**Polanyi’s Two Transformations Revisited:” a ‘bottom up’ perspective.**

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**Introduction**

Two key transformations are the focus of Karl Polanyi’s *The Great Transformation*. The first occurred at the end of the eighteenth century with the *dis-embedding* of local markets and the rise of Europe’s unregulated market system. As he was completing his magnum opus in the early 1940s, the second transformation had yet to occur. However, applying the analytic framework he had used to explain the first transformation, he predicted the collapse of the unregulated market system in the course of the world wars and the outcomes that he expected would ensure from it.

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According to that framework, changes at the ‘top’ -- in the organization of the international economy -- provide particular kinds of opportunities for states to act which, in turn, shapes the extent to which social forces will be able to influence state policy. Thus, in his account of the first transformation, he focuses first on the establishment of a new liberal international order and the key institutions of this order. According to his analysis, it was this overarching institutional order that enabled states to deregulate capital and to institute other changes that formed the basis of Europe’s unregulated market system. Applying this same ‘top down’ analysis to the transformation he believed was imminent, Polanyi expected that, with the demise of Europe’s nineteenth century market system, a new international opportunity structure would emerge that would enable states to introduce policies that would bring about a *re-embedding* of local markets.[[1]](#footnote-1)

A few years after the publication of *The Great Transformation*, however, it became apparent that the outcomes that had emerged following World War II did not conform to his expectations. There had, indeed, occurred a great transformation as free markets and l*aissez-faire* states gave way (in varying degrees) to regulated markets and interventionist states. However, the liberal international order had survived.[[2]](#footnote-2) Moves to establish new international economic arrangements had been effectively blocked by efforts of the United State to restore a world economy based on the principles of the nineteenth-century system.[[3]](#footnote-3) Thus, while local marketshad been transformed in important ways, it was not, as Polanyi had assumed, as a result of changes at 'the top'.

There were other post-World War II outcomes that failed to conform to Polanyi’s expectations. In *The Great Transformation,* Polanyi had argued that the rise of Europe’s nineteenth century system was an unprecedented and once-and-for-all occurrence. He therefore expected that with the demise of that system following World War II, the consequent re-embedding of markets would represent a permanent change. However, by the 1970s there emerged a campaign to promote the dispersal of capital investment and production to foreign locations; and with this, there began a return to many of the features associated with Europe’s nineteenth century system. Contrary to Polanyi’s expectations, ‘globalising’ trends that had characterised that system had re-emerged and were reversing post-World War II changes that Polanyi had assumed would be permanent.

Interestingly, though the return to more globally free capital in the 1970s violated a key assumption of *The Great Transformation*, scholars seeking insight into the forces at work in the rise (once again) of a global market and its likely outcomes, generated a resurgence of interest in the book. Much of this interest focused on a central feature of Polanyi’s analysis: the argument that the rise of the unregulated market system in the nineteenth century had triggered a simultaneous protective countermove to check its action with regard to labour, land, and money. Polanyi argued that this counter-move on the part of ‘society as a whole’ generated stresses and strains that ultimately culminated in two world wars and the collapse of the system. However, the rise of neo-liberal globalization began some forty years ago; and while it has engendered resistance and mobilized new social groups, it has yet to trigger a protectionist countermove by ‘society as a whole’.

The failure of outcomes to conform to Polanyi’s expectations warrants closer scrutiny of his assumptions about how the world economy, states, and social forces are interrelated. As already discussed, his analysis of the rise of Europe’s unregulated market system works from the ‘top down’: it focuses, first, on the international institutions created by the self-regulating market system -- the balance of power system (which had made possible a ‘Hundred Years’ Peace’ in Europe) and the gold standard -- and on the ‘liberal state’. It then explores the impact of the self-regulating market on ‘society as a whole’. The sections which follow revisit the two periods that are the focus of *The Great Transformation*; but, in contrast to Polanyi’s analysis, they assume that states and interstate systems reflect the interests of powerful social forces. Consequently, the analysis works from the ‘bottom up’. It focuses, first, on the configuration of class power and interests that produced the system, and the tensions and class struggles that the system generated (and that ultimately brought about its demise).[[4]](#footnote-4) It then considers the state and international structures which reflected and supported those interests.

