
BOOK REVIEW

***The Great Transformation: The Political and Economic Origins of Our Time.* By Karl Polanyi. Boston: Beacon Press, 2001 [1944], 317 pp. \$24.00.**

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A list of the most seminal works in political economy of the twentieth century would have to include Karl Polanyi's *The Great Transformation: The Political and Economic Origins of Our Time*. Known for its seething portrayal of self-regulated market society as a "stark utopia" (Polanyi 2001:3), *The Great Transformation* confronts the concept of market society and reveals its historical tendencies and struggles. Polanyi eloquently attacks the idea of a purely self-regulated market society and shows that its history has been one of constant struggles for balance between personal gain and societal well-being.

Although *The Great Transformation* is filled with generous amounts of anthropological, historical, and sociological insights, there are three significant contributions that are of main importance, especially to political economy. The first is Polanyi's analysis of a fully self-regulating market society as being a utopian vision that is impossible to achieve. Polanyi provides a detailed and historically compelling argument that the propensity to truck, barter, and exchange is not an instinctual drive in human beings, but merely a recent phenomenon that took hold in Europe in the 1600s. Polanyi's second contribution is his analysis of the philosophy of the Liberal Creed and how that philosophy was a reaction to the Crown's failed attempts at social welfare for the displaced masses during the ravages of English industrialization. It was the failures of the Crown to alleviate social disharmony and the pushing forward of laissez-faire attitudes about the economy that led to the birth of the current capitalist system of property and social relations and to the birth of the nation-state, which was

designed to protect this new order. The third major contribution is Polanyi's concept of "double movement" (Polanyi 2001:79). Double movement refers to the tension in society between forces who are pushing for a self-regulating, or "disembedded" (Polanyi 2001:46) economy, which focuses on the independent pursuit of personal gain, and the social forces who are pushing for aggregate social well-being and equality. If the subordination of society to the market system goes unchecked by any societal counter-movement, then the tension between the two movements increases and leads to crisis. Polanyi makes a strong argument that the crises of World War I, the Great Depression, and World War II were caused by the imbalance of the market ideal over social well-being and the inability of any social counterforce, such as socialism or communism, to alleviate the tensions. In the void left by the ineffectual struggle of the double movements, the chaos created by social disorganization can lead to new and more brutal forms of answering the economic question. Polanyi sees fascism as the new force that can promise to stabilize the system where liberalism and socialism have failed. These three main contributions combine to provide the core of Polanyi's thought.

Polanyi's analysis of the concept of a self-regulated market society is succinct. "The idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society" (Polanyi 2001:3). Markets have existed at least as long as recorded history, but a society based around the market has only been in existence since the early nineteenth century. Polanyi (2001:45) notes that "no society could live for any length of time unless it possessed an economy of some sort, but previously to our time no economy has ever existed that, in principle, was controlled by markets.

Markets have existed to trade goods for thousands of years but not until recently has trade taken on the connotation of buying cheap and selling dear, hence merely for personal gain as is the case in a market society. Polanyi offers numerous examples of trade for reasons other than personal gain. Chapter Four, entitled "Societies and Economic Systems" is an amazing resource

for anyone who is looking for specific examples of non-market societies. In each case, whether the Trobriand Islanders, ancient Egypt, or even the feudal system of Europe, Polanyi shows that the market was an adjunct to each of these societies, not the organizing principle. Trade based on reciprocity and redistribution, not personal gain, actually dominates the vast amount of written history (Polanyi 2001). But toward the end of the sixteenth century a new idea about the relationship of the economy to society was taking shape; an idea that would change society forever.

Polanyi's analysis of this new idea is captured in Chapter Six, entitled "The Self-Regulating Market and the Fictitious Commodities: Labor, Land, and Money." Polanyi makes it clear that a fully disembedded, self-regulating market society, would require all human beings and nature to be turned into pure commodities, whether fictitious or real. It is only when these factors are commodified that a true market society comes into existence. The history of England, from the enclosures of the 1600s to the abolition of the Poor Laws in 1834, was the history of the commodification of society and nature.

The first fictitious commodity was land. The enclosure movement was sanctioned by the Crown and was seen as a way of increasing revenues for the landowners and the Crown as well. But the enclosures pushed peasants off the commons which they had cultivated for centuries. The displacement of the peasants, a direct result of land privatization, caused problems of vagrancy and pauperism. An entirely new class of landless wonderers was created. Parliament passed the Speenhamland Act of 1795, which was an attempt to offer relief to the displaced peasants. But the Speenhamland Act made the local parishes responsible for these "alms for the poor" and it quickly began to bankrupt the local governments. Liberal critics of the Speenhamland Act pointed out that the relief was not conducive to getting the poor to work. The peasants knew the parish would provide for them whether they worked or not, and this did not offer much motivation to take a wage job and feed the new capitalist factories and fields. The Speenhamland Act was seen as a regulatory failure and led to the increased popularity of the liberal philosophy of *laissez-faire* economic policies.

