"The great economic revolutions are monetary in nature". Mauss, Polanyi and the breakdown of the neoliberal world economy

Keith Hart

Storicamente, 5 (2009).
ISSN: 1825-411X. Art. no. 19. DOI: 10.1473/stor58

Anthropology in the financial crisis

Everybody knows that we are living through a hinge moment in world history generated by the financial crisis of 2008.[1] The collapse of the credit boom has already had dramatic social consequences: the default and nationalization of banks, dramatic losses of personal savings and mortgage foreclosures on a massive scale. Where it will all end is anyone's guess. Apart from these tangible effects, the present crisis also concerns ideas about the economy. Free market economics has gained an unparalleled dominance within the academy and society more generally in the last three decades. Economists, armed with impenetrable mathematical arguments, encouraged politicians like Margaret Thatcher and Gordon Brown to claim 'there is no alternative' (TINA) to their market fundamentalism. They preached an eternally benevolent spiral, 'beyond boom and bust', guaranteed by radically reducing the role of the state and politics in distribution – the question of who gets what in the world. The collapse of this pretence has been as sudden as the paper fortunes built on it. All too often a distinction is drawn between the world of finance and the 'real economy', as if borrowing money for holidays against rising house prices and the theft of public assets by corporate predators were not real. I argue for a perspective that treats money as an integral part of society rather than as something

ISSN: 1825-411X | DOI: 10.1473/stor58

semi-detached from it [Hart 2000, 2007].

The period since the 1980s, sometimes referred to as ‘neo-liberal globalization’, has seen two apparently contradictory trends. On the one hand, for the first time significant numbers of anthropologists have studied capitalism in its central workings; on the other, the majority have become more insular and introverted, offering fragmented narratives within a narrow framework of time and space, while leaving to others questions of where the world is heading and why. The breakdown of the economists’ intellectual hegemony represents a chance for us to link our engagement with people’s lives to anthropology’s original mission to understand humanity as a whole. We have perhaps been intimidated into adopting a more blinkered posture than is warranted by our own intellectual traditions. Bruce Kapferer [2007] has recently argued that, at its best, anthropology rests on ‘the subversion of dominance’ through an emphasis on the whole, ethnographic practice and skeptical Reason. I agree. The scale of current events reminds us that the rupture between ethnography and history that launched the modern discipline needs to be mended. Then perhaps we will build more effective bridges between the everyday circumstances that we each know well and the larger unknowns that threaten to undermine us all, thereby helping to make emergent world society more meaningful.

Money is not simply issued by governments or even by the banks: a dispersed global network of financial institutions and actors of various kinds have lately joined the process of its creation in the form of a plethora of credit instruments whose global circulation (commonly known as ‘the markets’) now vastly exceeds — or at least it did until recently — the use of money to finance international trade. For all the proliferation of issuers, this still leaves the bulk of humanity discriminated against, since access to the massive flows of global capital is limited to the few. Until recently, this question of distributive justice, indeed the politics of inequality as a whole, could be treated as secondary to the imperative of leaving ‘the markets’ free to bring about an irreversible increase in global prosperity. The current

ISSN: 1825-411X | DOI: 10.1473/stor58

financial crisis affects rich countries first, but it has more general effects, through its consequences for investment and monetary creation in the rest of the world. Already the ‘emerging markets’ of Eastern Europe, Latin America and Asia are threatened with catastrophe for making their vulnerable economies depend on the house of cards that was global finance. Who wins and who loses in all this remains to be determined. It is not certain, for example, that the world’s poor will suffer most, since they have less to lose than the principal beneficiaries of the boom. But it is certain that the question of distribution will once again come to the forefront of political debate. Marx [1859] argued that, by subsuming distribution under the mechanics of exchange, liberal economists sought to disguise class exploitation as a logic of market equilibrium. The era of ‘neo-liberalism’ achieved a similar effect. Now it is obvious that market exchange has profound consequences for distribution that are far from benign and require drastic political intervention.

It seems that, along with the bankruptcy of some banks and even countries, the delegation of the power to channel credit to the private bureaucracies of contemporary finance has already lost its air of inevitability and indeed its former legitimacy. The institutions of investment banking, financial markets and professional self-regulation, with their supposedly indispensable and insuperable expertise, are now challenged on their own terms, and by the same politicians and journalists who, only a few months ago, defended them as the best or, occasionally, the least bad of all worlds. The new role of states in the crisis breaks as well with neoliberal insistence on the need to limit their influence on the distribution of money. At the same time, the global character of the crisis exposes the financial limits of each nation-state. Thus attempts by European states to act independently only show up the political weakness of their economic institutions. The US Federal Reserve has had to co-ordinate with other central banks in order to ease the access of banks to credit around the world. These phenomena reverse the economic orthodoxy concerning resource distribution that sought for three decades to release corporations from public constraints on accumulation. The challenge is both

ISSN: 1825-411X | DOI: 10.1473/stor58

political and intellectual, in that we need to devise new global institutions and to think about them in fresh ways. After decades when inequality was justified as a necessary by-product of economic growth, the popping of the credit bubble that fostered this illusion means that the issue of distribution is certain to return to centre stage.

