

rational action to the configuration of goods and person movements which actually make up the economy.

To shift in natural science from one conceptual framework to another is one thing; to do so in the social sciences is quite another. It is like rebuilding a house, foundation, walls, fittings and all, while continuing to live in it. We must rid ourselves of the ingrained notion that the economy is a field of experience of which human beings have necessarily always been conscious. To employ a metaphor, the facts of the economy were originally embedded in situations that were not in themselves of an economic nature, neither the ends nor the means being primarily material. The crystallization of the concept of the economy was a matter of time and history. But neither time nor history have provided us with those conceptual tools required to penetrate the maze of social relationships in which the economy was embedded. This is the task of what we will here call institutional analysis.

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## XIII

## The Economy as Instituted Process

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OUR main purpose in this chapter is to determine the meaning that can be attached with consistency to the term "economic" in all the social sciences.

The simple recognition from which all such attempts must start is the fact that in referring to human activities the term economic is a compound of two meanings that have independent roots. We will call them the substantive and the formal meaning.

The substantive meaning of economic derives from man's dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, in so far as this results in supplying him with the means of material want satisfaction.

The formal meaning of economic derives from the logical character of the means-ends relationship, as apparent in such words as "economical" or "economizing." It refers to a definite situation of choice, namely, that between the different uses of means induced by an insufficiency of those means. If we call the rules governing choice of means the logic of rational action, then we may denote this variant of logic, with an improvised term, as formal economics.

The two root meanings of "economic," the substantive and the formal, have nothing in common. The latter derives from logic, the former from fact. The formal meaning implies a set of rules referring to choice between the alternative uses of insufficient means. The substantive meaning implies neither choice nor insufficiency of means; man's livelihood may or may not involve the necessity of choice and, if choice there be, it need not be induced by the limiting effect of a "scar-

city" of the means; indeed, some of the most important physical and social conditions of livelihood such as the availability of air and water or a loving mother's devotion to her infant are not, as a rule, so limiting. The cogency that is in play in the one case and in the other differs as the power of syllogism differs from the force of gravitation. The laws of the one are those of the mind; the laws of the other are those of nature. The two meanings could not be further apart; semantically they lie in opposite directions of the compass.

It is our proposition that only the substantive meaning of "economic" is capable of yielding the concepts that are required by the social sciences for an investigation of all the empirical economies of the past and present. The general frame of reference that we endeavor to construct requires, therefore, treatment of the subject matter in substantive terms. The immediate obstacle in our path lies, as indicated, in that concept of "economic" in which the two meanings, the substantive and the formal, are naively compounded. Such a merger of meanings is, of course, unexceptionable as long as we remain conscious of its restrictive effects. But the current concept of economic fuses the "subsistence" and the "scarcity" meanings of economic without a sufficient awareness of the dangers to clear thinking inherent in that merger.

This combination of terms sprang from logically adventitious circumstances. The last two centuries produced in Western Europe and North America an organization of man's livelihood to which the rules of choice happened to be singularly applicable. This form of the economy consisted in a system of price-making markets. Since acts of exchange, as practiced under such a system, involve the participants in choices induced by an insufficiency of means, the system could be reduced to a pattern that lent itself to the application of methods based on the formal meaning of "economic." As long as the economy was controlled by such a system, the formal and the substantive meanings would in practice coincide. Laymen accepted this compound concept as a matter of course; a Marshall, Pareto or Durkheim equally adhered to it. Menger alone in his posthumous work criticized the term, but neither he nor Max Weber, nor Talcott Parsons after him, apprehended the significance of the distinction for sociological analysis. Indeed, there seemed to be no valid reason for distinguishing between two root meanings of a term which, as we said, were bound to coincide in practice.

While it would have been therefore sheer pedantry to differentiate in common parlance between the two meanings of "economic," their merging in one concept nevertheless proved a bane to a precise methodology in the social sciences. Economics naturally formed an exception, since under the market system its terms were bound to be fairly realistic. But the anthropologist, the sociologist or the historian, each in his study of the place occupied by the economy in human society, was faced with a great variety of institutions other than markets, in which man's livelihood was embedded. Its problems could not be attacked with the help of an analytical method devised for a special form of the economy, which was dependent upon the presence of specific market elements.<sup>1</sup>

This lays down the rough sequence of the argument.

We will begin with a closer examination of the concepts derived from the two meanings of "economic," starting with the formal and thence proceeding to the substantive meaning. It should then prove possible to describe the empirical economies—whether primitive or archaic—according to the manner in which the economic process is instituted. The three institutions of trade, money and market will provide a test case. They have previously been defined in formal terms only; thus any other than a marketing approach was barred. Their treatment in substantive terms should then bring us nearer to the desired universal frame of reference.

### *The Formal and the Substantive Meanings of "Economic"*

Let us examine the formal concepts starting from the manner in which the logic of rational action produces formal economics, and the latter, in turn, gives rise to economic analysis.

Rational action is here defined as choice of means in relation to ends. Means are anything appropriate to serve the end, whether by virtue of the laws of nature or by virtue of the laws of the game. Thus "rational" does not refer either to ends or to means, but rather to the relating of means to ends. It is not assumed, for instance, that it is more rational to wish to live than to wish to die, or that, in the first case, it is more rational to seek a long life through the means of science than through those of superstition. For whatever the end, it is rational to choose one's means accordingly; and as to the means, it would not be

rational to act upon any other test than that which one happens to believe in. Thus it is rational for the suicide to select means that will accomplish his death; and if he be an adept of black magic, to pay a witch doctor to contrive that end.

The logic of rational action applies, then, to all conceivable means and ends covering an almost infinite variety of human interests. In chess or technology, in religious life or philosophy ends may range from commonplace issues to the most recondite and complex ones. Similarly, in the field of the economy, where ends may range from the momentary assuaging of thirst to the attaining of a sturdy old age, while the corresponding means comprise a glass of water and a combined reliance on filial solicitude and open air life, respectively.

Assuming that the choice is induced by an insufficiency of the means, the logic of rational action turns into that variant of the theory of choice which we have called formal economics. It is still logically unrelated to the concept of the human economy, but it is closer to it by one step. Formal economics refers, as we said, to a situation of choice that arises out of an insufficiency of means. This is the so-called scarcity postulate. It requires, first, insufficiency of means; second, that choice be induced by that insufficiency. Insufficiency of means in relation to ends is determined with the help of the simple operation of "earmarking," which demonstrates whether there is or is not enough to go round. For the insufficiency to induce choice there must be given more than one use to the means, as well as graded ends, i.e., at least two ends ordered in sequence of preference. Both conditions are factual. It is irrelevant whether the reason for which means can be used in one way only happens to be conventional or technological; the same is true of the grading of ends.