From this perspective, a quite different ‘double movement’ comes into focus than the one on which Polanyi’s account centres. Polanyi argued that the basic dynamic shaping both the development of industrial capitalism in Europe and its transformation in the course of the world wars, was the antagonism which emerged between 'society as a whole' and the 'soulless institutions' of the self-regulating market system. In the ‘bottom up’ account which follows, what comes into focus is a ‘double movement’, not of market expansion and a protective countermove on the part of ‘society as a whole’, but of dominant classes pursuing global expansion in order to monopolise opportunities for economic gain and prevent the rise of new classes; and a rising ‘red tide’ fuelled by the disaffection of radicals and socialists of various sorts, trade unionists, and suppressed national minorities. It will argue that it was the stresses and strains generated by *this* double movement that led to crisis of the world wars and the changes that ensued as a result of it.

**The First Transformation: social forces in the rise and consolidation of Europe’s nineteenth century market system**

Polanyi begins his analysis of the rise of Europe’s nineteenth century market system with the emergence of a new liberal international order, the key institutions of which, he claimed enabled states to pursue liberal, non-interventionist policies and, thus, to establish free trade and free markets. While, previously, exchange relations had been governed by principles of economic behaviour (reciprocity, reallocation, and house-holding) that were ‘embedded’ in society, with the rise of Europe’s unregulated market system, local markets were ‘disembedded’.

Polanyi does not offer a detailed analysis of these changes. While he recognizes that there were social and economic interests associated with Europe’s nineteenth century market system, he provides no account of the powerful political campaign which, by dismantling Europe's eighteenth century ‘moral economy’, paved the way for the rise of the unregulated market system. Missing, too, are the social conflicts that emerged as a result of these developments. Instead, the focus of the story that unfolds is the disastrous impact of the unregulated market system on ‘society as a whole’. While nineteenth-century European observers had written prolifically about what they had considered to be the most characteristic aspects of their societies -- domination, exploitation, inequality, and authoritarianism, in Polanyi’s account, states are politically neutral, and societies appear as organic unities in which all are more-or-less equally victimized by the 'soulless institutions' of the self-regulating market system.

The account presented here begins, not with the overarching international institutional order, but with the social struggles that drove and shaped the changes that occurred at that time. A closer look at this chapter in Europe’s industrial expansion shows that the dismantling of market regulations and systems of national welfare prevailing at that time in Britain, France, and elsewhere in Europe was evidence, not of the rise of new liberal commercial interests, but of the continuing power of rural, pre-industrial, and autocratic structures of power and authority

**The dismantling of Europe's eighteenth century ‘moral economy’.**

Beginning in the sixteenth century, ‘Absolutist’ rulers in Europe had gradually been able to achieve sufficient autonomy to establish and maintain what later would be described as a ‘moral economy’. Europe’s ‘moral economy’ was characterised by ‘the conviction that members of the community possessed certain rights, enforceable at law, including that of . . .the rights to basic material security, protection from violence, theft and extreme oppression’ (Thane 1990: 7). Beginning in the sixteenth century, ‘Absolutist’ states in England,[[5]](#footnote-5) France, and elsewhere in Europe were ensuring that these needs were met either through public or through private bodies, but with state oversight and enforcement.[[6]](#footnote-6) States regulated markets on behalf of local people through legislation which ensured that local, face-to-face buying and selling was conducted through open transactions in the marketplace.[[7]](#footnote-7)

In addition to ensuring communal control over economic life, states had pushed legislation to create new institutions for poor relief, and to establish a system of hospitals to provide medical care for paupers. This was a Europe-wide movement. By the beginning of the eighteenth century, England had a national welfare system.[[8]](#footnote-8) Later in the century, a*ncien régime* France established a nation-wide welfare system, and Prussia introduced measures establishing a cradle-to-grave welfare system that guaranteed every subject adequate food, sanitation, and police protection.[[9]](#footnote-9) In addition to state regulation of markets, wage controls and other labour protections, and the provision of welfare, the fact that European economies at the time still largely based on local markets and face-to-face relations between seller and consumer meant that workers were able to exercise power both as labourers and consumers.

