

Karl Polanyi, Athens and Us: The Contemporary Significance of Polanyi's Thought ¹

Bernardo Stuhlberger Wjuniski ²

Ramón García Fernández ³

Abstract: Karl Polanyi was one of the most influential social scientists of the 20th century. One of his main concerns was the relationship between the markets and the society as a whole; to discuss it, he introduced the concept of “embeddedness”, fundamental for his study of the causes and consequences of the Industrial Revolution. Another important part of his legacy is the study of the economic history of what he called “ancient societies,” especially of Classical Greece. Polanyi used these studies to compare the ancient societies with his own times, in an effort to understand them all. This paper aims to relate Polanyi's work on the Athenian society with his studies about the modern times, showing that it is possible to draw lessons from Polanyi's thought on the relationship between the society, the state and the market that can help to design a political agenda for our days. In the first part, we present the most important aspects of the life and work of Polanyi, and in the second we discuss the most important aspects of his worldview. Then, in the third part, we study his view of the early Athenian economy; mainly, we focus on the coexistence of a kind of state planning and a market, showing how this understanding is crucial for the whole Polanyian legacy, with its emphasis in the comparison of different societies and times. We conclude by underlining the relevance of this interpretation advanced by Polanyi to understand the societies of our days, focusing on some proposals to extend his approach to deal with our contemporary problems.

Keywords: Karl Polanyi – Embeddedness - Classical Greek Economy

Resumo: Karl Polanyi foi um dos cientistas sociais mais influentes do século XX. Uma de suas principais preocupações foi o estudo da relação entre os mercados e a sociedade como um todo; para discutir isto, ele cunhou o conceito de “inserção” (embeddedness), fundamental no seu estudo das causas e consequências da Revolução Industrial. Outra parte importante do seu legado é o estudo da história econômica das que ele denominou como “sociedades antigas”, especialmente o da Grécia Clássica. Polanyi usou estes estudos para comparar as sociedades antigas com as dos seus dias, num esforço para entender todas elas. Este artigo pretende relacionar o trabalho de Polanyi sobre a sociedade ateniense com seus estudos sobre os tempos modernos, mostrando que é possível tirar lições a partir do pensamento de Polanyi quanto à relação entre a sociedade, a economia e o mercado que podem permitir o desenho de uma agenda política para nossos dias. Na primeira seção apresentamos os principais aspectos da vida e obra de Polanyi, e na segunda falamos de sua visão de mundo. A seguir, na terceira parte, estudamos uma visão sobre a antiga economia ateniense; principalmente focalizamos a coexistência do planejamento estatal com o mercado, mostrando como esta interpretação é crucial para o legado polanyiano como um todo,

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² Tendências Consultoria Integrada; B.A. in Economics, Escola de Economia de São Paulo (EESP/FGV); e-mail: bew@terra.com.br.

³ Associate Professor, Escola de Economia de São Paulo (EESP/FGV); e-mail: ramongf@fgvsp.br.

com sua ênfase na comparação de diferentes sociedades e tempos. Finalmente concluímos sublinhando a relevância da interpretação proposta por Polanyi para entender as sociedades de hoje, focalizando algumas propostas para estender sua abordagem para lidar com nossos problemas contemporâneos,

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“...the Greeks of antiquity, whose genius was already credited with giving birth to our politics, philosophy, science, and art, were also the initiators of all advanced human economy.” (Polanyi, 1977, p.146)

The ancient societies and their way of thinking and organizing their life still intrigue our historians and economists, who keep trying to study and understand those (from our perspective) amazing societies. In the field of economics, one of the most interesting aspects is to try to understand how they organized their economies, looking for similarities between their societies and ours.

Karl Polanyi, one of the leading social scientist of the twentieth century, tried to tackle this issue, making some major contributions to the way we understand those economies today. An important part of his legacy is the study of the economic history of what he called “ancient societies”, especially of Classical Greece. Polanyi used these studies to compare the ancient societies with his own times, in an effort to understand the way people dealt through history with the material aspects of live, what he called “the problem of human livelihood” (Polanyi, 1977, p.xxxix).

This paper aims to study Polanyi’s interpretation of those societies, especially the ancient Greek economy, looking for what can be learned for our present situation from his ideas and his analyses of those times. We discuss, therefore, the contemporary significance of Polanyi’s ideas and how they can be applied in our globalized world.

Our main motivation is the belief that economic history and the study of past societies are very important tools to understand our own economy and times. Many lessons and policy prescriptions can be learned from their successes and mistakes. Besides, those comparisons allow us to better understand which features of our society can be considered common to all civilized societies, and which ones constitute specific aspects of the societies of our own times.

This paper is organized in four sections, besides this one which introduces the article. The following discusses the life and work of Karl Polanyi. Then, on the second section, we discuss the

his worldview, presenting his main ideas and concepts. In the third section we present the Polanyian analysis of the ancient Athenian economy. The fourth section closes the paper, discussing which lessons that can be drawn from his work can help us in the understanding of our contemporary issues.

I - Karl Polanyi: His Life and Work

Karl Polanyi is considered one of the most important figures of the twentieth century in the fields of Economics, History, Anthropology and Sociology. His main concern was to try to understand how human beings organize themselves as to deal with the material aspects of their lives. To do that, he studied such subjects as the markets, trade and other economic institutions, trying to understand how they affect the lives of the human beings. He always worked within a perspective strongly critical in relation both to the orthodox economic paradigm and to economic liberalism (Baum, 1996). Polanyi never believed that people have an insatiable thirst for material wealth, being a harsh critic of the idea that the economic problem is a result of a clash between people's allegedly unlimited desires and the scarce resources of their societies.

Polanyi wrote some very important books about a wide variety of subjects in economic history. In all of them is clear his concern to show, through contrasts and comparisons, the specificity of the capitalist economies, emphasizing its differences with all previous societies. One of his books, *The Great Transformation*, is considered not only his main work, but also one of the most important books in the social sciences in the past century⁴. Polanyi analyzes in this book, in his unique style, the social consequences of the economic model that characterized the societies of the XIX century.

