INSTITUTE OF HISTORICAL RESEARCH | University of London School of Advanced Study

Home » Publications » E-seminars in history

Karl Polanyi: Some Observations

A. J. H. Latham, University College of Swansea
1997

(This paper was originally given to the Global History Seminar, now the International History Seminar, at the Institute of Historical Research. To stimulate discussion on the Twentieth Century list, A. J. H. Latham has agreed to allow it to be the subject of debate on this list.)

Karl Polanyi was born in 1886 and died at the age of 77 in 1964. At University he studied law and philosophy, and was called to the bar in Budapest in 1912. He was a cavalry office in the First World War. From 1924 to 1933 he was foreign affairs editor of *Der Oesterreichische Volkswirt* in Vienna. When the liberal traditions of this paper were threatened in the early 1930's he lost his job. He came to England in 1933 where he lectured for the Worker's Educational Association and the Extra Mural Departments of both Oxford and London Universities, giving classes in rural Kent and Sussex. From 1940 to 1943 he was resident scholar at Bennington College in the United States, and from 1947 to his retirement in 1953 he was Visiting Professor of Economics at Columbia University, New York. From 1953 to 1958 he and Conrad M. Arensberg were directors of a project at Columbia on the economic aspects of institutional growth (Polanyi et al 1957 v; Polanyi 1966 v-vi; Dalton 1971 ii; Polanyi 1977 xvi) The Columbia project had a profound impact on socio-economic thought in the United States, and in particular on economic history, economic anthropology and archaeology, but aroused little attention in Britain.

Yet it was in his time in England during the late 1930s that Polanyi became seriously interested in economic history and undertook the work on English economic history which was to be his major work, *The Great Transformation* (Polanyi 1944) published in Britain by Gollancz as *Origins of Our Time: The Great Transformation* (Polanyi 1945). His wife says of this period:-

> 'It is given to the best among men somewhere to let down the roots of a sacred hate in the course of their lives. This happened to Polanyi in England. At later stages, in the United States it merely grew in intensity. His hatred was directed against market society and its effects, which divested man of his human shape.' (Polanyi 1977 xvi)

Origins of Our Time: The Great Transformation did not appear until he was already 58. The principal theme was that the world market economy had effectively collapsed in the 1930s. Yet this familiar system was of very recent origin and had emerged fully formed like a butterfly from its chrysalis only as recently as the nineteenth century, in conjunction with industrialisation. Prior to the coming of industrialisation the market played no part in economic life. Even where market places could be seen to be operating, they were peripheral to the main economic organisation and activity of society (Polanyi 1945 41-50).

His argument is that in modern market economies the needs of the market determine social behaviour, whereas in pre-industrial and primitive economies the needs of society determine economic behaviour. Drawing heavily on Malinowski and Thurnwald, he introduces the concepts of reciprocity and redistribution.

Reciprocity implies that people produced such goods and services for which they were best suited, and shared them with those around them. This was reciprocated by the others. There was an unspoken agreement that all would produce that which they could do best and mutually share and share alike. The motivation to produce and share was not personal profit, but fear of social contempt, ostracism, and loss of social prestige and standing. Presumably examples of this kind of behaviour would be village communities where men made hunting parties, and women grew vegetables. A contemporary observer would comment that examples of this kind of behaviour still exist, as in the traditional home where mother makes the dinner, father mends the car, the children run errands, and the dog barks at strangers. No money changes hands but all contribute according to their abilities to the common welfare, and all share according to their needs. Another example is British pub behaviour, where each buys a round of drinks in turn for the peer group, and failure to buy leads to social contempt, ostracism, and loss of social prestige and standing.

Redistribution is involved where a chief or leader gathers together a harvest or the kill of a hunting expedition into a safe storage place. Having made it safe he then redistributes it to members of his group by holding communal feasts and festivals. This serves both to share the communal wealth fairly, and also to reinforce the social structure, allocation (and indeed seating arrangements !) indicating status and importance. These festivals may also be used to reinforce relationships with neighbouring tribes, and the store may be used to supply the community's warriors if circumstances require (Polanyi 1945 50-56).