In the eighteenth century, a revolution of consumption in Britain had fuelled the expansion of a domestic market for mass‑produced consumer goods;[[10]](#footnote-10) as a result, there was a marked improvement in the variety and quality of household furnishings, decorations, and ‘luxury’ items among artisans and farmers.[[11]](#footnote-11) In fact, in Britain ‘a greater proportion of the population than in any previous society in human history’ was able ‘to enjoy the pleasures of buying consumer goods’ and ‘not only necessities, but decencies, and even luxuries’ (McKendrick, Brewer, and Plumb 1982: 29). As the century progressed, elite anxiety over thss ‘demoicratisation of consumption’ appeared to be increasing social mobility and undermining class distinctions.[[12]](#footnote-12) Had the production of mass consumption goods continued to fuel Britain’s industrial growth, along with the mass purchasing power and internal market needed to support it, the class, land, and income structures on which the existing structure of social power in Europe rested would have been destroyed. Thus, despite the growth of the domestic market in the eighteenth century, and the fact that at the end of the Napoleonic Wars abundant opportunities remained for investment and the expansion of production for home consumption, in the nineteenth century, the gradual democratization of consumption that had taken place throughout Europe in the eighteenth century was halted and put into reverse. Instead, Europeans launched a brutal expansion of production-for-export that became a model for elites and ruling groups throughout the world.

The success of a campaign to dismantle regulations tying production and investment to local economies put an end to the expansion of domestic markets and broad-based industrial growth. This marked the culmination of a centuries-long struggle by those opposed to the price and wage controls, labour protections, and national welfare systems that had been introduced by Absolutist rulers in Britain, France, and elsewhere in Europe. Opponents of these changes attacked ‘Absolutism’ for its over regulation. However, the regulations that were the target of this attack were concerned with protecting the local population against monopoly and speculation, and shortages and high prices, ensuring that trade would be inside open markets, by means of open transactions, and according to the rules and regulations which ensured fair practices and prices.[[13]](#footnote-13) Opponents of Absolutism were thus concerned with dismantling much of what today we would consider socially enlightened about ‘liberal absolutism’. At the same time, they were committed to retaining much of what was not in a new guise. Thus, the regulative, protective system of mercantilism was only selectively dismantled and, by the end of the nineteenth century, there was a full‑blown return to monopoly and regulation. Deregulation of markets and capital, the end of national welfare systems and ‘moral economies’, and the further de-industrialisation of rural areas and concentration of production in cities, succeeded in ‘dis-embedding’ markets and. accelerating the globalization of capital.

The context for these developments was the quarter century of war that began with the French Revolution and ended in 1815. The dangers of a trained and compact mass army had been revealed in this period of mass warfare and revolutionary turmoil, and elites had drawn many analogies between the revolutionary currents unleashed by the mass army of soldiers that had been created for the Napoleonic Wars and the dangers of mobilizing a mass army of workers to expand industrial production. The French Revolution had also seen the birth of socialism, and its focus on eradicating private property -- something for which dominant classes had struggled over the course of a century or more -- seemed, in combination with the revolutionary ferment unleashed by the war, to threaten an anti-capitalist revolt of the masses. Thus, the central dilemma for dominant groups tempted to mobilise labour for the expansion of industrial production was how it would be possible both to mobilize -- train, educate and, in other ways, empower -- labour while, at the same time, maintaining its subordination to capital. Mass mobilization for industry (as for war) creates, out of the relatively disadvantaged majority of the population, a compact and potentially dangerous force; thus, elites showed little interest in the expansion of industry at home.

This, then, was the context in which industrial expansion became externally-oriented and markets were ‘disembedded’. Wherever industrial production expanded, whether of manufactured or agricultural or mineral goods, it was in order to increase exports. By expanding production largely for export, dominant classes obviated the need to provide labourers with the means to buy what they produced and deprived them of the ability to exercise power through consumer choice or boycott. Thus, while Europe at that time saw an increase in the scale of industrial production, involving a massive mobilisation of human and material resources and a re-organisation of production processes, this revolution of scale, as it might be called, involved neither a revolution in technology nor a transformation either of means or relations of production (see Halperin 2014: chapter 3).