The writings of Polanyi constitute an important source for the knowledge of the economic history of the ancient civilizations, but at the same time these works shed light on our contemporary situation. As a result of the originality of his perspective, Polanyi and his followers came to be considered as founders of a distinct school of economic (and social) thought, known as substantivism (Dalton, 1968; Johnson & Earle, 2000).

Karl Polanyi was born in Vienna on October 21, 1886, but he lived all his childhood in Budapest. These two places were, at that time, the most important cities of the Austro-Hungarian Empire. His father had been born in a place that nowadays belongs to Slovakia, while his mother came from present Lithuania, and both his parents had Jewish ancestry. Although later they “magyarized” culturally, even changing the family name (originally Pollacsek), Karl and his three

⁴Rather surprisingly, it was included in the list “One hundred most influential books since World War II” on the Oct 6, 1995 issue of The Times Literary Supplement.

siblings (including the famous chemist and philosopher Michael) were raised amidst the intellectual Jewish elite of the Hungarian capital⁵.

Polanyi graduated in Law in Hungary. During those years, he became the first president of a student organization known as the *Galilei Circle*, organization founded in 1908, some of whose members were going to participate both of the democratic government that took office soon after the end of the war, and of the Communist Revolution led by Bela Kun in 1919. Polanyi moved to Vienna in 1919, and there he met his future wife, Ilona Duczynska. There he worked as associated editor of *Der Oesterreichische Volkswirt* (The Austrian economist), a very important periodical, from 1924 to 1933.

As the strength of the Nazis began to increase in Austria, Polanyi decided to move to England, where he arrived in 1933. There he taught courses on European History organized by the extramural department of Oxford University and later at the University of London too. By the end of that decade, he began to give some lectures in the United States, where he was at the beginning of the Second World War⁶. He stayed from 1940 to 1943, working at Bennington College (Vermont), where he wrote most of *The Great Transformation* (though the beginning and the end of the book were written in England). In 1947 he was appointed Visiting Professor of Economics at the University of Columbia, where he mainly taught economic history; there he also wrote the essays collected in one his book, *The Livelihood of Man*, posthumously published in 1977.

Polanyi retired in 1953, but he maintained his relationship with Columbia working in a project, directed by himself and Conrad Arensberg, on the institutional aspects of economic growth. This would have an enormous impact on the development of the whole field of economic anthropology, and would result in the book *Trade and Markets in the Early Empires* (organized by Polanyi, Arensberg and Harry Pearson). Polanyi died on April 23, 1964. His book *Dahomey and the Slave Trade* was published in 1966, and some of his essays were edited by George Dalton and published in 1968 with the name of *Primitive, Archaic and Modern Economies*.

It would be difficult to exaggerate the impact of the work of Polanyi in the social sciences of the USA in the Twentieth Century. As an example, we can refer to a comment by A. Latham (1998, p.4):

Trade and Markets together with the Columbia seminars had an enormous impact on United States economic history and economic anthropology. Names associated with the project were David Landes, Margaret Mead, Marshall Sahlins, Moses Finley, Walter Neale, Harry Pearson and many others, together with outright disciples like Paul Bohannon and George Dalton. One might say that beneath the surface of an American social

⁵ The biographical information is essentially based on Stanfield, 1986, c.1., and on Congdon (1976).

⁶ Polanyi had been invited to give those lectures by Peter Drucker.

scientist of that generation, you will find a Polanyist, just as beneath the surface of a British social scientist of that period you will find a Marxist.

It will be helpful to make some short comments on the main works of Polanyi mentioned above. The most important one, *The Great Transformation*, studies the constitution of capitalism in Europe, especially in England, in the XIX Century, and its social consequences. Block (2000, p.xviii) affirms that it provides "...the most powerful critique yet produced of market liberalism – the belief that both national societies and the global economy should be organized through self regulating markets". In this book, he develops the concept of the Double Movement. According to Polanyi (1957, p. 76) "the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to the fictitious ones [i.e., labor, land and money]", a movement which can be understood as a reaction by the people living in the market economies to the increasing commoditization of some aspects of life (namely, people and their environment) that were being seriously impaired by this process.

Some central insights of this book represent the first formulations of the basic agreements of the school known as substantivism. This school maintains that the study of the economic aspects of any society should stress the role of its culture, its institutions and its history; or, to put it in Polanyi's terms, should recognize that the economy is embedded in the society. It is important to stress that for Polanyi and his followers, the object of economics is the study of how people satisfy their material needs, "...shifting the emphasis from a type of rational action to the configuration of goods and person movements which actually make up the economy" (Polanyi, Aresnberg & Pearson, 1957, p.242).

As a consequence, Polanyi and his followers turned their attention to the study of the alternative ways in which people dealt with the material (economic) aspects of life in different places and periods, the study of the "Primitive and Archaic societies". One of their main concerns was to show that the self-regulating markets had not been the only way mankind found to organize the production and distribution of goods, and in some cases it had not been the best one. According to Polanyi (1957, p.46), "...man's economy, as rule, is submerged in his social relations" but when we consider capitalist societies, "... the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of the economy being embedded in the social relations, social relations are embedded in the economic system" (1957, p.57). Gregory Baum characterizes this approach as showing that in the market societies the "...economy, in short, was accessory to society" (1996, p.12).

To criticize the modern economy, these authors took the examples of the ancient ones, thus beginning to deepen their investigations of them. As a result, different studies of former societies

were published, many of them included in *Trade and Markets in the Early Empires*, the volume edited by Polanyi, Arensberg and Pearson (1957); in the same vein Polanyi wrote his essays collected in *The livelihood of man* (in which there is a special concern with the classical Greek societies) and in *Primitive, Archaic and Modern Economies*. According to Stanfield, “He studied early economic systems to provide perspective and depth for his analysis of market capitalism and his dissent from its characteristic economic thought” (1994, p.166).