Having thus defined choice, insufficiency and scarcity in operational terms, it is easy to see that as there is choice of means without insufficiency, so there is insufficiency of means without choice. Choice may be induced by a preference for right against wrong (moral choice) or, at a crossroads, where two or more paths happen to lead to our destination, possessing identical advantages and disadvantages (operationally induced choice). In either case an abundance of means, far from diminishing the difficulties of choice, would rather increase them. Of course, scarcity may or may not be present in almost all fields of rational action. Not all philosophy is sheer imaginative creativity, it may also be a matter of economizing with assumptions. Or, to get back

to the sphere of man's livelihood, in some civilizations scarcity situations seem to be almost exceptional, in others they appear to be painfully general. In either case the presence or absence of scarcity is a question of fact, whether the insufficiency is due to Nature or to Law.

Last but not least, economic analysis. This discipline results from the application of formal economics to an economy of a definite type, namely, a market system. The economy is here embodied in institutions that cause individual choices to give rise to interdependent movements that constitute the economic process. This is achieved by generalizing the use of price-making markets. All goods and services, including the use of labor, land and capital are available for purchase in markets and have, therefore, a price; all forms of income derive from the sale of goods and services—wages, rent and interest, respectively, appearing only as different instances of price according to the items sold. The general introduction of purchasing power as the means of acquisition converts the process of meeting requirements into an allocation of insufficient means with alternative uses, namely, money. It follows that both the conditions of choice and its consequences are quantifiable in the form of prices. It can be asserted that by concentrating on price as the economic fact *par excellence*, the formal method of approach offers a total description of the economy as determined by choices induced by an insufficiency of means. The conceptual tools by which this is performed make up the discipline of economic analysis.

From this follow the limits within which economic analysis can prove effective as a method. The use of the formal meaning denotes the economy as a sequence of acts of economizing, i.e., of choices induced by scarcity situations. While the rules governing such acts are universal, the extent to which the rules are applicable to a definite economy depends upon whether or not that economy is, in actual fact, a sequence of such acts. To produce quantitative results, the locational and appropriational movements, of which the economic process consists, must here present themselves as functions of social actions in regard to insufficient means and oriented on resulting prices. Such a situation obtains only under a market system.

The relation between formal economics and the human economy is, in effect, contingent. Outside of a system of price-making markets economic analysis loses most of its relevance as a method of inquiry into the working of the economy. A centrally planned economy, relying on nonmarket prices is a well-known instance.

The fount of the substantive concept is the empirical economy. It can be briefly (if not engagingly) defined as an instituted process of interaction between man and his environment, which results in a continuous supply of want satisfying material means. Want satisfaction is "material," if it involves the use of material means to satisfy ends; in the case of a definite type of physiological wants, such as food or shelter, this includes the use of so-called services only.

The economy, then, is an instituted process. Two concepts stand out, that of "process" and its "institutedness." Let us see what they contribute to our frame of reference.

Process suggests analysis in terms of motion. The movements refer either to changes in location, or in appropriation, or both. In other words, the material elements may alter their position either by changing place or by changing "hands"; again, these otherwise very different shifts of position may go together or not. Between them, these two kinds of movements may be said to exhaust the possibilities comprised in the economic process as a natural and social phenomenon.

Locational movements include production, alongside of transportation, to which the spatial shifting of objects is equally essential. Goods are of a lower order or of a higher order, according to the manner of their usefulness from the consumer's point of view. This famous "order of goods" sets consumers' goods against producers' goods, according to whether they satisfy wants directly, or only indirectly, through a combination with other goods. This type of movement of the elements represents an essential of the economy in the substantive sense of the term, namely, production.

The appropriative movement governs both what is usually referred to as the circulation of goods and their administration. In the first case, the appropriative movement results from transactions, in the second case, from dispositions. Accordingly, a transaction is an appropriative movement as between hands; a disposition is a one-sided act of the hand, to which by force of custom or of law definite appropriative effects are attached. The term "hand" here serves to denote public bodies and offices as well as private persons or firms, the difference between them being mainly a matter of internal organization. It should be noted, however, that in the nineteenth century private hands were commonly associated with transactions, while public hands were usually credited with dispositions.

In this choice of terms a number of further definitions are implied.

Social activities, insofar as they form part of the process, may be called economic; institutions are so called to the extent to which they contain a concentration of such activities; any components of the process may be regarded as economic elements. These elements can be conveniently grouped as ecological, technological or societal according to whether they belong primarily to the natural environment, the mechanical equipment, or the human setting. Thus a series of concepts, old and new, accrue to our frame of reference by virtue of the process aspect of the economy.

Nevertheless, reduced to a mechanical, biological and psychological interaction of elements that economic process would possess no all-round reality. It contains no more than the bare bones of the processes of production and transportation, as well as of the appropriative changes. In the absence of any indication of societal conditions from which the motives of the individuals spring, there would be little, if anything, to sustain the interdependence of the movements and their recurrence on which the unity and the stability of the process depends. The interacting elements of nature and humanity would form no coherent unit, in effect, no structural entity that could be said to have a function in society or to possess a history. The process would lack the very qualities which cause everyday thought as well as scholarship to turn towards matters of human livelihood as a field of eminent practical interest as well as theoretical and moral dignity.

Hence the transcending importance of the institutional aspect of the economy. What occurs on the process level between man and soil in hoeing a plot or what on the conveyor belt in the constructing of an automobile is, *prima facie* a mere jig-sawing of human and nonhuman movements. From the institutional point of view it is a mere referent of terms like labor and capital, craft and union, slacking and speeding, the spreading of risks and the other semantic units of the social context. The choice between capitalism and socialism, for instance, refers to two different ways of instituting modern technology in the process of production. On the policy level, again, the industrialization of underdeveloped countries involves, on the one hand, alternative techniques; on the other, alternative methods of instituting them. Our conceptual distinction is vital for any understanding of the interdependence of technology and institutions as well as their relative independence.

The instituting of the economic process vests that process with unity and stability; it produces a structure with a definite function in

society; it shifts the place of the process in society, thus adding significance to its history; it centers interest on values, motives and policy. Unity and stability, structure and function, history and policy spell out operationally the content of our assertion that the human economy is an instituted process.