In Europe, mechanisation was introduced very slowly and selectively and methods of production were employed that deskilled workers and kept labour, as a whole, fragmented and poorly paid. The overall pattern of expansion that emerged was ‘dualistic’ -- based on production principally for export to foreign ruling groups or areas of ‘new’ settlement abroad,[[14]](#footnote-14) rather than on the growth and integration of local markets. It was based on developing purchasing power *abroad* (through loans and investment in infrastructure, railroads and armaments), and on repression and exploitation at home. [[15]](#footnote-15)

In 1914, mechanization, skilled labour, and rising productivity and real wages in Britain (the ‘first industrial nation’) were found only in sectors producing for export. These sectors had only a limited impact on the rest of the economy. Little attempt was made to expand or mechanize industries producing goods for domestic household consumption. Britain’s exports of capital provided purchasing power among foreign governments and elites. British built foreign railways, canals, and other public works, including banks, telegraphs, and other public services owned or dependent upon governments, funded the development and transport of food and raw materials exports to Europe, thus creating additional foreign purchasing power and demand for British goods. At the centre of this expansion was the City of London which, like the advanced sector of a ‘dependent’ third world economy, worked to build strong linkages between British export industries and foreign economies, rather than to integrate various parts of the domestic economy.

The two central features of Europe’s system of industrial expansion, then, of internal repression and external expansion generated what might be characterized as a ‘double movement’ of imperialist expansion abroad, and the persistent opposition of disaffected and exploited classes at home.

Polanyi argued that the unfettering and expansion of the market triggered a simultaneous countermovement on the part of all groups within society. However, the disadvantageous consequences of the unregulated market in the nineteenth century were not experienced by 'society as a whole': some benefitted, some didn't. Moreover, if dominant groups sought protection it was, not from the market, but from pressures for redistribution and reform that threatened their monopoly and privilege. As Polanyi himself observed, industrialists demanded from the state that their property be protected, not from the market, but 'from the people' (1957: 225).

**States and International Structures**

Polanyi argued that Europe’s nineteenth century market system represented the victory of liberal interests and values. But industrial expansion in Europe was shaped, not by a liberal, competitive ethos, but by monopolism, protectionism, cartellization and corporatism, and by rural, pre-industrial, and autocratic structures of power and authority.

Polanyi begins his account of the nineteenth century market system with an analysis of the institutions of what he calls a ‘new liberal international order’: the Concert of Europe, the balance of power and imperialist ‘regimes’, and the gold standard. He claimed that it was this international order that made possible the establishment of ‘liberal’ states and ‘free’ markets.

But states in nineteenth century Europe were not Liberal: they were exclusionary and nobilitarian. Dominant classes either controlled the apparatus of the state directly or had access to political leaders and could trade their political support, or the withdrawal of political opposition, for concessions from them. Consequently, landowners did not experience significant political setbacks with respect to tariffs, labor legislation, land reform, state allocations, tax policy, or internal terms of trade until after World War II.[[16]](#footnote-16) Moreover, markets were not unregulated. States regulated markets for the benefit of the dominant classes. They adopted interventionist economic policies with regard to labor, industry, markets, and trade which enabled dominant classes to carry on an essentially coherent legislative, legal, military, and political assault on artisans, labourers, and peasants. They restricted the expansion of domesticmarkets because of their potential to increase social mobility and promote the growth of new commercial classes. They blocked land reform; monopolized domestic industry and international trade through the creation of cartels and syndicates, and through tariffs and various other controls; and placed further limits on competition by instituting corporatist arrangements of a discriminatory and 'asymmetrical' nature.

Europe's nineteenth-century balance-of-power system was maintained by a Concert of Europe which, Polanyi claimed, was dominated by a concern for the preservation of liberal, free-market institutions. Polanyi claimed that, in pursuit of this interest, Concert acted as an 'international peace interest' and this, he argued, resulted in what he saw as one of the most striking features of the new liberal international order: the ‘Hundred Years' Peace’ in Europe.