It is no coincidence that economic anthropology was last a powerful force in the 1970s, when the world economy was plunged into depression by the energy crisis, and has been marginalized by neo-liberal hegemony ever since. Now, if ever, is the time for anthropologists to renew an engagement with political economy that went into abeyance then. The prize at stake for our discipline as a whole is much larger than the revival of one of its parts. Anthropology's highest mission is to start from where people are and go with them wherever they take you. That means engaging with their visions of the world, perhaps to catch a glimpse of the world humanity is making together. What better time to follow this imperative than when the model the world has been compelled to live by for three decades is in such disarray?

The making of world society

According to writers as varied as John Locke [1690] and Karl Marx [1859], ours is an age of money, a transitional phase in the history of humanity. Seen in this light, capitalism's historical mission is to bring cheap commodities to the masses and break down the insularity of traditional communities before being replaced by a more just society. It matters where we are in this process, but the answers given differ widely. When a third of humanity works in the fields with their hands and a similar number has never made a phone call in their lives, I would say that capitalism still has quite a way to go. My focus here is on the part played by money in the formation of world society at a time when the risks of the process have just been brutally exposed. I prefer to call this 'the new human universal' [Hart 2008a] rather than the normal term, 'globalization', even though we now face the urgent question of whether world society faces another period of disintegration

ISSN: 1825-411X | DOI: 10.1473/stor58

comparable to 1914-45 before the task of rebuilding it can again be undertaken with the seriousness that it was after 1945.

Emergent world society is the new human universal – not an idea, but the fact of our shared occupation of the planet crying out for new principles of association. The task of building a global civil society for the twenty-first century, perhaps even a federal world government, is an urgent one. Money, instead of being denigrated for its exploitive power, should be recognized for its redemptive qualities, particularly as a mediator between persons and society. Money — and the markets it sustains – is itself a human universal, with the potential to be emancipated from the social engines of inequality that it currently serves.

A lot hinges on where in the long process of human evolution we imagine the world is today. The Victorians believed that they stood at the pinnacle of civilization. I think of us as being like the first digging-stick operators, primitives stumbling into the invention of agriculture. In the late 90s, I asked what it is about us that future generations will be interested in and settled on the rapid advances then being made in forming a single interactive network linking all humanity. This has two striking features: first, the network is a highly unequal market of buyers and sellers fuelled by a money circuit that has become progressively detached from production and politics; and second, it is driven by a digital revolution whose symbol is the internet, the network of networks. So my research over the last decade has been concerned with how the forms of money and exchange are changing in the context of this communications revolution [Hart 2000].

My case for a recent speed-up of global integration rests on three developments of the last two decades: 1. the collapse of the Soviet Union, opening up the world to transnational capitalism and neoliberal economic policies; 2. the entry of China’s and India’s two billion people, a third of humanity, into the world market as powers in their own right; and 3. the abbreviation of time and distance brought about by the communications

ISSN: 1825-411X | DOI: 10.1473/stor58

revolution and the population's restless mobility. The corollary of this revolution is a counter-revolution — the reassertion of state power since September 11th and the imperialist war for oil in the Middle East, to which we may now add the strong possibility of a descent via another deflation to world war. Certainly we have regressed significantly from the hopes for equality released by the Second World War and the anti-colonial revolution that followed it. On the other hand, growing awareness of the risks for the future of life on this planet entailed in current levels and forms of economic activity might encourage more people to take globalization seriously. The ecological ('green') paradigm — manifested as concern for global warming and for total food, water and energy supplies – is powerful enough to replace market fundamentalism as the natural religion of this emergent world society.

The rise and fall of national capitalism

In order to understand the potential of our moment in history, we need to reflect on competing visions of the development of capitalism in the twentieth century and before. There is no more fruitful place to begin such reflection than Karl Polanyi's masterpiece, *The Great Transformation: the political and economic orgins of our times*, published in 1944 and largely gestated in England during the 1930s [Polanyi 2001]. It opens with a highly selective account of the making of world society in the nineteenth century, a society that Polanyi not unreasonably considered to be lying in ruins as he wrote. Money was a central feature of all four pillars of this civilization. Polanyi identified the interest that had sustained a century of peace in Europe with what he insisted on calling *haute finance*,

ISSN: 1825-411X | DOI: 10.1473/stor58

> “an institution sui generis, peculiar to the last third of the nineteenth and the first third of the twentieth century, [which] functioned as the main link between the political and economic organization of the world in this period.”[Polanyi 2001, 10]

The international gold standard “was merely an attempt to extend the domestic market system to the international field”; the balance-of-power system was a superstructure built on its foundation; and the gold standard’s fall “was the proximate cause of the catastrophe”. The self-regulating market was “the fount and matrix of the system”; it had “produced unheard-of material welfare”, but it was utopian in its pursuit of an autonomous circuit of commodities and money. The liberal state, in the name of market freedom, forced all other interests in society to submit to the freedom of capital, another word for money [Ibid., 3].