The human economy, then, is embedded and enmeshed in institutions, economic and noneconomic. The inclusion of the noneconomic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labor.

The study of the shifting place occupied by the economy in society is therefore no other than the study of the manner in which the economic process is instituted at different times and places.

This requires a special tool box.

### *Reciprocity, Redistribution, and Exchange*

A study of how empirical economies are instituted should start from the way in which the economy acquires unity and stability, that is the interdependence and recurrence of its parts. This is achieved through a combination of a very few patterns which may be called forms of integration. Since they occur side by side on different levels and in different sectors of the economy it may often be impossible to select one of them as dominant so that they could be employed for a classification of empirical economies as a whole. Yet by differentiating between sectors and levels of the economy those forms offer a means of describing the economic process in comparatively simple terms, thereby introducing a measure of order into its endless variations.

Empirically, we find the main patterns to be reciprocity, redistribution and exchange. Reciprocity denotes movements between correlative points of symmetrical groupings; redistribution designates appropriational movements toward a center and out of it again; exchange refers here to vice-versa movements taking place as between "hands" under a market system. Reciprocity, then, assumes for a background symmetrically arranged groupings; redistribution is dependent upon the presence of some measure of centrality in the group; exchange in order to produce integration requires a system of price-making markets. It is

apparent that the different patterns of integration assume definite institutional supports.

At this point some clarification may be welcome. The terms reciprocity, redistribution and exchange, by which we refer to our forms of integration, are often employed to denote personal interrelations. Superficially then it might seem as if the forms of integration merely reflected aggregates of the respective forms of individual behavior: If mutuality between individuals were frequent, a reciprocative integration would emerge; where sharing among individuals were common, redistributive integration would be present; similarly, frequent acts of barter between individuals would result in exchange as a form of integration. If this were so, our patterns of integration would be indeed no more than simple aggregates of corresponding forms of behavior on the personal level. To be sure, we insisted that the integrative effect was conditioned by the presence of definite institutional arrangements, such as symmetrical organizations, central points and market systems, respectively. But such arrangements seem to represent a mere aggregate of the same personal patterns the eventual effects of which they are supposed to condition. The significant fact is that mere aggregates of the personal behaviors in question do not by themselves produce such structures. Reciprocity behavior between individuals integrates the economy only if symmetrically organized structures, such as a symmetrical system of kinship groups, are given. But a kinship system never arises as the result of mere reciprocating behavior on the personal level. Similarly, in regard to redistribution. It presupposes the presence of an allocative center in the community, yet the organization and validation of such a center does not come about merely as a consequence of frequent acts of sharing as between individuals. Finally, the same is true of the market system. Acts of exchange on the personal level produce prices only if they occur under a system of price-making markets, an institutional setup which is nowhere created by mere random acts of exchange. We do not wish to imply, of course, that those supporting patterns are the outcome of some mysterious forces acting outside the range of personal or individual behavior. We merely insist that if, in any given case, the societal effects of individual behavior depend on the presence of definite institutional conditions, these conditions do not for that reason result from the personal behavior in question. Superficially, the supporting pattern may seem to result from a cumulation of a corresponding kind of personal behavior, but the vital

elements of organization and validation are necessarily contributed by an altogether different type of behavior.

The first writer to our knowledge to have hit upon the factual connection between reciprocative behavior on the interpersonal level, on the one hand, and given symmetrical groupings, on the other, was the anthropologist Richard Thurnwald, in 1915, in an empirical study on the marriage system of the Bánaro of New Guinea. Bronislaw Malinowski, some ten years later, referring to Thurnwald, predicted that socially relevant reciprocation would regularly be found to rest on symmetrical forms of basic social organization. His own description of the Trobriand kinship system as well as of the Kula trade bore out the point. This lead was followed up by this writer, in regarding symmetry as merely one of several supporting patterns. He then added redistribution and exchange to reciprocity, as further forms of integration; similarly, he added centrality and market to symmetry, as other instances of institutional support. Hence our forms of integration and supporting structure patterns.

This should help to explain why in the economic sphere interpersonal behavior so often fails to have the expected societal effects in the absence of definite institutional preconditions. Only in a symmetrically organized environment will reciprocative behavior result in economic institutions of any importance; only where allocative centers have been set up can individual acts of sharing produce a redistributive economy; and only in the presence of a system of price-making markets will exchange acts of individuals result in fluctuating prices that integrate the economy. Otherwise such acts of barter will remain ineffective and therefore tend not to occur. Should they nevertheless happen, in a random fashion, a violent emotional reaction would set in, as against acts of indecency or acts of treason, since trading behavior is never emotionally indifferent behavior and is not, therefore, tolerated by opinion outside of the approved channels.

Let us now return to our forms of integration.

A group which deliberately undertook to organize its economic relationships on a reciprocative footing would, to effect its purpose, have to split up into sub-groups the corresponding members of which could identify one another as such. Members of Group A would then be able to establish relationships of reciprocity with their counterparts in Group B and vice versa. But symmetry is not restricted to duality. Three, four, or more groups may be symmetrical in regard to two or

more axes; also members of the groups need not reciprocate with one another but may do so with the corresponding members of third groups toward which they stand in analogous relations. A Trobriand man's responsibility is toward his sister's family. But he himself is not on that account assisted by his sister's husband, but, if he is married, by his own wife's brother—a member of a third, correspondingly placed family.

Aristotle taught that to every kind of community (*koinōnia*) there corresponded a kind of good-will (*philia*) amongst its members which expressed itself in reciprocity (*antipeponthos*). This was true both of the more permanent communities such as families, tribes or city states as of those less permanent ones that may be comprised in, and subordinate to, the former. In our terms this implies a tendency in the larger communities to develop a multiple symmetry in regard to which reciprocative behavior may develop in the subordinate communities. The closer the members of the encompassing community feel drawn to one another, the more general will be the tendency among them to develop reciprocative attitudes in regard to specific relationships limited in space, time or otherwise. Kinship, neighborhood, or totem belong to the more permanent and comprehensive groupings; within their compass voluntary and semi-voluntary associations of a military, vocational, religious or social character create situations in which, at least transiently or in regard to a given locality or a typical situation, there would form symmetrical groupings the members of which practice some sort of mutuality.