Speenhamland was a countermovement measure aimed at alleviating the strife caused by privatizing land for the market system. Polanyi also points to the Poor Laws of the early 1800s as an example of a double movement as well. The Poor Laws were enacted after the repeal of the Speenhamland Act. The Poor Laws were designed to force the landless peasants into labor. If a peasant was found to be vagrant, he could be held in the poorhouse until he could find wage work. The poorhouses were basically labor prisons in which the products of the labor were redistributed back to the parishes, which were being bankrupted by the Speenhamland accord. Although these poorhouses ensured the survival of the pauper, it also restricted the ability of that laborer to move to a new parish or even to the cities to find work (Polanyi 2001).

The Poor Laws inhibited the creation of a labor market, which is of prime importance in the capitalist's ability to extract surplus value from underpaid labor. The laws were designed to protect the dislocated masses, but ended up placing them in even more abject conditions of poverty and an inability to leave their parishes in order to find work. Once the Poor Laws were repealed in 1834, labor had been commodified for the market system.

The last fictitious commodity that Polanyi identifies is money. As domestic markets began to expand, so did foreign trade. The new system of capitalist production was creating vast amounts of goods, which saturated the domestic markets. Foreign trade to facilitate the sale of excess goods became very important. In order to stabilize trade, each country's currency was fixed to a certain money amount in accordance with how much gold each country held in their reserves. Since all prices were fixed to gold, trade between French goods (with prices listed in francs) and English goods (with prices listed in pounds) could be carried out using two different national currencies. Although this facilitated international trade, it also could easily throw distinct nations into economic crises.

In accordance with the gold standard, a country who imported more than they exported (i.e., a negative trade balance) would be required to pay its trade deficit to the crediting country by releasing some of their gold reserves to the other nation. When a

country has less gold in its reserves on which to base its currency, the currency devalues, prices inflate and domestic markets shut down. The gold standard, which was designed to facilitate foreign trade, could simultaneously destroy domestic trade. To protect themselves from these crises of devaluation, the nation-states of Europe centralized their banking systems so that the government could use monetary policies to offset the devaluations in currency caused by a run on the country's gold reserves. In other words, this led to isolation of nation-states in regard to trade rather than increasing the ease of trade between nations.

As can be seen, each factor (land, labor, and money) had to be commodified in order to move closer to the realization of a market society. But as each measure was put in place, societal reaction (the other half of the double movement) formed and moved against the expansion of the market system. All the crises and failures of the market system were put in motion by merely trying to *create* a market system. And when there is no viable countermovement to stop the onslaught toward a market society, crises form which must be addressed by a new countermovement.

The significance of Polanyi's analysis of the rise of fascism becomes evident. As international capital imploded on itself prior to the First World War, there was no viable countermovement to protect civil society. The socialist parties of Europe had little significant impact on the destructive force of the Great Depression in their countries (Polanyi 2001). If neither the capitalists nor the socialists have the answer to the problem, who does? Polanyi believed that this search for someone with quick, and even painful, answers led to the rise of Hitler. Fascism became a "third path" which has been defeated before but could always surface again, especially in a society which is arranged to be in conflict, such as a market society. There could come a time when the fascist answer becomes acceptable again, since the same market system that caused the reaction of fascism in the 1930s is still in place.

An appreciation of Polanyi's analysis is of utmost importance in understanding and interpreting our current global situation. Neoliberals are attempting to reproduce the same disembedded relationship that led to the first breakdown of the international eco-

conomic order. They embrace the market ideology of Adam Smith even after empirical historical evidence has shown the failures of a completely disembedded economic system. There are no longer fixed exchange rates or a gold standard. The IMF, World Bank, and World Trade Organization have been created to facilitate global exchange. These economic institutions have been captured by the ideology of market liberalism and are directing the world economy based on those principles (free markets, free trade, and privatization). As the situation becomes less opaque and society realizes the path it is going down, society must resist the expansion of the self-regulating market and mobilize to protect itself.

More elaborate and effective control of the political system and the mass media by the purveyors of market liberalism makes the realization of crisis and the mobilization to protect against crisis more difficult than ever; even more difficult than when Polanyi first wrote *The Great Transformation* in 1944. The political system has been bought out mainly by the interests of capital. It is next to impossible at this stage to introduce a truly effective worker's party to act as the other prong in the double movement. And the mass media intentionally keep the masses uninformed as to what the true nature of the economic condition is, making it highly improbable to raise consciousness or organize a countermovement through that medium.

Will it take another crisis of such a magnitude as the Great Depression or worse to mobilize against the market utopia? And if so, will that crisis lead to a re-embedding and subordination of the economy to society or to a complete obliteration of human freedom? Will the next crisis bring about a more democratic and egalitarian approach to the connection of the economy to society, or will it lead to "a war of all against all." Polanyi has given his analysis of where a fully disembedded economy would lead humanity. It is up to us to decide if we want to act now or *react* later, with the possibility of it being too late. For anyone concerned with the current issues of globalization, *The Great Transformation* provides a plethora of theoretical and empirical observations that are as valid today as they were sixty years ago.