Later in the book, Polanyi listed money as one of the three “fictitious commodities”. Labour, land and money are essential to the industrial system; they must therefore be bought and sold, but they were definitely not produced for sale. Labour is human activity that is part of life itself; land is another word for nature; and “actual money is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance” [Ibid, 72]. Here Polanyi comes close to suggesting that a free market in money entails buying and selling society itself. Money and markets for him have their origin in the effort to extend society beyond its local core. Polanyi believed that money, like the sovereign states to which it was closely related, was often introduced from outside; and this was what made the institutional attempt to separate economy from politics and naturalise the market as something internal to society so subversive.

Polanyi distinguished between “token” and “commodity” forms of money. “Token money” was designed to facilitate domestic trade, “commodity

ISSN: 1825-411X | DOI: 10.1473/stor58

money” foreign trade; but the two systems often came into conflict. Thus the gold standard sometimes exerted downward pressure on domestic prices, causing deflation that could only be alleviated by central banks expanding the money supply in various ways. The tension between the internal and external dimensions of economy often led to serious disorganization of business [Ibid., 193-4]. Another way of putting this contradiction is to oppose the liberal definition of money as just a “medium of exchange” to one as a “means of payment”. Here Polanyi echoes Knapp, Keynes and others who wished to draw attention to the political possibilities for state manipulation of “purchasing power”. (I should mention in parenthesis that Polanyi’s opposition between token and commodity money was the main source for my own analysis of the interdependence of the two sides of the coin over twenty years ago, [Hart 1986]).

The final collapse of the international gold standard was thus one consequence of the ruinous attempt to delink commodity and token forms of money. In a trenchant discussion of the economic crisis of the 1930s that has echoes of the world economy today, Polanyi highlighted the separation of the money system from trade. As restrictions on trade grew, money became more free:

ISSN: 1825-411X | DOI: 10.1473/stor58

> "Short-term money moved at an hour's notice from any point of the globe to another; the modalities of international payments between governments and between private corporations or individuals were uniformly regulated….In contrast to men and goods, money was free from all hampering measures and continued to develop its capacity to transact business at any distance at any time. The more difficult it became to shift actual objects, the easier it became to transmit claims to them….The rapidly growing elasticity and catholicity of the international monetary mechanism was compensating, in a way, for the ever-contracting channels of world trade….Social dislocation was avoided with the help of credit movements; economic imbalance was righted by financial means."[Ibid., 205-6]

But of course, in the end, political means of settling the imbalance outweighed market solutions and war was the result. I am sure that the present crisis will lead to a sharp reversal of the trend to cheapen transport costs and a more pronounced regionalization of the world economy than hitherto. I recently saw a stark aerial image of Hong Kong harbour with ships lined up as far as the eye can see. They were going nowhere because there were no bills of credit for their cargoes.

The 1940s did indeed see a world revolution; but its immediate outcome was not foreseen by Polanyi [Hart 2009a, b]. Even so interest in his work has never been greater than now and this may be related to his prophetic value in the present crisis of world economy. Since the last three decades have seen a replay of the "self-regulating market" scenario and the beginning of its demise, Polanyi's vision offers one perspective on the political and economic origins of our own times. But other visions are possible and for my own we need first to retrace our steps to the great transformation of the mid-nineteenth century.

The 1860s saw a transport and communications revolution (steamships, continental railways and the telegraph) that decisively opened up the world economy [Hart 2000, 146-8]. At the same time a series of political

ISSN: 1825-411X | DOI: 10.1473/stor58

revolutions gave the leading powers of the coming century the institutional means of organizing industrial capitalism. These were the American civil war, the culmination of Italy's Risorgimento, the abolition of serfdom in Russia, the formation of the Anglo-Indian super-state, Britain's second reform act and Japan's Meiji Restoration. German unification at the end of the decade spilled over into the 1870s through the Franco-Prussian war, the Paris commune and the formation of the French Third Republic. Karl Marx published Capital in the same decade and the First International was formed in 1864. The concentration of so many epochal events in such a short time would indicate a degree of integration of world society even then. But in the 1870s, international trade accounted for no more than 1% of GNP in most countries; and the most reliable indicator of Britain's annual economic performance was still the weather at harvest-time [Lewis 1978].

Capitalism has always rested on an unequal contract between owners of large amounts of money and those who make and buy their products. This contract depends on an effective threat of punishment if workers withhold their labour or buyers fail to pay up. The owners cannot make that threat alone: they need the support of governments, laws, prisons, police, even armies. By the mid-nineteenth century, it became clear that the machine revolution was pulling unprecedented numbers of people into the cities, where they added a wholly new dimension to traditional problems of crowd control. The political revolutions of the 1860s were based on a new and explicit alliance between capitalists and the military landlord class to form states capable of managing industrial workforces and of taming the criminal gangs that had taken over large swathes of the main cities. Germany and Japan provided the clearest examples of such an alliance which took a specific form in each country.

