

**ADAM SMITH AND KARL POLANYI ON THE DIVISION OF
LABOR: A COMPARISON AND CONTRAST**

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ABSTRACT

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The concept of the division of labor is comprehensively discussed in Adam Smith's classic work, *The Wealth of Nations* (1776), and it holds a key function in his theory of economic development. As a rigorous reader of Smith, Karl Polanyi does not make use of this concept very much in his works; while he conveys Smith's general understanding throughout *The Great Transformation* (1944). This calls for a review of the two authors' use and perception of the concept of the division of labor. As opposed to Smith's economic theory based on the division of labor, Polanyi's substantivist approach to economic phenomena poses a different dynamic of social change based on commodity fiction. For this reason, Polanyi leaves out *The Wealth of Nations'* key ingredient, division of labor. In retrospect, this thesis work aims to compare and contrast the analytical frameworks of Smith and Polanyi based upon their views on the division of labor and finds affinities in their methodologies and approaches to economic phenomena.

Keywords: Division of Labor, Economic Liberalism, Market Economy, Methodology, Social Change.

ÖZ

ADAM SMITH VE KARL POLANYI İŞ BÖLÜMÜ ÜZERİNE: BİR KARŞILAŞTIRMA

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Adam Smith'in klasikleşmiş eseri *Ulusların Zenginliği*'nde (1776) kapsamlı bir şekilde tartıştığı iş bölümü kavramı, Smith'in iktisadi kalkınma teorisinde kilit bir işleve sahiptir. Dikkatli bir Smith okuyucusu olan Karl Polanyi, Smith'in genel anlayışını aktardığı *Büyük Dönüşüm* (1944) adlı eserinde bu kavramı pek kullanmamaktadır. Bu durum, iki yazarın iş bölümü kavramını anlayış tarzlarını ve bu kavramı kullanımlarını gözden geçirmeyi gerektirmektedir. Smith'in iş bölümü üzerine kurulmuş olan iktisadi teorisine karşı Polanyi'nin iktisadi olaylara maddi (substantive) yaklaşımı metalaştırmaya dayanan bir sosyal değişim dinamiği sunmaktadır. Bu sebeple, Polanyi *Ulusların Zenginliği*'nin temel yapıtaşı olan iş bölümü kavramını dışlamaktadır. Şimdiye kadar söylediklerimiz doğrultusunda, bu tez Smith ve Polanyi'nin iş bölümüyle ilgili düşüncelerine bakarak iki yazarın analitik çerçevelerini karşılaştırmayı amaçlamakta ve iktisadi olaylara yaklaşımlarındaki ve yöntembilimlerindeki yakınlığı irdelemektedir.

Anahtar Kelimeler: İş Bölümü, İktisadi Liberalizm, Piyasa Ekonomisi, Yöntembilim, Sosyal Değişim.

In memory of my beloved father

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TABLE OF CONTENTS

PLAGIARISM.....	iii
ABSTRACT	iv
ÖZ	v
DEDICATION.....	vi
ACKNOWLEDGMENTS.....	vii
TABLE OF CONTENTS	viii
LIST OF TABLES.....	x
CHAPTER	
1. INTRODUCTION.....	1
2. ADAM SMITH AND THE DIVISION OF LABOR: DYNAMICS OF ECONOMIC GROWTH AND DIVERGENCE.....	6
2.1 An Outline of <i>The Wealth of Nations</i> and the Political Economy of Adam Smith	6
2.2 The Division of Labor and Construction of a Development Theory: What did Adam Smith Find New?	10
2.3 Increasing Returns and Factory Production	19
2.4 Giovanni Arrighi and <i>Adam Smith in Beijing</i>	21
2.5 Reconciling “Two Views of the Division of Labor” and Other Questions.....	25
2.6 Conclusion: A Comparison of Smith’s Definitions.....	28
3. KARL POLANYI AND THE DIVISION OF LABOR: REVIEW OF ECONOMISM IN ADAM SMITH AND LIBERAL SCHOOL.....	31
3.1 Adam Smith and the Division of Labor in <i>The Great Transformation</i>	33
3.2 Place of the Division of Labor in Karl Polanyi: Critique of ‘the Division of Labor Equals Market Exchange’	40
3.3 Two Approaches to the Division of Labor: Substantivist vs. Formal.....	45

3.4	Evolution of Markets: European Policy and the Division of Labor.....	47
4.	TAKING STOCKS	53
4.1	Two Different Systems with a Common Concept: Social Change	54
4.2	‘Market as an Institution’ and Fictitious Commodities	56
4.3	Economic Value and Social Critique.....	59
4.4	Liberty We Want	61
5.	CONCLUSION.....	64
	REFERENCES	67
APPENDICES		
A.	TEZ FOTOKOPİSİ İZİN FORMU	73

LIST OF TABLES

TABLES

Table 1. Definitions and Alternative Uses of the Division of Labor in <i>The Wealth of Nations</i>	29
Table 2. Moral Philosophers and Economists According to Approaches in the History of Economic Thought	39
Table 3. Market for Smith and Polanyi.....	59
Table 4. Comparison of Smith and Polanyi in General	65

CHAPTER I

INTRODUCTION

“In order to comprehend German fascism, we must revert to Ricardian England.” (Polanyi, 1944: 32)

Adam Smith, by his work *The Wealth of Nations* (1776), has shed light upon sovereigns, scholars, public officials and even ordinary people. His economic theories are paid tribute for providing an articulated treatise of economics as a separate area of investigation for the first time. Özveren (2010:23-24), in accordance with Schumpeter, says that if we would respect Smith only for his ideas on equilibrium prices-cost relationship or on the link between goods market and factor markets, it would be a big injustice for Richard Cantillon to whom Smith is grateful for virtually most of his ideas. His way of analyzing societies in *The Wealth of Nations* is original in terms of methodology and subjects' handling. