The Great Transformation

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I. SATANIC MILL

“HABITATION VERSUS IMPROVEMENT”

At the heart of the Industrial Revolution of the eighteenth century there was an almost miraculous improvement in the tools of production, which was accompanied by a catastrophic dislocation of the lives of the common people.

We will attempt to disentangle the factors that determined the forms of this dislocation, as it appeared at its worst in England about a century ago. What “satanic mill” ground men into masses? How much was caused by the new physical conditions? How much by the economic dependencies, operating under the new conditions? And what was the mechanism through which the old social tissue was destroyed and a new integration of man and nature so unsuccessfully attempted?

Nowhere has liberal philosophy failed so conspicuously as in its understanding of the problem of change. Fired by an emotional faith in spontaneity, the common-sense attitude toward change was discarded in favor of a mystical readiness to accept the social consequences of economic improvement, whatever they might be. The elementary truths of political science and statecraft were first discredited, then forgotten. It should need no elaboration that a process of undirected change, the pace of which is deemed too fast, should be slowed down, if possible, so as to safeguard the welfare of the community. Such household truths of traditional statesmanship, often merely reflecting the teachings of a social philosophy inherited from the ancients, were in the nineteenth century erased from the thoughts of the educated by the corrosive of a crude utilitarianism combined with an uncritical reliance on the alleged self-healing virtues of unconscious growth.

Economic liberalism misread the history of the Industrial Revolution because it insisted on judging social events from the economic
viewpoint. For an illustration of this we shall turn to what may at first seem a remote subject: to enclosures of open fields and conversions of arable land to pasture during the earlier Tudor period in England, when fields and commons were hedged by the lords, and whole counties were threatened by depopulation. Our purpose in thus evoking the plight of the people brought about by enclosures and conversions will be on the one hand to demonstrate the parallel between the devastations caused by the ultimately beneficial enclosures and those resulting from the Industrial Revolution, and on the other hand—and more broadly—to clarify the alternatives facing a community which is in the throes of unregulated economic improvement.

Enclosures were an obvious improvement if no conversion to pasture took place. Enclosed land was worth double and treble the unenclosed. Where tillage was maintained, employment did not fall off, and the food supply markedly increased. The yield of the land manifestly increased, especially where the land was let.

But even conversion of arable land to sheep runs was not altogether detrimental to the neighborhood in spite of the destruction of habitations and the restriction of employment it involved. Cottage industry was spreading by the second half of the fifteenth century, and a century later it began to be a feature of the countryside. The wool produced on the sheep farm gave employment to the small tenants and landless cottagers forced out of tillage, and the new centers of the woolen industry secured an income to a number of craftsmen.

But—this is the point—only in a market economy can suchcompensating effects be taken for granted. In the absence of such an economy the highly profitable occupation of raising sheep and selling their wool might ruin the country. The sheep which "turned sand into gold" could well have turned the gold into sand as happened ultimately to the wealth of seventeenth century Spain whose eroded soil never recovered from the overexpansion of sheep farming.

An official document of 1607, prepared for the use of the Lords of the Realm, set out the problem of change in one powerful phrase: "The poor man shall be satisfied in his end: Habitation; and the gentleman not hindered in his desire: Improvement." This formula appears to take for granted the essence of purely economic progress, which is to achieve improvement at the price of social dislocation. But it also hints at the tragic necessity by which the poor man clings to his hovel, doomed by the rich man's desire for a public improvement which profits him privately.

Enclosures have appropriately been called a revolution of the rich against the poor. The lords and nobles were upsetting the social order, breaking down ancient law and custom, sometimes by means of violence, often by pressure and intimidation. They were literally robbing the poor of their share in the common, tearing down the houses which, by the hitherto unbreakable force of custom, the poor had long regarded as theirs and their heirs. The fabric of society was being disrupted; desolate villages and the ruins of human dwellings testified to the fierceness with which the revolution raged, endangering the defenses of the country, wasting its towns, decimating its population, turning its overburdened soil into dust, harassing its people and turning them from decent husbandmen into a mob of beggars and thieves. Though this happened only in patches, the black spots threatened to melt into a uniform catastrophe. The King and his Council, the Chancellors, and the Bishops were defending the welfare of the community and, indeed, the human and natural substance of society against this scourge. With hardly any intermittence, for a century and a half—from the 1490's, at the latest, to the 1640's—they struggled against depopulation. Lord Protector Somerset lost his life at the hands of the counterrevolution which wiped the enclosure laws from the statute book and established the dictatorship of the grazer lords. After Kett's Rebellion was defeated with several thousand peasants slaughtered in the process. Somerset was accused, and not without truth, of having given encouragement to the rebellious peasants by his staunch denunciation of enclosures.

It was almost a hundred years later when a second trial of strength came between the same opponents, but by that time the enclosers were much more frequently wealthy country gentlemen and merchants rather than lords and nobles. High politics, lay and ecclesiastical, were now involved in the Crown's deliberate use of its prerogative to prevent enclosures and in its no less deliberate use of the enclosure issue to strengthen its position against the gentry in a constitutional struggle, which brought death to Strafford and Laud at the hands of Parliament. But their policy was not only industrially but politically reactionary; furthermore, enclosures were now much more often than before intended for tillage, and not for pasture. Presently the tide of the Civil War engulfed Tudor and early Stuart public policy forever.