Polanyi recognised that market places existed in ancient times, and were present in primitive economies, but he argues their existence away by saying they were not important, and existed within a context of reciprocity. Money too was often present, but it was unimportant, and also operated within the context of reciprocity. These money using daily markets were merely convenient localised exchange places operating within the broad system of reciprocity. There were also market places for long distance trade, such as ports. But these were only for items which could not be obtained within the area, and therefore could not be provided within the local system of reciprocity. These 'ports of trade' were specifically isolated from the prevailing reciprocity area and served to separate it from external influences. So local craft and provision markets were not linked to long distance markets and the 'ports of trade' were controlled by the authorities to ensure the isolation was maintained (Polanyi 1945 64-69: See also Polanyi 1963 30- 45).

If ancient and primitive economies had market places but were not market economies, how does Polanyi define a market economy ? How is it different from a system of reciprocity ? According to Polanyi, a market economy is an economic system controlled by prices, these prices determining how much is produced, and how what is produced is distributed. Social considerations have no part in this system. Money exists, which serves as purchasing power and enables its possessors to acquire goods and services, which are priced in money terms. People are motivated to acquire money with which they can then purchase whatever they want (Polanyi 1945 74). Polanyi believes this monetary based market economy sprang suddenly into existence in the nineteenth century thrusting aside the old systems based on reciprocity and redistribution.

To return to Polanyi's basic point, he argues:-

> "The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interests in the possession of material goods; he acts as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end.' (Polanyi 1945 53)'

In taking this position he specifically challenges Adam Smith who suggested that the division of labour depended upon the existence of the market, or as he put it, upon man's "propensity to barter, truck and exchange one thing for another" (Polanyi 1945 50). Polanyi says this was amazingly prophetic of Smith, because the market economy had not appeared to much extent in Smith's time. Even where it had appeared it was a subordinate feature of economic life (Polanyi 1945 51).

In 1947 Polanyi was appointed Visiting Professor of Economics at Columbia, where he taught economic history in the Graduate School. In 1948 he was given a grant by Columbia for a research project on economic institutions. When he retired in 1953 at the age of 67 he obtained another grant from the Ford Foundation to continue this work for another two years to 1955 (Polanyi et al 1957 v). This work resulted in *Trade and Market in the Early Empires* (Polanyi et al, 1957).

The introductory note to *Trade and Market* is revealing. It argues that most of us are accustomed to think that the hallmark of the economy is the market. But:-

> 'What is to be done, though, when it appears that some economies have operated on altogether different principles, showing a widespread use of money, and far-flung trading activities, yet no evidence of markets or gain made on buying or selling? It is then that we must re-examine our notions of the economy.' (Polanyi et al 1957 xvii).

The introduction also suggests that there are only a few ways of organising man's livelihood, and that the book provided the tools for examining non-market economies. These tools were to be demonstrated in the book in a series of empirical researches 'although the underlying theory transcends them.' (Polanyi et al 1957 xvii-xviii).

Yet despite this apparent commitment to empirical research there was another agenda.

> 'In the receding rule of the market in the modern world, shapes reminiscent of the economic organisation of earlier times make their appearance. Of course we stand firmly committed to the progress and freedoms which are the promise of modern society. But a purposeful use of the past may help us to meet our present over concern with economic matters and to achieve a level of human integration, that comprises the economy, without being absorbed in it.'* (Polanyi et al. 1957 xviii). (My emphasis).

So *Trade and Market* consists of a collection of papers on ancient or primitive economies, including Ancient Greece, Babylon, Mesopotamia, Egypt, the Aztecs and Mayas, the Berbers, India and Dahomey. These are used to show how these societies operated their economies in accordance with Polanyi's principles.