It must be mentioned that, in the terminology of Polanyi and the substantivists, the concept of Ancient Economies is not confined to Antiquity. They use this term to refer to different societies, including the primitive contemporary ones, which are not governed by the market mechanism. Polanyi stressed that historical and anthropological studies were the basis of his perspective. As an illustration, we can turn to the fourth chapter of *The Great Transformation*, in which examples taken from ancient and primitive economies are interchangeably used to contrast them with the modern capitalist society.

The impact of the work of Polanyi goes well beyond his life and his work. His main insights are lively discussed nowadays. One of the main institutions promoting works along these lines is the Karl Polanyi Institute of Political Economy, founded in 1987 and based in Concordia University, in Montreal. According to the website of this institute, it was created “...in response to the growing recognition of the relevance of Karl Polanyi's work to contemporary society”⁷. This institute publishes works written from a substantivist perspective both on Ancient Economies (among others Tandy, 2001), as well as on the contemporary ones (Adaman & Devine, 2002). The Institute holds some international conferences, and the tenth (and last for the moment) was held in Istanbul in 2005; the next one will be held in Montreal at the end of 2008.

II – Polanyi’s worldview

To understand the contemporary significance of Polanyi’s ideas, we initially need to present some fundamental concepts developed by him in his most important works, which represent an important part of his legacy. Because of their impact inside and outside the academy, these concepts are still discussed and employed in our days. This is the objective of this section, to present and discuss Polanyi’s worldview.

The Great Transformation can be considered the most important work of Polanyi. It is in this book where he discusses the economic and social implications of the industrial revolution. The fundamental thesis of the book is that the evolution of capitalism and the industrial revolution occurred together with a combination of two important forces: the development of the self regulating market and the consolidation of the liberal creed that was to be the cornerstone of the

⁷ <http://artsandscience.concordia.ca/polanyi/>. Access on April 15, 2007.

policies of the modern state. According to him, the consequences of the evolution of these two forces have disruptive social implications (Humphreys, 1969).

The first force, the self regulating market, corresponds to the development of the complete liberal market organization in the economy. According to Polanyi, markets and the economy should be an accessory to social relations, they are a means to help the exchange of goods and services, but should never replace the social relations, as it occurred during the industrial revolution and afterwards. The completely free (liberal) market has a disruptive side, because it transforms all the features of the social life in goods that need to be transacted in the market, as reflected, for example, in the constitution of a labor market. The social consequence of this complete freedom for the market is the removal of the human side of the economic aspects of life; we can take as an example what happened in England during the 19th century, when children and women were forced to work up to 20 hours a day. So, the first force that developed together with capitalism was the evolution of this market pattern (Polanyi, 2001).

But, as these markets began to dominate the society, the social implications of this process created discontent in the lower classes. To prevent problems and to create a protective belt around these markets, there emerged the liberal creed, which would be safeguarded by the national states. This ideology can be considered the way found by those who benefit from the existence of the free markets to protect them, and to convince the society that it corresponds to the best possible economic system, and so should be preserved. Together with this ideology, the defense of this creed by the governments was an important way to maintain the situation under control. This is the second force mentioned above (Polanyi, 2001).

These changes that occurred during the 19th century implied the destruction of the basic social order that had existed throughout all the previous and very different societies in the history of mankind. Polanyi's empirical case relied largely on the analysis of the Speenhamland laws, which he saw not only as the last attempt to preserve the traditional system of production and social order, but also as a self-defensive measure on the part of society to mitigate the disruption of the most violent period of economic change (Polanyi, 2001)⁸.

In this sense, Polanyi argues that the development of the modern state went side by side with the development of the self regulating markets, and that these two changes were inevitably related in history. His argument for this was that the modern state, although typically considered a shrinking one, was actually very strong as to force the changes in the social structure that made possible the birth of a competitive capitalist economy, and at the same time this economy required

⁸ These measures are typically considered as failures because they could not prevent the advancement of the markets, capitalism, etc. Interestingly, Polanyi says that these attempts actually succeeded, because they managed to slow down the pace of the changes, which were in a certain sense unavoidable, and that it was the best result they could possibly achieve.

a strong reaction of the society to mitigate its disruptive effects. This process was called by him double movement, because one force is a reaction to the other one: the evolution of the markets and the development of the liberal creed end up leading to the creation of a protective belt by the society. In Polanyi's words:

For a century the dynamics of modern society was governed by a double movement: the market expanded continuously but this movement was met by a countermovement checking the expansion in definite directions. Vital though such a countermovement was for the protection of society, in the last analysis it was incompatible with the self-regulation of the market, and thus with the market system itself." (Polanyi, 2001, p. 136)

Together with the double movement, there is a second important idea developed by Polanyi, the concept of embeddedness, already briefly discussed in the first section. This concept is central for his theoretical framework, because it allows him to show why the organization of the economy with completely free markets is not something inherent in the characteristics of mankind. Block explains clearly what *embeddedness* meant:

The term *embeddedness* expresses the idea that the economy is not autonomous, as it must be in economic theory, but subordinated to politics, religion, and social relations (Block, 2000, page xxiv).

So, the economy in its essence is not separated from other social activities and relations, but it is part of the life of each human being. Polanyi argues that the organization of the society around self regulating markets and the emergence of the disruptive side of them was only possible when the economy became disembedded, something that happened only during the industrial revolution and its aftermath, and that was a process that clashed with the way in which men dealt with the economics aspects of life.

According to Polanyi, and as we are going to see further in the analysis of the Athenian economy, the *embeddedness* was something natural for the ancient societies, and that way of organizing life still has many things to teach to us, as the process of disembedding the economy brought dire social consequences.