Nineteenth century historians were unanimous in condemning Tudor and early Stuart policy as demagogic, if not as outright reactionary. Their sympathies lay, naturally, with Parliament and that body.
had been on the side of the enclosers. H. de B. Gibbins, though an
ardent friend of the common people, wrote: “Such protective enact-
ments were, however, as protective enactments generally be, utterly
vain.” Innes was even more definite: “The usual remedies of punish-
ing vagabondage and attempting to force industry into unsuited fields
and to drive capital into less lucrative investments in order to provide
employment—failed—as usual.” Gairdner had no hesitation in appeal-
ing to free trade notions as “economic law”: “Economic laws were,
of course, not understood,” he wrote, “and attempts were made by legis-
lation to prevent husbandman’s dwellings from being thrown down by
landlords, who found it profitable to devote arable land to pasture to
increase the growth of wool. The frequent repetition of these Acts
only show how ineffective they were in practice.” Recently an
economist like Heckscher emphasizes his conviction that mercantilism
should, in the main, be explained by an insufficient understanding of
the complexities of economic phenomena, a subject which the human
mind obviously needed another few centuries to master. In effect,
anti-enclosure legislation never seemed to have stopped the course of
the enclosure movement, nor even to have obstructed it seriously.]

John Hales, second to none in his fervor for the principles of the Common-
wealth men, admitted that it proved impossible to collect evidence
against the enclosers, who often had their servants sworn upon the
juries, and such was the number “of their retainers and hangers-on
that no jury could be made without them.” Sometimes the simple
expedient of driving a single furrow across the field would save the
offending lord from a penalty.

Such an easy prevailing of private interests over justice is often
regarded as a certain sign of the ineffectiveness of legislation, and the
victory of the vainly obstructed trend is subsequently adduced as con-
clusive evidence of the alleged futility of “a reactionary intervention-
ism.” Yet such a view seems to miss the point altogether. Why should
the ultimate victory of a trend be taken as a proof of the ineffectiveness
of the efforts to slow down its progress? And why should the purpose
of these measures not be seen precisely in that which they achieved, i.e.,
in the slowing down of the rate of change? That which is ineffectual
in stopping a line of development altogether is not, on that account,
altogether ineffectual. The rate of change is often of no less importance

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*Rise and Fall of the Market Economy* [Ch. 3]

“HABITION VERSUS IMPROVEMENT”

than the direction of the change itself; but while the latter frequently
does not depend upon our volition, it is the rate at which we allow change
to take place which well may depend upon us.

A belief in spontaneous progress must make us blind to the role of
government in economic life. This role consists often in altering the
rate of change, speeding it up or slowing it down as the case may be;
if we believe that rate to be unalterable—or even worse, if we deem
it a sacrilege to interfere with it—then, of course, no room is left for
intervention. Enclosures offer an example. In retrospect nothing could
be clearer than the Western European trend of economic progress
which aimed at eliminating an artificially maintained uniformity of
agricultural technique, intermixed strips, and the primitive institution
of the common. As to England, it is certain that the development of
the woolen industry was an asset to the country, leading, as it did, to
the establishment of the cotton industry—that vehicle of the Industrial
Revolution. Furthermore, it is clear that the increase of domestic
weaving depended upon the increase of a home supply of wool. These
facts suffice to identify the change from arable land to pasture and the
accompanying enclosure movement as the trend of economic progress.

Yet, but for the consistently maintained policy of the Tudor and early
Stuart statesmen, the rate of that progress might have been ruinous,
and have turned the process itself into a degenerative instead of a con-
structive event. For upon this rate, mainly, depended whether the
dispossessed could adjust themselves to changed conditions without
fattily damaging their substance, human and economic, physical and
moral; whether they would find new employment in the fields of oppor-
tunity indirectly connected with the change; and whether the effects
of increased imports induced by increased exports would enable those
who lost their employment through the change to find new sources of
sustenance.

The answer depended in every case on the relative rates of
change and adjustment. The usual “long-run” considerations of eco-

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*Innes, A. D., England under the Tudors, 1932.*


terious. If conversion of arable land to pasture involves the destruction of a definite number of houses, the scrapping of a definite amount of employment, and the diminution of the supplies of locally available food provisions, then these effects must be regarded as final, until evidence to the contrary is produced. This does not exclude the consideration of the possible effects of increased exports on the income of the landowners; of the possible chances of employment created by an eventual increase in the local wool supply; or of the uses to which the landowners might put their increased incomes, whether in the way of further investments or of luxury expenditure. The time-rate of change compared with the time-rate of adjustment will decide what is to be regarded as the net effect of the change. But in no case can we assume the functioning of market laws unless a self-regulating market is shown to exist. Only in the institutional setting of market economy are market laws relevant; it was not the statesmen of Tudor England who strayed from the facts, but the modern economists, whose strictures upon them implied the prior existence of a market system.