Polanyi himself writes a chapter on 'The Economy as Instituted Process', which is a restatement of the principles enunciated in *Origins of Our Time: The Great Transformation*. In it he adds a section on the formal and substantive meanings of the term 'economic'. This distinguishes the methodology of economics from that of economic anthropology. He argues that economics as we know it depends on *formal* principles. Thus a set of self-evident assumptions are made, which become premisses used as the basis for a sequence of logical deductions to a set of irrefutable conclusions. Thus one can take Smith's statement about man's 'propensity to barter, truck and exchange one thing for another' and develop it to show how money and markets came into being, and how they led in turn to specialisation of function, and increased productivity. But the method of economic anthropology was *substantive* and depended upon empirical observation from which principles of economic behaviour were induced from perceived evidence. Societies are first observed and the principles of their economic activity recognised from their actual behaviour. Polanyi's claim is that the empirical observations of the substantivists reveal economic life in archaic and primitive economies to be entirely different from that assumed by the formalists. (Polanyi et al 243-44).

Trade and Market together with the Columbia seminars had an enormous impact on United States economic history and economic anthropology. Names associated with the project were David Landes, Margaret Mead, Marshall Sahlins, Moses Finlay, Walter Neale, Harry Pearson and many others, together with outright disciples like Paul Bohannan and George Dalton. One might say that beneath the surface of an American social scientist of that generation, you will find a Polanyist, just as beneath the surface of a British social scientist of that period you will find a Marxist. Perhaps this is because the McCarthy Era and the Marxist witch-hunt left an intellectual gap which Polanyi conveniently filled because of his broadly socialist perspective. In the same way, and for the same reasons, American children were banned from watching Chaplin, and instead were brought up on Laurel and Hardy. In Britain, where Karl Marx held sway, Karl Polanyi attracted little attention.

Polanyi's last book *Dahomey and the Slave Trade* (Polanyi 1966) was researched in the British Museum when he was in study leave in London during the winter term 1949-50, and was published after his death (Polanyi et al 1957 x). Based largely on secondary sources, the book amplifies his concept of the 'port of trade' previously dealt with in *Origins of Our Time: The Great Transformation* (Polanyi 1945 64-69), and his 1963 paper in *The Journal of Economic History* (Polanyi 1963). These 'ports of trade' were for long distance trade through which things could be obtained which were not available within the local reciprocity system. They were exchange places strictly administered and controlled by the local authorities who ensured that they were isolated from the domestic reciprocity network. Deals were done by the authorities with the outsiders, and they were done at set rates, and not by price. Money did not change hands (Polanyi 1966 xxiv, 99).

Money was another issue. Although Polanyi had always maintained that there was no market activity in primitive and archaic economies of which this West African state was an example, he was confronted by an economy in which there were numerous market places, and widespread use of money. This use of money would seem to contradict his views on reciprocity. Money is not required if exchange is based on unspoken social obligation, but if it is required and widely used, surely reciprocal obligations do not apply ? To get over this hurdle, Polanyi argues that the money was not being used for exchange, but to reinforce the social structure by allocating and rationing status. To illustrate his point, he quotes the Arab explorer Ibn Battuta who he credits with discovering such status money in the fourteenth century Niger empires, where thin and thick copper wires were used as money.

> 'Thin wires, in which wages were paid, bought only firewood and coarse millet, while the thick ones bought anything, not excluding elite goods. Limitations of consumption thus were set up for the poor, while the higher standard of life of the leisure classes was automatically safeguarded. Without unfairness one can here speak of "poor man's money" as an instrument of maintaining upper-class privileges.' (Polanyi 1966 174-75).

But Polanyi's interpretation seems to have been based on a misreading of the text. A scrutiny reveals that it does not mention wages at all, and states that firewood and *meat* were obtainable with thin rods, not firewood and coarse millet. Millet, wheat, butter, and elite goods such as slaves were all bought with the thick wires. Both thin and thick rods could be changed into gold, so they were actually interchangeable, and the tiers of exchange were therefore linked not isolated. They were in fact a general purpose currency (Battuta 1929 336).

