5 Toward an alternative economy: Reconsidering the market, money, and value

Jean-Michel Servet

Karl Polanyi is widely invoked by critics of the extension and intensification of market exchange.[1] Neoliberal globalization is now seen as another attempt to revive the self-regulating market system at all levels, from the local to the global, comparable to the national and international experience of European societies from 1830 to 1930 analyzed in *The Great Transformation* (Polanyi 1944). This work presents a number of possible outcomes, and various lessons may be drawn from it for social struggles and policies today. More than half a century after its publication, can we go further with its theoretical and political arguments? In his preface to the first edition of *The Great Transformation*, when speaking of the establishment of the United Nations, Robert Morrison MacIver[2] notes pertinently:

> Such liberal formulas as "world peace through world trade" will not suffice. If we are content with such formulas we are the victims of a dangerous and deceptive simplification. Neither a national nor an international system can depend on automatic regulation. Balanced budgets and free enterprise and world commerce and international clearing houses and currencies maintained at par will not guarantee an international order. Society alone can guarantee it; international society must also be discovered. (MacIver 1944: xi)

The same observation might be made with regard to structural adjustment, the "Washington consensus" and the World Trade Organization. It might be supposed that Polanyi's critique of market relations and his political proposals with regard to developments in production, exchange, and finance are irrelevant today, since there has been a complete break in recent decades between his

[1] The French adjective *marchand* is translated here usually as market, sometimes as commercial. The first draft of this chapter was translated by Niall Bond of the Institute for the Study of European Transformations, London. It draws on Servet (2004, 2005, 2007). The workshops that gave rise to these publications testify to the multidisciplinary topicality of Polanyi's oeuvre in contemporary France.

[2] R. M. MacIver (1882–1970), a US sociologist who was professor in Aberdeen from 1907 to 1915, and then in Toronto before moving to Columbia University in New York in 1927. The new edition of *The Great Transformation* (2001) is prefaced by the former chief economist of the World Bank, Joseph E. Stiglitz, widely known as the author of *Globalization and its Discontents* (2002).

age and our own. Yet his arguments – not just against those who invoke the supposedly "natural" forces of the market, but also against those who merely lash out at the market without specifying concrete alternatives – have remained surprisingly topical. We can not only embrace Polanyi's critical perspective on the effects of the market system, but also his very conception of the market. His interpretation of the functioning and success of this system may be used to produce new propositions for the analysis of relations of production, exchange, and finance in contemporary societies. His definition of reciprocity is generally ignored today, although it can be particularly fruitful when contemplating an economy based on solidarity.[3] From Polanyi's analysis of the evolution of European societies I shall focus on the historically informed concepts underpinning his proposals that are worth reviving for an analysis of present-day transformations all over the world. Projects to develop community currencies[4] as one possible form of response to globalization will serve as a test of the continuing pertinence of his concepts. My aim, in short, is to extend the Polanyian critique of the market, money, and value to the analysis of contemporary societies.

This rereading of Karl Polanyi in the context of applying his concepts to the example of community currencies requires us to draw up an inventory of his thinking on market, money, and value. Some of these thoughts are clearly alive. Even if others in my view are dead, this does not mean that his overall analyses are defunct. In today's ideological context, they must be examined critically so as to produce new concepts that are better-suited for understanding how our societies function and possible alternatives. Every era has to critique earlier texts and ours is one in which globalization and neoliberalism predominate, in which it is claimed that market norms are crucial to the functioning of societies. Seen in this way, the great topicality of Polanyi's work today appears almost paradoxical. In the 1970s the idea that "the market system will no longer be self-regulating, even in principle, since it will not comprise labor, land, and money" (Polanyi 2001: 259) was widely shared.[5] The age of neoliberalism often seems to have discarded such ideas as so much ancient

[3] There is no good English translation for *économie solidaire*, since *solidarité* embraces so much more in French than its English equivalent. See entries for *économie solidaire* in Laville and Cattani (2006).

[4] These are known in France as *monnaies sociales* (Blanc 2006, Hart 2006), of which *Systèmes d'Echange Local* (SEL, Servet and Bayon 1999) or LETS (North 2006) are the best-known. But the term includes local, parallel, complementary, and alternative currencies of all kinds.

[5] In his preface to the French translation of *The Great Transformation*, Louis Dumont was able to write, even at the beginning of the neoliberal era: "The central institution of the market – considered to be self-regulating and able to command society's submission irrespective of what happens – has been swept away and no longer exists to all intents and purposes. In thousands of ways, facets of dirigisme or socialism have been introduced, and it was impossible for President Reagan to speak like Herbert Hoover, whose reign Franklin Roosevelt's New Deal definitively ended" (Dumont 1983: vi–vii).

baggage. Today, faced with neoliberalism's ideological pressures, advocates of intervention appear very much on the defensive. They demonize the market, but make few new political proposals because they have come to terms with the "market system", accepting that it is the most efficient means for producing and distributing goods and services, and for finance. Critics limit their ambitions to combating its negative effects, believing somehow that they can make it both more efficient and fairer. But was Karl Polanyi wrong, like Joseph Schumpeter (1948) in *Capitalism, Socialism and Democracy*), to refute Ludwig von Mises and Friedrich von Hayek? His critique of the basic logic of the global market system is still surprisingly topical with respect to both the environment and lifestyles:

> To allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed, even of the amount of use of purchasing power, would result in the demolition of society. […] In disposing of a man's labor power the system would, incidentally, dispose of the physical, psychological, and moral entity "man" attached to that tag. […] Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. (Polanyi 2001: 76)

If making the market system universal could have consequences as extreme as Polanyi suggests, to grasp the limitations of present-day neoliberal policies is not enough. It is time to reread this author and to reaffirm his analysis of the market system and its theoretical corollaries, money, and value.