Reciprocity as a form of integration gains greatly in power through its capacity of employing both redistribution and exchange as subordinate methods. Reciprocity may be attained through a sharing of the burden of labor according to definite rules of redistribution as when taking things "in turn." Similarly, reciprocity is sometimes attained through exchange at set equivalencies for the benefit of the partner who happens to be short of some kind of necessities—a fundamental institution in ancient Oriental societies. In nonmarket economies these two forms of integration—reciprocity and redistribution—occur in effect usually together.

Redistribution obtains within a group to the extent to which the allocation of goods is collected in one hand and takes place by virtue of custom, law or *ad hoc* central decision. Sometimes it amounts to a physical collecting accompanied by storage-cum-redistribution, at other

times the "collecting" is not physical, but merely appropriational, i.e., rights of disposal in the physical location of the goods. Redistribution occurs for many reasons, on all civilizational levels, from the primitive hunting tribe to the vast storage systems of ancient Egypt, Sumeria, Babylonia or Peru. In large countries differences of soil and climate may make redistribution necessary; in other cases it is caused by discrepancy in point of time, as between harvest and consumption. With a hunt, any other method of distribution would lead to disintegration of the horde or band, since only "division of labor" can here ensure results; a redistribution of purchasing power may be valued for its own sake, i.e., for the purposes demanded by social ideals as in the modern welfare state. The principle remains the same—collecting into, and distributing from, a center. Redistribution may also apply to a group smaller than society, such as the household or manor irrespective of the way in which the economy as a whole is integrated. The best known instances are the Central African *kraal*, the Hebrew patriarchal household, the Greek estate of Aristotle's time, the Roman *familia*, the medieval manor, or the typical large peasant household before the general marketing of grain. However, only under a comparatively advanced form of agricultural society is householding practicable, and then, fairly general. Before that, the widely spread "small family" is not economically instituted, except for some cooking of food; the use of pasture, land or cattle is still dominated by redistributive or reciprocative methods on a wider than family scale.

Redistribution, too, is apt to integrate groups at all levels and all degrees of permanence from the state itself to units of a transitory character. Here, again, as with reciprocity, the more closely knit the encompassing unit, the more varied will the subdivisions be in which redistribution can effectively operate. Plato taught that the number of citizens in the state should be 5040. This figure was divisible in 59 different ways, including division by the first ten numerals. For the assessment of taxes, the forming of groups for business transactions, the carrying of military and other burdens "in turn," etc., it would allow the widest scope, he explained.

Exchange in order to serve as a form of integration requires the support of a system of price-making markets. Three kinds of exchange should therefore be distinguished: The merely locational movement of a "changing of places" between the hands (operational exchange); the appropriational movements of exchange, either at a set rate (decisional

exchange) or at a bargained rate (integrative exchange). In so far as exchange at a set rate is in question, the economy is integrated by the factors which fix that rate, not by the market mechanism. Even price-making markets are integrative only if they are linked up in a system which tends to spread the effect of prices to markets other than those directly affected.

Higgling-haggling has been rightly recognized as being of the essence of bargaining behavior. In order for exchange to be integrative the behavior of the partners must be oriented on producing a price that is as favorable to each partner as he can make it. Such a behavior contrasts sharply with that of exchange at a set price. The ambiguity of the term "gain" tends to cover up the difference. Exchange at set prices involves no more than the gain to either party implied in the decision of exchanging; exchange at fluctuating prices aims at a gain that can be attained only by an attitude involving a distinctive antagonistic relationship between the partners. The element of antagonism, however diluted, that accompanies this variant of exchange is ineradicable. No community intent on protecting the fount of solidarity between its members can allow latent hostility to develop around a matter as vital to animal existence and, therefore, capable of arousing as tense anxieties as food. Hence the universal banning of transactions of a gainful nature in regard to food and foodstuffs in primitive and archaic society. The very widely spread ban on higgling-haggling over victuals automatically removes price-making markets from the realm of early institutions.

Traditional groupings of economies which roughly approximate a classification according to the dominant forms of integration are illuminating. What historians are wont to call "economic systems" seem to fall fairly into this pattern. Dominance of a form of integration is here identified with the degree to which it comprises land and labor in society. So-called savage society, is characterized by the integration of land and labor into the economy by way of the ties of kinship. In feudal society the ties of fealty determine the fate of land and the labor that goes with it. In the floodwater empires land was largely distributed and sometimes redistributed by temple or palace, and so was labor, at least in its dependent form. The rise of the market to a ruling force in the economy can be traced by noting the extent to which land and food were mobilized through exchange, and labor was turned into a commodity free to be purchased in the market. This may help to explain

the relevance of the historically untenable stages theory of slavery, serfdom and wage labor that is traditional with Marxism—a grouping which flowed from the conviction that the character of the economy was set by the status of labor. However, the integration of the soil into the economy should be regarded as hardly less vital.

In any case, forms of integration do not represent “stages” of development. No sequence in time is implied. Several subordinate forms may be present alongside of the dominant one, which may itself recur after a temporary eclipse. Tribal societies practice reciprocity and redistribution, while archaic societies are predominantly redistributive, though to some extent they may allow room for exchange. Reciprocity, which plays a dominant part in some Melanesian communities, occurs as a not unimportant although subordinate trait in the redistributive archaic empires, where foreign trade (carried on by gift and counter-gift) is still largely organized on the principle of reciprocity. Indeed, during a war emergency it was reintroduced on a large scale in the twentieth century, under the name of lend-lease, with societies where otherwise marketing and exchange were dominant. Redistribution, the ruling method in tribal and archaic society beside which exchange plays only a minor part, grew to great importance in the later Roman Empire and is actually gaining ground today in some modern industrial states. The Soviet Union is an extreme instance. Conversely, more than once before in the course of human history markets have played a part in the economy, although never on a territorial scale, or with an institutional comprehensiveness comparable to that of the nineteenth century. However, here again a change is noticeable. In our century, with the lapse of the gold standard, a recession of the world role of markets from their nineteenth century peak set in—a turn of the trend which, incidentally, takes us back to our starting point, namely, the increasing inadequacy of our limited marketing definitions for the purposes of the social scientist’s study of the economic field.

### *Forms of Trade, Money Uses, and Market Elements*

The restrictive influence of the marketing approach on the interpretation of trade and money institutions is incisive: inevitably, the market appears as the locus of exchange, trade as the actual exchange, and money as the means of exchange. Since trade is directed by prices

and prices are a function of the market, all trade is market trade, just as all money is exchange money. The market is the generating institution of which trade and money are the functions.