Copper rod currencies seem to have held a fascination for Polanyi and his disciples. Rods still operated in the eastern areas of Nigeria until the end of the Second World War. Paul Bohannan, a student of Polanyi's, did research among the Tiv, and produced two papers about this rod monetary system. The first was in *The American Anthropologist* (Bohannan 1955) and the second in *The Journal of Economic History* (Bohannan 1959). Using information gathered among the Tiv from the 1930s onwards, Bohannan distinguished three levels of exchange in the Tiv economic system. At the lowest level, everyday consumer goods such as chickens, goats, sheep, baskets, calabashes, pots, chairs, beds, grindstones and tools were exchanges for each other. Completely separated from this level of exchange was the middle level in which status conferring items like guns, trade cloth, slaves, horses, cattle, magic, medicine, ritual offices and copper rods were exchanged. Above this, and again completely separate for it, was the highest level where rights over women were exchanged. A wife could only be obtained in exchange for a girl of one's one lineage. Only in the most exceptional circumstances was it possible to obtain goods of a higher level of exchange for goods of a lower level. Because copper rods were valuable and not divisible, they could not be used for petty transactions of the lowest level. Buying a yam with a rod would be like buying a cup of coffee with a =A350 note. The indivisibility of the rod kept the levels of exchange separate, and ensured status conferring items were kept out of the hands of the lower orders (Bohannan 1955 60-70; Bohannan 1959 492-99; Bohannan and Bohannan 1968 228-37).

But the Tiv were not the only people to use the copper rod as currency. Directly to the south is the Cross River basin, with its chief town of Calabar. There too the rod currency remained in use until just after the Second World War. Here the use of the rod is well documented from the seventeenth century. The economy was based on the interchange of basic commodities along approximately 150 miles of the Cross River. Yams from the north, palm oil for cooking from the west, and salt and fish from the estuary to the south were distributed through the local network of markets. Vegetables, and things like chickens, goats and slaves, were also distributed through these markets, and so were craft goods like twine, ropes, nets, baskets, and raffia cloth. Itinerant blacksmiths operated at market places and made weapons and tools. Pottery could only be made at specific places where there was suitable clay, but the finished products were sent to the markets. Canoes could only be made at the few places where the trees grew big enough, but they were freely available at the markets, and these major capital goods were essential to the carrying trade of the region. Several different tribes, the Efik, the Ibibio, the Ibo, the Ekoi, the Efut, speaking different languages, participated jointly in this market system. The common currency was the copper rod, which served all the functions of a modern currency. It was a medium of exchange accepted by all, it was a unit of account, it was a standard of deferred payment essential for credit, and it was a store of wealth. Prices fluctuated according to shortages caused by harvest failure or war, and the price of a good increased the further it was carried from its place of origin incorporating the cost of transport. During the nineteenth century the currency suffered from inflation due to an increase in the supply of rods, indicating it was subject to the quantity theory. There were no restrictions on the ownership of rods. Even slaves could aquire them and use them to buy other slaves, and they could buy offices in the secret society which controlled the community. In Calabar the rod was a general purpose currency and the economy was a market economy. This was not an economy based on reciprocity (Latham 1971, 1973, 1986).