England withstood without grave damage the calamity of the enclosures only because the Tudors and the early Stuarts used the power of the Crown to slow down the process of economic improvement until it became socially bearable—employing the power of the central government to relieve the victims of the transformation, and attempting to canalize the process of change so as to make its course less devastating. Their chancelleries and courts of prerogative were anything but conservative in outlook; they represented the scientific spirit of the new statecraft, favoring the immigration of foreign craftsmen, eagerly implanting new techniques, adopting statistical methods and precise habits of reporting, flouting custom and tradition, opposing prescriptive rights, curtailing ecclesiastical prerogatives, ignoring Common Law. If innovation makes the revolutionary, they were the revolutionaries of the age. Their commitment was to the welfare of the commonalty, glorified in the power and grandeur of the sovereign; yet the future belonged to constitutionalism and Parliament. The government of the Crown gave place to government by a class—the class which led in industrial and commercial progress. The great principle of constitutionalism became wedded to the political revolution that dispossessed the Crown, which by that time had shed almost all its creative faculties, while its protective function was no longer vital to a country that had weathered the storm of transition. The financial policy of the Crown now restricted the power of the country unduly, and began to con-
part of this book. We submit that an avalanche of social dislocation, surpassing by far that of the enclosure period, came down upon England; that this catastrophe was the accompaniment of a vast movement of economic improvement; that an entirely new institutional mechanism was starting to act on Western society; that its dangers, which cut to the quick when they first appeared, were never really overcome; and that the history of nineteenth century civilization consisted largely in attempts to protect society against the ravages of such a mechanism. The Industrial Revolution was merely the beginning of a revolution as extreme and radical as ever inflamed the minds of sectarians, but the new creed was utterly materialistic and believed that all human problems could be resolved given an unlimited amount of material commodities.

The story has been told innumerable times: how the expansion of markets, the presence of coal and iron as well as a humid climate favorable to the cotton industry, the multitude of people dispossessed by the new eighteenth century enclosures, the existence of free institutions, the invention of the machines, and other causes interacted in such a manner as to bring about the Industrial Revolution. It has been shown conclusively that no one single cause deserves to be lifted out of the chain and set apart as the cause of that sudden and unexpected event.

But how shall this Revolution itself be defined? What was its basic characteristic? Was it the rise of the factory towns, the emergence of slums, the long working hours of children, the low wages of certain categories of workers, the rise in the rate of population increase, or the concentration of industries? We submit that all these were merely incidental to one basic change, the establishment of market economy, and that the nature of this institution cannot be fully grasped unless the impact of the machine on a commercial society is realized. We do not intend to assert that the machine caused that which happened, but we insist that once elaborate machines and plant were used for production in a commercial society, the idea of a self-regulating market was bound to take shape.

The use of specialized machines in an agrarian and commercial society must produce typical effects. Such a society consists of agriculturalists and of merchants who buy and sell the produce of the land. Production with the help of specialized, elaborate, expensive tools and plants can be fitted into such a society only by making it incidental to buying and selling. The merchant is the only person available for the undertaking of this, and he is fitted to do so as long as this activity will not involve him in a loss. He will sell the goods in the same manner in which he would otherwise sell goods to those who demand them; but he will procure them in a different way, namely, not by buying them ready-made, but by purchasing the necessary labor and raw material. The two put together according to the merchant's instructions, plus some waiting which he might have to undertake, amount to the new product. This is not a description of domestic industry or "putting out" only, but of any kind of industrial capitalism, including that of our own time. Important consequences for the social system follow.

Since elaborate machines are expensive, they do not pay unless large amounts of goods are produced. They can be worked without a loss only if the vent of the goods is reasonably assured and if production need not be interrupted for want of the primary goods necessary to feed the machines. For the merchant this means that all factors involved must be on sale, that is, they must be available in the needed quantities to anybody who is prepared to pay for them. Unless this condition is fulfilled, production with the help of specialized machines is too risky to be undertaken both from the point of view of the merchant who stakes his money and of the community as a whole which comes to depend upon continuous production for incomes, employment, and provisions.

Now, in an agricultural society such conditions would not naturally be given; they would have to be created. That they would be created gradually in no way affects the startling nature of the changes involved. The transformation implies a change in the motive of action on the part of the members of society: for the motive of subsistence that of gain must be substituted. All transactions are turned into money transactions, and these in turn require that a medium of exchange be introduced into every articulation of industrial life. All incomes must derive from the sale of something or other, and whatever the actual source of a person's income, it must be regarded as resulting from sale. No less is implied in the simple term "market system," by which we designate the institutional pattern described. But the most startling peculiarity of the system lies in the fact that, once it is established, it must be allowed to function without outside interference. Profits are not any more guaranteed, and the merchant must make his profits on the market. Prices must be allowed to regulate themselves. Such a self-

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*Clapham, J. H., Economic History of Modern Britain, Vol. III.
The transformation to this system from the earlier economy is so complete that it resembles more the metamorphosis of the caterpillar than any alteration that can be expressed in terms of continuous growth and development. Contrast, for example, the merchant-producer’s selling activities with his buying activities; his sales concern only artifacts; whether he succeeds or not in finding purchasers, the fabric of society need not be affected. But what he buys is raw materials and labor—nature and man. Machine production in a commercial society involves, in effect, no less a transformation than that of the natural and human substance of society into commodities. The conclusion, though weird, is inevitable; nothing less will serve the purpose: obviously, the dislocation caused by such devices must disjoint man’s relationships and threaten his natural habitat with annihilation.

Such a danger was, in fact, imminent. We shall perceive its true character if we examine the laws which govern the mechanism of a self-regulating market.

**SOCIETIES AND ECONOMIC SYSTEMS**

Before we can proceed to the discussion of the laws governing a market economy, such as the nineteenth century was trying to establish, we must first have a firm grip on the extraordinary assumptions underlying such a system.

Market economy implies a self-regulating system of markets; in slightly more technical terms, it is an economy directed by market prices and nothing but market prices. Such a system capable of organizing the whole of economic life without outside help or interference would certainly deserve to be called self-regulating. These rough indications should suffice to show the entirely unprecedented nature of such a venture in the history of the race.

Let us make our meaning more precise. No society could, naturally, 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, even in principle, was controlled by markets. In spite of the chorus of academic incantations so persistent in the nineteenth century, gain and profit made on exchange never before played an important part in human economy. Though the institution of the market was fairly common since the later Stone Age, its role was no more than incidental to economic life.