Before long, governments provided new legal conditions for the operations of large corporations, ushering in mass production and consumption through a bureaucratic revolution. The implicit author of this new synthesis was Hegel who argued in *The Philosophy of Right* (1821) that states, run by

ISSN: 1825-411X | DOI: 10.1473/stor58

university-trained bureaucrats, should regulate capitalist markets with a view to containing their extreme consequences, while allowing their material benefits to accrue to the people as a whole. I call this “national capitalism”, the attempt to control money, markets and accumulation by means of central bureaucracies. The national system became general after the First World War and was the dominant social form of twentieth-century civilization. Its apogee or “golden age” [Hobsbawm 1994] was the period 1948-1973. This was a time of strong states and economic expansion when the idea of ‘development’ (poor nations growing richer with the help of the already rich) replaced colonial empire for most ‘Third World’ countries. When, shortly before his downfall, Richard Nixon announced that “We are all Keynesians now”, he was reflecting a universal belief that governments had a responsibility to manage national capitalism in the interests of all citizens.

The 1970s were a watershed. United States expenditure on its losing war in Vietnam generated huge imbalances in the world’s money flows, leading to a breakdown of the fixed parity exchange-rate system devised at Bretton Woods during the war. America’s departure from the gold standard in 1971 triggered a free-for-all in world currency markets, leading in 1975 to the invention of money market futures in Chicago to stabilize export prices for Midwestern farmers. At the same time, the world economy was plunged into depression in 1973 by the formation of OPEC and a hefty rise in the price of oil. ‘Stagflation’ (high unemployment and inflation) increased, opening the way for conservatives such as Reagan and Thatcher to revive the strategy of giving economic priority to ‘the market’ rather than ‘the state’. The economic conditions of three decades ago and the policies devised then find their denouement today.

In 1975, all but a minute proportion of the money exchanged internationally paid for goods and services purchased abroad. Thirty years later, this function in turn accounted for only a small fraction of global money transfers, the vast bulk being devoted to exchanging money for money in another form. This rising tide of money, sometimes known as ‘the markets’, represents the

ISSN: 1825-411X | DOI: 10.1473/stor58

apotheosis of financial capitalism, with the actual production and sale of commodities and political management of currencies and trade virtually abandoned in favour of an autonomous global circuit of capital. The conditions Polanyi described for the decades leading up to the First World War have been closely replicated in the last quarter-century. As the smoke rises from the rubble of neoliberalism's demise, we should revisit the story of national capitalism's rise and fall; and Polanyi's account of that earlier cycle has lost none of its fascination for us.

Money, much as Durkheim [1912] argued for religion, is the principal means for us all to bridge the gap between everyday personal experience and a society whose wider reaches are impersonal [Hart 2007a]. Money is often portrayed as a lifeless object separated from persons, whereas it is a creation of human beings, imbued with the collective spirit of the living and the dead. Money, as a token of society, must be impersonal in order to connect individuals to the universe of relations to which they belong. But people make everything personal, including their relations with society. This two-sided relationship is universal, but its incidence is highly variable. Money in capitalist societies stands for alienation, detachment, impersonal society, the outside; its origins lie beyond our control (the market). Relations marked by the absence of money are the model of personal integration and free association, of what we take to be familiar, the inside (home). This institutional dualism, forcing individuals to divide themselves between production outside and consumption at home every day, asks too much of us. People want to integrate division, to make some meaningful connection between their own subjectivity and society as an object. It helps that money, as well as being the means of separating public and domestic life, was always the main bridge between the two. That is why money must be central to any attempt to humanize society. It is both the principal source of our vulnerability in society and the main practical symbol allowing each of us to make an impersonal world meaningful.

The reality of markets is not just universal abstraction, but this mutual

ISSN: 1825-411X | DOI: 10.1473/stor58

determination of the abstract and the concrete. If you have some money, there is almost no limit to what you can do with it, but, as soon as you buy something, the act of payment lends concrete finality to your choice. Money's significance thus lies in the synthesis it promotes of impersonal abstraction and personal meaning, objectification and subjectivity, analytical reason and synthetic narrative. Its social power comes from the fluency of its mediation between infinite potential and finite determination. To turn our backs on markets and money in the name of collective as opposed to individual interests reproduces by negation the bourgeois separation of self and society. It is not enough, as most sociologists and anthropologists of money do, to emphasize the controls that people already impose on money and exchange as part of their personal practice. That is the everyday world as most of us know it. We also need ways of reaching the parts of the macro-economy that we don't know, if we wish to avert the ruin they could bring down on us all. Perhaps this was what Simmel [1900] had in mind when he said that money is the concrete symbol of our human potential to make universal society.