Such notions are not true to the facts of anthropology and history. Trade, as well as some money uses, are as old as mankind; while markets, although meetings of an economic character may have existed as early as the neolithic, did not gain importance until comparatively late in history. Price-making markets, which alone are constitutive of a market system, were to all accounts non-existent before the first millennium of antiquity, and then only to be eclipsed by other forms of integration. Not even these main facts however could be uncovered as long as trade and money were thought to be limited to the exchange form of integration, as its specifically “economic” form. The long periods of history when reciprocity and redistribution integrated the economy and the considerable ranges within which, even in modern times, they continued to do so, were put out of bounds by a restrictive terminology.

Viewed as an exchange system, or, in brief, catallactically, trade, money and market form an indivisible whole. Their common conceptual framework is the market. Trade appears as a two-way movement of goods through the market, and money as quantifiable goods used for indirect exchange in order to facilitate that movement. Such an approach must induce a more or less tacit acceptance of the heuristic principle according to which, where trade is in evidence, markets should be assumed, and where money is in evidence trade, and therefore markets, should be assumed. Naturally, this leads to seeing markets where there are none and ignoring trade and money where they are present, because markets happen to be absent. The cumulative effect must be to create a stereotype of the economies of less familiar times and places, something in the way of an artificial landscape with only little or no resemblance to the original.

A separate analysis of trade, money and markets is therefore in order.

#### 1. FORMS OF TRADE

From the substantive point of view, trade is a relatively peaceful method of acquiring goods which are not available on the spot. It is



external to the group, similar to activities which we are used to associating with hunts, slaving expeditions, or piratic raids. In either case the point is acquisition and carrying of goods from a distance. What distinguishes trade from the questing for game, booty, plunder, rare woods or exotic animals, is the two-sidedness of the movement, which also ensures its broadly peaceful and fairly regular character.

From the catallactic viewpoint, trade is the movement of goods on their way through the market. All commodities—goods produced for sale—are potential objects of trade; one commodity is moving in one direction, the other in the opposite direction; the movement is controlled by prices: trade and market are co-terminous. All trade is market trade.

Again, like hunt, raid or expedition under native conditions, trade is not so much an individual as rather a group activity, in this respect closely akin to the organization of wooing and mating, which is often concerned with the acquisition of wives from a distance by more or less peaceful means. Trade thus centers in the meeting of different communities, one of its purposes being the exchange of goods. Such meetings do not, like price-making markets, produce rates of exchange, but on the contrary they rather presuppose such rates. Neither the persons of individual traders nor motives of individual gain are involved. Whether a chief or king is acting for the community after having collected the "export" goods from its members, or whether the group meets bodily their counterparts on the beach for the purpose of exchange—in either case the proceedings are essentially collective. Exchange between "partners in trade" is frequent, but so is, of course, partnership in wooing and mating. Individual and collective activities are intertwined.

Emphasis on "acquisition of goods from a distance" as a constitutive element in trade should bring out the dominant role played by the import interest in the early history of trade. In the nineteenth century export interests loomed large—a typically catallactic phenomenon.

Since something must be carried over a distance and that in two opposite directions, trade, in the nature of things, has a number of constituents such as personnel, goods, carrying, and two-sidedness, each of which can be broken down according to sociologically or technologically significant criteria. In following up those four factors we may hope to learn something about the changing place of trade in society.

First, the persons engaged in trade.

"Acquisition of goods from a distance" may be practiced either from motives attaching to the trader's standing in society, and as a rule comprising elements of duty or public service (status motive); or it may be done for the sake of the material gain accruing to him personally from the buying and selling transaction in hand (profit motive).

In spite of many possible combinations of those incentives, honor and duty on the one hand, profit on the other, stand out as sharply distinct primary motivations. If the "status motive," as is quite often the case, is reinforced by material benefits, the latter do not as a rule take the form of gain made on exchange, but rather of treasure or endowment with landed revenue bestowed on the trader by king or temple or lord, by way of recompense. Things being what they are, gains made on exchange do not usually add up to more than paltry sums that bear no comparison with the wealth bestowed by his lord upon the resourceful and successfully venturing trader. Thus he who trades for the sake of duty and honor grows rich, while he who trades for filthy lucre remains poor—an added reason why gainful motives are under a shadow in archaic society.

Another way of approaching the question of personnel is from the angle of the standard of life deemed appropriate to their status by the community to which they belong.

Archaic society in general knows, as a rule, no other figure of a trader than that which belongs either to the top or to the bottom rung of the social ladder. The first is connected with rulership and government, as required by the political and military conditions of trading, the other depends for his livelihood on the coarse labor of carrying. This fact is of great importance for the understanding of the organization of trade in ancient times. There can be no middle-class trader, at least among the citizenry. Apart from the Far East which we must disregard here, only three significant instances of a broad commercial middle class in premodern times are on record: the Hellenistic merchant of largely metic ancestry in the Eastern Mediterranean city states; the ubiquitous Islamitic merchant who grafted Hellenistic maritime traditions on to the ways of the bazaar; lastly, the descendants of Pirenne's "floating scum" in Western Europe, a sort of continental metic of the second third of the Middle Ages. The classical Greek middle class preconized by Aristotle was a landed class, not a commercial class at all.

A third manner of approach is more closely historical. The trader types of antiquity were the *tamkarum*, the metic or resident alien, and the "foreigner."

The *tamkarum* dominated the Mesopotamian scene from the Sumerian beginnings to the rise of Islam, i.e., over some 3000 years. Egypt, China, India, Palestine, pre-conquest Mesoamerica, or native West Africa knew no other type of trader. The *metic* became first historically conspicuous in Athens and some other Greek cities as a lower-class merchant, and rose with Hellenism to become the prototype of a Greek-speaking or Levantine commercial middle class from the Indus Valley to the Pillars of Hercules. The *foreigner* is of course ubiquitous. He carries on trade with foreign crews and in foreign bottoms; he neither "belongs" to the community, nor enjoys the semi-status of resident alien, but is a member of an altogether different community.