We have good reason to insist on this point with all the emphasis at our command. No less a thinker than Adam Smith suggested that the division of labor in society was dependent upon the existence of markets, or, as he put it, upon man’s “propensity to barter, truck and exchange one thing for another.” This phrase was later to yield the concept of the Economic Man. In retrospect it can be said that no misreading of the past ever proved more prophetic of the future. For while up to Adam Smith’s time that propensity had hardly shown up on a considerable scale in the life of any observed community, and had remained, at best, a subordinate feature of economic life, a hundred years later an industrial system was in full swing over the major part of
the planet which, practically and theoretically, implied that the human race was swayed in all its economic activities, if not also in its political, intellectual, and spiritual pursuits, by that one particular propensity. Herbert Spencer, in the second half of the nineteenth century, could, without more than a cursory acquaintance with economics, equate the principle of the division of labor with barter and exchange, and another fifty years later, Ludwig von Mises and Walter Lippmann could repeat this same fallacy. By that time there was no need for argument. A host of writers on political economy, social history, political philosophy, and general sociology had followed in Smith's wake and established his paradigm of the bartering savage as an axiom of their respective sciences. In point of fact, Adam Smith's suggestions about the economic psychology of early man were as false as Rousseau's were on the political psychology of the savage. Division of labor, a phenomenon as old as society, springs from differences inherent in the facts of sex, geography, and individual endowment; and the alleged propensity of man to barter, truck, and exchange is almost entirely apocryphal. While history and ethnography know of various kinds of economies, most of them comprising the institution of markets, they know of no economy prior to our own, even approximately controlled and regulated by markets. This will become abundantly clear from a bird's-eye view of the history of economic systems and of markets, presented separately. The role played by markets in the internal economy of the various countries, it will appear, was insignificant up to recent times, and the change-over to an economy dominated by the market pattern will stand out all the more clearly.

To start with, we must discard some nineteenth century prejudices that underlay Adam Smith's hypothesis about primitive man's alleged predilection for gainful occupations. Since his axiom was much more relevant to the immediate future than to the dim past, it induced in his followers a strange attitude toward man's early history. On the face of it, the evidence seemed to indicate that primitive man, far from having a capitalistic psychology, had, in effect, a communist one (later this also proved to be mistaken). Consequently, economic historians tended to confine their interest to that comparatively recent period of history in which truck and exchange were found on any considerable scale, and primitive economics was relegated to prehistory. Unconsciously, this led to a weighting of the scales in favor of a marketing psychology, for within the relatively short period of the last few centuries everything might be taken to tend towards the establishment of that which was eventually established, i.e., a market system, irrespective of other tendencies which were temporarily submerged. The corrective of such a "short-run" perspective would obviously have been the linking up of economic history with social anthropology, a course which was consistently avoided.

We cannot continue today on these lines. The habit of looking at the last ten thousand years as well as at the array of early societies as a mere prelude to the true history of our civilization which started approximately with the publication of the Wealth of Nations in 1776, is, to say the least, out of date. It is this episode which has come to a close in our days, and in trying to gauge the alternatives of the future, we should subdue our natural proneness to follow the proclivities of our fathers. But the same bias which made Adam Smith's generation view primeval man as bent on barter and truck induced their successors to disavow all interest in early man, as he was now known not to have indulged in those laudable passions. The tradition of the classical economists, who attempted to base the law of the market on the alleged propensities of man in the state of nature, was replaced by an abandonment of all interest in the cultures of "uncivilized" man as irrelevant to an understanding of the problems of our age.

Such an attitude of subjectivism in regard to earlier civilizations should make no appeal to the scientific mind. The differences existing between civilized and "uncivilized" peoples have been vastly exaggerated, especially in the economic sphere. According to the historians, the forms of industrial life in agricultural Europe were, until recently, not much different from what they had been several thousand years earlier. Ever since the introduction of the plow—essentially a large hoe drawn by animals—the methods of agriculture remained substantially unaltered over the major part of Western and Central Europe until the beginning of the modern age. Indeed, the progress of civilization was, in these regions, mainly political, intellectual, and spiritual; in respect to material conditions, the Western Europe of 1100 A.D. had hardly caught up with the Roman world of a thousand years before. Even later, change flowed more easily in the channels of statecraft, literature, and the arts, but particularly in those of religion and learning, than in those of industry. In its economics, medieval Europe was largely on a level with ancient Persia, India, or China, and certainly could not rival in riches and culture the New Kingdom of Egypt, two thousand years before. Max Weber was the first among modern economic historians to protest against the brushing aside of primitive
as social or asocial, jealous or generous, in respect to one set of values as in respect to another. Not to allow anybody reason for jealousy is, indeed, an accepted principle of ceremonial distribution, just as publicly bestowed praise is the due of the industrious, skillful, or otherwise successful gardener (unless he be too successful, in which case he may deservedly be allowed to wither away under the delusion of being the victim of black magic). The human passions, good or bad, are merely directed towards noneconomic ends. Ceremonial display serves to spur emulation to the utmost and the custom of communal labor tends to screw up both quantitative and qualitative standards to the highest pitch. The performance of all acts of exchange as free gifts that are expected to be reciprocated though not necessarily by the same individuals—a procedure minutely articulated and perfectly safeguarded by elaborate methods of publicity, by magic rites, and by the establishment of “dualities” in which groups are linked in mutual obligations—should in itself explain the absence of the notion of gain or even of wealth other than that consisting of objects traditionally enhancing social prestige.