The two great means of communication are language and money [Hart 2000]. Anthropologists have paid much attention to the first, which divides us more than it brings us together, but not to money whose potential for universal communication is more reliable, in addition to its well-advertised ability to symbolize and even generate differences between us. We cannot afford to neglect money's potential for universal connection, choosing rather to demonize it as the source of our vulnerability to those who have a lot more of it. It is high time for us to return to a more inclusive philosophical tradition of anthropology, building on Kant's example, but also on the neo-Kantianism of Durkheim, Mauss and Simmel in the early twentieth century . I have been driven to this conclusion by studying money as the most tangible manifestation of the new human universal that is our shared occupation of the planet.

ISSN: 1825-411X | DOI: 10.1473/stor58

Mauss and Polanyi

Do anthropologists have something to say about all this? It would help if we could bring the distributive consequences of finance down to a concrete level. Our readers might then be able to engage with money not as a superhuman force with devastating effects, but as the outcome of ideas and institutions that can and should be changed by human action. *Kula* objects [Malinowski 1922] have magical power for those who exchange them, but anthropologists have shown their social logic and instrumentality. We have always invented concepts to describe and explain social processes quite different from those familiar at home. The current crisis presents us with a compelling reason to do so again, this time in a global context. When others may be losing their heads, there are rich precedents in the anthropological literature for where to start.

We can do no better than to renew our engagement with the writings of Marcel Mauss and Karl Polanyi. The ideas of these foundational writers in economic anthropology have been sliced and diced – like mortgage debt – to serve different purposes over the years, but their perspectives on political economy can help us to make sense of the current situation and to recommend a path forward beyond market fundamentalism. Mauss's reflections on money and exchange in *The Gift* [1925] have often been misunderstood. Probably his essay's title and later academic discourse have obscured his concern there to use unconventional money forms to illuminate some potentially dangerous aspects of money forms based on capitalist corporations and the welfare state. Mauss was a cooperative socialist in the British tradition of the Rochdale Pioneers, Keir Hardie and the Webbs. He was a tremendous Anglophile and spent the war on the front line as a translator for British and Australian troops. He also kept a close eye on the cooperative movement in Switzerland and Germany. He lost part of his inheritance financing a cooperative bakery in Paris. But his metier was as a political journalist. His political writings [Mauss 1997] run to 700 pages,

ISSN: 1825-411X | DOI: 10.1473/stor58

about two-thirds of them written in 1920-25, the period when he wrote *The Gift*. He was anti-capitalist, but not anti-market. He was pleased that his uncle's idea of an organic division of labour was extended to international economy after the war. He also tried his hand at financial journalism, notably in the context of the exchange rate crisis of 1922-4.[2]

In analyzing practices such as the kula ring or potlatch, Mauss pointed to how monetary means were a crucial constituent of the social order. The social distinctions allocating rights to engage in different exchange institutions organized the monetary media and were organized by them in turn. Malinowski [1922] showed that not everyone had the right to engage in the *kula* ring; and this had particular implications for social rules and hierarchies. The imagined 'force' of the monetary 'objects' also defined the multiple but limited possibilities of the participants. If the 'gift' implied disinterest, it was in fact a site of sometimes violent power struggles. These helped to define, reproduce or transform the social order and even the boundaries of particular groups. Mauss observed, on the basis of these reflections, that in contemporary capitalism the wealthy classes acted increasingly as if they did not belong to a social order that made redistributive obligation a condition of their hierarchical privilege. Their amnesia when it came to the 'gift' was not just a function of power, but of an accumulation of power that considered itself to be socially unbounded. As a result, heightened strife put the social order itself at risk.

Although Polanyi's analysis of how markets became disembedded from the rest of society, in *The Great Transformation* and after, is often thought of as a general critique of market relations, like Mauss he considered markets and money to be fundamental elements of any social order [Hann and Hart 2009]. He too contended that the classes who benefited from markets, particularly high finance in the decades before the First World War, neglected the interests of the rest of the population, with devastating consequences for society. The distribution of resources, according to him, should not be left to the search for profit in market relations, but needed also

ISSN: 1825-411X | DOI: 10.1473/stor58

to acknowledge solidarity between all members of society. Like Mauss, Polanyi was concerned with the ideas that defined money, the rules of its use and the social distinctions that made its circulation possible and legitimate. Above all, he identified the historical dialectic or ‘double movement’ whereby the drive of capitalists to escape from social constraints met the countervailing power of classes and institutions (such as those adhering to the welfare state) acting in society’s self-defense. Polanyi analyzed the specific effects of shifts in the distribution of resources, showing how this was the object of violent power struggles culminating in untold human misery and the protracted death of a civilization. Anthropologists following him would thus explore how the social struggles over money are understood by the participants, and with what consequences for distribution itself. This would offer a critique of the pretense that economics is not social or political; beyond that, it would constitute a research programme.