A fourth distinction is anthropological. It provides the key to that peculiar figure, the trading foreigner. Although the number of "trading peoples" to which these "foreigners" belonged was comparatively small, they accounted for the widely spread institution of "passive trade." Amongst themselves, trading peoples differed again in an important respect: trading peoples proper, as we may call them, were exclusively dependent for their subsistence on trade in which, directly or indirectly, the whole population was engaged, as with the Phoenicians, the Rhodians, the inhabitants of Gades (the modern Cadix), or at some periods Armenians and Jews; in the case of others—a more numerous group—trade was only one of the occupations in which from time to time a considerable part of the population engaged, travelling abroad, sometimes with their families, over shorter or longer periods. The Hausa and the Mandingo in the Western Sudan are instances. The latter are also known as Duala, but, as recently turned out, only when trading abroad. Formerly they were taken to be a separate people by those whom they visited when trading.

Second, the organization of trade in early times must differ according to the goods carried, the distance to be travelled, the obstacles to be overcome by the carriers, the political and the ecological conditions of the venture. For this, if for no other reason, all trade is originally specific. The goods and their carriage make it so. There can be, under these conditions, no such thing as trading "in general."

Unless full weight is given to this fact, no understanding of the

early development of trading institutions is possible. The decision to acquire some kinds of goods from a definite distance and place of origin will be taken under circumstances different from those under which other kinds of goods would have to be acquired from somewhere else. Trading ventures are, for this reason, a discontinuous affair. They are restricted to concrete undertakings, which are liquidated one by one and do not tend to develop into a continuous enterprise. The Roman *societas*, like the later *commenda*, was a trade partnership limited to one undertaking. Only the *societas publicanorum*, for tax farming and contracting, was incorporated—it was the one great exception. Not before modern times were permanent trade associations known.

The specificity of trade is enhanced in the natural course of things by the necessity of acquiring the imported goods with exported ones. For under nonmarket conditions imports and exports tend to fall under different regimes. The process through which goods are collected for export is mostly separate from, and relatively independent of, that by which the imported goods are repartitioned. The first may be a matter of tribute or taxation or feudal gifts or under whatever other designation the goods flow to the center, while the repartitioned imports may cascade along different lines. Hammurabi's "Seisachtheia" appears to make an exception of *simu* goods, which may have sometimes been imports passed on by the king via the *tamkarum* to such tenants who wished to exchange them for their own produce. Some of the preconquest long-distance trading of the *pochteca* of the Aztec of Mesoamerica appears to carry similar features.

What nature made distinct, the market makes homogeneous. Even the difference between goods and their transportation may be obliterated, since in the market both can be bought and sold—the one in the commodity market, the other in the freight and insurance market. In either case there is supply and demand, and prices are formed in the same fashion. Carrying and goods, these constituents of trade, acquire a common denominator in terms of cost. Preoccupation with the market and its artificial homogeneity thus makes for good economic theory rather than for good economic history. Eventually, we will find that trade routes, too, as well as means of transportation may be of no less incisive importance for the institutional forms of trade than the types of goods carried. For in all these cases the geographical and technological conditions interpenetrate with the social structure.

According to the rationale of two-sidedness we meet with three main types of trade: gift trade, administered trade, and market trade.

Gift trade links the partners in relationships of reciprocity, such as: guest friends; Kula partners; visiting parties. Over millennia trade between empires was carried on as gift trade—no other rationale of two-sidedness would have met quite as well the needs of the situation. The organization of trading is here usually ceremonial, involving mutual presentation; embassies; political dealings between chiefs or kings. The goods are treasure, objects of élite circulation; in the border case of visiting parties they may be of a more “democratic” character. But contacts are tenuous and exchanges few and far between.

Administered trade has its firm foundation in treaty relationships that are more or less formal. Since on both sides the import interest is as a rule determinative, trading runs through government-controlled channels. The export trade is usually organized in a similar way. Consequently, the whole of trade is carried on by administrative methods. This extends to the manner in which business is transacted, including arrangements concerning “rates” or proportions of the units exchanged; port facilities; weighing; checking of quality; the physical exchange of the goods; storage; safekeeping; the control of the trading personnel; regulation of “payments”; credits; price differentials. Some of these matters would naturally be linked with the collection of the export goods and the repartition of the imported ones, both belonging to the redistributive sphere of the domestic economy. The goods that are mutually imported are standardized in regard to quality and package, weight, and other easily ascertainable criteria. Only such “trade goods” can be traded. Equivalencies are set out in simple unit relations; in principle, trade is one-to-one.

Higgling and haggling is not part of the proceedings; equivalencies are set once and for all. But since to meet changing circumstances adjustments cannot be avoided, higgling-haggling is practiced only on *other items than price*, such as measures, quality, or means of payment. Endless arguments are possible about the quality of the foodstuffs, the capacity and weight of the units employed, the proportions of the currencies if different ones are jointly used. Even “profits” are often “bar-gained.” The rationale of the procedure is, of course, to keep prices unchanged; if they must adjust to actual supply situations, as in an emergency, this is phrased as trading two-to-one or two-and-a-half-to-

one, or, as we would say, at 100 per cent or 150 per cent profit. This method of haggling on profits at stable prices, which may have been fairly general in archaic society, is well authenticated from the Central Sudan as late as the nineteenth century.

Administered trade presupposes relatively permanent trading bodies such as governments or at least companies chartered by them. The understanding with the natives may be tacit, as in the case of traditional or customary relationships. Between sovereign bodies, however, trade assumes formal treaties even in the relatively early times of the second millennium B.C.

Once established in a region, under solemn protection of the gods, administrative forms of trade may be practiced without any previous treaty. The main institution, as we now begin to realize, is the port of trade, as we here call this site of all administered foreign trade. The port of trade offers military security to the inland power; civil protection to the foreign trader; facilities of anchorage, debarkation and storage; the benefit of judicial authorities; agreement on the goods to be traded; agreement concerning the “proportions” of the different trade goods in the mixed packages or “sortings.”

Market trade is the third typical form of trading. Here exchange is the form of integration that relates the partners to each other. This comparatively modern variant of trade released a torrent of material wealth over Western Europe and North America. Though presently in recession, it is still by far the most important of all. The range of tradable goods—the commodities—is practically unlimited and the organization of market trade follows the lines traced out by the supply-demand-price mechanism. The market mechanism shows its immense range of application by being adaptable to the handling not only of goods, but of every element of trade itself—storage, transportation, risk, credit, payments, etc.—through the forming of special markets for freight, insurance, short-term credit, capital, warehouse space, banking facilities, and so on.

The main interest of the economic historian today turns towards the questions: When and how did trade become linked with markets? At what time and place do we meet the general result known as market trade?

Strictly speaking, such questions are precluded under the sway of catallactic logic, which tends to fuse trade and market inseparably.