But, like all international institutions, the Concert and other nineteenth century international institutions were state-created and –supported; and these served the interests of states committed, not to free trade and free markets, but to the militant pursuit of foreign markets and repression at home.[[17]](#footnote-17) Throughout the century the Concert remained committed, not to free markets and liberal states, but to protection, autocracy, and the defense of the existing sociopolitical order against revolutionary threats.[[18]](#footnote-18) If the Concert helped to prevent multilateral great power conflicts in Europe, it was because Europe's aristocracies feared that such conflicts would call into use the mass armies that, during and immediately after the Napoleonic Wars, had triggered revolutionary upheavals throughout Europe. However, in spite of the Congress, European states were continually engaged in conflict with their own populations, with other European states and populations, and with territories and states outside of Europe. During the nineteenth century, dozens of wars were waged by European states: fourteen were fought in Europe between and among Britain, France, Germany, Spain, Russia, Denmark, Austria, Italy, Greece, and Serbia; twelve were fought by Britain, France, Russia, Austria, against foreign populations in Europe. During that period, European states also fought some fifty-eight wars outside of Europe (see Halperin 2004: Chapter 4). Far from being a period of peace gradually overtaken by the contradictions of the unregulated market, the nineteenth century was a century of social conflict and war. It was born in violence and remained violent throughout.

**The Great Transformation**

Polanyi argued that, with the unfettering of markets, there emerged a protective countermovement on the part of society as a whole, and that it was the stresses and strains generated by this countermovement which ultimately led to two world wars and to the collapse of the system. But, as the account developed thus far suggests, Europe’s nineteenth century industrial expansion was characterised by a double movement of external expansion and internal repression. It was this that generated recurring social conflicts throughout the century and that, eventually, led to stagnation, social polarization, and crisis.

Throughout the nineteenth century, Europe experienced more or less continual conflict over the distribution of resources and the terms and conditions under which market forces operated. Conflicts involving labor were a continuous source of tension; and, as the century progressed, these increasingly overlapped with enfranchisement struggles and nationalist conflicts. Workers were not simply clamoring for protection, but struggling against monopoly and greed. Recurring conflict erupted for changes in property relations, higher wages, extension of the suffrage, redistribution of the national product: shorter hours of employment, and the right to secure bread at an affordable price, to organize, and to work in safe conditions.

By the end of the nineteenth century, the central features of Europe’s industrial expansion—external expansion and internal repression -- were coming into increasing conflict. A global depression and rising ‘red tide’, and a sharp escalation of imperialist rivalry combined to produce a multi-lateral war in Europe. Consequently, states were forced, for the first time since 1815, to mobilise the masses, both for war and for the expansion of industrial production needed to support it.

**The unravelling of the nineteenth-century system**

The unravelling of the nineteenth-century system began with the global Great Depression of 1873–1896 and the accelerated rise of a global ‘red tide’. The depression had an immediate impact on strike activity in Europe. The sharp increase in the number of strikes in Britain each year of that decade, shown below, was indicative of the general trend.

**Strikes in the 1870s: Britain[[19]](#footnote-19)**

1870........ 30 1875........ 245

1871........ 98 1876........ 229

1872........ 343 1877........ 180

1873........ 365 1878........ 268

1874........ 286 1879........ 308

Violent strikes continued right up to 1914.[[20]](#footnote-20) As these stresses and strains escalated, European states sought to escape their increasingly polarized societies through a sharp escalation of imperialist expansion. After the 1890s, opportunities to expand overseas quickly diminished, and the expansionist aims of European powers began to focus, once again, on Europe itself.[[21]](#footnote-21) The tensions and rivalries this generated culminated in a multi-lateral great power war in Europe> This forced ruling groups to do precisely what a century of external expansion had enabled them to avoid: mobilize (and, thus, organize, train and, in other ways, empower) the masses. As numerous scholars have shown, war often produces social levelling, revolution, and shifts in the balance of social forces.[[22]](#footnote-22) During the world wars this is what happened in Europe. The mobilisation of increasingly politicised, radicalised and, as a result of the mobilisation itself, organised masses to fight for a system that had, for decades, generated increasingly divisive social conflict, set in motion a social revolution that began in 1917 and, thereafter, swept through all of Europe.