A central part of Polanyi's analysis is the development of the concept of "fictitious commodities", in itself an important consequence of the double movement and the disembeddedness of the economy. In his view, when the markets expand so much that everything in human life becomes tradable, some important aspects of life are transformed into commodities, but they are by nature fictitious commodities, because they do have the qualities needed to be transacted in the market, vg, they are not produced to be sold. For Polanyi, the fictitious commodities are land, labor and money, things that in an embedded economy would never be

allocated through the market (Polanyi, 2001). The existence of these fictitious commodities is a direct consequence of the (uncontrolled) development of the self regulating market, and essentially its consequences are the transformation of nature and people into commodities.

Finally, and as a consequence of his analysis of the social transformations caused by the industrial revolution, Polanyi developed a strong criticism of the orthodox liberal ideology. He understood that the rise of capitalism was based on an imposed creed and on an imposed market society, both not natural in human development; he argued that *laissez-faire* was planned, and that the double movement was a process always refueled by society and by the national states. This criticism is still discussed today, mainly with the problems raised by neo-liberalism, showing how contemporary are Polanyi's ideas.

The next section presents the Polanyian analysis of the Athenian Economy, showing how Polanyi based an important part of his worldview on the ancient societies; he considered that they differed from the society of the industrial revolution because their life was always embedded in their social relations.

III –The Polanyian analysis of the Athenian Economy

For Polanyi, the Athenian society was one of the major examples of a place where the concept of *embeddedness* applied. From his perspective, in Athens and mostly everywhere in ancient Greece the economy was not separated from the rest of the political and social activities of each citizen. The Greeks did not try to achieve economic goals when taking all their decisions. They chose according to other criteria, like politics, welfare, family or any other one that was important for their life. Economic rationality (in the sense of maximizing and self-regarding objectives) was not the criterion for economic decisions. (Dalton, 1968)

This concept is emphasized by Polanyi during his analysis of the Athenian economy, and it is one of the major contributions of his works on ancient societies, as it corresponds to a different way of observing the place of the economy in society. The whole Polanyian analysis is based on it, as he was always trying to see which social factors caused the economic decisions in that society and not assuming *apriori* the rationality of those decisions.

Other idea that plays an important role in his interpretation of the Athenian economy is his understanding of the coexistence of the market and the state. Athens had two economic spheres at the same time: an internal market, the *agora*, which coexisted with state planning over of the economy. In Polanyi's words (1977, p.145):

The outstanding facts are, on the one hand, that trade and money, mainly through the use of small coin, were linked with *market* elements in the Athenian *agora*; on the other, that not much later in Egypt, and again under

Greek leadership, the methods of storage and redistribution inherited from ancient Pharaohs were raised to the level of sophisticated economic planning.

This duality is observed and discussed by him during all his analyses. The main question that Polanyi tries to answer is why Athens chose a system combining both market and state planning, instead of choosing only one of these options.

This section tries to answer this question, based on Polanyi's analysis of the Athenian Economy, showing the reasons why Athens chose this specific and impressive economic system. It also has the purpose of giving an overview of his interpretation of the Athenian economy, always explaining that the concept of *embeddedness* applies to that society. In other words, this section tries to presents the main points of his work over the Athenian society, where these two concepts shortly discussed in this introduction become the main pillars of Polanyi's interpretation.

3.1. The Classical Athenian Economy: The Three Spheres

The Greek history is divided into three main periods: the Archaic, the Classical and the Hellenistic⁹. The Archaic period is the beginning of the Greek history, a time were the *polis* didn't exist and the society was based on independent producers, who lived isolated from each other; there were no social institutions, and it was a period of constant disputes among the farmers. Basically, it was the period where people were not organized in cities proper, just in villages. Besides, it is also a period on which we do not have many sources, and thus our knowledge about it is rather small (Polanyi, 1977, ch. 11)¹⁰.

Classical Greece is the most important period and the most studied of Greek history. It corresponds to the period of the fifth and fourth centuries B.C. It was a time of richness and glory, of the *Polis* and the democracy. It is also the time of a singular economic organization (the dual system) and the major focus of Karl Polanyi's research in his last decade of life. This work of his is mostly dedicated to this period, and all his analyses are based on the economic experiences of that time. The Hellenistic period is the time of the dominance of Greece by the Macedonians, and the Empire of Alexander. This is the time were the *Polis* no longer existed and when the economic system studied by Polanyi disappeared.

This paper discusses the Classical period and Polanyi's view of it. At the end of the section, some considerations are made also about the Hellenistic period and the fall of the Greek society.

⁹ To see more about the Greek economic history and its three main periods see Finley (1991) and Austin & Vidal-Naquet (1977).

¹⁰ A rather recent work dedicated to the Archaic period within a general Polanyian perspective is Tandy (1997).

More specifically, we will discuss the Polanyian view of the Greek society based on the example of Athens.

Polanyi used Athens as his major focus of study and as a permanent reference during his analysis because of its importance. First, it was by far the most important city of that time, in economic and political terms. Second, it was also the city which developed the highest standards of economic organization, besides its spectacular cultural achievements. And third, it is the best example of the use of the dual system that Polanyi observed in that time. Thus, as it was for Polanyi, Athens will be our focus and example in this paper.

Polanyi divided the Athenian economy into three main spheres: the patriarchal economy, the market, and the state planning, being the last two the most important. The first sphere was the patriarchal economy, which essentially existed in the big, rich and traditional families. The foodstuff were produced or bought, stored and used in a distributive way for all the family. This economy had its origin in the old tribes and still existed in the *Polis*. The family was responsible for all of its members (including its slaves), and had the duty to care for all of them, providing at least a minimum necessary to live. This sphere is important because of its distributive facet, the principle of taking care of family as a whole, something that is going to appear again in different ways in the other economic forms in Greece (Polanyi, 1977, ch. 12).

The second variant was the market, the *agora*, whose objective was to allocate efficiently the resources and to allow the daily supply of the foodstuff in the economy. It was essentially used by small families or by free workers, who had the necessity of selling its products quickly and who had not conditions to store resources like the big families did. It had also a redistributive function, which will be explained below.