Crucial to this view that the rod in Calabar was a general purpose currency is the question of divisibility. Bohannan argued that rods could not be divided into small change, and this prevented them being used for petty transactions. This ensured that the circulation of elite goods was separated from the circulation of everyday goods. Thus rods operated as a privilege rationing system, as possession of rods made it possible to acquire elite goods which conferred and confirmed status. But in Calabar this was not the case. The Rev. Hugh Goldie's dictionary, published in 1874 and based on over twenty years experience of Calabar, states that copper rods, known as okuk, were commonly made by the blacksmiths into wires. They were known as obubit okuk, or black rods, obubit being the word for black, the colour the wires were after they had been split by the Ibo blacksmiths (Goldie 1874 255). These wires were freely obtainable by all, and were essentially small change used for everyday purchases. They could also be saved up and exchanged for the big rods. Thus the concept that the isolation of transaction levels was maintained by the indivisibility of the copper rod is not true. Perhaps things were different in Tiv, just a few miles to the north of the Cross River basin and part of the same currency area. But Malherbe's 1931 dictionary of the Tiv language suggests the situation in Tiv was the same as in Calabar. He gives the word akpo 'A thin brass wire, a trading commodity' which was distinct from the rod which was called bashi (Malherbe 1931 10, 22). It seems that Bohannan was either mistaken in his analysis, or misled by his informants, who were speaking after the rod had gone out of circulation. Nevertheless the fact that rods were divisible completely wrecks the status rationing hypothesis. There is also ample photographic evidence to prove the existence of the wires.

So Calabar had a market economy, not one based on reciprocity or redistribution. In many ways it was more of a market economy than our own. In Calabar you could buy slaves to use for sacrifices, or as canoe boys, farm hands or servants. But we have banned slaves from our market system. Labour services of course are marketable, but not the actual people who provide the services. Indeed slavery is another major problem for Polanyi's concept of reciprocity. How can slaves fit into a system of reciprocity ? How can a slave enjoy a reciprocal gain from the person who sells or sacrifices him ?

The rod currency was the principle Polanyist example of a status exchange unit operating within a system of reciprocity, and key to their interpretation of primitive and archaic societies. But if it turns out to have been a true general purpose currency operating within a market economy as appears to be the case, then the whole Polanyist interpretation is thrown into question. How many other systems have they misleadingly labelled as reciprocity based ? It must be emphasised that if a currency contains both large units, and small units which can be used as small change for petty transactions, then it is almost certainly a true general purpose currency. If it is a true general purpose currency, then it is operating in a market economy and not a reciprocity system. True general purpose currencies and market economies are synonymous. Money based market economies pervaded primitive and archaic societies, not systems based on reciprocity and redistribution. Harold Schneider, founder of the Society For Economic Anthropology (U.S.) and a leading anti-Polanyist, showed in a famous study that even an East African cattle currency was a general purpose currency, with the small change being calves and goats (Schneider 1970: See also Schneider 1974).

The specialisation of function which the coming of the market and general purpose economies facilitated seems to have marked the onset of the sustained economic development upon which we all now depend. Yet at the same time, in its own way the market is the ultimate form of reciprocity. Thus a salaried academic may sit at his desk writing a scholarly paper in the unspoken knowledge that others elsewhere are producing the food, clothing, shelter and transport that he needs. What is true for the academic applies equally to the judge, the plumber and that apostle of the market, the commodities trader. Presumably the tax system is the ultimate form of redistribution and indeed retribution!

Returning to Polanyi, it seems clear that his and his disciples views are dangerously misleading, and apparently motivated by a desire to create a world in which the market has no part. In their desire to model a future devoid of market forces, they subconsciously interpret the past as having no market forces. These misleading views have been been widely adopted in the social sciences, particularly in the United States, and have even had a pernicious infiltration into 'the new' archaeology. Peter Sawyer, the authority on the Vikings, has said:-

> 'Polanyi's analysis is not now widely accepted by economic historians or anthropologists, but it has been enthusiastically adopted by some archaeologists who think it provides a basis for reconstructing social, economic and even political phenomena in periods for which only material evidence survives. There has even been an attempt to interpret the development of early medieval Europe in this way. The resulting review of the archaeological evidence is a useful progress report but the classification of the towns, markets and fairs of post-Roman Europe according to anthropological models contributes little or nothing to our understanding of a period for which we have the welcome control of written evidence.' (Sawyer 1986 61).

