social relations in particular historical circumstances.

Polanyi, unlike many of the “trade thesis” theorists, recognized and discussed how states were involved in the formation of market economies; however, his interpretations of their role in the administration of state-sponsored trade or the creation of ports of trade remained largely under-theorized (Gledhill and Larsen 1982). The reason for this was that the analytical categories of his substantivist theoretical framework, which resemble those of the “trade thesis” theorists, are fundamentally static and do not lend themselves easily to discussions of the dynamics of accumulation, development, and social transformation and to differentiating the activities of merchant capitalist “businessmen” from the social relations involved in other forms of circulation and exchange. His analytical categories also do not lend themselves to examining those instances in which economies failed to develop or their development was blocked by processes of class and state formation (Fox-Genovese and Genovese 1983; Krantz and Hohenberg 1974).

The resolution of the problems of interpretation examined in this paper is to be found in a work that is over a century old. The “trade thesis” theorists and their neo-classical allies might profit considerably by examining the historic specificity of various forms of capitalism and of the capitalist mode of production described in Marx’s *Capital*. However, if they have already done so, then they have clearly failed to understand the significance of his first chapter--the one concerned with the commodity, value form, and the secret of commodity fetishism (Marx 1977:125-177).

Notes

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