The third sphere was the state planning, main articulator of the economy; this had the function of watching over the supply of foodstuff and also to protect the economy from external shocks. The state had the possibility to make any kind of intervention in the market, with the purpose of maintaining the supply and controlling market prices. The state had to control the amount of imports of foreign products, mainly grains, and also had to store food for the periods of bad crops. The basic idea was that the state could and had to do all the available policies to keep the necessities of its citizens, sometimes without caring about efficiency. This does not mean that it was a state that did not have any focus on efficiency, only that protecting the necessities of its citizens was its major objective, and sometimes, if necessary, it could do policies that interfered in the economy without looking for efficiency (Polanyi, 1977, ch. 12).

The state could intervene in the market any time it found that necessary, controlling supplies, fixing prices, taking indeed all and any policies that were considered necessary to keep the required supply of foodstuff for the city. It is from this perspective that Polanyi says that the

market played a redistributive role: it was controlled by the state to reach his desired objectives. It was more convenient for the city to allow the market to allocate efficiently by its own means many goods in normal periods, but in moments of crisis it was better for the city to intervene and to make the market work for the city's interests (Polanyi, 1977, ch. 12).

This idea is one of the most important aspects of the Athenian economy analyzed by Polanyi. The market had limits, and these limits were decided by the state. While the market worked well and foodstuff was provided for the city at normal prices, the market could work without any intervention, and the city understood that this was an efficient way of allocating goods. But in moments of crisis, when there was lack of foodstuff or if the prices were too high for what was considered reasonable, the city intervened in the economy with any policy necessary to bring stability back to it.

This was the basic principle of the economy of ancient Athens in the classical period: to provide foodstuff for the citizens so that everyone would obtain the minimum requirements to live; considerations of efficiency were however taken into account during this task. So, the market was used by the state as a mechanism to carry on such policy, but the state intervened only if and when the authorities thought that the market was not achieving that purpose. The economy was *embedded* in the objectives of the Athenian society, and the market was bound by the limits of the city.

3.2. Market versus State: The duality

The most important characteristic of the Athenian economy within this perspective was this duality between State and Market. Thus, more explanations about this subject are necessary.

The basic idea was already explained. The domestic market had the objective to efficiently place the resources and also served as a redistributive mechanism for the state; its participants were basically citizens of the *polis*. On the other hand, the foreign trade and the state planning had the objective of guaranteeing foodstuff for the city, it was carried essentially by foreign traders and was regulated by the state.

Polanyi tries to go deep into the differences between these two kinds of organizations, explaining better the characteristics of each one of these markets. The basic difference for him was based on the persons who carried through the commerce. The internal trader who worked in the *agora* was called *kapelos*, who was an Athenian citizen and traded to make a living. It was his choice to work in the *agora*, but he also had the possibility to work with any other economic activity he wanted, because he was a citizen of the *polis*, thus having all of the corresponding rights. On the other hand, the external trader, called *emporos*, was a foreigner; therefore he did not have any rights in the *polis*, and lived off the commerce for surviving. He was not part of any *polis*,

and the only activity left for him was being an *emporos*. It was not a choice, but a consequence of his condition of foreigner (Polanyi, 1977, ch. 13).

The presence of the *emporos*, the external trader, was normally a consequence of wars between cities. They were people whose *polis* had been destroyed or dominated by other cities during a war, and so became people without a homeland, consequently without any rights. Due to this, the only possible economic activity left for them to survive was to become an *emporos*. Some of them lived completely outside the cities, traveling from one *polis* to another. Others were more fixed, living as foreigners in a specific *polis* and traveling to work (Polanyi, 1977, ch. 13).

For Polanyi, this difference shows how separate were the two systems: they did not have anything in common. The internal market, or the *agora*, was essentially part of the city; it was made by citizens and with the purpose to serve their fellows. On the other side, the foreign trade was essentially an external issue; it was made by foreigners, regulated by the state, and its main purpose was to guarantee the subsistence of the city, under the control of the State (Polanyi, 1977, ch. 13). The connection between them was made exclusively by the state, which controlled the quantities and prices of any transaction of the foreign trade and with this mechanism could regulate the imports of food and consequently the level of supply of the internal market. The decision about the quantity allowed to enter in the city was made according to the necessities of the *polis* in each specific period. The state also bought foodstuff itself, to hold supplies for periods of crisis. Once again, this mechanism of regulating completely the foreign trade and the connection of it with the internal market was based on the purpose of caring about the livelihood of its citizens, protecting the city and its people from any kind of trouble (Polanyi, 1977, ch. 13).

One important consideration about prices is made by Polanyi to show how separate were the two spheres. He says that the two markets were so completely separate that the prices sometimes were extremely different, mostly on times of crises of supply. The internal price was not much volatile, because the state always controlled it, but the external price was really volatile, due to these problems (Polanyi, 1977, ch. 13). The lack of volatility of the internal price can be explained because the city controlled the imports of grain in the way to stabilize the prices in the *agora* at the level aimed, while the external price was really volatile, as it depended on the supply of foodstuff in the international market. And due to the possibility that the suppliers could have problems of production as, for example, bad weather or political issues with neighbors, the external price could fluctuate getting far from the “normal” one.

The characteristics of the money in Athens are another important point made by Polanyi to show how separate the two systems were. According to him, the contemporary concept of money did not exist in the classical Athenian economy. He argues that money and commerce were two independent institutions, not correlated as they are in our days.

Money for the Greeks was an institution of the city, and not basically a means of exchange. It did not possess the exchange value so common in the current economies, this is, money in Greece did not vary its value according to its amount in the economy, and the metal also did not possess any intrinsic value. Its value was given by the city, which determined which would be its price and how much currency would be allowed to circulate in the economy (Polanyi, 1977, ch. 16).

Moreover, they had different kinds of money for diverse uses; the system was not unified. They had an internal money that served for the exchange of goods in the *agora* and, as explained previously, it did not vary its value and did not suffer from inflation, its price was defined by the city and for the city interests. This means that it also served as another control of the economy by the city, in the same way of all other factors already explained. The city could change the value of the money when it found necessary in order to maintain stability in the system. On the other hand, there was also an external type of money, used only in the foreign market for the payment of the *emporos* (Polanyi, 1977, p.258).