The two authors could be said to be complementary. Mauss reminds us that monetary relations may be understood by analysing how the objects of exchange and the social roles of the participants are defined. This process is not restricted to the political utopias of liberalism. As much as the *kula* was a particular way to understand political economy in the Western Pacific, the ‘rationality’ of *homo economicus* is just another version of this, not simply a human universal to be accepted without reflection. Polanyi drew attention to how economic institutions organize and are in turn organized by a plurality of distribution mechanisms that, in the modern world, affect the lives of millions of people who participate in them, without being granted any measure of control. This led him to highlight the inequality created by these institutions, as they swing between the poles of market and state, of society’s external and internal relations. In the current crisis, the immediate reaction is to turn to a variety of government institutions with Keynesian redistribution in mind, flipping the coin from tails to heads as it were, instead of insisting that states and the markets have to work together in less one-sided ways than before.

ISSN: 1825-411X | DOI: 10.1473/stor58

To this end, Polanyi's call for a return to social solidarity, drawing especially on the voluntary reciprocity of associations, reminds us that people in general must be mobilized to contribute their energies to the renewal of society. It is not enough to rely on impersonal states and markets.

Polanyi and Mauss made sure that their more abstract understandings of political economy were grounded in the everyday lives of concrete people, thereby lending to field research the power of general ideas. I have already noted a recent increase in anthropological research on aspects of capitalism, but anthropologists have largely left the global effects of an unequal distribution of money, the class conflict between rich and poor everywhere, to other branches of the academic division of labour, especially to economists of whatever political persuasion. There are rich precedents for the anthropological study of distribution in particular contexts, but we still tend to privilege the rural inhabitants of the former colonial empires and settle for cultural representations of isolated social fragments.

The missing link between the everyday and the world at large can be found in the work of Polanyi and Mauss. An unblinking focus on distribution at every level from the global to the local reveals how the social consequences of political economy and the way it is understood by those who make it are one and the same social process. The current crisis renders this insight particularly visible, since it challenges contemporary financial ideas, while its tangible distributive effects are felt and feared throughout the world. We are clearly witnessing a power struggle of potentially awesome consequences. Each new political response to the latest economic calamity evokes the spectre of the Great Depression and its bloody aftermath. The mask of neo-liberal ideology has been ripped from the politics of world economy.

Money in the making of world society

What light do Mauss and Polanyi throw on the part played by markets and money in the making of world society? Mauss held that the attempt to create a free market for private contracts is utopian and just as unrealizable as its

ISSN: 1825-411X | DOI: 10.1473/stor58

antithesis, a collective based solely on altruism. Human institutions everywhere are founded on the unity of individual and society, freedom and obligation, self-interest and concern for others. The pure types of selfish and generous economic action obscure the complex interplay between our individuality and belonging in subtle ways to others. He was highly critical of the Bolsheviks' destruction of confidence in the expanded sense of sociability that sustained the market economy [Mauss 1997]. In his view, markets and money were human universals whose principal function was the extension of society beyond the local sphere, even if they did not always take the impersonal form we are familiar with. This was why, in a long footnote to *The Gift* [Mauss 1990, 100-102], he disputed Malinowski's [1921] assertion that *kula* valuables could not be considered to be money. Mauss advocated an 'economic movement from below', in the form of syndicalism, co-operation and mutual insurance. The true significance for him of finding elements of the archaic gift in contemporary capitalism was to refute the revolutionary eschatology of both right and left. Most of the possibilities for a human economy already co-exist in our world; so the task is to build new combinations with a different emphasis, not to repudiate a caricature of the market in the name of a radical alternative. Here Mauss follows Hegel — rather than Aristotle or Marx — in seeking the integration of institutional possibilities that have been variously dominant in history rather than representing them as mutually exclusive historical stages.

Mauss was interested in how we make society where it didn't exist before. Hence we offer gifts on first dates or on diplomatic missions to foreign powers. How do we push the limits of society outwards? For him money and markets were intrinsic to this process. Hence giving personalized valuables could be considered to be an exchange of money objects if we operate with a broader definition than one based on impersonal currencies and focus rather on the function of their transfer, the extension of society beyond the local level. This helps to explain his claim that the great economic revolutions are monetary in nature, meaning that they push us into unknown

ISSN: 1825-411X | DOI: 10.1473/stor58

reaches of society and require new money forms and practices to bridge the gap. The combination of neoliberal globalization and the digital revolution has led to a rapid expansion of money, markets and telecommunications, all reinforcing each other in a process that has extended society beyond its national form, making it much more unequal and unstable in the process.