Contrary to many contemporary observers, as well as to later accounts of this period, working-class participation in the war effort did not represent a victory of nationalism over Socialist solidarity.[[23]](#footnote-23) Instead, workers’ struggles continued during the war. The wartime mobilisation and participation of urban working classes and peasant masses produced stronger, larger, more united and better organised labour movements. At the end of the war, Europe had 34 million trade unionists.[[24]](#footnote-24) As skilled and unskilled workers, workers of different occupations, anarchists and socialists, Social Democrats and Communists, revolutionaries and reformists closed ranks (Cronin 1982: 139, 121), there was an explosive rise of trade union membership, peasant organisation, socialist parties and socialist radicalism. Attempts to block the rising ‘red tide’ by a strategy of actively aiding and abetting the re-armament and expansion of Germany as a bulwark against Bolshevism led directly to World War II (see Halperin 2004, chapter 7).

The demand for labour, and need for its cooperation for a second European war, compelled a political accommodation of working-class movements that, in many aspects, represented a resumption of policies associated with Europe’s eighteenth-century ‘moral economies. [[25]](#footnote-25) States adopted social democratic and Keynesian goals and policy instruments that, before the war, would never have been accepted by the wealthy classes (Schumpeter 1976: 218). State policies required capitalists to use the profits they realised from this to increase productive capacity and to allow labour to share in productivity gain, so that wages rose with profit and made possible higher mass consumption possible for new mass consumer goods industries. This more balanced and internally oriented development bought an end to the intense social conflicts and the great movements of colonialism and imperialism that had characterised nineteenth-century Europe.

The Napoleonic wars had been followed by restoration and a century of counter-revolution. But the vastly increased organizational strength and power of working classes and peasant masses and the need of capitalists to gain their cooperation in a war against socialism, forced an historic class compromise -- a political accommodation of working-class demands that made a restoration of the pre-war system impossible.

**Conclusions**

Many scholars see Karl Polanyi’s analysis of Europe’s nineteenth century market system in *The Great Transformation* as offering key insights into contemporary trends of change. It has been and continues to be a source of inspiration for political-economists, international relations theorists, sociologists, and historians endeavouring to understand current transformations of national, regional, and global structures.

However, the ‘top down’ account that Polanyi offers of the rise and demise of Europe’s nineteenth century market system is, in important ways, misleading. Because it largely ignores the class interests and politics that gave rise to the system, it misses what is perhaps the most crucial chapter in modern history for understanding contemporary globalization: the ultimately successful campaign to dismantle eighteenth century Europe’s systems of national welfare and regulated markets, and the social conflicts which emerged as a result of it. The centrality for Polanyi of the absence of multi-lateral great power conflict in Europe – what, in his account, he calls the ‘hundred years’ peace’, and his focus on the impact of the unregulated market system on ‘society as a whole’, causes the recurring social conflicts and imperialist wars that characterized Europe’s nineteenth-century industrial expansion to fade from view, and obscures their role in bringing about and shaping the outcome of the great transformation which occurred following World War II. In contrast to Polanyi’s analysis, a ‘bottom up’ perspective highlights the social struggles and political dynamics which drove and shaped both the rise of Europe’s nineteenth century market system and the outcomes that ensued from its demise. It highlights, too, the emergence of a 'double movement', not of market expansion and societal protection, but of imperialist expansion and social repression.

Polanyi assumed that the collapse of Europe’s nineteenth-century market system in the course of the world wars would make it possible for the economies of European societies to undergo a process of re-embedding and, in the view of many, European economies *were* re-embedded after 1945. A historic post-World War II ‘compromise between capital and labour, saw the introduction of welfare reforms and the partial de-commodification of labor; and of market and industry regulation that made investment and production serve the expansion and integration of national markets. However, by the late 1970s a campaign had emerged to reverse this post-war compromise; and, since then, it has succeeded in bringing about the return of features of the dis-embedded capitalism that characterized nineteenth-century Europe.

In Europe, markets, it seems, were embedded until the end of the eighteenth century; they were then dis-embedded and remained so throughout the nineteenth century. The conclusion of a ‘compromise’ between capital and labor led to the re-embedding of European economies after World War II. However, in recent decades, concerted efforts have been made to reverse this compromise and to return, once again, to the dis-embedded capitalism that characterized nineteenth-century Europe. It appears, then, that in the history of capitalism there have been phases of nationally embedded and global free market capitalism -- periods when capital is relatively more, and relatively less, free from national state regulation.