The fundamental distinction in Greek money uses was the distinction between local and external money; the dichotomy was of the sharpest. Silver coins of small denomination and, particularly after the fourth century, bronze coins, were used for local trade or the *agora*, while silver coins of larger denomination, such as the stater, were used in external trade.

There was no exchange between those currencies; they were completely separate, used in different ways in two distinct markets. So, Polanyi's conclusion about this topic is that money and commerce were different and independent things. Money was used as another mechanism to separate the two markets and to allow the city to protect its citizens and reach its objectives in the economy. In no way the money had the same characteristics that it possesses today.

Polanyi's words (1977, p. 198) are perfect to sum up these ideas about the existence of two separate economic spheres:

To sum up: different types of traders, then, were engaged in local and in foreign trade. The two forms of trade were sharply distinct. Local trade – and no other trade – was market trade. Overseas trade was partly administered trade, partly gift trade, and the stray market elements that made appearances here were relatively unimportant.

3.3. Imperialism and Politics

Two important aspects of Polanyi's description of ancient Athens are the role of the imperialism and of politics for its economic system.

Imperialism in Athens was specifically the use of its naval military force to control the routes of commerce and to look up for new ones. Athens had the greatest naval force of that time, and with it Athens could secure the grain imports and the supplies for the society.

The interesting aspect of this situation is that, for Polanyi, Athenian imperialism was complementary with its democracy and internal market policies. For him, the war against the Persians made the city realize that it was necessary to have some external control and to guarantee the supplements of food, since it is known that Greece does not possess enough arable lands. (Polanyi, 1977, ch. 12)

The war showed that these supplies could be easily cut off by enemies looking forward to dominate Greece. Thus, the development of an enormous naval fleet and the control of the maritime commerce of the Mediterranean had this economic objective.

For Polanyi, the internal market and the democracy could only exist if the imports of grains were guaranteed; it was crucial for the survival of the city. So, the imperialism was a consequence of these internal necessities.

External politics worked the same way. Diplomacy was used to guarantee the imports of grains through allies and other states. The city had a great structure of messengers and emissaries whose function was to negotiate the imports with other nations (Polanyi, 1977, ch. 14). So, Athens used imperialism and politics as a complement to its economic system, with the objective of guaranteeing the imports of grain and the livelihood of their citizens.

It is important to remind that these mechanisms were not exclusively used by Athens. Almost all the *polis* of the Classical period adopted these attitudes, trying to guarantee the food and the survival of their citizens. The fundamental difference is that Athens was by far the most successful in this task, being the one that controlled the major routes and who had the biggest quantity of allies; the relation with some of these allies had been settled through diplomatic means, but other allies had been signed through the use of military force.

3.4. Why the duality?

With Polanyi's description of the economy of ancient Athens, it results easy to answer the question raised at the beginning of the section: why did Athens create a system combining market with state planning instead of choosing only one of these options?

The answer is the summary of the Polanyian interpretation: this mixed system was seen as necessary to maintain the livelihood of the citizens. Polanyi tried to show during all his analyses that Athens had innumerable geographic and political difficulties to guarantee its imports of grains, difficulties that we have already explained in the other sections as, for example, the geographical problem of bad land for agriculture or the political problems with the commercial routes. As we

discussed, after Athens became a big city, it could not survive only with its own production¹¹: the imports of foodstuff were essential, because its own lands could not provide the entire amount necessary for its citizens, and so this geographical problem forced Athens to import. And due to the political problems of importing foodstuff from other lands, as its enemies tried to destroy Athens, the city was also forced to develop a system that controlled its foreign trade to guarantee the food and the livelihood of its citizens. (Polanyi, 1977, ch. 14)

Athens did not choose the system; it was almost forced to adopt the external monopoly, despite the efficiency of its market. It was the only way that the city found to guarantee its survival, because in any other case it could have suffered with a series of external shocks and problems of supply during its history.

And why the internal market? As we have already explained, it was the best way developed by the city to allocate efficiently its resources and, besides, it was used with a redistributive meaning¹². In normal periods the city let the market work free, as it was an efficient way to allocate its resources; however, in moments of crises, Athens could use the market as a redistributive device, controlling prices with the aim of guaranteeing that all its citizens could have access to some means of survival.

So, it is clear that there existed important reasons for the adoption of the duality by Athens: it was rather a pioneer in the internal side, as it was one the first economies in history to develop an important market, but adapted its workings to the external conditions on the other side. In Polanyi's own words (1977, p. 199):

The answer, we submit, lays in the geographical and political configuration of the regions in which grain supplies and routes of communication were situated. These conditions, under which military and diplomatic means had to be employed to ensure that supplies were forthcoming, as well as the safety of the trade routes themselves, determined the methods and organization of grain trade.

3.5. The end of the Classical system

Concluding his analysis, Polanyi describes the end of the classical system and its transformation into an external market system. According to him, by the end of the fourth century, short before the Macedonian invasion, diverse characteristics of an external market could be found

¹¹ Polanyi (1977, page 201) mentions that, according to calculations from A.W Gomme, the population of the Attica was ranged between 200.000 and 300.000 people in the fourth century B.C, the most glorious century for Athens. And the production of grains was about 450.000 medimns. With the estimate that an average annual per capita consumption was six medimns, at the most 75.000 people could be supported by the domestic crop.

¹² It should not be understood that the city had an active role in the emergence of the local market (the *agora*); however, according to Polanyi (1957, ch. 5), all the cities deliberately controlled the expansion of these markets. So, if the state did not need to make efforts to develop a market, it was really concerned in creating barriers to its expansion.

in Athens. It was still not a complete market system, but some characteristics of it could be already perceived. The reason for this development was very simple: the decay of the *polis*. Its weakness was mainly due to many wars, especially the Peloponnesian one; these wars weakened the control Athens had over the commerce and routes, obviously because of the reduction of the military force, and so the city did not have more conditions to exert its external monopoly (Polanyi, 1977, ch. 15).

