

Report on Chapter 4 of The Great Transformation - Societies and Economic Systems

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Abstract

In this report, the fourth chapter of the book “The Great Transformation” by Karl Polanyi, titled “Societies and Economic Systems”, will be analyzed and evaluated. After that, a recent economic development will be analyzed on how it relates to what is discussed in that chapter of the book; and how that chapter of the book is able to explain the logic behind that development.

1 Introduction: How Economies Worked Throughout the History of Primitive Societies[1]

The chapter titled “Societies and Economic Systems” starts by stating that before the nineteenth century, no economy was solely driven by a self-regulating market, i.e. it was not the prices and the markets which made the economy function, but the social intentions and concerns. It then analyzes this functioning of the economy in two different key aspects:

- **Reciprocity:** In most primitive societies, reciprocity was the key driver of labor, in which it came in the form of social bonds, customs and responsibilities.

For example, a father went hunting or fishing not because he desired a personal economic gain from it, but because he had a wife and children to feed which would then fulfill his desire of acceptance in the society as a good head of the house. Or in tribal societies like the Kula ring, the goods received were enjoyed by giving them away to others or trading them for other goods with only spiritual value, expecting no profit at all.

- **Redistribution:** Another key aspect a primitive economy needed to stay alive was redistribution, which was how the distribution of goods was managed by the governing body, no matter if the governing body was a pharaoh, a bunch of villagers, tribesmen or aristocrats. What was different between these societies however, was how the redistribution was done by that body.

For example, in tribal societies like the Kula ring, the chiefs were collecting the consumption goods like meat, and redistributing it through ceremonial events in exchange of goods with spiritual value. Or in societies with bureaucratic systems like Hammurabi Empire, the redistribution was done in a way that would influence the political power in the governing body's favor. But the common thing was all of these were social and/or political motives and personal gain was never the priority.

Besides these aspects, there were also some supporting patterns which allowed the operation of non-market economies:

- **Symmetry:** Whether it be the reciprocity behind economic acts, or the phenomenon of re-distribution, it nearly always was done in a symmetric way. This ensured that the long-term operation of a non-market economy was sustained. For example the tribal exchanges in those types of societies was done in a pairwise matched manner.
- **Centricity:** All economic activity was centered around a body, whether it be a tribal chief or the integrated democratic society itself, it was never about one person's interests but a coordinated behavior.
- **Autarky:** Since the non-market primitive economies' worry was nowhere beyond self-preservation, by nature, most non-market economies were in the form of "closed" economies, implying low to no external trade.

These aspects and supporting patterns would keep governing the world economies until the "Economic Man" and "self-regulating market economies" emerged in the 1800s.

2 How Reciprocity and Social Objective Driven Economy Relates to the Emergence of Open-Source Software - with an example: GitHub

Although after the emergence of "market economies" in 1800s, the most prominent concern in economies is personal economic gain; there are still some exceptions and remnants of the human-nature and social objective driven economy to this day.

One recent example is the concept of **open-source software**, which is software that is created with no worries regarding personal gain whatsoever, but motivated by collective benefit of the society. One of the most influential cases of this is the open-source software sharing platform, **GitHub**. GitHub is a platform where software engineers and coders can freely share their work with the world, under the appropriate licenses.

It has incentivized and motivated the technological sector and programming sector by a large amount and therefore resulted in the rapid expansion of the software industry in the last 10-15 years. The emergence of AI-powered tools that integrate with the entire code jungle in GitHub resulted in the creation of GitHub Copilot, an AI assistant that helps coders and software engineers develop their programs using the huge database that is funneled from GitHub. It is expected that AI assistants like GitHub Copilot will increase the global workforce by adding 15 million software developers to the market and increasing the global GDP by 1.5 trillion USD.[2] This, combined with the growth of software repositories on GitHub from 1 million in 2010 to 400 million in 2024[3] shows that people still value social gains over personal gains in some cases.

This is a perfect example of how pre-market economy aspects like reciprocity can affect global economy positively by vast amounts. As we can see from Chapter 4 of "The Great Transformation", reinforcing social bonds and ensuring collective gain rather than fully expecting personal

gain can also pave the road to many economic developments.

Of course, this is just one side of the topic (reciprocity and social benefit); in fact, in most other aspects, GitHub and GitHub Copilot are more adapted to the modern, market economy type of mechanism as they diverge from the centrality argument, and are a way for software developers to get recognition from large, transnational technological companies.

3 Conclusion

Although chapter 4, “Societies and Economic Systems”, of the book does not explain the prominent structure of our current economic system, the market economy; it helps relate the primitive economies to the world we live in today, and it helps us understand why we sometimes do not need to worry about personal gain or have a self-regulating market economy to be successful; as seen in the case of open-source software.

It remains to be seen that whether these aspects of the primitive economy (reciprocity and re-distribution) will leave their places to the fully capitalist, self-gain driven market economy, or re-emerge in more places in the world economy, as they have partly emerged in the case of open-source software.

References

- [1] Karl Polanyi, *The Great Transformation*, 1944. Available at: <https://archive.org/details/greattransformat00pola>
- [2] Thomas Dohmke, *The economic impact of the AI-powered developer lifecycle and lessons from GitHub Copilot*, 2023. Available at: <https://github.blog/news-insights/research/the-economic-impact-of-the-ai-powered-developer-lifecycle-and-lessons-from-github-copilot>.
- [3] Microsoft, *About GitHub*, 2025. Available at: <https://github.com/about>