Beyond a critique of the market

If we restrict ourselves to its recent history – as Karl Polanyi does, just like Karl Marx, Max Weber, and Joseph Schumpeter – capitalist production,[6] generally conflated with growing subordination of social relations to the "market system," might be understood as a monumental attempt to break with traditional relations of production, exchange, and finance, by ruthlessly privileging economic motives aimed at the commodification of societies and their production. The nineteenth century may be interpreted as an explosion of the economy, trade, money, and finance as autonomous spheres, while the Great Depression and the Second World War constitute an era of countertrends and about-turns, when collectives and the state (in such diverse forms as social democracy, populist, Peronist, or Marxist–Leninist movements) were vindicated and liberalism

[6] In *The Great Transformation*, the term "capitalism" has differing meanings. It is applied to the capitalism of the great merchants (p. 29) and to industrialists with employees (pp. 84, 165, 168, 175). The capitalism of 1830 is qualified as *early capitalism* (pp. 84, 166, 231), while that of 1930 is *modern capitalism* or *liberal capitalism* (pp. 245, 251). On p. 188, Polanyi distinguishes *purely commercial forms of capitalism* from the *agricultural capitalism* that preceded the *industrial capitalism* of the early eighteenth century; to the former involved home-based labor in rural areas.

reached its apotheosis in fascist states.[7] The effects of those reversals continued right through to the stagflation, increased unemployment, and workers' loss of purchasing power in the 1970s. This interventionist cycle was decisively broken during the 1980s in a new wave of globalization driven by policies of economic deregulation, privatization, and structural adjustment.

The work of Karl Polanyi is often reduced to a mere critique of commodification. But, rather than restrict ourselves to a factual presentation of events when asking *how* European societies in the nineteenth century escaped from the rules of human economic history – the absorption of the economic by the social, tight control over market relations, and the erection of barriers to the use of money – we should ask *why* Europe's development was unique, especially since the reversibility of the historical trend suggests that it is not a natural or unilinear development. From where do the will, and, above all, the capacity to achieve a transformation which, in the absence of countervailing trends would, according to Polanyi, lead to the self-destruction of human societies, come? Is this an effect of the particular interests of social groups who impose it politically on society as a whole, while claiming to defend the general interest?[8] Polanyi implies as much in passages of *The Great Transformation*:

> [The double movement] can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market – primarily, but not exclusively, the working and the landed classes. (Polanyi 2001: 138)

Is it a perverse effect of the rise of individual rights, whose positive aspect is freedom of conscience, with priority accorded to private property to the detriment of all other rights? We shall not answer such questions directly, since this would be to admit their premise, namely that from the eighteenth and nineteenth centuries onwards so-called Western societies offered real autonomy in those fields of social relations commonly referred to as "economic" and "the market." If we were to admit this common interpretation uncritically, Polanyi's extraordinary achievement in penetrating the development of European societies would be reduced to a doctrinaire belief in a purely "catallactic"[9] motivation behind economic activity, the antithesis of the perspective he offers.

7 From Karl Polanyi's perspective, National Socialism and Fascism should be distinguished from protectionism in its various forms, since they represented the logical culmination (and degeneration) of the liberal economy, not its opposite (Polanyi 2001: 244, 250).

8 For Polanyi's very broad understanding of social group see Polanyi (2001: 160).

9 This expression for activities related to exchange was often used by Polanyi.

When Karl Polanyi undertook an analysis of the evolution of the systems of production and exchange in Europe from the sixteenth century onward, first as a journalist in Vienna, then as a teacher in England, and subsequently as a researcher in the United States, his purpose was to reveal to his contemporaries a possible path other than that of the doctrine of individual interest, capitalist appropriation, and accumulation, to prove that the categories of economics were the product of an exceptional historical situation rather than universal, and to show that normal societies were founded on something other than the catallactic prejudice, lucrative destruction, and formal rationality of *Homo economicus*. This was the matrix for *The Great Transformation*. Then, benefiting from the expertise and collaboration of his colleagues, for the most part anthropologists, archaeologists, and historians, he undertook the vast project of constructing an economic anthropology of human societies, rejecting the dominant prejudices of economists. As a result, Polanyi realized a new interpretation of the historical and anthropological foundations of what is substantively "economic." When applied to societies and epochs other than European societies based on the institution of private property and capitalist accumulation in *Trade and Market in the Early Empires* (Polanyi, Arensberg and Pearson 1957), the result appeared to represent a compromise with the economists participating in the interdisciplinary project, something of a departure from his position in *The Great Transformation,* leaving the hard core of economic knowledge untouched when it comes to interpreting the workings of contemporary exchange.