All economic possibilities coexist now, including those that have been variously dominant in history. Our task is to build economic solidarity [*économie solidaire*, Laville and Cattani 2006] through new institutional combinations and with a new emphasis. This is a concept that animates much progressive intervention in Brazil and France, as well as a new collection produced by the US Social Forum. It means combining the equal reciprocity of freely self-organized groups with the redistributive powers of the state. It is, however, no longer obvious, as it was for Mauss, Polanyi and Keynes, where the public levers of democratic power are to be located, since the global explosion of money, markets and telecommunications over the last three decades has severely exposed the limitations of national frameworks of economic management. We are clearly witnessing the start of another long swing in the balance between state and market. Before long, a genuine revival of Keynesian redistributive politics seems to be inevitable. But the imbalances of the money system are now global, as the financial rescue operation recently performed on failing American banks by the 'sovereign funds' of some Asian and Middle Eastern governments shows. Society is already taking the form of large regional trading blocs like the EU, NAFTA, ASEAN and Mercosul; and the Bretton Woods institutions (World Bank, IMF, WTO) promote no interest beyond that of western capital. The strength of any push to reform global institutions will depend on the severity of the current economic crisis. A return to the national solutions of the 1930s is bound to fail.

Conclusions: Polanyi's prophecy then and now

So what are the lessons to be drawn from comparing our situation with the

ISSN: 1825-411X | DOI: 10.1473/stor58

one Polanyi depicted before? He explained the world crisis then as the outcome of a previous round of what many today would call “globalization”. There are substantial parallels between the last three decades and a similar period before 1914. In both cases, market forces were unleashed within national societies, leading to rapid capital accumulation and an intensification of economic inequality. Finance capital led the internationalization of economic relations and people migrated in large numbers all over the world. Money seemed to be the dominant social force in human affairs; and this could be attributed to its greater freedom of movement as the boundaries of society were extended outwards, then by colonial empire, now by the digital revolution and transnational corporations. The main difference is that the late nineteenth century saw the centralization of politics and production in a bureaucratic revolution, while a century later these same bureaucracies were being dismantled by neoliberal globalization. Moreover, the immediate winner of ‘the second thirty years war’ (1914-1945) was a strengthened national capitalism whose synthesis of state and market was hardly anticipated by Polanyi.

It is odd that Polanyi [1944] appears sometimes to reduce the structures of national capitalism to an apolitical ’self-regulating market’. For his analysis of money, markets and the liberal state was intensely political, as was his preference for social planning over the market. His war-time polemic, reproducing something of his opponents’ abstractions, was more a critique of liberal economics than a realistic account of actually existing capitalism. This would explain the lingering confusion over whether he thought a ‘disembedded’ market was possible or just a figment of liberal ideology, ‘market fundamentalism’. Similarly, one could argue either that neoliberalism did effectively disembed the market economy or that its claim to have done so was a mystification of the fact that markets were still embedded in largely invisible political processes. In either case, the postwar turn to ‘embedded liberalism’ [Harvey 2005] or social democracy — what I have called the apogee of national capitalism — is only weakly illuminated by *The Great Transformation*

ISSN: 1825-411X | DOI: 10.1473/stor58

.

I have made much here of Mauss's idea that the principal function of money and markets is to extend society beyond its present limits. Thus Malinowski's ethnography of the *kula* ring could be taken as a metaphor for the world economy of his day, with island economies that were not self-sufficient being drawn into trade with each other by means of personalized exchange of valuables between local leaders. These canoe expeditions were dangerous and magical because their crews were temporarily outside the realm of normal society. This always happens when society's frontiers are pushed rapidly outwards, as they have time and time again in the last two centuries and long before that. The period of 'neoliberal financialization' could be compared with previous episodes in the history of global capitalism, such as the dash to build continental railroads, the gold strikes in California, Alaska and South Africa or the wild rubber boom of the mid- to late nineteenth century. There are many analogous episodes to be found in the mercantilist economies that emerged during the period 1500-1800, notoriously the 'South Sea bubble' and the 'Tulips craze'. Similarly, the last three decades saw a rapid extension of society's frontiers after the postwar convergence of state and market in national capitalism reached its limit in the 1970s. The quick wealth and cowboy entrepreneurship we have just witnessed was made possible by the absence of regulation in a period of global economic expansion. The end of the bubble marks an opportunity to consider how world markets might now be organized in the general interest.

It is easy enough to harp on the irrational excess and sheer inequality of the neoliberal era — the heedless speculation, corporate skullduggery, outrageous looting of public assets, not-so-creative destruction of nature and society. But there are lasting institutional effects, just as there were to previous booms which generated transport and communication systems; a mildly inflationary gold standard; new industrial uses for rubber; stock markets and colonial empires. I have suggested here that the extension of

ISSN: 1825-411X | DOI: 10.1473/stor58

society to a more inclusive level has positive features; and, before we demonize money and markets, we should try to turn them to institutional ends that benefit us all. The world economy is more integrated than it was even two decades ago; we need new principles of political association with which to put in place more effective regulatory frameworks. Fragmentation would be a disaster. Clearly the political questions facing humanity today concern distributive justice. The long period of Western dominance of the world economy is coming to an end. New actors on the world stage will have their say about who gets what. An escalation of war and general fractiousness is quite likely. Under these circumstances, a focus on the socially redemptive qualities of money and markets might be quite salutary. In this constructive sense, I depart from Polanyi's conclusions; but I fear that his time as a prophet is yet to come [Hart 2008c].