## 2. MONEY USES

The catallactic definition of money is that of means of indirect exchange. Modern money is used for payment and as a "standard" precisely because it is a means of exchange. Thus our money is "all-purpose" money. Other uses of money are merely unimportant variants of its exchange use, and all money uses are dependent upon the existence of markets.

The substantive definition of money, like that of trade, is independent of markets. It is derived from definite uses to which quantifiable objects are put. These uses are payment, standard and exchange. Money, therefore, is defined here as quantifiable objects employed in any one or several of these uses. The question is whether independent definitions of those uses are possible.

The definitions of the various money uses contain two criteria: the sociologically defined situation in which the use arises, and the operation performed with the money objects in that situation.

Payment is the discharge of obligations in which quantifiable objects change hands. The situation refers here not to one kind of obligation only, but to several of them, since only if an object is used to discharge more than one obligation can we speak of it as "means of payment" in the distinctive sense of the term (otherwise merely an obligation to be discharged in kind is so discharged).

The payment use of money belongs to its most common uses in early times. The obligations do not here commonly spring from transactions. In unstratified primitive society payments are regularly made in connection with the institutions of bride price, blood money, and fines. In archaic society such payments continue, but they are overshadowed by customary dues, taxes, rent and tribute that give rise to payments on the largest scale.

The standard, or accounting use of money is the equating of amounts of different kinds of goods for definite purposes. The "situation" is either barter or the storage and management of staples; the "operation" consists in the attaching of numerical tags to the various objects to facilitate the manipulation of those objects. Thus in the case of barter, the summation of objects on either side can eventually be equated; in the case of the management of staples a possibility of planning, balancing, budgeting, as well as general accounting is attained.

The standard use of money is essential to the elasticity of a redistributive system. The equating of such staples as barley, oil and wool in which taxes or rent have to be paid or alternatively rations or wages may be claimed is vital, since it ensures the possibility of choice between the different staples for payer and claimant alike. At the same time the precondition of large scale finance "in kind" is created, which presupposes the notion of funds and balances, in other words, the interchangeability of staples.

The exchange use of money arises out of a need for quantifiable objects for indirect exchange. The "operation" consists in acquiring units of such objects through direct exchange, in order to acquire the desired objects through a further act of exchange. Sometimes the money objects are available from the start, and the twofold exchange is merely designed to net an increased amount of the same objects. Such a use of quantifiable objects develops not from random acts of barter—a favored fancy of eighteenth century rationalism—but rather in connection with organized trade, especially in markets. In the absence of markets the exchange use of money is no more than a subordinate culture trait. The surprising reluctance of the great trading peoples of antiquity such as Tyre and Carthage to adopt coins, that new form of money eminently suited for exchange, may have been due to the fact that the trading ports of the commercial empires were not organized as markets, but as "ports of trade."

Two extensions of the meaning of money should be noted. The one extends the definition of money other than physical objects, namely, ideal units; the other comprises alongside of the three conventional money uses, also the use of money objects as operational devices.

Ideal units are mere verbalizations or written symbols employed as if they were quantifiable units, mainly for payment or as a standard. The "operation" consists in the manipulation of debt accounts according to the rules of the game. Such accounts are common facts of primitive life and not, as was often believed, peculiar to monetarized economies. The earliest temple economies of Mesopotamia as well as the early Assyrian traders practiced the clearing of accounts without the intervention of money objects.

At the other end it seemed advisable not to omit the mention of operational devices among money uses, exceptional though they be. Occasionally quantifiable objects are used in archaic society for arithmetical, statistical, taxational, administrative or other non-monetary

purposes connected with economic life. In eighteenth-century Whydah cowrie money was used for statistical ends, and *damba* beans (never employed as money) served as a gold weight and, in that capacity, were cleverly used as a device for accountancy.

Early money is, as we saw, special-purpose money. Different kinds of objects are employed in the different money uses; moreover, the uses are instituted independently of one another. The implications are of the most far-reaching nature. There is, for instance, no contradiction involved in "paying" with a means with which one cannot buy, nor in employing objects as a "standard" which are not used as a means of exchange. In Hammurabi's Babylonia barley was the means of payment; silver was the universal standard; in exchange, of which there was very little, both were used alongside of oil, wool, and some other staples. It becomes apparent why money uses—like trade activities—can reach an almost unlimited level of development, not only outside of market-dominated economies, but in the very absence of markets.

### 3. MARKET ELEMENTS

Now, the market itself. Catalactically, the market is the *locus* of exchange; market and exchange are co-extensive. For under the catalactic postulate economic life is both reducible to acts of exchange effected through higgling-haggling and it is embodied in markets. Exchange is thus described as *the* economic relationship, with the market as *the* economic institution. The definition of the market derives logically from the catalactic premises.

Under the substantive range of terms, market and exchange have independent empirical characteristics. What then is here the meaning of exchange and market? And to what extent are they necessarily connected?

Exchange, substantively defined, is the mutual appropriative movement of goods between hands. Such a movement as we saw may occur either at set rates or at bargained rates. The latter only is the result of higgling-haggling between the partners.

Whenever, then, there is exchange, there is a rate. This remains true whether the rate be bargained or set. It will be noted that exchange at bargained prices is identical with catalactic exchange or "exchange as a form of integration." This kind of exchange alone is typically

limited to a definite type of market institution, namely price-making markets.

Market institutions shall be defined as institutions comprising a supply crowd or a demand crowd or both. Supply crowds and demand crowds, again, shall be defined as a multiplicity of hands desirous to acquire, or alternatively, to dispose of, goods in exchange. Although market institutions, therefore, are exchange institutions, market and exchange are *not* coterminous. Exchange at set rates occurs under reciprocal or redistributive forms of integration; exchange at bargained rates, as we said, is limited to price-making markets. It may seem paradoxical that exchange at set rates should be compatible with any form of integration except that of exchange: yet this follows logically since only bargained exchange represents exchange in the catalactic sense of the term, in which it is a form of integration.

The best way of approaching the world of market institutions appears to be in terms of "market elements." Eventually, this will not only serve as a guide through the variety of configurations subsumed under the name of markets and market type institutions, but also as a tool with which to dissect some of the conventional concepts that obstruct our understanding of those institutions.

Two market elements should be regarded as specific, namely, supply crowds and demand crowds; if either is present, we shall speak of a market institution (if both are present, we call it a market, if one of them only, a market-type institution). Next in importance is the element of equivalency, i.e., the rate of the exchange; according to the character of the equivalency, markets are set-price markets or price-making markets.