In this sketch of the general traits characteristic of a Western Melanesian community we took no account of its sexual and territorial organization, in reference to which custom, law, magic, and religion exert their influence, as we only intended to show the manner in which so-called economic motives spring from the context of social life. For it is on this one negative point that modern ethnographers agree: the absence of the motive of gain; the absence of the principle of laboring for remuneration; the absence of the principle of least effort; and, especially, the absence of any separate and distinct institution based on economic motives. But how, then, is order in production and distribution ensured?

The answer is provided in the main by two principles of behavior not primarily associated with economics: reciprocity and redistribution. With the Trobriand Islanders of Western Melanesia, who serve as an illustration of this type of economy, reciprocity works mainly in regard to the sexual organization of society, that is, family and kinship; redistribution is mainly effective in respect to all those who are under a common chief and is, therefore, of a territorial character. Let us take these principles separately.

The sustenance of the family—the female and the children—is the

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1 Cf. Notes on Sources, page 269. The works of Malinowski and Thurnwald have been extensively used in this chapter.
obligation of their matrilineal relatives. The male, who provides for his sister and her family by delivering the finest specimens of his crop, will mainly earn the credit due to his good behavior, but will reap little immediate material benefit in exchange; if he is slack, it is first and foremost his reputation that will suffer. It is for the benefit of his wife and her children that the principle of reciprocity will work, and thus compensate him economically for his acts of civic virtue. Ceremonial display of food both in his own garden and before the recipient's storehouse will ensure that the high quality of his gardening be known to all. It is apparent that the economy of garden and household here forms part of the social relations connected with good husbandry and fine citizenship. The broad principle of reciprocity helps to safeguard both production and family sustenance.

The principle of redistribution is no less effective. A substantial part of all the produce of the island is delivered by the village headmen to the chief who keeps it in storage. But as all communal activity centers around the feasts, dances, and other occasions when the islanders entertain one another as well as their neighbors from other islands (at which the results of long distance trading are handed out, gifts are given and reciprocated according to the rules of etiquette, and the chief distributes the customary presents to all), the overwhelming importance of the storage system becomes apparent. Economically, it is an essential part of the existing system of division of labor, of foreign trading, of taxation for public purposes, of defense provisions. But these functions of an economic system proper are completely absorbed by the intensely vivid experiences which offer superabundant non-economic motivation for every act performed in the frame of the social system as a whole.

However, principles of behavior such as these cannot become effective unless existing institutional patterns lend themselves to their application. Reciprocity and redistribution are able to ensure the working of an economic system without the help of written records and elaborate administration only because the organization of the societies in question meets the requirements of such a solution with the help of patterns such as symmetry and centricity.

Reciprocity is enormously facilitated by the institutional pattern of symmetry, a frequent feature of social organization among nonliterate peoples. The striking "duality" which we find in tribal subdivisions lends itself to the pairing out of individual relations and thereby assists the give-and-take of goods and services in the absence of permanent records. The moieties of savage society which tend to create a "pendant" to each subdivision, turned out to result from, as well as help to perform, the acts of reciprocity on which the system rests. Little is known of the origin of "duality"; but each coastal village on the Trobriand Islands appears to have its counterpart in an inland village, so that the important exchange of breadfruits and fish, though disguised as a reciprocal distribution of gifts, and actually disjoint in time, can be organized smoothly. In the Kula trade, too, each individual has his partner on another isle, thus personalizing to a remarkable extent the relationship of reciprocity. But for the frequency of the symmetrical pattern in the subdivisions of the tribe, in the location of settlements, as well as in intertribal relations, a broad reciprocity relying on the long-run working of separated acts of give-and-take would be impracticable.

The institutional pattern of centricity, again, which is present to some extent in all human groups, provides a track for the collection, storage, and redistribution of goods and services. The members of a hunting tribe usually deliver the game to the headman for redistribution. It is in the nature of hunting that the output of game is irregular, besides being the result of a collective input. Under conditions such as these no other method of sharing is practicable if the group is not to break up after every hunt. Yet in all economies of kind a similar need exists, be the group ever so numerous. And the larger the territory and the more varied the produce, the more will redistribution result in an effective division of labor, since it must help to link up geographically differentiated groups of producers.

Symmetry and centricity will meet halfway the needs of reciprocity and redistribution; institutional patterns and principles of behavior are mutually adjusted. As long as social organization runs in its nuts, no individual economic motives need come into play; no shirking of personal effort need be feared; division of labor will automatically be ensured; economic obligations will be duly discharged; and, above all, the material means for an exuberant display of abundance at all public festivals will be provided. In such a community the idea of profit is barred; haggling and haggling is decrified; giving freely is acclaimed as a virtue; the supposed propensity to barter, truck, and exchange does not appear. The economic system is, in effect, a mere function of social organization.

It should by no means be inferred that socioeconomic principles of this type are restricted to primitive procedures or small communities; that a gainless and marketless economy must necessarily be simple.
The Kula ring, in western Melanesia, based on the principle of reciprocity, is one of the most elaborate trading transactions known to man; and redistribution was present on a gigantic scale in the civilization of the pyramids.