Polanyi debunked the Robinson Crusoe myth of classical theory as an antiquated relic. From time to time economists claim to revive it, proposing pedagogical models from game theory, neoinstitutionalism, or the simplifications of ultra neoliberalism. At best, the concepts of economic science, in as much as their potential application is reduced to the societies and cultures where they arose, remain more or less efficient tools for understanding the rationality of contemporary institutions and economic behavior. Economic anthropology has drawn inspiration from more humane social forms based on a different logic and concluded that not all human societies have functioned exclusively on the basis of the mercantile motive, that the capitalist mode of production, exchange, and finance jeopardizes the future of humanity, and that it is possible to reverse the process, since the world did not always work that way.[10]

Even so, an interpretation of Polanyi that stresses his importance for anthropology seems one-sided, since it blinds us to his fundamental critique of classical economic doctrine. Denunciations of the damage caused by the development

[10] "In effect, the disintegration of a uniform market economy is already giving rise to a variety of new societies" (Polanyi 2001: 260). According to Louis Dumont, in his preface to the French translation (Dumont 1983: i–ii), the German term "*Umwandlung*" [turn-around] is a more precise rendition of the idea Karl Polanyi sought to convey with the English word, *transformation*.

of the “market economy” are as essential to belief in it as praise of its potential for progress. Critical analysis of the market system is not advanced by mere denunciation of its supposed negative effects; and Polanyi’s work would be of scant importance if it were nothing more than that. How then could he claim that the market and socialism are compatible? His account of the social consequences of the market system undoubtedly provides the emotional impetus needed to break with the doctrines of classical economics; but an antieconomic romanticism based on exotic historical, archaeological, philological, or ethnological examples cannot constitute a scientific program. Its politics would be limited to yearning for a return to a protector state or to romanticizing place-based *communitas*; but to show blind faith in either the all-encompassing state or local solutions to all problems is to neglect the complexity of society and the need to resolve problems at the level they occur.

Karl Polanyi’s scientific project, his spiritual posture, his engagement with a democratic, decentralizing, and humanist socialism, and with the study of societies that were then considered to lie outside the modern world reveal his vision to be not limited in this way.[11] His work opens up productive channels for the critique of economic doctrine. A number of so-called “alternative” political programs are petering out today largely because of their inability to go beyond denouncing the market and its effects. Polanyi’s essential break with orthodoxy lies in his deconstruction of the concept of the market. We will see that he splits this category into antithetical logics: “the market” is a *belief* and not a scientific concept. With this distinction in mind, we can then sort the wheat from the chaff when redefining a hierarchy of individual and collective rights of access to goods and services. On this basis, we can conceive of a principle of subsidiarity, taking in all levels from the top to the bottom of society, which delegates powers to the level appropriate for resolving the problems human communities face. In this way rereading Polanyi can help us to deconstruct the very concept of the market and thereby to consider the future of our exchange practices in a new light.

The fictitious commodities

In *The Great Transformation*, Karl Polanyi makes a distinction between markets and the market system[12] and frequently describes land, labor, and money as “fictitious commodities.” The vast movement that took place first in Europe and North America, then throughout the planet, to commodify land, labor, and the means of payment – the basic elements of production, exchange,

[11] Polanyi Levitt (2005: 2).
[12] The index (p. 305 *sq.*) contains entries such as: *Market economy*, *Market system*, *Markets* alongside *Commercial revolution*, *Commercial society*, *Commodity fiction*, *Commodity money*, *Commodity prices*, *Exchange*, *Exchanges,* and *Trade*.

and finance – must be understood as the imaginary product of belief in a world market; and the "law of competition" is a multifarious expression of this Utopia. For Polanyi, the expression "fiction" applies to land, money, and work when these essential sources of wealth are bought and sold just like any other commodity in the interest of maximizing profit and reducing costs, being subject to the same kind of calculation. He emphasizes that the meaning he gives to the adjective "fictitious" is different from the commodity fetishism analyzed by Karl Marx (1867) in *Capital,* since Marx was here concerned with value in the economic sense (Polanyi 2001: 76). If *fictitious* and *fiction* are to have a meaning, it is that Polanyi's main purpose was not to describe or critique the real effects of the market system, but rather the ideal construction of this principle.[13] It is that Polanyi's main purpose was not to describe or critique the real effects of the market system, but rather the ideal construction of this principle. To deconstruct that principle is to undermine our belief in it and its practical efficacity for the institution of social relations.

For Polanyi, then, the economy should not be understood as a dimension or aspect of the social that we could claim, like Karl Marx, to analyze scientifically, but as a way that society represents itself, making a particular type of logic its autonomous core. Words replace things in a world that has entered into a sort of madness, through the inversion of signifier and signified. Belief in a special kind of rationality lends unity to practices that appear together as "the market." The market system as a unifying abstract category, that is, the totality of exchange transactions, is only real to the extent that we believe in its existence; and economists who claim that their knowledge is based on describing the real world merely promote mystification. This fiction of the market economy, moreover, supports the attribution of an "economic" value to property rights and the products of labor, when this value is really a product of the imagination. The imaginary character of each kind of market (the labor market, the property market, the money market, and so on) makes the state's role indispensable to the functioning of what are in reality pseudo-markets.[14] It is as a work of the imagination that they are brought together in a single category. Accordingly, in what follows, we will break up "the market" by distinguishing two kinds of logic essential to its functioning: the logic of the marketplace and the logic of customer ties.[15]

[13] *The New Oxford Thesaurus of English* (2000) associates *fiction* negatively with *works of the imagination* and *untruth* or *invention*; and *fictitious* with *false*, *fake*, *untrue* (p. 358).

