

Original citation:

Watson, Matthew, Ph.D.. (2014) The great transformation and progressive possibilities : the political limits of Polanyi's Marxian history of economic ideas. *Economy and Society* . pp. 1-23. ISSN 0308-5147

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The great transformation and progressive possibilities: the political limits of Polanyi's Marxian history of economic ideas

Matthew Watson

Abstract

Polanyi's *The great transformation* remains one of the stand-out texts of twentieth-century political economy, yet it contains important conceptual ambiguities. Perhaps most significantly, the later chapters reveal the influence of Polanyi's own notion of an 'always embedded economy', whereas the earlier chapters are constructed around a much more abstract notion of 'economy' derived from an essentially Marxian history of economic ideas. Marx worked within the basic Ricardian conception of economy as a method of immanent critique, but then proceeded also to project that same conception backwards onto pre-Ricardian traditions of economics. Polanyi did likewise, I argue, consequently missing the opportunity to connect his own ideas about the non-market influences on all market outcomes to pre-Ricardian studies of the substantive basis of functioning economic relations. I use the following pages to try to restore one such link, in this instance to Adam Smith's account of the moral 'sympathy' underpinning the process of market co-ordination. This reconstruction also has implications for progressive possibilities today. Polyanian responses to the ongoing crisis have tended to be framed by the basic Ricardian conception of economy and have accordingly been restricted to a discussion of more market or less, more social protection or less, more austerity or less. By contrast, tracing the lineage from pre-Ricardian concerns to Polanyi's notion of an always embedded

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economy allows the potentially much more radical question to be asked of what sort of economic relations today best serve essential human needs.

Keywords: Karl Polanyi; *The great transformation*; always embedded economy; Adam Smith; sympathy; market coordination.

Introduction

Karl Polanyi's *The great transformation* continues to inspire critical reflection about the boundaries between ethics and economics (Holmes, 2012, p. 469). It also has the capacity to transcend purely academic debates in moments of acute real-world market distress in order to act as a rallying call for progressive possibilities (Dale, 2010a, p. 208). We are living through one such moment now. The appeal of Polanyi's most famous work is that (i) it provides a prescriptive language drawn from anthropological method for (ii) creating historical accounts of market breakdowns, which might (iii) activate political mobilization against the market world in general. Polanyi constantly criss-crossed the boundaries between ethics and economics by presenting his analysis in turn as an anthropologist, historian and activist. The textual form of *The great transformation* has yet to become an object of sustained study in its own right, but in effect there are three different voices which each exercise a control function over its analytical foundations. This could well have important implications, I argue, for ongoing attempts to institute a distinctly ethical economics in response to the global financial crisis. Progressive political forces have made surprisingly little headway in the face of the worst global economic downturn for four generations, in large part because they appear to lack a suitably convincing language for imagining the economy in distinctly ethical terms. Does Polanyi provide such a language unproblematically whilst navigating between his anthropologist's, historian's and activist's voices?

My instinct is to suggest that it is not immediately obvious that he does, due to the difficulties which arise from putting these three voices in competition with one another. This is not to deny the significance of his work so much as to acknowledge that his most politically revered book contains essential ambiguities in the definition of some core concepts. My focus here is on Polanyi's discussion of the concept of 'economy'. I argue that this in general pits his anthropologist's voice against his historian's, eventually finding in favour of the latter as a means of propelling his activist's voice to the forefront of the analysis. To make the case against the market world of the inter-war period required him, in effect, to take liberties with what Fred Block (2003, p. 298) has aptly called his own notion of the 'always embedded economy'. What is lost in the process is the opportunity for Polanyi to have drawn explicit connections between his work and that of a number of significant forerunners. There is a noticeable tendency throughout *The great transformation* for him to treat all economic theory of whatever time and place as having

been '[f]ired by an emotional faith in spontaneity' of the sort he attributed specifically to the intellectual structure of nineteenth-century laissez-faire (Polanyi, 1957 [1944], p. 33).

As a result, Polanyi's history of economic ideas typically homogenizes all contributions to discussions of economy around an understanding which raises his activist's voice to a position of prominence. He seems to have wanted to suggest that all modern economic theory since its eighteenth-century originating moments has been oriented around an abstract conception of economy 'directed by market prices and nothing but market prices' (Polanyi, 1957 [1944], p. 43). This is despite the fact that on his own account economics had to wait until the 1817 publication of Ricardo's *Principles of political economy* for the first explicit elision of 'the laws of the market [...and...] the limits of human possibility' (Polanyi, 1957 [1944], p. 87). In his later more avowedly anthropological work this is what Polanyi came to denounce as a purely 'formal' definition of economy, extrapolating an imagined means of social organization from the merely contingent behavioural trait of economizing actions (Polanyi, 1977, p. 5; 1982 [1957], p. 29). This particular Polanyi expressed a clear preference instead for a 'substantive' definition of economy in which all forms of economic life are to be understood within the context of complex interlocking social, cultural and legal structures, but such concerns are not well thought through in *The great transformation* (Baum, 1996, p. 84). Rather, society seems to be placed directly at odds with economy whenever the market world is discussed there (Hart & Hann, 2009, p. 5). Consequently, the anthropological Polanyi is marginalized to the detriment of his insights into the non-price prerequisites of socializing people to pricing dynamics. In its place we see greater evidence of the historical Polanyi who wished to emphasize the role of economic theory in facilitating the late Victorian dream of a form of human existence 'controlled, regulated, and directed by markets alone' (Polanyi, 1957 [1944], p. 68).

Polanyi's history of economic ideas echoes very closely in both structure and spirit that of Karl Marx. This is understandable, because the presumption of Ricardian intellectual hegemony against which Marx so famously set himself also provided the context for the historical Polanyi to account for the late-nineteenth-century rise of the self-regulating market. In both instances, though, economy was reduced to the supply–demand–price mechanism of the market form and to what Polanyi (1982 [1957], p. 42) described as the accompanying 'transformation ... of the natural and human substance of society into commodities'. It was in this way, for example, that the historical Polanyi was able to attribute the distinctiveness of nineteenth-century economy to the first attempts to realize a fully disembedded form of economic life in which social provisioning needs were left solely to the ability to match demand with supply (Lacher, 1999, p. 319). Yet there is equally an alternative style of argument visible at other points in *The great transformation*. This is more difficult to piece together from the text alone than the Marxian themes which run through it, but there is also a lineage of economic ideas that

precedes the rise of the Ricardian tradition. It was in this way, for example, that the anthropological Polanyi was able to attribute the distinctiveness of nineteenth-century economy to the first philosophical interest in exploring the idea of co-ordinating economic relations through self-regulating market dynamics (Servet, 2009, pp. 77–8). However, this represents two very distinct claims: what was always a practical impossibility according to the anthropological Polanyi was brought to life according to the historical Polanyi so that the activist Polanyi could implore a decisive political rejection of the inter-war market world.

Establishing the link between Polanyi's essentially Marxian history of ideas and the dominant conception of economy to be found in *The great transformation* provides new understandings of the text. In this sense it presents an instance of the 'introspective turn' described in Christopher Holmes's (2014) Introduction to this special issue. Moreover, it also promises to take Polanyi beyond the community of specialist Polanyian scholars, because in addition it has the potential to invigorate progressive alternatives in the wake of today's ongoing financial crisis. Such alternatives have thus far been subdued primarily because of the absence of a distinctive language with which to challenge underlying prescriptions of economic priorities. The economic system which has revealed its inherent fragilities so obviously in recent years was justified through an appeal to an abstract supply–demand–price mechanism. The prevailing public response to the crisis has also been cast in a similar way, with the rationale for everything from only limited bank reconstruction to excessive realignments in public finances being an attempt to restore such a mechanism to a pristine state. That is, every stage which has led to the current impasse has been rationalized in relation to the basic Ricardian conception of economy which, via Marx, is also to be seen in Polanyi's work. Embracing the introspective turn in Polanyi studies, by contrast, makes it possible to follow the anthropological Polanyi in imagining contemporary forms of economic life beyond the *status quo*.

In order to pursue such an argument, the paper now proceeds in two main parts. In the first section, I seek to sustain the claim that Polanyi appears to have taken his history of economic ideas very much from Marx. There are still remaining doubts within the literature concerning just how much his own ideas reflect an underlying Marxian influence, but my point is somewhat different. Polanyi's concepts are cast within a particular economic historiography, one which takes pretty much as given Marx's distinctly Ricardian reading of pre-Ricardian economics. The most obvious example of this comes in his treatment of Adam Smith. In the second section, I take this finding forward to examine its implications for the relationship between the three different voices with which Polanyi appears to have spoken in *The great transformation*. His attack on economics as a deeply structured body of thought is almost always at its most persuasive when his anthropologist's voice reveals the shortcomings of treating the economy as something other than always embedded. Yet it is precisely this voice that is in most danger of being silenced

in the political moves he made when choosing to flat-line the whole history of economic ideas around Ricardian themes. By reactivating it I am able to reflect further on what might be gained were progressive social forces today to reunite basic Polanyian insights from *The great transformation* with the pre-Ricardian lineage of economics. Polanyi himself seems to have ridden somewhat roughshod over that lineage.

The Marxian route to Polanyi's Smith

There was no real reason for Polanyi to have discussed Smith at all in *The great transformation*. On his own historical account, British-based economists' fascination with the idea of a self-regulating market originated in a period in which its realization was frustrated by the introduction in 1795 of the Speenhamland system of poor relief. Only with the repeal of its major statutes in the Poor Law Amendment Act of 1834, he argued, could this 'abnormalcy' be removed and the vision of a self-regulating market be reflected in policy practice (Polanyi, 1957 [1944], p. 104). The use of the word 'abnormalcy' stands out in Polanyi's text, and it was consciously chosen to try to capture the specific conditions under which classical economic doctrine was first established. '[T]he foundations of economic theory were laid down during the Speenhamland period', he wrote (Polanyi, 1957 [1944], p. 124), 'which made appear as a competitive market economy what actually was capitalism without a labour market'. Later in *The great transformation* he returned to the same theme, saying that in the hands of the economists of the time 'Speenhamland [was] branded an artificial interference with an actually nonexistent market order' (Polanyi, 1957 [1944], p. 223).

Yet none of this was part of Smith's direct experience: neither the system of poor relief that Polanyi (1957 [1944], p. 84) said had 'formed the minds' of the economists of the day, nor the theoretical shifts associated with a self-regulating market he latterly described as 'the most formidable conceptual instrument of destruction ever directed against an out-worn order' (Polanyi, 1957 [1944], p. 223). Smith died in 1790, and by the 1830s he had been entirely usurped by Ricardo as the authority figure within economics (Black, 1976, p. 54). Smith therefore had no role in the historical present in whose name Polanyi made him speak. Polanyi himself tacitly accepted as much in arguing that it was in 1798, with Malthus, that 'classical economics properly begins' (Polanyi, 1957 [1944], p. 121). This had to be the case for the historical claims of *The great transformation* to make sense. Only those accounts which were written during the 1795–1834 Poor Law restrictions could be treated as part of the classical political economy tradition if economic theory was to lead the nineteenth-century drive towards a self-regulating market in the way that Polanyi described. If Smith was to feature at all in this story, then it could only be by incorporating him into a form of economic analysis and a concept of economy which post-dated his death.

This, I argue, is precisely what Polanyi did. It is by no means fatal to the underlying ambitions of *The great transformation* that its analysis is built, at least in part, on this historiographically suspect foundation. The political message imparted so clearly by his activist's voice survives such a critique, and for this reason alone it can be said that his rather curious history of economic ideas is a price worth paying for such ideological clarity. However, there is still reason to enquire about the provenance of Polanyi's economic historiography, so as to ask whether his activist's voice might be given even greater credence by reconnecting it to alternative traditions of economic thought which are recognizable in outline but then largely suppressed in the text of *The great transformation*.

The 'formal' and 'moral' Marxes in Polanyi

The lineage of historiographical interpretation which Polanyi elevated in his work is distinctively Marxian, but this in itself only tells part of the story. The secondary literature has identified a number of turning-points in the development of Polanyi's thought, each of which has been presented as a 'break' with Marxism but in truth was merely the rejection of a particular interpretation of Marx's work. The issue therefore becomes *which* Marx it was specifically that Polanyi used as the lens through which to read the history of economic ideas. Yet one thing that stayed constant throughout Polanyi's many different flirtations with Marxism was the method of apprehending the concept of 'market'. This was taken directly from the Marx of *Capital* and was retained even after Polanyi had familiarized himself with Marx's earlier work. The anthropologist's voice in *The great transformation* already wanted to talk about markets as specific concrete arrangements which promote equally specific non-economic behavioural traits for the conduct of economy to be consistent with market co-ordination. 'As a rule', he wrote (Polanyi, 1957 [1944], p. 68), 'the economic system was absorbed in the social system ... Regulation and markets, in effect, grew up together'. No such conception, though, can be found in *Capital*, where Marx focused on 'the market' as a generalized economic form capable of imposing subsequent institutional conformity on all economic relations. As Michele Cangiani (2010, pp. 329–30) notes, 'It is at this abstract level that Polanyi ... works out his conception of a "disembedded", autonomous economy'. 'Market' and 'economy' therefore both stand in danger of forfeiting their substantive meaning as the anthropological Polanyi was by-passed by his conceptual allegiance to the Marx of *Capital*.

The use of such abstractions allowed Polanyi to contrast alternative economic forms with what he believed to be the historical realities of both the nineteenth century and his own time (Guyer, 2009, p. 218). But it was by no means wholesale endorsement of the materialist world-view then promoted

by the Second International (Dale, 2010b, p. 374). He reacted with little sympathy to the suggestion that Marxism be understood in terms solely of an underlying economic purpose, instead insisting that it had to be organized around an essential moral purpose or else it was politically meaningless (Lewis, 1991, pp. 478–9). Consciousness for Polanyi was about more than the Second International preoccupation with economic being (Baum, 1996, pp. 27–8), which led him once he was already familiar with the mature Marx of *Capital* to the early Marx of the Paris Manuscripts (Block, 2003, p. 277).

There are thus at least two Marxes – the ‘formal’ and the ‘moral’ – to be discovered in the text of *The great transformation*. Polanyi found political inspiration in the moral Marx of the Paris Manuscripts, because here Marx focused less on the assumption that consciousness is derived from the position a person occupies in the economic hierarchy and more on what incorporation into a capitalist economy does to that person’s ability to experience an autonomous sense of self (Catephores, 1990, p. 45). This idea propelled the deeply moralized construction of Polanyi’s concept of fictitious commodification (Lie, 1991, p. 225), adding practical content of a Marxist nature to his previous interest in the formal Marx’s method of abstraction (Cangiani, 2010, p. 327). Polanyi followed the moral Marx (1975, pp. 341–5) in pointing to the anomaly of the indivisibility of the economically useful and the non-economically useful parts of the body, thus requiring all of it to be sold on the labour market even though only part of it would ever be used to perform routine tasks of work (Weeks, 2007, p. 242). All of the body suffered physical depletion, though, irrespective of how much of it was put to economic use, causing subsequent depletion also of the mind. Polanyi (1957 [1944], pp. 249, 131) wrote poignantly of the capacity of industrialism to ‘extinguish the race’, in so far as ‘leaving the fate of soil and people to the market would be tantamount to annihilating them’.

How might these observations be pieced back together to create a plausible account of why Polanyi’s familiarity with Marx’s work led to a rather idiosyncratic presentation of Smith? Marx, as is well documented, was a keen student of Smith, and he knew *The wealth of nations* in great detail from a particularly intense period of study during his Parisian phase in the early 1840s (Oakley, 1985, p. 48). However, he was also intimately involved in the process through which that work appeared to take on a whole new meaning in the nineteenth century (Labio, 2006, p. 164). Marx provided those who followed in his footsteps with a ready-made means of engaging with Smith, but only through a particular presentation which silenced so many of the subtleties surrounding the substantive understanding of economy which were in evidence in the latter’s text, and therefore only through placing Smith in the Ricardian tradition he did not live to see. Even though both are in one sense opposed to purely formal studies of economic life, there is no straightforward route, then, from the moral Marx to the substantive Polanyi.

Smith's alleged conflation of the general and the particular

It was Engels who perhaps better than Marx himself captured the essence both of the latter's reading of Smith and of the distortions it introduced into how to understand *The Wealth of Nations*. Writing 10 years after his friend's death, Engels championed Marx's account of the rise of Smithian economics, pouring particularly cold water on Smith's alleged notion that he had enacted 'a sheer victory of thought'. The most that had been accomplished, Engels said, was 'the reflection in thought of changed economic facts' (Marx & Engels, 1959, p. 447). Smith, it was claimed, was a product of his time, mistaking what he understood from his own experiences as the foresight required for the specification of general economic principles. He treated the mode of production evident in his day, wrote Marx (1970 [1877], p. 85), 'as one externally fixed by Nature for every state of society'. In doing so, he is assumed to have overlooked 'that which is the differentia specifica of the value-form, and consequently of the commodity-form, and of its further developments, money-form, capital-form, &c'. In Louis Althusser's words (1996 [1969], p. 110), Marx believed that Smith 'rediscover[ed] in laws of the market ... abstract economic reality'. Polanyi made the same complaint that Smith all-too-often confused the specific for the general and thus read the particularities of the institutional apparatus of his own day back into the overall evolution of economic life: what he called 'the extraordinary assumptions underlying ... the laws governing a market economy' (Polanyi, 1957 [1944], p. 43).

The Marx of *Capital* provided Polanyi with a way of fleshing out such a claim. There, he took Smith to task for having failed successfully to unpack the money form and, as such, for being inattentive to the contrast between 'the varied bodily forms of [commodities'] use-values' and the 'value-form common to them all' (Marx, 1970 [1877], p. 54). It is the role of labour which led to Marx's concern that Smith had not understood the specificities of the capitalist money form. He argued that Smith 'never once asked the question why labour is represented by the value of its produce and labour-time by the magnitude of that value ... [S]uch formulae appear to the bourgeois intellect to be as much a self-evident necessity imposed by Nature as productive labour itself' (Marx, 1970 [1877], p. 85). Smith was accused of having conflated the exchange-value through which goods are traded in their commodity form with an abstract theory of 'natural price' which eliminated all sense of power asymmetries from the capitalist wage relation (Polanyi, 1957 [1944], p. 88). This revealed within him 'a presentiment', said Marx (1970 [1877], p. 53), 'that labour, so far as it manifests itself in the value of commodities, counts only as expenditure of labour power, but he treats this expenditure as the mere sacrifice of rest, freedom and happiness'. In this way, it was alleged that Smith's price theory 'adopts the standpoint of the individual capitalist' (Marx, 1971 [1862], p. 218).

The conflation of labour as it appears in both the exchange-value and use-value of a product was assumed to take for granted the operations of a capitalist labour market unburdened by protective restrictions. This line of argument

was endorsed enthusiastically in Polanyi's critique of Smith. Polanyi believed that Smith had accepted as a matter of theory the logic of a self-adjusting labour market exhibiting the 'tendency to barter', even though this was a tendency that Polanyi also thought only became a possibility when the Speenhamland restrictions were lifted two generations after Smith's death (Polanyi, 1957 [1944], p. 250). In the hands of Marx and then ultimately also of Polanyi, Smith's account of economy thus is shorn of its substantive elements and is made to point artificially away from Polanyi's own latterly conceived notion of an always embedded economy. Yet maybe this was deliberate on Polanyi's part. It certainly helped to embolden his activist's voice when treating all economic theory as if it displayed a Ricardian form, because Marx also displayed Ricardian credentials in his history of economic ideas.

It was in this way that Marx imposed a reading of *The Wealth of Nations* which eliminated Smith's concern to historicize the 'sometimes particular accidents, sometimes natural causes, and sometimes particular regulations' which in real-life markets led observed prices to diverge often quite dramatically from natural prices (Smith, 1981 [1784/1776], I.vii.20). Here we see most obviously, via Marx's hand, the appearance of an abstract economy lens through which to understand Smith's alleged analytical errors. Smith himself, though, operated simultaneously with what in effect were two discrete conceptions of exchange-value (Dobb, 1973, p. 47). Using Polanyi's terms, only one of these was produced formally by 'the market' working under the sole influence of the supply-demand-price mechanism, with the other being produced substantively by real-life markets working under the institutionalization of unequal power relations. Smith's own preference appears to have been very much for the latter, so that the concept of economy might be placed in a particular historical context (Blaney & Inayatullah, 2010, p. 9). Marx's redefinition of *The Wealth of Nations*, by contrast, left intact for his followers only the former as the way to read Smith.

Polanyi was evidently one such follower, or at the very least this is what is implied by the criticisms of Smith which feature in *The Great Transformation*. Most notably, Polanyi (1957 [1944], p. 124) claimed that Smith 'had confused views on the elements of price', where the alleged confusion mirrors Marx's natural price critique. No recognition at all is given to any of his attempts in Books IV and V of *The Wealth of Nations* to account for the institutional factors that condition the process of price formation in particular markets at particular moments of time, nor yet to show that for Smith the concept of economy worked most fruitfully when understood in substantive terms. Instead, it suited the purpose of the historical story Polanyi was trying to tell for him to take as given Marx's insistence on reducing Smith's conception of exchange-value to the idea of the self-regulating market. In any other circumstances his activist's voice would have been suppressed and his attempts to win others over to his ideas about post-war reconstruction undermined. Perhaps as a direct consequence of such concerns, he wrote of a 'host of writers on political economy, social history, political philosophy, and general

sociology [who have] followed in Smith's wake and established his paradigm of the bartering savage as an axiom of their respective sciences ... [They] attempted to base the law of the market on the alleged propensities of man in the state of nature' (Polanyi, 1957 [1944], p. 44–45). In this way it can be shown that, contrary to the demands of his own anthropologist's voice, the formal definition of economy became the one through which Polanyi chose to read Smith.

Smith's alleged conflation of abstract and real labour

In working with such a view, Polanyi was able to advance his own argument further when latterly coming across the distinction drawn by Marx between Smith's conception of abstract labour and his of alienated labour. Marx returned time and again to the suggestion drawn originally from his earliest work (Marx, 1975, p. 341) that, for Smith, labour was merely 'a curse' of the need to make ends meet, robbing people of time that might otherwise have been spent in more humanly fulfilling ways, and therefore imposing adversely upon 'the adequate state' of their ultimate happiness (Marx, 1973 [1857], p. 611). He was content to accept that Smith's conception of labour as sacrifice accurately captured 'the subjective relation of the wage worker to his own activity', but was insistent that Smith was right for the wrong reasons (Marx, 1973 [1857], p. 614). Smith's mistake, from this perspective, lay in reducing labour simply to the selling of time by the labourer, not recognizing that when purchased by a capitalist it was used to enforce an increasing disparity between exchange-value and use-value (Marx, 1971 [1862], p. 127). To understand the full human effects of this phenomenon, argued the early Marx, it is necessary to accept that labourers are alienated in productive activity from the moment that their labour is purchased by someone else (Marx, 1964, p. 115).

Polanyi repeated this objection to Smith's alleged focus solely on the quantitative aspect of selling labour time, whereby all that can be said is how big a scourge the necessity of work is due to how many hours of it must be sold. Polanyi (1957 [1944], pp. 99–101) followed Marx in arguing that it was more important to understand how individuals were transformed in the act of their labour becoming someone else's to dispose of. Of the two, Marx tackled this question more abstractly, suggesting the existence of a species-being defined by its expression of intentionality and arguing that the extent of alienation was proportional to the distance the individual had been forced to travel by capitalist labour relations from the character exemplified by species-being (Marx, 1975, pp. 342–5; 1973 [1857], p. 615). That distance, in turn, captured the sense of loss experienced by subjection to the strictures of free labour: 'Production', wrote Marx (1975, p. 336, emphases in original), 'does not produce man only as a *commodity*, the *human commodity*, man in the form of a *commodity*; it also produces him as a *mentally* and physically *dehumanized* being.'

Polanyi adopted a very similar argument, albeit in more concrete terms. His historical study of the frustration of a genuinely capitalist labour market in the Poor Law period was predicated on the idea that protection was a means of defending the human essence of the individual (Polanyi, 1957 [1944], pp. 88–9, 165–6). Exactly the same reasoning underpinned his assertion that the forced introduction of capitalist labour relations was doomed to fail because of how deeply it intruded into the essence of life (Polanyi, 1957 [1944], pp. 206–8, 217–18). In one of the most rhetorically powerful passages in the whole of *The Great Transformation*, Polanyi (1957 [1944], p. 73) wrote that: ‘In disposing of a man’s labor power the system would, incidentally, dispose of the physical, psychological, and moral entity “man” attached to that tag’. For both Marx and Polanyi, added impetus was given to their characterization of the labour process by the way in which it was presented against the dominant trend in political economy. Once more, Smith’s *Wealth of Nations* was used as the benchmark against which to claim novelty, but the originality of the Marxian notion of alienated labour is overstated. To read Smith in this way is to ignore the concern he demonstrated in Book V of *The Wealth of Nations* for the human implications of operating within an advanced division of labour, which would seem to situate his analysis back within the context of a substantive rather than a formal conception of economy. Marx (1975, p. 336) described the dehumanizing effects of the capitalist labour process as ‘[i]mmorality, malformation, stupidity’, Smith (1981 [1784/1776], V.i.f.60) nearly 70 years earlier as ‘mental mutilation, deformity and wretchedness’.

However, Marx’s reworking of Smithian economics provided his followers only with an account of Smith’s ostensible focus on abstract labour. Polanyi once again was evidently one such follower, such were his efforts to read back into *The Wealth of Nations* the nineteenth-century *homo economicus* abstraction. In a defining claim of *The Great Transformation*, one which was intended to showcase his activism against systems built on an idealistic reading of abstract labour, Polanyi said of Smith’s theory: ‘[N]o misreading of the past ever proved more prophetic of the future’ (Polanyi, 1957 [1944], p. 43). All of Smith’s efforts to historicize the individual economic agent within a substantive definition of economy are overlooked, as are his efforts to express concern for the impact of capitalist labour relations on the human essence. Instead, Polanyi argued that his economic theory rendered the individual invisible as anything other than a basic economic datum, thus forcing the history of economic ideas to converge around later Ricardian constructions of an abstract-deductive Economic Man living in a purely material world. He bemoaned the ‘utterly materialistic ... new creed’ he associated with Smithian economics (Polanyi, 1957 [1944], p. 40), but Smith himself (1981 [1784/1776], II.iii.28) used *The Wealth of Nations* to make it clear that to his mind purely materialistic urgings equated to merely ‘the most vulgar and the most obvious’ form of bettering oneself (see also Smith, 1982 [1790/1795], I.iii.2.1). In a direct parallel to Polanyi’s (1957 [1944], pp. 196, 219, 269) later argument that no human motivation is ever purely economic, he suggested that careful

attention to self-betterment provides a context in which people can become endowed with socially progressive personal values (Smith, 1982 [1790/1759], VI.i.7–15). This was the basis of his normative argument that individuals should seek to enact the virtue of prudence as an economic, social and moral good (Smith, 1982 [1790/1759], III.6.7), thus apparently moving him irreversibly away from the purely formal definition of economy (Griswold, 1999, pp. 307–8).

The irony in this respect is that Polanyi's restrictions on Smith's text appear to have their origins in the discovery of a moral Marx to offset the economism of Second International Marxism. It was this that facilitated a re-read of *Capital* through the perspective of the Paris Manuscripts (Block, 2003, p. 277), which in turn brought to light a distinctive reading of an allegedly materialist Smith obsessed by the notion that labour is a merely quantitative category (Marx, 1973 [1857], pp. 612–14; 1970 [1877], pp. 52–4). The moral Smith, in other words, faded very much into the background on the discovery of the moral Marx, and this process was itself facilitated by Polanyi's own lapse into economism against the insistence of his anthropologist's voice that economy must always be understood substantively. Marx himself, of course, built upon many of the theoretical and methodological insights of the Ricardian tradition, so perhaps it is at least partially to be expected that the Smith arising from Marx's influence on Polanyi is itself deeply Ricardianized. Such a Smith fits not only Polanyi's historical story about the pernicious political effects of Ricardian economics, but also the apparent preference of his historian's voice for a formal definition of economy.

Re-embedding Polanyi's concept of 'economy' in the pre-Ricardian Smith

One has to assume that Polanyi did not set off deliberately to Ricardianize *The Wealth of Nations*, because this was to impose on Smith elements of the nineteenth-century world-view that he was actually trying to critique. Perhaps he had little choice but to do so, however, because to read Smith's text in its own terms is to render the history of economic ideas much less linear than served Polanyi's activist purposes when attempting to enter the debate about post-war reconstruction. It is to juxtapose Smithian thought which focused ultimately on both 'markets' and 'economy' in their substantive sense with post-Smithian thought which focused much more readily on both 'the market' and 'economy' in their formal sense. In each case, the notion of complex institutional arrangements quickly gave way to a focus on ideal doctrine. The flexible synthesis of the two Marxes outlined above presented Polanyi with the means of thinking in terms of a Ricardianized Smith, and at least for a while this is something that he seems to have been eager to seize upon.

The qualification 'at least for a while' is more important than it might initially appear. Comparing the textual structure of *The Great Transformation*

with his later works, it becomes fairly clear straightaway that Polanyi's historian's voice never again controlled the content of his writing to the extent it did in *The Great Transformation*. What is more, Smith never again featured as prominently in his work. It is as if his historian's voice was given the specific task of narrating the equally specific history of economic ideas to be found in this one book, before then being allowed to disappear from view. In all of his later work where political activism is less of a concern, his anthropologist's voice is placed centre-stage. Releasing Smith from the Ricardianized reading of Polanyi's Marxian heritage allows for a similar sense of priority to emerge within *The Great Transformation* itself.

Smith and the economic requirement for moral propriety

Following Maurice Godelier (1984, p. 180), it is already well established in the secondary literature that Polanyi failed to adequately embed his own conception of economy (see also Lie, 1991, pp. 222–3; Lacher, 1999, p. 325). This helped him to reduce the image of fully disembedded economic relations to a 'stark utopia' (Polanyi, 1957 [1944], p. 3) and to argue that the collapse of nineteenth-century market society was inevitable in so far as it was constructed on the basis of full disembeddedness (Polanyi, 1957 [1944], pp. 282–5). However, the argument which points the way from the concluding chapters to his later work is based on the transhistorical claim that all economic systems are always and everywhere embedded entities: the mode of embeddedness will change under the influence of political shifts, but not the fact of embeddedness (Jessop, 2001, p. 213). Polanyi's Ricardianized Smith quite clearly speaks to the analytical structure of the earlier rather than the later chapters of *The Great Transformation*. It allows for no dialogue with the Smith who actually tackled head-on the task of stipulating the non-economic conditions under which pristine market relations can be expected to form and who, therefore, can easily be seen as one of Polanyi's forerunners in the always embedded economy tradition.

This was Smith at his most institutionalist (Yonay, 1998, p. 175), especially if 'institutions' can be taken to mean any iteratively produced human conventions which serve to order individual behaviour into categories marked 'appropriate' and 'inappropriate' (Haakonsen, 1981, p. 172). It was in this sense that the post-*Great transformation* Polanyi fleshed out his concept of 'forms of integration', which had previously appeared in an embryonic version in the latter stages of that book (Polanyi, 1982 [1957], pp. 35–45). As its most abstract, this is the notion that no method of arranging the conduct of economic affairs will survive unless it is accompanied by a complementary social logic which gains the consent of the general population (Schaniel & Neale, 2000, p. 94). The prevailing form of integration therefore not only helps to sustain the underlying economic institutions; it also provides the stimulus for bringing those institutions into being in the first place. These are insights

which flow naturally from Polanyi's notion of the always embedded economy but not from his notion of the fully disembedded economy. It enabled him to show that 'market' was only one conceivable arrangement emerging from the interaction between economy and society and, moreover, that it was a historical outlier when taking into consideration the broad sweep of human affairs (Polanyi, 1982 [1957], pp. 35–6).

Smith took a similar position when enquiring into the distinctive pattern of social reproduction which was required if market relations were to prove sustainable (Smith, 1982 [1790/1759], II.ii.2.1). Despite the apparently obvious similarities between these aspects of their work, Polanyi's denial of any real connection between the two suggests that this was probably not the Smith with which he was familiar. This is maybe not all that surprising. Smith's reflections on the underlying non-economic conditions of market life are not to be found in his most obviously economic work, *The Wealth of Nations*, but in his earlier book on the foundations of moral psychology, *The theory of moral sentiments*. Like Polanyi's later focus on abstract exchange as a form of integration, Smith did not believe, at heart, that the factors giving rise to coherent market systems were themselves economic in essence (Otteson, 2002, pp. 177–9). Yet all of this is recounted in a book which goes unreferenced throughout *The Great Transformation*. As Polanyi always went to some lengths to reveal his sources, this makes it look as though *The theory of moral sentiments* is likely to have been unknown to him. Instead, as for Marx before him, the authentic Smith was not only to be found in *The Wealth of Nations* but, more specifically, in what was contained there only in Books I and II out of five. This is where Smith came closest to discussing the abstract pricing dynamics which are the exclusive focus in later attempts to Ricardianize him, but this was far from straightforward support for such a world-view (Fitzgibbons, 1995, p. 176).

Indeed, there is really nothing in Smith's work to suggest that he believed the issue of market co-ordination to be an economic issue at all (Watson, 2005, pp. 150–1). For him, the manifestation of natural prices did not reflect an ultimate underlying condition which might be associated with the market abstraction. Economic theory had to wait for Ricardo for such an abstraction to begin to be fleshed out (Peach, 2009, p. 155), which presumably in deference to his activist aspirations is why Polanyi's historian's voice paid so much attention to Ricardian influence. Smith, for his part, thought that the realization of natural prices reflected a structure of practical ethics in which nobody claims more of the economy's surplus-generating capacity than they genuinely deserve. Despite hiding it behind the seemingly innocuous idea that actually observed prices exhibit the influence of '[d]ifferent accidents', what he really meant was that the structure of prices produced in real-world markets would always carry the imprint of unequal distributional struggles (Smith, 1981 [1784/1776], I.vii.15). This claim looks very similar in implication to the insistence of Polanyi's anthropologist's voice that to understand the economy it is first necessary to understand its non-economic support structure.

Smith and the reciprocity of 'self-command'

Smith seems to have gone as far as to have named the essential conditions of embeddedness which had to hold if market relations were to prove anything other than eminently combustible. The key to comprehending the Smithian system, according to Christopher Berry (2004, p. 458), is to position his work in relation to the Stoic principle of *oikeiōsis*. There are also Ancient Greek themes in Polanyi's attempts to theorize the individual as necessarily both a social and a socialized being (Carlson, 2006, p. 34). Of the two, Smith was much more explicit on this point. Polanyi engaged it primarily with general observations: '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 interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets' (Polanyi, 1957 [1944], p. 46). Smith, by contrast, wrote directly about how this might be achieved. The Stoic principle of *oikeiōsis* underpinned his depiction of the model individual, a person who knew that the duty of self-care also involved the recognition that there are necessary moral limits to actions which could impose harms upon other people (Weinstein, 2006, p. 7). The protection of social standing (in Polanyi's terms) thus passes through the conscious nurturing (in Smith's terms) of a relational self who recognizes the need for other-directed behaviour so as to assimilate 'the idea of exact propriety and perfection' (Smith, 1982 [1790/1759], VI. iii.25).

At no point did Smith utilize his resulting concept of 'self-command' to promote exchange, the Polyanian form of integration most obviously associated with the market abstraction. According to Polanyi (1982 [1957], p. 44), exchange occurs in social systems in which buyers and sellers form autonomous groupings. The Ricardian definition of market thus appears to have also infiltrated this element of Polanyi's work, because exchange conditions appear to rely on independent demand and supply schedules. Within such a structure, individuals bear no obligations to one another apart from completing pre-agreed transactions at a mutually beneficial moment of time. The individual interactions conducted under exchange relations take on an apparently random – or at least unordered – character. They are determined only by the willingness of people to imagine themselves adopting acquisitive traits and their ability to pay to manifest that acquisitiveness. The social organization of an exchange system involves the presence of purely atomistic individuals, with abstract pricing mechanisms substituting for power relations (Hechter, 1981, p. 409).

Polanyi's exchange relations therefore exhibit a series of distinctly non-Smithian characteristics. There is certainly a discussion of acquisitiveness in *The theory of moral sentiments*, but it is shot through with the Stoic principle of *oikeiōsis* to such an extent that it divides clearly into 'good' and 'bad' acquisitiveness (Rasmussen, 2008, pp. 119–22). Smith (1982 [1790/1759],

VI.i.11) hailed anyone who saved so that the surplus income could be put to use in ensuring future conditions of self-care: ‘In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator.’ This, for Smith, was unquestionably the display of the primary economic form of propriety (Force, 2003, p. 194). Yet he contrasted the prudent individual with the behaviour associated with the ‘proud ambition and ostentatious avidity’ of seeking instant gratification through acquiring new possessions. The quiet accumulation of a stock of savings was set against the ‘gaudy and glittering’ use of luxury purchases as a signal of wealth (Smith, 1982 [1790/1759], I.iii.3.2). If Polanyi’s debt to the Ancient Greeks was to think in terms of the individual striving to maintain social status, Smith’s differentiation between good and bad acquisitiveness points to two distinct ways in which that objective might be approached.

The other-directed element of *oikeiōsis*, though, casts doubt on the extent to which self-care can ever genuinely be secured through the use of possessions to express identity (Rasmussen, 2008, pp. 128–9). Such concerns *are* about promoting a sense of social status in the eyes of other people, of course, but that end is achieved in a way which takes little account of the likely emotive response of those people to witnessing large disparities in purchasing power. Indeed, the ostentatious display of luxury consumption items does its job in signalling rank by provoking envy amongst onlookers (Smith, 1982 [1790/1759], I.iii.3.7). The person who seeks expressions of identity in this way therefore does so ignorant of the Stoic assertion that self-care involves avoiding the imposition of harms on others. This is a fundamental element of Smithian self-command, but Polanyi’s conception of exchange relations does not allow for it to become a concern as long as contractual obligations are upheld.

The relationship between these two conceptions is worth exploring in more detail, because Polanyi’s treatment of exchange is intended to be at once both historical and normative (Swedberg, 2003, p. 28). His historian’s and activist’s voices reinforce one another in this regard. He was eager to depict the late-nineteenth-century fascination with the market abstraction in terms of the tendency towards incorporating increasing aspects of everyday life into the basic leitmotif of exchange: ‘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’ (Polanyi, 1957 [1944], p. 41). Yet this was only as a means of asserting the role that reciprocity had to play in protecting the socialized essence of functioning economic life, an essence which exchange threatened to strip away amidst ‘an avalanche of social dislocation’ (Polanyi, 1957 [1944], p. 40). Reciprocity was another of Polanyi’s forms of integration through which a structured unity might be imposed on

society-wide economic activity. It involves a much clearer commitment than is the case under exchange to symmetrical power relations between its participants (Mittelman, 2000, p. 184). Exchange provides for formal equality before the law in the interests of vesting authority in contracts, but nothing more than that. Reciprocity, by contrast, demands that every economic agent is prepared to give something of themselves to make sure that all members of society benefit from its surplus-generating capacity. Smithian self-command once again becomes useful when trying to unpack how this might work in practice.

In Smith's framework, a clearly symmetrical relationship underpins the state through which individuals attain what he took to be the ultimate moral end of 'the future tranquillity of our minds' (Smith, 1982 [1790/1759], III.3.31). He described this relationship as the condition of 'fellow-feeling,' in which mutual sympathy develops between people who – even if very fleetingly and even if only ever vicariously – nonetheless come together at certain moments of time to share the same social space: the act of 'changing places in fancy' (Smith, 1982 [1790/1759], I.i.1.3). Sympathy itself is a process founded on the twin spectatorial capacities of first physically witnessing an event unfold in real time and then being able to visualize in the mind's eye the most appropriate emotional response to that event (Boltanski, 1999, pp. 40–1). Smith believed that it was impossible for a person in a merely onlooker's capacity to feel genuinely the same intensity of emotion as the person directly affected when imaginatively reconstructing what they would have felt had the same incident just happened to them. In the psychologically pleasing search for fellow-feeling, then, he thought that the onus fell on the person directly affected to curb their response to a level more in tune with what onlookers could reasonably be expected to feel: 'Those passions which are restrained by the sense of propriety, are all in some degree moderated and subdued by it' (Smith, 1982 [1790/1759], VI.concl.4). The process of deliberately damping down observable emotional states is self-command at work, certainly when it produces the symmetrical experience of interpersonal relations. The 'good' acquisitiveness of prudent savings activity is consistent with downplaying attention to personal wealth holdings, but the 'bad' acquisitiveness of gratuitous luxury consumption is not. Smith's good acquisitiveness rests on more than the purely economic logic of reciprocity described by Polanyi, yet it should nonetheless be seen in the image of that description.

Realizing Polanyi's apparently Smithian instincts today

There are consequently two distinct routes from Smith to Polanyi. One follows Polanyi's own Marxian history of economic ideas to position Smith as an important precursor to the socially destructive late-nineteenth-century market abstraction; the other follows a different history of economic ideas to provide additional grounding for Polanyi's normative preference for reciprocity over exchange as the dominant form of integration. They also point to two distinct

types of political counter-mobilization in the face of the ever increasing encroachment of the market abstraction into the sphere of everyday life. The implication of Polanyi's own history of thought is to focus attention on how society, conceived as a single entity, might reverse the process of fictitious commodification. My alternative history of thought, by contrast, suggests that it is possible to imagine futures which escape the exchange relation trap of fictitious commodification altogether. The later Polanyi provided a fully fleshed-out version of what happens to land, labour and money when they are governed under conditions implied by the market abstraction (Polanyi, 1977, p. 84; 1982 [1957], p. 32). This Polanyi urged transcendence rather than mere rolling back of fictitious commodification, which is why my alternative lineage from Smith to Polanyi, whilst at odds with his own, is still resolutely Polanyian in its underlying orientation.

