Marshall vs. Polanyi: Who's Right?

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Mastering and Guiding the Process of Change

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Karl Polanyi and T.H. Marshall both provide a comprehensive analysis of the transition of the economic engine in England between the seventeenth and twentieth centuries. Polanyi approaches his discussion from an economic perspective, looking at the relationship between society and the economy. Marshall approaches the same period from an evolution of a social rights perspective. Both Polanyi and Marshall address the importance of having inequality present in society, and what the consequences would be without it.

Polanyi focused his discussion on how a market economy developed in England by highlighting the importance of the transition from a market that promoted reciprocity and householding, which allow the economic issues to be set aside when necessary, to a self-regulating market and fictitious commodities. Polanyi (2001) states, "a market economy is an economic system controlled, regulated, and directed by market prices; order in production and distribution of goods entrusted to this self-regulating mechanism" (p. 71). He also states, "self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (always including services) but also for labor, land, and money, their prices being called respectively commodity prices, wages, rent, and interest" (p. 72). The transition from feudalism, through mercantilism, to a market economy was a difficult experience for labor, which produced ill-fated legislation used to soften the transition. Unfortunately, labor was the biggest loser in these times, which seems to be the case when drastic changes occur in a society. This transition to a market economy only is a benefit to government and business.

"Under feudalism and the guild system land and labor formed part of the social organization itself. Land, the pivotal element in the feudal order, was the basis of the military, judicial, administrative, and political system." Whereas, "under the guild system…productive activities were embedded in the general society." During the transition through these economic eras community was still embedded in the system, and even moving to a mercantile system, the economic engine "never attacked the safeguards which protected these two basic elements of production – labor and land – from becoming objects of commerce." Both the feudal and mercantile systems were still local economies. "They disagreed only on the methods of regulation: guilds, towns, and provinces appealed to the force of custom and tradition, while the new state authority favored statute and ordinance. But they were equally averse to the idea of commercializing labor and land – the precondition of market economy" (Polanyi, 2001, p. 73). This was good for labor and the communities they belong to. Though government and business need to increase their revenue coming in to support government activities, such as colonization, conflicts, or developing infrastructure, their goal is to keep labor happy as well. Community and a close-knit family structure are prominent during these periods of economic transition. Labor was mostly content with their arrangement in society, until the end of the eighteenth century where there was a major shift in how labor is thought to be part of the economic equation.

At the end of the eighteenth century, the change from a regulated to a self-regulated market represented a complete transformation in the structure of society (p. 74). This transition caused a paradigm shift in how business looked at labor, land, and money. As we transition to a self-regulated market, business starts to think of labor, land, and money as a commodity. Of course, "none of them can be produced for sale. The commodity description of labor, land, and money is entirely fictitious." "It is with the help of this fiction that the actual markets for labor, land and money are organized." Labor being treated as a thing caused friction in society.

Marshall looked at this period of history from a movement towards “social equality” (Marshall, 1992, p. 7). His focus in his essay was to look at citizenship in three parts, “civil, political, and social. The civil element was composed of the rights necessary for individual freedom – liberty of the person, freedom of speech, thought and faith, the right to own property and to conclude valid contracts, and the right to justice.” “By the political element the right to participate in the exercise of political power, as a member of a body invested with political authority or as an elector of the members of such a body.” And the social element is described as “the whole range from the right to modicum of economic welfare and security to the right to being according to the standards prevailing in the society. The institutions most closely connected with it were the educational system and the social services” (Marshall, 1992, p. 8).

Taking a look at Marshall’s definition of civil rights from an economic point of view, he states, “the basic civil right is to work and to follow the occupation of one’s choice ” (p. 10). Unfortunately, in the eighteenth century these rights were not present. The Elizabethan Statute of Artificers “confined certain occupations to certain social classes, and by local regulations reserving employment in a town to its own members and by the use of apprenticeship as an instrument of exclusion rather than of recruitment” (p. 11). The positive outcome is that labor is guaranteed a job in their communities. Also, it allows for communities to take care of its own people, affording them a strong social support network. The downside is that the communities are isolated from each other, limiting the expansion of business on a national scale.

In the nineteenth and twentieth centuries, the social element is center stage. As noted by Polanyi, this is a time where the economy transitioned to a self-regulated market, removing the human element from society and business, and treating people as a commodity. The result was the migration of labor, removing them from their communities and social support networks. As the market economy began to emerge and centralize manufacturing into city centers, the idea of social welfare began to emerge.

At this point, both Marshall and Polanyi were in agreement that the enactment of the Speenhamland system of poor relief and wage regulation would turn out to be a bad option for the healthy development of society. During both the feudal and mercantile economies, people are confined to their communities for all of their needs. Moving into a self-regulating market economy, Polanyi states that, “The development of the market system would be accompanied by a change in organization of society itself.” The end product of this change would be “social dislocation” (p. 79), ultimately creating a great upheaval in communities.

The Speenhamland Law introduces an “allowance system” to safeguard labor, while business attempted to enact a market economy. Marshall and Polanyi agree in their essays that this law creates more issues for the new economy, but their reasons for believing this are very different. Polanyi states that the law enables labor to maintain an income, guaranteeing their “right to live” (Polanyi, p. 85). This causes a “powerful reinforcement of the paternalistic system of labor organizations as inherited from the Tudors and Stuarts” (p. 82). The main tenants of this law were to guarantee a minimum wage and family allowances, combined with the right to work or maintenance. Ultimately, with this law in place there was no real incentive for labor to do anything in the workplace. As for Marshall, he wasn’t as much concerned about the industry as he had issue with labor not having any interest in pursuing social rights as a result of this law. As he stated in his essay, recipients of this social protection caused claimants to “cease to be citizens in any true sense of the word. For paupers forfeited in practice the civil right of personal liberty, by internment in the workhouse, and forfeited by law any political rights they might possess” (Marshall, p. 15). These two perspectives ultimately addressed the same issue. Though the intent of the law was to help labor and business, the unintended consequence was the direct negative effect this law had on labor in the workplace.

The societal struggles and economic growth addressed by Polanyi and Marshall during the seventeenth through the twentieth centuries were similar in scope. Each agreed that the Speenhamland Law was counterproductive to the development of society, particularly for labor. Polanyi states that, "Speenhamland led to the ironic result that the financially implemented "right to live" eventually ruined the people whom it was ostensibly designed to succor" (Polanyi, p. 85), and Marshall claims that, "the Poor Law (Speenhamland Law) treated the claims of the poor, not as an integral part of the rights of the citizen, but as an alternative to them-as claims which could be met only if the claimants ceased to be citizens in any true sense of the word" (Marshall, p. 15). They both believe that inequality is needed in society, yet equality as citizens is important to the success of being a thriving economy.

This struggle between favoring self-regulation and supporting social programs that provide for all still exists today. You can see it in the health care debate where we struggle with the idea of taking care of our communities; to the economic disaster we experienced this past year that was spurred on by self-regulated markets. The question is not "Who's Right" between Polanyi and Marshall, but more appropriately, "What can we do without"? It is important that we have freedom to choose our destinies when it comes to personal wealth, while also striking a balance with the minimum amount of services needed to support our social wellbeing.

References

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