[14] Polanyi (2001: 155) emphasizes that they are instituted by the state. It is noteworthy that those who claim to defend the laws of the market as a quasi-natural form of organization, take recourse to law, both at the World Trade Organization and the European Union, for instance, so as to ensure that for international trade the technical and social norms of the manufacturing country rather than those of the consumers apply.

[15] The relations established between buyers and sellers through "custom" are perhaps expressed better by the term "ties," with its sense of mutual dependency, than by "customer relations," which today implies a sort of Public Relations (PR) through which firms manipulate their clients.

If, as Karl Polanyi claims, the production of land, labor, and money as commodities is a fiction, we should not forget that this vast scheme is extraordinarily efficient. But, given the essential role of these fictitious commodities in the system of production, the revelation of their fictitious nature should cast doubt on the whole system, especially since no other commodity can be produced without them. If the market system does not reduce complex reality to an abstraction (as we are prone to believe), our task then becomes to seek out the social constants that determine the modern forms of what we imagine to be "economic," such as the social forms of exchange, the institutional means for transferring goods and services, and even the limits imposed on money's circulation; these limitations did not exist only in ancient societies. This reading of Karl Polanyi thus opens up new paths for archaeological, anthropological, and historical studies. Many scholars who criticize him on the basis of what they call facts have simply not understood his radical critique. This vision allows us to bring a new analysis to bear on institutions and behavior in modern societies believed to be economic, particularly when they pertain to markets and money. Such an analysis would emphasize the variety of forms of exchange and transfer of goods. The problems of the market can only be understood if we call into question belief in the autonomy of the economy; in other words, if the economy is conceived not as a reality, but as a certain way of looking at beings and things – as an ideology, as a logic of ideas and representation, in short as a belief system. We can only escape the market's dominance by adopting a different perspective. If we wish to generate practical alternatives to the market, rather than just opposing its effects as a living disaster, we must embrace ideological deconstruction along these lines.

A nonevolutionary vision of the principles of economic integration

According to Polanyi, there exists in all societies a multiplicity of forms for transferring material and immaterial goods. He recognized three concomitant forms of access to goods and services: reciprocity, administered redistribution, and the market. (In *The Great Transformation* he included "householding," only to withdraw it in later work; see Gregory, Chapter 8 in this volume.) In contemporary societies, many forms of transferring material and immaterial goods are conceived as belonging exclusively to the market. As a horizontal mechanism for coordinating the supply and demand of goods, services, and money, and for distributing income, the market is opposed – on the one hand – to whatever is offered "free of charge" and to the state's role of vertical coordination when levying taxes and redistributing income – on the other. This classification is hardly sufficient if we wish to develop "the market" as a relevant category.

Karl Polanyi's main contribution was to expose this widespread modern confusion of all forms of reciprocity, exchange, or circulation with the market. This conflation endows the market with universality in space and time, the first manifestations of which are supposedly "primitive barter." He shows that, although often limited in scale, the circulation of goods and services between groups and people is as ancient as human society and in no way depends on whether the transfer is commercial and competitive or not. Different institutional frameworks organize the circulation of goods according to the specific logics of market, redistribution, and reciprocity, often in combination.

The modern custom is to extend the opposition of gift and market to all human societies. The fact that gifts are generally followed by an immediate or deferred return or by imaginary substitutes (such as deference under conditions of dependency) substantially circumscribes the freedom of actors, unlike a marketed good or service which thereby acquires a universal definition. This claim is all the more remarkable given that what we mean by this one word is rarely found in ancient and non-Western societies, where there are generally multiple terms to describe the social relations involved in transfers. We cannot reduce the difference between reciprocity and market exchange to the sole criterion of whether money payment is involved or not. That would be to reduce reciprocity to a simple economic category for certain forms of transfer. The new institutional economics treats gift, market, and redistribution as complementary forms of the transfer of goods determined by variable transaction costs; but this reductionism is an impediment to analysis.

In *The Great Transformation*, the market is not treated as a single unitary category. Rather, Polanyi distinguishes (2001: 61–7) between *long-distance trade* and *local* or *internal markets*. Each of these institutions could exist separately, serving different types of function and need, while remaining subordinate for a long time to logics other than competition and only exceptionally embracing it. Boundaries were constructed to demarcate different types of exchange within limits compatible with the reproduction of other institutions in society. According to Polanyi, such practices prevailed in Europe until the eighteenth century, with "mercantilist" states regulating domestic trade through a proliferation of laws. The expansion of one form of transfer at the expense of another could in no way be described as a natural evolution.

This attack on the common belief in the market as a transhistorical institution is important because the market idea is often associated with those of private property and individual freedom. In fact, private ownership and other forms of property rights each correspond to specific categories of market. Politicians often invoke "the market economy" to defend private property rights, a conservative justification for inherited inequalities in fortune that ignores destruction of the environment and of established ways of life. How goods and services are circulated and how they are held as property are two different issues. Circulation of products through the market is compatible with extremely heterogeneous forms of appropriation and with a variety of degrees of personal freedom or constraint. Polanyi insisted that the state necessarily intervened in establishing a market economy from the 1830s to the 1930s. He also showed how the fascist states presented themselves as a solution to the contradictions of the market system, by defending private property and organizing the commercial circulation of goods and services. The fact that economic liberalism led to fascism while socialism made a clean break with it shows the error in confusing modes of circulation with modes of appropriation.