The Trobriand Islands belong to an archipelago forming roughly a circle, and an important part of the population of this archipelago spends a considerable proportion of its time in activities of the Kula trade. We describe it as trade though no profit is involved, either in money or in kind; no goods are hoarded or even possessed permanently; the goods received are enjoyed by giving them away; no haggling or haggling, no truck, barter, or exchange enters, and the whole proceedings are entirely regulated by etiquette and magic. Still, it is trade, and large expeditions are undertaken periodically by natives of this approximately ring-shaped archipelago in order to carry one kind of valuable object to peoples living on distant islands situated clockwise, while other expeditions are arranged carrying another kind of valuable object to the islands of the archipelago lying counterclockwise. In the long run, both sets of objects—white-shell arm rings and red shell necklaces of traditional make—will move round the archipelago, a trajectory which may take them up to ten years to complete. Moreover, there are, as a rule, individual partners in Kula who reciprocate one another’s Kula gift with equally valuable arm bands and necklaces, preferably such that have previously belonged to distinguished persons. Now, a systematic and organized give-and-take of valuable objects transported over long distances is justly described as trade. Yet this complex whole is exclusively run on the lines of reciprocity. An intricate time-space-person system covering hundreds of miles and several decades, linking many hundreds of people in respect to thousands of strictly individual objects, is being handled here without any records or administration, but also without any motive of gain or truck. Not the propensity to barter, but reciprocity in social behavior dominates. Nevertheless, the result is a stupendous organizational achievement in the economic field. Indeed, it would be interesting to consider whether even the most advanced modern market organization, based on exact accountancy, would be able to cope with such a task, should it care to undertake it. It is to be feared that the unfortunate dealers, faced with innumerable monopolists buying and selling individual objects with extravagant restrictions attached to each transaction, would fail to make a standard profit and might prefer to go out of business.

Redistribution also has its long and variegated history which leads up almost to modern times. The Bergdama returning from his hunting excursion, the woman coming back from her search for roots, fruit, or leaves are expected to offer the greater part of their spoil for the benefit of the community. In practice, this means that the produce of their activity is shared with the other persons who happen to be living with them. Up to this point the idea of reciprocity prevails: today’s giving will be recompensed by tomorrow’s taking. Among some tribes, however, there is an intermediary in the person of the headman or other prominent member of the group; it is he who receives and distributes the supplies, especially if they need to be stored. This is redistribution proper. Obviously, the social consequences of such a method of distribution may be far reaching, since not all societies are as democratic as the primitive hunters. Whether the redistributing is performed by an influential family or an outstanding individual, a ruling aristocracy or a group of bureaucrats, they will often attempt to increase their political power by the manner in which they redistribute the goods. In the potlatch of the Kwakiutl it is a point of honor with the chief to display his wealth of hides and to distribute them; but he does this also in order to place the recipients under an obligation, to make them his debtors, and ultimately, his retainers.

All large-scale economies in kind were run with the help of the principle of redistribution. The kingdom of Hammurabi in Babylonia and, in particular, the New Kingdom of Egypt were centralized despotisms of a bureaucratic type founded on such an economy. The household of the patriarchal family was reproduced here on an enormously enlarged scale, while its “communist” distribution was graded, involving sharply differentiated rations. A vast number of storehouses was ready to receive the produce of the peasant’s activity, whether he was cattle breeder, hunter, baker, brewer, potter, weaver, or whatever else. The produce was minutely registered and, in so far as it was not consumed locally, transferred from smaller to larger storehouses until it reached the central administration situated at the court of the Pharaoh. There were separate treasure houses for cloth, works of art, ornamental objects, cosmetics, silverware, the royal wardrobe; there were huge grain stores, arsenals, and wine cellars.

But redistribution on the scale practiced by the pyramid builders was not restricted to economies which knew not money. Indeed, all archaic kingdoms made use of metal currencies for the payment of taxes and salaries, but relied for the rest on payments in kind from granaries and warehouses of every description, from which they dis-
tributed the most varied goods for use and consumption mainly to the nonproducing part of the population, that is, to the officials, the military, and the leisure class. This was the system practiced in ancient China, in the empire of the Incas, in the kingdoms of India, and also in Babylonia. In these, and many other civilizations of vast economic achievement, an elaborate division of labor was worked by the mechanism of redistribution.

Under feudal conditions also this principle held. In the ethnically stratified societies of Africa it sometimes happens that the superior strata consist of herdsmen settled among agriculturalists who are still using the digging stick or the hoe. The gifts collected by the herdsmen are mainly agricultural—such as cereals and beer—while the gifts distributed by them may be animals, especially sheep or goats. In these cases there is division of labor, though usually an unequal one, between the various strata of society: distribution may often cover up a measure of exploitation, while at the same time the symbiosis benefits the standards of both strata owing to the advantages of an improved division of labor. Politically, such societies live under a regime of feudalism, whether cattle or land be the privileged value. There are “regular cattle thefts in East Africa.” Thurnwald, whom we follow closely on the subject of redistribution, could therefore say that feudalism implied everywhere a system of redistribution. Only under very advanced conditions and exceptional circumstances does this system become predominantly political as happened in Western Europe, where the change arose out of the vassal’s need for protection, and gifts were converted into feudal tributes.

These instances show that redistribution also tends to enmesh the economic system proper in social relationships. We find, as a rule, the process of redistribution forming part of the prevailing political regime, whether it be that of tribe, city-state, despotism, or feudalism of cattle or land. The production and distribution of goods is organized in the main through collection, storage, and redistribution, the pattern being focused on the chief, the temple, the despot, or the lord. Since the relations of the leading group to the led are different according to the foundation on which political power rests, the principle of redistribution will involve individual motives as different as the voluntary sharing of the game by hunters and the dread of punishment which urges the fellaheen to deliver his taxes in kind.