To draw the implications of this history for current trends of change requires an account of the political struggles which drove and shaped these phases*.* The changes of recent decades, like those that gave rise to Europe’s nineteenth-century system, might be seen as part of an on-going struggle over the distribution of costs and benefits of industrial capitalism. It is a struggle that began with the deregulation and reorganization of economic relationships at the end of the eighteenth century, and with the aggressive external expansion and internal disenfranchisement which ensued. A closer reading of this struggle than that found in *The Great Transformation*, may offer important insights into the forces at work in the rise (once again) of a global market, as well as the forces of resistance that may be capable either of reversing it, or shaping it in less destructive ways.

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1. A year after the publication of *The Great Transformation*, Polanyi invoked this analytical schema in an article on the transformation of liberal capitalism. To understand the transformation of liberal capitalism, he argued, we must look, first, to the international environment, 'since it is in the international field that the methods of private enterprise have broken down -- as shown by the failure of the gold standard; and it is in that field that adherence to such methods constitutes a direct obstacle to practical solutions' (Polanyi 1945: 89). [↑](#footnote-ref-1)
2. The hybrid system that this created was later characterized by John Ruggie as one of ‘embedded liberalism’ (Ruggie 1982). [↑](#footnote-ref-2)
3. See Polanyi's article, 'Our Obsolete Market Mentality' (1947), reprinted in Polanyi 1971: 59-77. For insightful analyses of US policies at this time, see, e.g. Block 1977, van der Pijl 1984: 50‑137. [↑](#footnote-ref-3)
4. While endeavouring to write class struggles back into the analytical narrative, the focus is not on working classes and labour mobilization, but on the broad configuration of class forces and structures which included both dominant and working classes. [↑](#footnote-ref-4)
5. Some argue that England did not have an absolute monarchy because it was constrained by parliament. But, as Brian Manning points out, England’s parliament played an essential part in the establishment of the absolute state under Henry VIII and Elizabeth I, and was an integral part of it (1965: 250-51; see, also, Anderson 1974: 113-42). [↑](#footnote-ref-5)
6. In England, state regulations prevented middlemen merchants from bypassing or cornering the market, ensured quality control, a ‘just price’, and an adequate domestic supply of goods; and market courts enforced them (Lie 1993, 282). [↑](#footnote-ref-6)
7. This approximates to what Polanyi characterises as ‘embedded’ markets. For a comprehensive discussion of the various interpretations of what, for Polanyi, ‘embedding’ and ‘disembedding’ constitute, see Dale 2011 [↑](#footnote-ref-7)
8. In her study of this system, Pat Thane concludes that ‘There is a real question as to whether the vastly richer Britain of the twentieth century is relatively more or less generous to its poor that the England of the seventeenth and eighteenth centuries’ (1998: 55). [↑](#footnote-ref-8)
9. The legal measures were never fully implemented, however, because of resistance from aristocratic office-holders whose job was to apply them. [↑](#footnote-ref-9)
10. 10 Initially, the impetus to industrial growth in Britain was the home market. ‘Between 1750 and 1780, the overseas market did not play a major role in providing the justification of the expansion for the country as a whole. If for some sectors, and some areas, exports were already vitally important, this certainly was not known to those responsible for the conduct of other sectors’ (Eversley 1967: 221; see, also, Mathias 1983: 16, 94). [↑](#footnote-ref-10)
11. During the eighteenth century, Britain’s industrial output quadrupled, and the bulk of this output was mass consumption goods. As McKendrick, Brewer, and Plumb have argued, it is ‘extremely improbable that all this extra consumption could be absorbed by the top layers of income’ (1982: 29). [↑](#footnote-ref-11)
12. Sumptuary laws, official documents, records of elite complaints, and public pronouncements about excessive popular consumption attest to the ubiquity of this concern throughout the world. [↑](#footnote-ref-12)
13. Lie 1993: 283. These reforms were similar to those which, today, we associate with the welfare state and with progressive liberalism. Attempts to capture this contradiction in terms are seen in such phrases as 'enlightened despotism' and 'liberal absolutism'. However, the word survives as a key analytic term in the study of early modern Europe, together with its negative connotations and the hostility that it was originally meant to express. [↑](#footnote-ref-13)