Finance has provided a model for understanding and instituting competitive markets. In modern societies, financial markets appear to be the most efficient response to market organization, offering a theoretical archetype of the competitive economy in general – hence their strategic importance in the first two chapters of *The Great Transformation* (see Hart, Chapter 6 in this volume). Yet they are the most regulated of all markets, subject to massive intervention by state-related institutions to limit their potential for excess. The market's limits are revealed by the impossibility of producing and reproducing land, labor, and money as commodities, and by the need for state intervention to create *any* supposedly self-regulating markets. Indeed the state seems to be a precondition for markets to exist as allegedly autonomous institutions at all.

For reciprocity to exist, in contrast to commercial or profit-seeking relationships, the exchange partners should be voluntarily complementary and interdependent (Polanyi 2001: 50–1). In Polanyi's words, "Reciprocity is aided by a symmetrical pattern of organization" (Polanyi 2001: 59). The elements of symmetric figures are reciprocally equal, but their complementarity within a whole makes their superimposition impossible. They are not interchangeable or commutable, like buyers and sellers in the market, whose functions are supposed to be unrelated to status or hierarchy. Seen from this perspective, the market and reciprocity are antinomies. An economy based on solidarity may privilege reciprocity, but this does not preclude other logics of production, circulation, and finance. The difference between the model of the market and principles such as *autarky*, *reciprocity*, and *redistribution* is that the latter have not acquired autonomy through an institutional form designed for that purpose (Polanyi 2001: 59). Their institutions have religious, political, military, and other functions, with no direct link to production, exchange, and finance. They do not seek to absorb social, cultural, and spiritual forms by reducing their functioning to mere economic constraints.

The logic of the marketplace versus the logic of customer ties

Polanyi refused to contrast a unitary category of the market with other forms since, when he studied historical societies, especially ancient Greece and the

African kingdom of Abomey in the eighteenth and nineteenth centuries, he opposed the *market* to *trade*, extending the distinctions he made in *The Great Transformation* between *long-distance trade*, *local markets*, and *internal markets*. If the marketplace can, at first sight, be included within the modern category of the market, which it appears to exemplify, trade is distinct from the market because its rational exchanges are framed by sophisticated administration under the control of political authorities. Although Polanyi may be read as having concluded that the trade–market dichotomy has gradually disappeared, I prefer to reactivate it for modern societies by distinguishing between two opposed logics of exchange, one that I call "marketplace" and the other "customer ties." I contrast these logics, even though they can coexist within the same institutions, one forcing on the other a compromise that is necessary for its functioning. This subordinate relationship may be reversed, if we follow Polanyi's nonevolutionary approach to the modes of access to goods. It is a question of different principles, each with its own logic and system of legitimation,[16] not of the market as a scientific abstraction.

The anonymity that prevails in the marketplace at one point in time is supposed to neutralize social identities and differences between actors. This appears to be a social prerequisite of the exchange, whose character is horizontal rather than hierarchical. Ordinary hierarchies and relations of domination are suspended during the exchange. Provisionally, each party to the transaction becomes the other's equal (i.e. a possible substitute). The conceptual space of this exchange is not a private space belonging only to the participants in the exchange. It is also public, a fictitious world of "individuals," who are likewise supposed to be equivalent.[17] Equality is a norm and a rule of behavior in this marketplace. Differences in status and fortune are temporarily replaced by a citizenship of exchange relations, in the name of an ideal of substitutable equivalents. These citizens are utilitarian consumers and producers, undifferentiated by gender, hierarchical relations or interdependence, or solidarity.

Economics, originally known as "political economy," was built on this egalitarian utopia of the marketplace, eliminating other forms of transfer and remuneration. The market contract, a prerequisite to establishing the convention of equivalence between two partners to an exchange, is made as though there were no debt before or afterward, and certainly no obligations beyond the economic. Payment is a reciprocal operation of debit and credit that is instantly

[16] See Boltanski and Thévenot (1991).

[17] We should distinguish here between the individual and the person, and note that most economists confuse the two and misuse the term "individual." The person, which means "mask" in Latin, presents different facets and is only defined through relations with other members of the groups to which the person belongs. The individual is supposed to have unique characteristics making it possible to define him or her without reference to others. A person has desires, while an individual has needs.

concluded: the transfer of money releases the parties from all other obligations of hierarchy or solidarity.

In the microsociety of the founding texts of economics it is assumed that market exchange is, or must become, the main activity, thereby reducing people to vectors of mutually autonomous, individual economic motives. This myth grants legitimacy and value to the eager pursuit of material goods and services (under the pressure of need) and to all activities leading to their accumulation by individuals acting in their own utilitarian self-interest. Everyone must defend his particular interests; there is no *social whole* expressing shared interests that have been set in a hierarchy as recognized relations of solidarity and interdependence; at the most, there is a sum of interests. Solidarity is generated mechanically and objectively out of the interdependence of actions, not from conscious motives. The pursuit of interests described as "economic" (which boil down to cupidity, avarice, and greed) is judged positively, in contrast to the actions of those who defend the interests of the "collective" and work within the political order; the latter are negatively represented as pursuing only their own self-interest.[18] This channeling of individual and egocentric interests by "the market" is presented as a more effective restraint on "passions" than appeals to reason, duty, morality, or religion. Thus, the virtues of the good tradesman are opposed to the mad passions of powerful elites and the populace at large, with the aim of endowing commercial activities that had been despised for so long with legitimacy and prestige. The market is presented as a civilizing agent and the merchant as the prototype of a self-interested individual.