Two main characteristics that could be observed in the beginning of this phase differed from the previous status quo: the freedom for the *emporos* and the development of the *emporium*, the external market. The first was the fact that the merchants started to decide where to sell their products, in accordance with the highest price offered. The traders started to look for the places with the best price, and were not anymore hostages of the city.

The second characteristic observed was the initial development of the *emporium*, markets for external products located in the port of the city, sold by the *emporos*, the foreign traders. These markets started to develop all over the Mediterranean and were the places where the traders could look for the best selling price.

This process developed really fast and started to replace the external control exerted by the *polis*. Later, with the military success of Alexander, he had conditions to unify the routes, the currencies, the taxes, and thus the development of the market was completed. His empire controlled all the Greek Mediterranean and could guarantee the total freedom of external commerce. The cities did not have more military force or could exert any type of mechanism to intervene in the market¹³ (Polanyi, 1977, ch. 15).

This was the end of the dual system; it was also the end of the classical Greek period and the beginning of the Hellenistic period. It can be said that for Polanyi the decay of the city-state and the sprouting of the external market are processes intimately connected; it was the loss of the force of the cities that led to the end of the system. It was also the end of the protection of the citizens by the city, a period in which Athens sought to guarantee the livelihood, i.e., a minimum level of subsistence, for its inhabitants.

3.6. Summing up: the contribution of the Greeks

The conclusion of Polanyi's analysis of ancient Greece is very clear. For him, it was the time of a complex economic system in which the two main actors of our economic scene, the market and the state, already played important roles. It is also one of the few economic forms seen in history that was really concerned with the well-being of its people, and developed for the purpose of some economic devices to guarantee the livelihood of the citizens. It is a system that unified

¹³ This process of the development of a Mediterranean market is analog to the process observed by Polanyi of the development of the national states in Europe. To read more about this last process, see Polanyi (1957, especially, ch.5).

economic rationality and efficiency with social consciousness and redistributive means. As Polanyi (1977, p. 274) said:

We might, in contrast, sum up the Greek contribution to human economy by saying that the Greeks almost singlehandedly developed both types of economy – the market and exchange type as well as the planning and redistributive type – to their highest form reached up till then.

IV – Conclusions: Polanyian lessons for the present

We believe that three important conclusions may be suggested, inspired in Polanyi's work on the Greek economy and his main ideas. The first one deals with the relation between the market and the society. The second is related to the impact of his work in the twentieth century and the development of the Welfare State. The last one says about the importance that should be given to his ideas in the present days.

4.1. The Double Movement and Athens

This account of the Greek economy and society in the classical period can be seen in the light of one of the main concepts developed by Polanyi, the idea of Double Movement, already analyzed in the second section. According to Baum (1996, p.6),

... the modern capitalist society is characterized by a 'double movement': on the one hand, the self regulating market supported by the owning and trading classes, and, on the other, the safeguarding of society by social forces that seek to protect the people, their land, and their culture.

Polanyi went back to Greek history to show that these concerns with the possibly disruptive role of the markets were also present in those times but, differently from the non-interventionist view so fashionable in our modern market economies, the Greeks developed some devices to protect their society from the abuse of the markets.

The whole development of the Greek *polis* was based on the fundamental idea that the city should be a protective belt for their own citizens, shielding them from any possibility of extreme poverty or from the lack of minimum conditions for survival. And by this concept they understood that the economy should be controlled, and boundaries imposed, safeguarding the society from the disruptive side of the market.

It is clear for us that all the insights of Polanyi about the Greek economy tried to show that for them the market was just an important part in the economy, but not the whole economy itself. His work emphasizes that the Athenians were step ahead of Polanyi's time, because they had the

notion that some important aspects of their livelihood were too crucial to depend only on the markets.

4.2. The political agenda of Karl Polanyi

Polanyi's insights about the consequences of the industrial revolution as well as his views on the importance of the Ancient societies for our comprehension of the role of the market in the economy are part of the set of arguments that led to main debates in the mid-twentieth century about the importance of the state as a regulator of the economy. One of these political consequences was the development of the Welfare State in many parts of the world, especially in the more democratic societies, bringing back to the state the duty to regulate and to look for the best possible organization of the economy¹⁴.

In this way, it is important to praise Polanyi's work, as the consequences of his ideas launched many discussions about the place of the economy in society, and also led indirectly to the development of a new way of organizing society: the modern Welfare State. As Block (2000, xxxvi) says "Polanyi's vision depends on expanding the role of government both domestically and internationally (...) For him, a substantial governmental role is indispensable for managing the fictitious commodities."

4.3. Polanyi and our times

There is one last conclusion to which we arrive at, based on Polanyi's work, one we believe is also an expression of desire for the present times. As we emphasized during the whole paper, Polanyi's main concern was to show that the market *per se* is not a sufficient mechanism to organize the economy as to guarantee the livelihood of the human beings, and that other devices should be developed by the states (and societies) to prevent the market from achieving a complete freedom.

Many scholars in the present times are working towards some developments of Polanyi's ideas in this newly globalized world. It would not be possible to develop here a political agenda based on Polanyi's insights, but we shall mention various important steps made by some of these scholars, and then some conclusions may be suggested.

A very interesting step in that direction has been taken by Frances Stewart (2006) who, in a recent paper asks if we need a New Great Transformation and whether it is possible. Her first

¹⁴ Block (2003) suggests that when Polanyi was writing the *Great Transformation*, he thought that "market societies could be fundamentally reshaped by deeply democratic reforms". However, after writing his essay *Our Obsolete Market Mentality* (in Dalton, 1968) he realized that he could not influence the flow of events so he shifted "...his intellectual energies toward the analysis of primitive and archaic economies" (Block, 2003, p.298).

answer is affirmative: she says that our world, based on total (neo)liberalism is leading many societies to poverty and to an increase in social inequality, as well as it is producing important harmful consequences for the environment. For her, the many liberalizing reforms that have been made on many poor and developing countries on the nineties, based on the IFI's recommendations, are leading only to sharply rising levels of poverty, while the real benefits of these reforms can be seen only in the developed world.

