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Review of The Livelihood of Man by Karl Polanyi

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BOOK REVIEWS

The Livelihood of Man. By Karl Polanyi, edited by Harry W. Pearson. New York: Academic Press, 1977. Pp. xi, 280. \$17.50.

Karl Polanyi was a scholar of extraordinary breadth, seeking answers to the question of how man could regain control of his economic system, a system which had been given over to the autonomous market during the industrial revolution, without abandoning freedom. As an economic historian his task was "... to make universal economic history the starting point of a comprehensive reconsideration of the problem of human livelihood" (xxxix). The present work, published posthumously, brings together his theoretical thinking and his research into the economy and society of ancient Greece.

In approaching his task, Polanyi first distinguished between the formal and the substantive meanings of *economy*. The formal meaning is that of the allocation of scarce resources among alternative ends; the substantive meaning is that of a system of production and distribution of want-satisfying goods and services. Although the two meanings are compounded in the single term *economy*, they have nothing to do with each other. They are in fact bound together in the single term out of historical accident. The study of the economy as an academic discipline emerged when the substantive economy was socially expressed in its market form and, hence, the two meanings coincided and were perhaps naturally, but misleadingly, entwined into a single, all embracing term.

Polanyi then goes into an elaboration of the present ways of empirically integrating the economy with society, through the now famous principles of reciprocity, redistribution, and market exchange. He progresses to a discussion of economic institutions and the emergence of economic transactions in historical perspective. Here he concentrates on trade, money, and markets and includes case studies in order to illuminate his generalizations and to correct some misinterpretations of the historical record. For example, to our market dominated mentality, trade and money appear as functions of the market, but a critical examination of the historical record reveals that trade and money pre-date the appearance of price-making markets.

All of the above is contained in *The Livelihood of Man*. It is also contained in other previously published works of Polanyi. What makes this work distinctive, and important, is its historical presentation of trade, money, and markets in Ancient Greece. This portion of the book is certain to stand alongside M.I. Finley's *Ancient Economy* and Alfred Zimmern's *The Greek Commonwealth*.

The Greek genius is generally credited with the birth of our politics, our philosophy, our science, and our art. It must also be credited with the birth of both of our economic systems: that based on markets and that based on central planning. During the Hellenistic period we find not only the high point of ancient capitalism but, as well, the height of noncapitalistic economic activity. While international trade developed on an unprecedented scale in the Eastern Mediterranean, Ptolemaic Egypt, "... under Macedonian Greek rule, [produced] the most complete system of a marketless, centrally planned economy the world has ever seen" (273).

The realization of the Hellenic origin of both market and planned economies is of great significance and reveals the real antiquity of the present rivalry between market and planned economies. But of equal significance is that the market economy identified by Polanyi was that of the Eastern Mediterranean and associated with the international grain trade, not the Athenian *agora* so frequently cited as the nascent beginnings of the market economy. The Athenian *agora* was a market, it is true, and it is also true that prices did tend to fluctuate. But the point is that the prices fluctuated, or rather were permitted to fluctuate, as long as they stayed within certain acceptable limits.

Polanyi's interpretation of the Athenian *agora* follows from his realization that, historically, economic institutions have evolved from the embedded economies of the tribal stage, and that such development has always labored under the transcendent requirement of social solidarity. In as much as the Athenian *agora* was strictly an internal market, and primarily a feeding place serving the needs of common people with no household of their own to turn to, it is not difficult to see that the *agora* was used by the Greek polis as a device for provisioning the citizens. Far from being a price-setting market, the *agora* was a mechanism of redistribution used by the Greek polis in place of cumbersome bureaucracy.

The Livelihood of Man goes a long way in substantiating Polanyi's earlier claim that what has been taken to be Aristotle's economic analysis was not such at all because "... the supply-demand-price mechanism escaped Aristotle. The distribution of food in the market (the *agora*) allowed as yet but scant room to play of that mechanism..."¹ This assertion has, however, been referred to as a rather "... strange remark ..." by M. I. Finley.² Although agreeing with Polanyi that Aristotle's economic analysis was not economic analysis at all, Finley prefers to see price variations according to supply and demand as commonplace in Greek life. If Polanyi is right in *The Livelihood of Man*, then classical historians will have to re-evaluate the meaning of those price variations they have detected in the ancient Greek *agora*.

This is a book that deserves consideration by all, whether already familiar with the writing and philosophy of Karl Polanyi or not; perhaps especially for those not so familiar.

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Economic Regulation and the Public Interest. By Alan Stone. Ithaca: Cornell University Press, 1977. Pp. 314. \$15.00.

The current instability of the U.S. economy has revitalized the age-old debate over the government's role in economic affairs. There has been a strong resurgence of Adam Smith's *laissez-faire* doctrine, with present-day proponents claiming that the invisible hand cannot allocate resources efficiently if it is handcuffed by government regulation. Although regulation protects the consumer from the monopolistic consequences of excessive market power, it can cause severe market distortions. The lack of oil and gas exploration due to price ceilings, the retardation of research and development in the drug industry resulting from F.D.A. regulations, and the undue expense to industry in order to comply with some obscure OSHA regulations are a few of the examples used to document the harm of government interference.

¹ "Aristotle Discovers the Economy," in Polanyi, Arensberg, and Pearson (eds.), *Trade and Market in the Early Empires*. New York, 1957, p. 87.

² "Aristotle and Economic Analysis." *Past and Present*, 47, 1973, footnote 14.