Competition is another characteristic of some market institutions, such as price-making markets and auctions, but in contrast to equivalencies, economic competition is restricted to markets. Finally, there are elements that can be designated as functional. Regularly they occur apart from market institutions, but if they make their appearance alongside of supply crowds or demand crowds, they pattern out those institutions in a manner that may be of great practical relevance. Amongst these functional elements are physical site, goods present, custom and law.

This diversity of market institutions was in recent times obscured in the name of the formal concept of a supply-demand-price mechanism. No wonder that it is in regard to the pivotal terms of supply, de-

mand and price that the substantive approach leads to a significant widening of our outlook.

Supply crowds and demand crowds were referred to above as separate and distinct market elements. In regard to the modern market this would be, of course, inadmissible; here there is a price level at which bears turn bulls, and another price level at which the miracle is reversed. This has induced many to overlook the fact that buyers and sellers are separate in any other than the modern type of market. This again gave support to a twofold misconception. Firstly, "supply and demand" appeared as combined elemental forces while actually each consisted of two very different components, namely, an amount of goods, on the one hand, and a number of persons, related as buyers and sellers to those goods, on the other. Secondly, "supply and demand" seemed inseparable like Siamese twins, while actually forming distinct groups of persons, according to whether they disposed of the goods as of resources, or sought them as requirements. Supply crowds and demand crowds need not therefore be present together. When, for instance, booty is auctioned by the victorious general to the highest bidder only a demand crowd is in evidence; similarly, only a supply crowd is met with when contracts are assigned to the lowest submission. Yet auctions and submissions were widespread in archaic society, and in ancient Greece auctions ranked amongst the precursors of markets proper. This distinctness of "supply" and "demand" crowds shaped the organization of all premodern market institutions.

As to the market element commonly called "price," it was here subsumed under the category of equivalencies. The use of this general term should help avoid misunderstandings. Price suggests fluctuation, while equivalency lacks this association. The very phrase "set" or "fixed" price suggests that the price, before being fixed or set was apt to change. Thus language itself makes it difficult to convey the true state of affairs, namely, that "price" is originally a rigidly fixed quantity, in the absence of which trading cannot start. Changing or fluctuating prices of a competitive character are a comparatively recent development and their emergence forms one of the main interests of the economic history of antiquity. Traditionally, the sequence was supposed to be the reverse: price was conceived of as the result of trade and exchange, not as their precondition.

"Price" is the designation of quantitative ratios between goods of different kinds, effected through barter or higgling-haggling. It is that

form of equivalency which is characteristic of economies that are integrated through exchange. But equivalencies are by no means restricted to exchange relations. Under a redistributive form of integration equivalencies are also common. They designate the quantitative relationship between goods of different kinds that are acceptable in payment of taxes, rents, dues, fines, or that denote qualifications for a civic status dependent on a property census. Also the equivalency may set the ratio at which wages or rations in kind can be claimed, at the beneficiary's choosing. The elasticity of a system of staple finance—the planning, balancing and accounting—hinges on this device. The equivalency here denotes not what should be given for another good, but what can be claimed *instead* of it. Under reciprocative forms of integration, again, equivalencies determine the amount that is "adequate" in relation to the symmetrically placed party. Clearly, this behavioral context is different from either exchange or redistribution.

Price systems, as they develop over time, may contain layers of equivalencies that historically originated under different forms of integration. Hellenistic market prices show ample evidence of having derived from redistributive equivalencies of the cuneiform civilizations that preceded them. The thirty pieces of silver received by Judas as the price of a man for betraying Jesus was a close variant of the equivalency of a slave as set out in Hammurabi's Code some 1700 years earlier. Soviet redistributive equivalencies, on the other hand, for a long time echoed nineteenth century world market prices. These, too, in their turn, had their predecessors. Max Weber remarked that for lack of a costing basis Western capitalism would not have been possible but for the medieval network of statuated and regulated prices, customary rents, etc., a legacy of gild and manor. Thus price systems may have an institutional history of their own in terms of the types of equivalencies that entered into their making.

It is with the help of noncatalactic concepts of trade, money and markets of this kind that such fundamental problems of economic and social history as the origin of fluctuating prices and the development of market trading can best be tackled and, as we hope, eventually resolved.

To conclude: A critical survey of the catalactic definitions of trade, money and market should make available a number of concepts which form the raw material of the social sciences in their economic aspect. The bearing of this recognition on questions of theory, policy and out-

look should be viewed in the light of the gradual institutional transformation that has been in progress since the first World War. Even in regard to the market system itself, the market as the sole frame of reference is somewhat out of date. Yet, as should be more clearly realized than it sometimes has been in the past, the market cannot be superseded as a general frame of reference unless the social sciences succeed in developing a wider frame of reference to which the market itself is referable. This indeed is our main intellectual task today in the field of economic studies. As we have attempted to show, such a conceptual structure will have to be grounded on the substantive meaning of economic.

*Karl Polanyi*

#### *Note to Chapter XIII*

1. The uncritical employment of the compound concept fostered what may well be called the "economistic fallacy." It consisted in an artificial identification of the economy with its market form. From Hume and Spencer to Frank H. Knight and Northrop, social thought suffered from this limitation wherever it touched on the economy. Lionel Robbins' essay (1932), though useful to economists, fatefully distorted the problem. In the field of anthropology Melville Herskovits' recent work (1952) represents a relapse after his pioneering effort of 1940.

## XIV

# *Sociology and the Substantive View of the Economy*

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EVER since Comte first introduced "sociology" to designate the then new science of society, the term has denoted the discipline whose subject matter is the interrelations among the sundry social processes constituting society. One of the more important of these processes is the economy, for through it the members of society receive a continuous supply of want-satisfying material means. Yet, sociologists have shown rather little originality in developing basic conceptions of this fundamental process. Instead, they have taken economic theory for their point of departure and thereby made the uncritical assumption that rational action and the market are the source and form respectively of the economic process. As a result, economies diverging from the format of the market model are dismissed in advance from serious examination, being viewed instead either as merely curious illustrations of how archaic "traditionalism" curbs the expression of rationality or, among the more skeptical, as substantiating the belief that for a number of "economic" problems orthodox theory needs to be supplemented by sociological propositions.

Such easy renderings of the many "deviations" from the market model have for too long marked sociological discussions of the econ-