References

E. Durkheim 1965 [1912], *The Elementary Forms of the Religious Life*, New York: Free Press.

M. Fournier 2006, *Marcel Mauss: A biography*, Princeton: University Press.

C. Hann and K. Hart (eds.) 2009, *Market and Society: The Great Transformation today*, Cambridge: University Press

K. Hart 1986, *Heads or tails? Two sides of the coin*, «Man», 21 (3), 637–56.

- 2000, *The Memory Bank: Money in an unequal world*, London: Profile Books.

- 2007a, *Money is always personal and impersonal*, «Anthropology Today», 23 (5), 16-20.

- 2007b, *Marcel Mauss: in pursuit of the whole*, «Comparative Studies in Society and History», 49 (2), 473-485.

ISSN: 1825-411X | DOI: 10.1473/stor58

- 2008a, *Towards a new human universal: rethinking anthropology for our times*, «Radical Anthropology Journal»,No. 2, 4-10.

- 2008b, *Karl Polanyi's legacy*, «Development and Change», 39 (6), 1135–1143.

- 2008c, *Karl Polanyi: prophète de la fin de l'économie libérale*, «Interventions économiques», 38 (2).

- 2009a, *Money in the making of world society*, in: Hann and Hart [2009], 91-105.

- 2009b, *Five posts on anthropology and the financial crisis*, ASA Globalog, (13-21 November), http://blog.theasa.org/.

- and H. Ortiz, *Anthropology in the financial crisis*, «Anthropology Today», 24 (6), 1-3.

D. Harvey 2005, *A Brief History of Neoliberalism,* Oxford: University Press.

G.W.F. Hegel 1967 [1821], *The Philosophy of Right,* Oxford: University Press.

E. Hobsbawm 1994, *Age of Extremes: The short twentieth century, 1914–91* , New York: Vintage.

B. Kapferer 2007, *Anthropology and the dialectic of the Enlightenment: a discourse on the definition and ideals of a threatened discipline*, «Australian Journal of Anthropology», 18:1, 72-96.

J-L. Laville and A.D. Cattani 2006, *Dictionnaire de l'autre économie*, Paris: Gallimard.

W. A Lewis 1978, *The Evolution of the International Economic Order*, Princeton: University Press.

ISSN: 1825-411X | DOI: 10.1473/stor58

J. Locke 1960 [1690], *Two Treatises of Government*, Cambridge: University Press.

B. Malinowski 1921, *The primitive economics of the Trobriand islanders*, «Economic Journal», 31 (121), 1-16.

- 1961 [1922], *Argonauts of the Western Pacific*, New York: Dutton.

K. Marx 1973 [1859], *Grundrisse*, New York: Vintage Books.

M. Mauss 1990 [1925], *The Gift: Form and reason for exchange in archaic societies*, London: Routledge.

- 1997, *Écrits politiques*, M. Fournier (ed.), Paris: Fayard.

K. Polanyi 2001 [1944], *The Great Transformation: the political and economic origins of our times*, Boston: Beacon Books.

G. Simmel 1978 [1900], *The Philosophy of Money*, London: Routledge.

Note

* Honorary Research Professor, School of Development Studies, University of Kwazulu-Natal, Durban and Professor of Anthropology Emeritus, Goldsmiths, University of London. Network Creator: Open Anthropology Cooperative (http://openanthcoop.ning.com/). Email: keith@thememorybank.co.uk. Website: http://thememorybank.co.uk/.

[1] This paper makes many quasi-empirical generalizations. I have not tried to document every assertion, but have indicated a few of my main sources, while providing links to my own relevant published work. In the year since the failure of Lehman Brothers, I have published a major summary of my approach to money, with special reference to Polanyi, in Hart (2009a) and several short pieces on anthropology and the financial crisis: Hart and Ortiz (2008), Hart (2009b).

ISSN: 1825-411X | DOI: 10.1473/stor58

[2] In an unpublished paper, “Second general conclusion. A means of overhauling society: the manipulation of currencies” (Fournier 2006: 212 and 390 n.105), Mauss claims, following his friend François Simiand, that the great economic revolutions are “monetary in nature” and that the manipulation of currencies and credit could be a “method of social revolution…without pain or suffering”. He wished to give an economic content to juridical socialism. “It suffices to create new monetary methods within the firmest, the narrowest bounds of prudence. It will then suffice to manage them with the most cautious rules of economics to make them bear fruit among the new entitled beneficiaries. And that is revolution. In this way the common people of different nations would be allowed to know how they can have control over themselves—without the use of words, formulas or myths” (*Populaire*, 6th May 1924).