Switching between these two intellectual histories also promises to make good the current lack of an alternative language of economy for political progressives to organize around in the face of the ongoing crisis. The public policy decisions already taken have, in general, by-passed the possibility of securing additional societal protection (Crouch, 2011, p. 165). The two priorities in the crisis response have been, on the one hand, to talk up the advantages of the market form whilst recognizing the need to limit the self-regulating space within which banks had grown accustomed to operating and, on the other hand, offering banks protection not only from their own potentially self-destructive practices but also from having to shoulder their fair share of the costs of the crisis. Indeed, society, understood at least in Polanyi's use of the term, has paid heavily for helping to put the banking sector back on its feet. Money has been removed from a large number of welfare-enhancing projects as austerity has appeared to be the only game in town. The context of austerity, it almost goes without saying, provides no space for reversing the trend towards fictitious commodification. This condition has increased markedly in respect of labour as welfare entitlements have been tightened and welfare spending has become less generous (Hay & Wincott, 2012, p. 218). The language of reversal has simply been unable to gain any traction in the face of the dominant policy trend.

It might be a different matter, however, if the language of transcendence was used instead. At the very least, this would enable politically progressive alternatives to be narrated beyond the terms of the current debate about how much austerity is permissible and how quickly it should be implemented. This whole debate presumes the existence of a sphere of exchange relations, but the 'always embedded economy' route from Smith to Polanyi shows that this is not a necessary assumption. It asks how the Smithian commitment to reciprocity in moral relations might inform a Polanyian commitment to reciprocity in economic relations. Such questions escape the frame of reference of more or less extensive public expenditure cuts. They focus instead on how best the institutions of the economy might be reconfigured so as to avoid situations in which some people knowingly produce harms which can then be passed on to

other people. Actions of this nature fit comfortably with a tradition of exchange relations in which obligations stop at the law of contract, but they are antithetical to Smith's invocation of the Stoic principle of *oikeiōsis*. The reconstruction of the banking sector from this latter perspective might well involve the use of regulatory structures which ensure that bankers care for themselves through social standards that require them also to care for others. This is not about making money at all costs and to the possible detriment of the reproduction of the economy as a whole, so much as restricting one's own sense of self-entitlement until it matches other people's idea of acceptable entitlement. This would seem to point towards a banking sector reformed via deliberative practices along lines that are significantly more radical than anything under serious discussion at the moment.

Conclusion

Nothing here should serve to belittle Polanyi's achievements in using *The Great Transformation* to produce an account of world economic history which challenges the usual understanding of the origins of the Second World War. The liberal world order of the late Victorian age, for so long lamented as the last source of systemic stability in a world slowly sliding towards war, was successfully repositioned as the catalyst for the later breakdown in international relations. Subsequent political endorsements of the market form have forever since been susceptible to the Polanyian critique that the forced incorporation of the individual into an economy of this nature entails attendant violence enacted upon the human essence (Hart & Hann, 2009, p. 9). Nonetheless, by using the same descriptive terms related to the nineteenth-century vision of world order for his historical account of alternatives, a certain degree of ambiguity still exists in how his work might best be read. On my reading at any rate, Polanyi placed unnecessary analytical restrictions on *The Great Transformation* by not allowing his anthropological voice to take full control of the text.

The key to explaining these restrictions – or so I have argued here – lies in the fact that there is no obvious repetition in Polanyi's later work of his earlier allegiance to a basic Marxian history of economic ideas. The question might therefore be asked about the extent to which this represents a general trend in the work of political progressives. Polanyi was not, after all, the only person of this persuasion to have found inspiration in Marx's account of the history of economic ideas. There is a discussion in the specialist literature about the relationship between Ricardo and Marx on matters of underlying economic ontology, but not yet about how Marx produced a way of reading pre-Ricardian economics that was also heavily influenced by Ricardian themes. It is at this level, I suggest, that the greatest effect is visible on the historian's and activist's voices which ultimately come to control the text of *The Great Transformation*.

The significance of the Ricardian revolution, as historians of economic thought have long argued, revolves around questions of method (Hutchison, 1978, p. 223). Prior to Ricardo's *Principles of political economy* there had been no real effort to isolate as an ontological entity an autonomous sphere of pure economic relations, and so Polanyi was right when he said, in effect, that Ricardo had invented the very idea of an abstract market form. Except in such a scenario, he argued (Polanyi, 1957 [1944], p. 196), Ricardo's 'concepts and assumptions were incomprehensible'. Yet this is also a conception of economy which, via the intermediary influence of Marx, helps to structure Polanyi's account of the dynamics that led to war in 1939. In this way, though, the use of Marx's history of economic ideas limits what can be thought about the scope of progressive possibilities to those options – 'economy' on the one hand, 'society' on the other – he presented in *The Great Transformation* as polar opposites. These inflections in truth leave little room in that text for progressive political mobilization beyond attempts to restore pristine pricing dynamics in an ostensibly more equitable way. Even here, however, the language of acceptable economic relations really only serves to reinforce the *status quo*. Fictitious commodification partially counteracted with protective payments is still fictitious commodification, and even this is not currently on offer as welfare budgets are being increasingly trimmed in the name of balanced public finances.

The alternative Polanyian reading of economic thought I suggest here could well help to overcome these limits by emphasizing the anthropological voice which comes to latterly dominate his work. Pre-Ricardian economics provides a rich array of suggestions about the locus of the economy's necessary embeddedness: everything from formal political institutions and their associated structures of power to informal moral codes and their associated structures of socialized manners. Polanyi's great claim that a pure market form is both an economic and a legal impossibility could therefore take on a still more prominent position. At present it serves as a political clarion call for understanding the particular moment in world economic history it is designed to illuminate. Yet it could also be used in the future to show how Polanyi's work might act, for politically progressive purposes, as a bridge between pre-Ricardian economics and various traditions of heterodox economics today. Polanyi's own Ricardian conception of economy currently tends to obscure such links rather than reveal them.

Funding

This work was supported by a grant from the UK's Economic and Social Research Council under its Professorial Fellowship scheme (grant number ES/K010697/1). I gratefully acknowledge the ESRC's continued funding of my research.

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