14. Between 1830 and 1914 about 50 million Europeans, 30 per cent of Europe's population in 1830, immigrated to the Americas. The Americas provided markets for European products *overseas, rather than locally*, thus enabling Europeans to expand production without dangerously impacting social relations at home. [↑](#footnote-ref-14)
15. The building industries grew by expanding employment rather than by introducing innovations in organization or technology. In the 1930s, half the industry's workforce still practiced 'their traditional handicrafts, especially in house building, largely untouched by mechanization' (Benson 1989: 20). By 1913 the output of Britain’s electrical industry was little more than a third of Germany's (Hobsbawm 1968: 180). Before World War II, the great majority of those employed in the transport sector worked for a small employer or were self-employed (Benson 1989, 22-23). It was only in the 1890s that automatic machine-tools production was introduced there, and as a result of the desire of employers 'to break down the hold of the skilled craftsmen in the industry' (Hobsbawm 1968: 181). Gas manufacture was mechanized late, and as a result of pressure from trade unions. Coal production increased--from 49 million tons in 1850 to 147 million in 1880--not by introducing labour saving techniques, but by increasing the numbers of coalminers. In the 1930s, 'more than 40% of British coal was cut and practically 50% conveyed without the aid of machinery' (Benson 1989: 16). Though Britain had pioneered major innovations in steel production, she was slow to apply the new methods and failed to keep up with subsequent improvements. Though British industrialization was based on the expansion of capital goods production for railway building, rapid technical improvement came, even here, only when compelled by military competition and the modernizing armaments industry. [↑](#footnote-ref-15)
16. The absence of agrarian reform, the social and political isolation of agrarian labor, low agricultural land taxes (which offset price controls and taxes on agricultural exports when they were unavoidable), the monopolization of domestic industry and international trade through the creation of cartels and syndicates, attest to this. [↑](#footnote-ref-16)
17. Externally-oriented expansion requires a system of stable exchange rates, and the gold standard system was developed to provide this. It was stable, between 1871 and 1914, because the absence of effective democratic representation in European societies meant that working classes were unable to put pressure on governments when restrictive monetary policies created unemployment. [↑](#footnote-ref-17)
18. It was this concern motivated it to sponsor numerous anti-revolutionary military actions in Europe. [↑](#footnote-ref-18)
19. Bevan 1880, p. 37. [↑](#footnote-ref-19)
20. And at the same time, trade-union movements increased exponentially. This occurred not only in Europe, but in Africa, the Americas, Asia, and the Middle East. European workers, found in all the large cities of the world, cooperated with indigenous workers and promoted trade unionism. See Stoler 1989, Comaroff and Comaroff 1985, 1986; Gordon and Meggitt 1985, Breman 1987, Callaway 1987, Kennedy 1987, Engelson 1981, Orr 1966. [↑](#footnote-ref-20)
21. The scope of these expansionist ambitions was detailed in the set of treaties concluded by all the belligerents in the war that began in 1914, treaties which clearly expressed their hope of achieving vast extensions of their territories, both within and outside Europe, as a result of the war. These treaties were published in the official journal of the Soviets, and in the *Manchester Guardian*. A good summary is found in Baker 1922: I, chapter 2. [↑](#footnote-ref-21)
22. See, e.g., Marwick 1980: chapter 11, Titmuss 1958: 86, Andreski 1954: 33-38, Sorokin 1927. [↑](#footnote-ref-22)
23. See, e.g. Braunthal 1967: 355, Schumpeter 1950: 353, Carr 1945: 20–1; and, for other works Doyle 1997: 317–9, and especially 318n9. [↑](#footnote-ref-23)
24. Ogg 1930: 759–97. Trade union membership doubled in Britain (from 4 to 8 million; Geary 1981: 151–5); in Italy, having doubled during the war, it nearly doubled again by 1920 (Maier 1975: 47). [↑](#footnote-ref-24)
25. Fascism and the sacrifices entailed in defeating it effectively discredited the old right throughout Europe. Thus, even where workers were not mobilised for the war effort as, for instance, in France, the balance of political power after the war shifted in their favour. [↑](#footnote-ref-25)