In fact, when we observe buyers and sellers and how prices are set, it is plain that trade at the local and international level diverges radically from this presumed logic of the "marketplace."[19] Neoinstitutional economics and game theory try to account for other dimensions of exchange, without breaking with the illusion of the market's unity as a category. We will designate this dimension, an approach to exchange altogether different from the logic of the marketplace, as "customer ties." In this view, sellers discriminate between buyers in an attempt to generate loyalty and sustain the relationship. The contract does not render parties to the exchange uniform and equivalent, limiting their relationship to a single transaction. In contrast to the juridical interpretation of a sales contract, a major part of contemporary sales strategy consists precisely of seeking to ensure that the customer relationship is not severed, but is, rather, renewed and perpetuated. However, this acknowledgement does not imply that the relationship is part of a social whole. Customers are differentiated, but

18 See Adam Smith's praise of the pursuit of self-interest by butcher, brewer, and baker as opposed to the questionable generosity of public policy in *Wealth of Nations* (Smith 1776).

19 The present analysis aims at identifying the beliefs underlying market relations. All markets of course require social bonds and networks to function. Thus, the market of the neoliberals is a utopia.

relations are not necessarily seen as being interdependent, so that this type of exchange remains quite unlike reciprocity.

Before the nineteenth century the logic of customer ties prevailed over that of the marketplace, even in Western Europe, where hierarchy in Louis Dumont's sense predominated, and relations formed in the marketplace were relegated to a secondary mode of managed exchange. The context for modern economic practice is the gradual disappearance of hierarchical norms, as Dumont explained in his preface to the French translation of *The Great Transformation* (Dumont 1983). The norms of the marketplace generally correspond to those of *Homo aequalis* (Dumont 1977), just as customer ties may be derived partly from *Homo hierarchicus* (Dumont 1967).

Community currencies (*monnaies sociales*), as they were developed in the 1990s, illustrate well the tension between these two logics. On the one hand, the relationship between two members of a local system of exchange (LETS or SEL) is supposed to be an equal one. The group apparently accepts a market logic and each participant treats everyone as equals, thereby obscuring the hierarchy and inequality that they bring from outside the group. On the other, their relationship does not end with payment for exchange and, indeed, sustains an explicit dynamic of interdependence between members which is characteristic of customer ties. It is precisely this dynamic of renewed exchange that allows community currencies to have a multiplier effect at the local level by stimulating exchange within a group that declares itself to be sovereign.

Limits to the fungibility of money

Karl Polanyi's studies of the boundaries of exchange in ancient societies were continued by anthropologists, in particular by Paul Bohannan. Boundaries of this kind have not disappeared with modernity, but merely taken on other forms.[20] There are still moral limits to the extension of commercial relations. It was once common to sell human beings wholesale (under various forms of slavery) and to obtain honorary titles or military and religious offices against legal tender. Most members of modern societies disapprove of these practices and they have been prohibited by law; so legal frameworks restrict markets. On the other hand, the commercialization of land, labor, and money, which appears natural to most of our contemporaries, was subject to substantial limitations even in Western societies until the nineteenth century because their *free* transaction would have appeared contrary to nature (or, rather, contrary to society). It is remarkable that while Karl Marx and Friedrich Engels were denouncing commodification in *The Communist Manifesto*, a growing number of European countries were prohibiting trade in and the use of slaves in their

[20] For a topical discussion of spheres of exchange, see the interesting work of Guyer (2004).

colonies, greatly reducing the sphere of commercial practice, not for economic but for moral reasons.[21] Like Marx and Engels a century earlier, Polanyi, in *The Great Transformation*, seems not to recognize what an extraordinary limit these laws placed on the commodification of labor on Europe's periphery.[22] In ancient societies, many denounced what they considered to be excesses of commodification. Such assertions, which may be encountered in various epochs, are not reliable indicators of a real extension of the "profit-seeking sphere." Rather, they manifest shifts in the moral limits of exchange: the establishment of certain rights, goods, and activities as belonging to the field of circulation goes with the exclusion of other rights, goods, and activities from that sphere.

Polanyi understood perfectly well, drawing on ethnological publications from before the Second World War, that money cannot be reduced to what is needed for the functioning of what we call today "the market" or "trade," nor could it be limited in the imagination to being the only accepted intermediary for these transactions. Money defines norms and social relations at a more general and deeper level, and market transactions are only a part of that. These norms gained lasting and universal recognition through dowry payments, ritual offerings, instruments of political alliance – indeed, any social act that required codification and abstraction. We find here rituals of transfer and sophisticated codes, forms for conserving debts, credit, and the like – all of them requiring means of payment that correspond to established norms and units of account. Money did not emerge as a functional necessity in response to the difficulties inherent in barter at all; it did not originate directly through relations of production and exchange either. Polanyi could therefore maintain that the use of money is universal, just as the spoken word is universal among human beings. There is a plethora of dialects and languages, but all human beings can potentially use speech and its substitutes. Likewise, all human societies have monetary instruments for accounting or payment; they may vary greatly in form, but all function to establish norms for assessing value and for coordinating mutual relations at the level of society as a whole.

The general categories Polanyi applies to ancient or exotic forms of money have been validated by numerous anthropologists and archaeologists. He opposes "modern money" (*all-purpose money)* to the uses of money in antiquity or exotic money, where *special-purpose monies* were typically reserved for specific groups of people or classes of activity. Here again, we can apply Polanyi's concepts to contemporary reality to highlight the contradiction

21 Two independent countries did not abandon slavery until the end of the Civil War in the United States (1865) and in 1888 in Brazil. Slavery has still not been stamped out, if we take account of *bonded labor* as practiced in southern Asia.