Patty Jo Watson agrees with Sawyer that the new or processual archaeology of the 1960s and 1970s has a strong anthropological basis. But she points out in the December 1995 edition of *The American Anthropologist* that this has been succeeded by postmodernism or postprocessualism:-

> 'Hodder and other postprocessualists are also very concerned about the sociopolitical setting of contemporary archaeology. They urge

> archaeologists to be aware and self-critical about their biases and preconceptions, lest they unwittingly create a past in the image of their own present, a past that then helps to legitimate contemporary social or political themes.' (Watson 1995 688)

In conclusion it is necessary to return to Polanyi's concept of reciprocity and redistribution. Despite his and his disciples work, it is difficult to accept that primitive or archaic economies operated according to these principles. Market forces and true general purpose monies appear to have been present in societies at primitive levels and from early times, and at the onset of their sustained development. True general purpose currencies and market economies are synonymous. One must agree with Polanyi that the substantive methodology of observation and induction is the way to study primitive and archaic economies. However, when these societies are studied in this manner, the operation of their economic systems tend to confirm the deductions of the formalists, rather than confound them.

Finally, a word of caution. Marxism is today an unfashionable ethic. Are we therefore to see a flourishing of Marx surrogates ? Is this why there is a revival of interest in Polanyi ? Do those who now turn to Polanyi seek in him a new socialist figurehead ? For them there can only be this clear message: Polanyi is baloney !

Bibliography

Anderson, B. L. and Latham, A. J. H. (1986) *The Market in History*, London: Croom Helm.

Battuta, I. (1929) *Travels in Africa and Asia, 1325- 1354*, London: Routledge and Kegan Paul.

Bohannan, P. (1955) Some Principles of Exchange and Investment among the Tiv, *American Anthropologist* 57 60-70.

Bohannan, P. (1959) The Impact of Money on an African Subsistence Economy, *Journal of Economic History* 19 491-503

Dalton G. (ed) (1971) *Primitive Archaic and Modern Economies: Essays of Karl Polanyi*, Boston: Beacon Press.

Goldie, H. (1874) *Dictionary of the Efik Language*, Edinburgh.

Humphreys, S. C. (1978) *Anthropology and the Greeks*, London: Routledge and Kegan Paul.

Latham, A. J. H. (1971) Currency, Credit and Capitalism on the Cross River in the Pre-Colonial Era, J*ournal of African History* 12 599-605

Latham, A. J. H. (1973) *Old Calabar 1600-1891: The Impact of the International Economy upon a Traditional Society* (Oxford: Clarendon Press.

Latham A. J. H. (1986) *Palm Produce from Calabar, 1812- 1887*, with a *Note on the Formation of Palm Oil Prices to 1914*, in Liesegang, Pasch and Jones (1986) 265-91

Liesegang, G. Pasch, H. and Jones, A.(eds) (1986) *Figuring African Trade*, Berlin: Dietrich Reimer Verlag.

McRobbie, K. (ed) (1994) *Humanity, Society and Commitment: On Karl Polanyi*, Montreal: Black Rose Books.

Polanyi K. (1944) *The Great Transformation*, New York: Rinehart and Co.

Polanyi K. (1945) *Origins of Our Time: The Great Transformation*, London: Gollancz.

Polanyi K. Arensberg C. H. and Pearson, H. W. (eds) (1957) *Trade and Market in the Early Empires: Economies in History and Theory*, Glencoe, Illinois: The Free Press.

Polanyi K. (1963) Ports of Trade in Early Societies *The Journal of Economic History* 23 30-45.

Polanyi K. (1966) *Dahomey and the Slave Trade: An Analysis of an Archaic Economy*, Seattle: University of Washington Press.

Polanyi K. (1977) *The Livelihood of Man*, New York: Academic Press.

Sawyer, P. (1986) *Early Fairs and Markets in England and Scandinavia, in Anderson and Latham* (1986) 59-77.

Schneider, H. K. (1970) *The Wahi Wanyaturu: Economics in an African Society*, Chicago: Aldine Atherton.

Schneider, H. K. (1974) *Economic Man* / , New York: The Free Press)

Watson, P. J. (1995) Archaeology and the Culture Concept, *American Anthropologist* 97 683-94