The second answer, although optimistic, is far more cautious. She says that important steps are being made, like the work of the NGOs and the growing movement of corporate responsibility, but many constraints still exist, like the lack of effectiveness of the global institutions, for example WTO, IFI, World Bank and the United Nations¹⁵. She is especially concerned with the situation of the developing countries, in which this transformation is more urgent but at the same time more difficult, because

...in countries where the market seems to be failing, associated with high and sometimes rising levels of poverty and stagnant and sometimes falling incomes, one would expect a more robust political challenge. This seems particularly probable where there are democratic institutions – the situation, as noted, in most developing countries today. Yet everywhere the political and economic situation seems to constrain any political challenge to the market to a much greater extent than it did in Europe and the USA in the late nineteenth and early twentieth century (Stewart, 2006, p.16).

Another move in the same direction is made by Brent McClintock & J. Ronald Stanfield (1991). The authors argue in favor of a cultural New Great Transformation. Their main argument is that our fundamental contemporary problem is the ideology that free markets are always good. They say that while societies still believe that this ideology can show the road to development, the double movement and the disruptive side of the markets will always exist. Their idea is based on Polanyi's concept of the obsolete market mentality (Dalton, 1968), where he emphasize that societies have got an obsolete vision of the market, believing that its total development is always advantageous. According to the authors (McClintock & Stanfield, 1991, p.59):

From a cultural perspective, the double movement may be seen as a dynamic struggle for dominance between cultural systems. Two antagonistic forces [free market and Welfare State] seek to present competing explanations of the world and justifications of a recommended way of living. The obsolete market mentality is a cultural system that is a conscious effort to establish patterns of meaning symbolized by the self-regulating market, equilibrium, efficiency, and material progress mediated by self-interest gain.

¹⁵ Of course, it can be also suggested that the policy prescriptions of these institutions are in some cases contradictory and in other ones really harmful. For a criticism of these institutions see Stiglitz (2002) and Bresser-Pereira (2007).

In this way, the authors argue that only a cultural transformation, where societies understand the consequences of the free markets and change their ideology towards a welfare culture, can conduct to significant changes in the world. And they believe that this transformation is necessary now.

Other authors that argue in favor of a New Great Transformation are Eric Helleiner (1999) and Björn Hettne (1999). The works of both of them claim that the needs asking for a New Great Transformation are different from the ones of Polanyi's time.

Helleiner defends a transformation based on a new economic order. For him, the need for the first Great Transformation was the continuous expansion of the free market in many nations during the industrial revolution, together with its social consequences. But now, the New Great Transformation is based on a different situation, where the problem is the expansion of the market based on globalization, moving out from the borders of the nation-states. This expansion can be seen in the advancement of free trade, free capital flows and other mechanism that are developing a world market where the role of the nation-states is gradually disappearing. For him, the New Great Transformation is necessary because the countries are losing their capacity to protect their societies. According to this author (Helleiner, 1999, p.27):

“...a crucial difference between the pre-1939 period and the contemporary era is the role of the nation state in both the creation of a global market order and the reaction to it. In the period described by Polanyi, the liberal project and the rise of the countermovements it induced were intricately connected with the growth and consolidation of the nation state. In the contemporary period, the globalization trend as well as the reactions to it appear to be playing a role in undermining the nation-state's strength and legitimacy as a political-economic unit.”

Hettne also sees the existence of new economic order from a perspective similar to Helleiner, in which globalization is preventing countries to fight against the unlimited expansion of the free market. And due to this, he argues that the New Great Transformation should be based on strengthening the role of regionalism. For him, Nation-States should unify forces to protect their societies in a regional view. He is not defending the development of economic areas or free market zones fighting against each other. Rather, he defends the development of regional political-economic organizations that help each other in protecting the livelihood of their citizens. For Helleiner, the New Great Transformation is the emergence of a new order, where regionalism is the main concept, and where countries join forces to fight against the disruptive side of globalization. This is what he calls the New Regionalism (Hettne, 1999, p.69):

The New Regionalism can be defined as a multidimensional process of regional integration which includes economic, political, social and cultural

aspects. It is a package rather than a single policy and goes beyond the free trade market idea: i.e., the interlinkage of previously more or less secluded national markets into one functional economic unit. Rather, the political ambition of establishing territorial control and regime coherence cum identity (in Polanyi's terms, protecting regional civil society) is the primary regionalist goal.

One last author that also moves in the same direction is Samir Amin (1999). He also believes that regionalism is the best way to re-launch development. Amin's argument is that liberalism has failed to promote growth and development, but in this new economic order we should not the return to past systems such as the Welfare State or socialism, that also showed to be ineffective. In opposition, he advocates that regionalism is also the way to promote development and bring back the control of the economy to the society. Differently from the other authors above mentioned, however, he presents some specific suggestion of policies that should be adopted to develop regionalism and for constructing a new order. He defends policies at the global level and also at the regional level; his main ideas are: (i) to conceive a new World Trade Organization, as an institution that should plan the use of major natural resources, (ii) to organize capital markets as to channel excess finance toward productive investment in the peripheries, (iii) to rethink the international monetary system transforming it into a new one able to articulate regional monetary systems, in a way to promote financial stability across the world (Amin, 1999).

His ideas can be controversial, as the arguments of all other authors that were just cited. Nevertheless, the main point is not to discuss if their ideas are right or wrong, but to show that this is a step into the discussion of what can be done to change this contemporary situation. More than merely presenting academic arguments, all of them are showing that this discussion needs to be active and real.

We believe that in these days of globalization and neo-liberalism, these concerns raised by Polanyi, and their significance in our times, should be permanently brought back to the discussion so that the problems of human livelihood in our days could be better dealt with.

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