22 His focus is on the transformation of European societies. Non-European societies are basically treated as lying on the periphery of Europe. Hence our surprise when we read about the "hundred years peace" of 1815–1914 (a chapter title in *The Great Transformation*).

between the supposed fungibility of money and actual practices, even in so-called "developed" societies.[23] The ancient limits were generally achieved by using differing physical instruments, while modern barriers are usually determined by sources of income and assets that can be valued by a unitary currency. As a result it is more difficult to demonstrate the barriers and limits to fungibility, which are determined morally and through use of a variety of instruments to distinguish types of expenditure, for instance, by systematically resorting to different credit cards or deposit accounts.

Community currencies offer a perfect contemporary example of how exchange may be closed off. Each local group defines a more or less extensive range of products and services that may be offered for exchange within its circuit. The purchasing power of each of these currencies is restricted to voluntary transactions between members of each local group. Only exceptionally are agreements reached between groups in order to allow for an extension of the range of trade; the national currency is completely banned.[24] In this way each group achieves a sort of monetary sovereignty.

A permanent tension exists between the apparent fungibility of monetary instruments and the moral demarcation of boundaries related to their use. Social hierarchies and moral orders, in distinguishing uses and articulating taboos, promote diversification and fragmentation of the uses of money. This does not entail, however, a complete sealing off of the instruments and uses of money, even if all societies generate such compartments. How do we explain this? Why did Polanyi think it appropriate to distinguish between *primitive money* and the *all-purpose money* of so-called "modern" societies? Where does this central feature of how modern money is commonly represented, its supposed fungibility, come from?

One hypothesis is that this representation of the universal usage of modern money, its fungibility, is a result of sovereignty (Aglietta and Orléan 1998). The theoretical equality of subjects with respect to the sovereign, the power of the issuer of a currency and belief in God make it possible to circulate a unique monetary instrument on a lasting basis. How else can we explain how non-Christians (such as Jews) in a Christian commonwealth or non-Muslims (such as Jews or Christians) in a Muslim state were able to pay taxes and to preserve their differences? By the same token, how is it possible in a caste society, where people practice intricate rituals of avoidance to the point of never eating the same dish together or where *dalits* (untouchables) are obliged in some public places to

[23] This has been a central hypothesis in work on monetary socioeconomics carried out by the Centre Walras at the University of Lyon since the mid-1990s. See Blanc's (2004), which builds on Guérin (2003); Pahl (2000); Servet and Bayon (1999); Singh (1997); Vallat (1999); Weber (2004); Zelizer (1994): see also Blanc (2006).

[24] This was the finding of Servet and Bayon (1999) for SEL in France, but in Anglophone countries it is quite commonplace for LETS groups to combine use of local and national currencies in their exchanges (Hart 2006).

drink tea from throw-away cups, while members of the so-called higher castes drink their tea in metal (and thus reusable) cups, that they still share a single form of money? Coins are nowadays exchanged readily and no one wonders who has touched them before. Similarly, in the France of the Old Regime, the universal use of money and a strong hierarchy of social groups existed side by side: there were few restrictions of access to particular types of coins according to social appurtenance (although certain social groups had no access to gold coins, for example), yet privileged groups (the nobility and the clergy) did not pay taxes that were limited to the Third Estate, because they indicated servitude and were considered to be defamatory. We also find differences in the tax obligations of the military elite, the farmers, and other social orders in the Ottoman Empire. Issues of taxation are never simply a matter of income, expressed in terms of money; they also always involve questions of status between the various classes in society. In modern democracies, the potential equality of the republic or commonwealth is expressed by treating the national currency as a medium linking "economic" subjects conceived of as equal, indeed equivalent within "the market." Notwithstanding this leveling of value in an economic order to which universal access is guaranteed through legal tender, hierarchies, and moral orders persist in the social fabric; and this is where the permanent tension between the fungibility of money and the barriers erected around money originates.

The enigma of economic value

We may now reconsider the theories of value that emerged in the foundational discourse of economics and find new meanings there, taking into account: 1. Polanyi's critique of the economists' approach to the market system; 2. the opposition we have suggested between the logic of the marketplace and that of customer ties; and 3. the moral boundaries that structure access to and the use of money. Polanyi rejected the labor theory of value, but he did not bother to elaborate any alternative, despite the fact that theories of value occupied a privileged place in debates between economists, particularly between Marxist and neoclassical ideologies, up until the 1970s .[25] The reason is clear. For him, to acknowledge a specifically economic value of commodities underlying their price would entail ignoring all the noneconomic aspects that shape production, exchange, and finance (Polanyi 2001: 42, 161–2, 205). This would hardly be compatible with his critique of materialism or with his claim that land, labor, and money are "fictitious commodities."