We deliberately disregarded in this presentation the vital distinction between homogeneous and stratified societies, *i.e.*, societies which are on the whole socially unified, and such as are split into rulers and ruled. Though the relative status of slaves and masters may be worlds apart from that of the free and equal members of some hunting tribes, and, consequently, motives in the two societies will differ widely, the organization of the economic system may still be based on the same principles, though accompanied by very different culture traits, according to the very different human relations with which the economic system is intertwined.

The third principle, which was destined to play a big role in history and which we will call the principle of *householding*, consists in production for one’s own use. The Greeks called it *oeconomia*, the etymon of the word “economy.” As far as ethnographical records are concerned, we should not assume that production for a person’s or group’s own sake is more ancient than reciprocity or redistribution. On the contrary, orthodox tradition as well as some more recent theories on the subject have been emphatically disproved. The individualistic savage collecting food and hunting on his own or for his family has never existed. Indeed, the practice of catering for the needs of one’s household becomes a feature of economic life only on a more advanced level of agriculture; however, even then it has nothing in common either with the motive of gain or with the institution of markets. Its pattern is the closed group. Whether the different entities of the family or the settlement or the manor formed the self-sufficient unit, the principle was invariably the same, namely, that of producing and storing for the satisfaction of the wants of the members of the group. The principle is as broad in its application as either reciprocity or redistribution. The nature of the institutional nucleus is indifferent: it may be as sex as with the patriarchal family, locality as with the village settlement, or political power as with the seignorial manor. Nor does the internal organization of the group matter. It may be as despotic as the Roman *familia* or as democratic as the South Slav *zadruja*; as large as the great domains of the Carolingian magnates or as small as the average peasant holding of Western Europe. The need for trade or markets is no greater than in the case of reciprocity or redistribution.

It is such a condition of affairs which Aristotle tried to establish as a norm more than two thousand years ago. Looking back from the rapidly declining heights of a world-wide market economy we must concede that his famous distinction of household proper and money-making, in the introductory chapter of his *Politics*, was probably the most prophetic pointer ever made in the realm of the social sciences; it
is certainly still the best analysis of the subject we possess. Aristotle insists on production for use as against production for gain as the essence of householding proper; yet accessory production for the market need not, he argues, destroy the self-sufficiency of the household as long as the cash crop would also otherwise be raised on the farm for sustenance, as cattle or grain; the sale of the surpluses need not destroy the basis of householding. Only a genius of common sense could have maintained, as he did, that gain was a motive peculiar to production for the market, and that the money factor introduced a new element into the situation, yet nevertheless, as long as markets and money were mere accessories to an otherwise self-sufficient household, the principle of production for use could operate. Undoubtedly, in this he was right, though he failed to see how impracticable it was to ignore the existence of markets at a time when Greek economy had made itself dependent upon wholesale trading and loaned capital. For this was the century when Delos and Rhodes were developing into emporia of freight insurance, sea-loans, and giro-banking, compared with which the Western Europe of a thousand years later was the very picture of primitivity. Yet Jowett, Master of Balliol, was grievously mistaken when he took it for granted that his Victorian England had a fairer grasp than Aristotle of the nature of the difference between householding and money-making. He excused Aristotle by conceding that the "subjects of knowledge that are concerned with man run into one another; and in the age of Aristotle were not easily distinguished." Aristotle, it is true, did not recognize clearly the implications of the division of labor and its connection with markets and money; nor did he realize the uses of money as credit and capital. So far Jowett's strictures were justified. But it was the Master of Balliol, not Aristotle, who was impervious to the human implications of money-making. He failed to see that the distinction between the principle of use and that of gain was the key to the utterly different civilization the outlines of which Aristotle accurately forecast two thousand years before its advent out of the bare rudiments of a market economy available to him, while Jowett, with the full-blown specimen before him, overlooked its existence. In denouncing the principle of production for gain "as not natural to man," as boundless and limitless, Aristotle was, in effect, aiming at the crucial point, namely the divorcedness of a separate economic motive from the social relations in which these limitations inhered.

Broadly, the proposition holds that all economic systems known to us up to the end of feudalism in Western Europe were organized either on the principles of reciprocity or redistribution, or householding, or some combination of the three. These principles were institutionalized with the help of a social organization which, inter alia, made use of the patterns of symmetry, centricity, and autarchy. In this framework, the orderly production and distribution of goods was secured through a great variety of individual motives disciplined by general principles of behavior. Among these motives gain was not prominent. Custom and law, magic and religion co-operated in inducing the individual to comply with rules of behavior which, eventually, ensured his functioning in the economic system.

The Greco-Roman period, in spite of its highly developed trade, represented no break in this respect; it was characterized by the grand scale on which redistribution of grain was practiced by the Roman administration in an otherwise householding economy, and it formed no exception to the rule that up to the end of the Middle Ages, markets played no important part in the economic system; other institutional patterns prevailed.

From the sixteenth century onwards markets were both numerous and important. Under the mercantile system they became, in effect, a main concern of government; yet there was still no sign of the coming control of markets over human society. On the contrary. Regulation and regimentation were stricter than ever; the very idea of a self-regulating market was absent. To comprehend the sudden change-over to an utterly new type of economy in the nineteenth century, we must now turn to the history of the market, an institution we were able practically to neglect in our review of the economic systems of the past.
5

EVOLUTION OF THE MARKET PATTERN

The dominating part played by markets in capitalist economy together with the basic significance of the principle of barter or exchange in this economy calls for a careful inquiry into the nature and origin of markets, if the economic superstitions of the nineteenth century are to be discarded.\(^1\)

Barter, truck, and exchange is a principle of economic behavior dependent for its effectiveness upon the market pattern. A market is a meeting place for the purpose of barter or buying and selling. Unless such a pattern is present, at least in patches, the propensity to barter will find but insufficient scope: it cannot produce prices.\(^2\) For just as reciprocity is aided by a symmetrical pattern of organization, as redistribution is made easier by some measure of centralization, and household must be based on autarchy, so also the principle of barter depends for its effectiveness on the market pattern. But in the same manner in which either reciprocity, redistribution, or householding may occur in a society without being prevalent in it, the principle of barter also may take a subordinate place in a society in which other principles are in the ascendant.

However, in some other respects the principle of barter is not on a strict parity with the three other principles. The market pattern, with which it is associated, is more specific than either symmetry, centricity, or autarchy—which, in contrast to the market pattern, are mere "traits," and do not create institutions designed for one function only. Symmetry is no more than a sociological arrangement, which gives rise to no separate institutions, but merely patterns out existing ones (whether a tribe or a village is symmetrically patterned or not involves no distinctive institution). Centricity, though frequently creating dis-

\(^1\) Cf. Notes on Sources, page 274.
\(^2\) Hawtry, G. R., *The Economic Problem*, 1925, p. 13. "The practical application of the principle of individualism is entirely dependent on the practice of exchange." Hawtry, however, was mistaken in assuming that the existence of markets simply followed from the practice of exchange.
differentiated it very little economically from other tribes on the same cultural level, who did not." We need hardly do more than point to some of the more startling implications of these statements.

The presence or absence of markets or money does not necessarily affect the economic system of a primitive society—this refutes the nineteenth century myth that money was an invention the appearance of which inevitably transformed a society by creating markets, forcing the pace of the division of labor, and releasing man’s natural propensity to barter, truck, and exchange. Orthodox economic history, in effect, was based on an immensely exaggerated view of the significance of markets as such. A “certain isolation,” or, perhaps, a “tendency to seclusion” is the only economic trait that can be correctly inferred from their absence; in respect to the internal organization of an economy, their presence or absence need make no difference.

The reasons are simple. Markets are not institutions functioning mainly within an economy, but without. They are meeting places of long-distance trade. Local markets proper are of little consequence. Moreover, neither long-distance nor local markets are essentially competitive, and consequently there is, in either case, but little pressure to create territorial trade, a so-called internal or national market. Every one of these assertions strikes at some axiomatically held assumption of the classical economists, yet they follow closely from the facts as they appear in the light of modern research.

The logic of the case is, indeed, almost the opposite of that underlying the classical doctrine. The orthodox teaching started from the individual’s propensity to barter; deduced from it the necessity of local markets, as well as of division of labor; and inferred, finally, the necessity of trade, eventually of foreign trade, including even long-distance trade.

In the light of our present knowledge we should almost reverse the sequence of the argument: the true starting point is long-distance trade, a result of the geographical location of goods, and of the “division of labor” given by location. Long-distance trade often engenders markets, an institution which involves acts of barter, and, if money is used, of buying and selling, thus, eventually, but by no means necessarily, offering to some individuals an occasion to indulge in their alleged propensity for bargaining and haggling.

The dominating feature of this doctrine is the origin of trade in an external sphere unrelated to the internal organization of economy: “The application of the principles observed in hunting to the obtaining of goods found outside the limits of the district, led to certain forms of exchange which appear to us later as trade.” In looking for the origins of trade, our starting point should be the obtaining of goods from a distance, as in a hunt. “The Central Australian Dieri every year, in July or August, make an expedition to the south to obtain the red ochre used by them for painting their bodies. . . . Their neighbors, the Yantruwanta, organize similar enterprises for fetching red ochre and sandstone slabs, for crushing grass seed, from the Flinders Hills, 800 kilometers distant. In both cases it might be necessary to fight for the articles wanted, if the local people offer resistance to their removal.” This kind of requisitioning or treasure hunting is clearly as much akin to robbery and piracy as to what we are used to regard as trade; basically, it is a one-sided affair. It becomes two-sided, i.e., a certain form of exchange” often only through blackmail practiced by the powers on the site; or through reciprocity arrangements, as in the Kula ring, as with visiting parties of the Pengwe of West Africa, or with the Kpelle, where the chief monopolizes foreign trade by insisting on entertaining all the guests. True, such visits are not accidental, but—in our terms, not theirs—genuine trading journeys; the exchange of goods, however, is always conducted under the guise of reciprocal presents and usually by way of return visits.

We reach the conclusion that while human communities never seem to have foregone external trade entirely, such trade did not necessarily involve markets. External trade is, originally, more in the nature of adventure, exploration, hunting, piracy and war than of barter. It may as little imply peace as two-sidedness, and even when it implies both it is usually organized on the principle of reciprocity, not on that of barter.

The transition to peaceful barter can be traced in two directions, viz., in that of barter and in that of peace. A tribal expedition may have to comply, as indicated above, with the conditions set by the powers on the spot, who may exact some kind of counterpart from the strangers; this type of relationship, though not entirely peaceful, may give rise to barter—one-sided carrying will be transformed into two-sided carrying. The other line of development is that of “silent trading” as in the African bush, where the risk of combat is avoided through an organized truce, and the element of peace, trust, and confidence is, with due circumspection, introduced into trade.

At a later stage, as we all know, markets become predominant in the organization of external trade. But from the economic point of

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