But power and economic value are a paradigm of social reality. […] Economic value ensures the usefulness of the goods produced; it must exist prior to the decision to

[25] Polanyi 2001: 76 note 3, 129, 132. It should be pointed out that the index does not have an entry for *value*, although we do find *prices*.

produce them […]. Its source is human wants and scarcity […]. Any opinion or desire will make us participants in the creation for power and in the constitution of economic value. (Polanyi 2001: 267)

In the eighteenth century, economists took their place in the emergent social division of knowledge production as a scholarly order entrusted with revealing the masked relations between value (essence) and prices (appearance). After all, most of them, certainly those who adhered to classical economic doctrines, claimed that goods have a value. Beyond the *value* of the "things" lie relations between the social groups engaged in exchange and their members. Thus, in most ancient societies, barter is not primarily aimed at establishing a balance between supply and demand, but at asserting the relative social status of the partners to an exchange relationship, just as the Greeks' *nomismata,* according to Aristotle in the *Nicomachean Ethics*, allowed people who were as socially distinct as an architect and a cobbler to "settle accounts."

Let us recall the myth of barter, which in substance overlapped with the first modern debates on value (Servet 2001: 15–32). This fiction of a natural price for value came relatively late and had a direct relationship with the need to identify social relations and a set of mechanisms and institutions characteristic of what was understood as a *market*. Economists of the eighteenth century, in building up their knowledge as an autonomous discipline, invented an "economic" world whose essential characteristic was that relations based on self-interest regulated the social order and all other motives for action were subordinated to them in a classification of whatever activities constituted production, exchange, and finance. The market, with the features that we have listed as typifying the marketplace, appears to be the ideal forum for exercising this particular form of rationalism, giving autonomous expression to economic motives without their being embedded in the social.[26] Thus, in early economics, value theories were opposed to the traditional hierarchy of customer ties, giving priority to new exchange relations and structuring contracts accordingly. Barter scenarios generally involve an encounter between two "individuals" supposed neither to know one another prior to the exchange nor to create bonds lasting beyond the exchange. No one lays any claim to or confirms their status before, during, or after the transaction, nor to any quality or identity, apart from their readiness to engage in the transaction and hence to be substituted by another person engaging in a similar transaction. This dual fiction of relationships without a history and based on complete equality is considered typical of "market-place" situations in modernity.[27]

[26] The metaphor, "embedded," it may be mentioned in passing, is only used by Polanyi six times in *The Great Transformation*; he expresses the same idea in a number of other ways (see Beckert, Chapter 2 and Hann, Chapter 14, this volume).

[27] "this was the result of a market-view of society which equated economics with contractual relationships, and contractual relations with freedom" (Polanyi 2001: 266).

With economic theories of value, the proportion of goods exchanged seems to be fixed not through the money imposed by the authorities (which is their measure and the means of their exchange), but on the basis of their usefulness, scarcity and the quantity of production factors necessary to produce them. In contrast to money as a unit of account, value is seen as a natural measure independent of a higher political power: people create for themselves the order they want, independent of any state or hierarchy. But these definitions of value assume that the economic actor is an individual outside society, faced with his own work or the hierarchy of his needs. Even while engaging in an exchange, he may be ignorant of the conditions in which his partner to the transaction works and of his needs, relying solely on what is offered in the course of bargaining. This ego is somehow projected on to the scarce things exchanged, whether they be desired and consumed (as utilities) or acquired and transformed (by labor). The relationship posited between value and labor creates an image of equality, freedom, and potential equivalence between human beings.[28] To acknowledge the hierarchy underlying the process of remuneration would render this equality chimerical. Utilitarian value theories ignore, for example, the effect of imitation, which makes a good infinitely more valuable when it is desired by others. Value, however defined through labor, scarcity, or utility, allows the "individual" engaged in the exchange – which the rationale of the marketplace presents as self-interested and isolated – to give full vent to his ability to calculating costs and benefits rationally and above all to choose freely. Economic theories of value (labor, utility, scarcity) developed within the framework of this myth were objective in the sense that they rationalized the relationship between a person (conceived of as by nature an egotistical individual) and a world of things where others exist only through competition for access to those things.

Beyond this rationalized construction of a supposedly objective expression of value in price, the prices of things (as opposed to relations of hierarchical subordination) created an ideology of equality among "individuals." The democratic ideal of egalitarianism, a moral value to which Karl Polanyi subscribed, conceives of people not as independent atoms with complete possession of their belongings, but as beings invested with the potential for solidarity, consciously interdependent with others (in that they are members of society with commitments) and endowed with both rights and duties, including duties toward future generations. Thus, at the heart of debates over value lay a problem that classical economics found impossible to resolve, one that was made explicit by Polanyi: namely, the problem of production and the articulation of

[28] "In a mistaken theorem of tremendous scope he [David Ricardo] invested labor with the sole capacity of constituting value, thereby reducing all conceivable transactions in economic society to the principle of equal exchange in a society of free men." (Polanyi 2001: 132).

collective and individual needs, or how to give adequate recognition to both persons and the social whole.

This issue has been made conspicuous, even acute, as a result of the unprecedented scale of globalization today. Community currencies are only one, perhaps minor response to these conditions. They give full rein to a price differentiation made possible by the fact of the circuit's autonomy and by the prevalence of intertemporal relations between members. In his or her negotiations, each participant is able to practice positive discrimination in the form of compassion or affection; the group itself may choose to impose rules equalizing the rate at which work is remunerated. All of this is based on a principle of local sovereignty that recalls some of Polanyi's (1922, 1924) arguments when he was critical of Bolshevik socialism in the 1920s. It also evokes his definition of reciprocity, based as it was on acknowledged interdependence and recognition of necessary submission to a social whole. These social experiments, echoing Polanyi's work of half a century ago, point to the possible development of an economy based on solidarity, *une économie solidaire* (Laville and Cattani 2006).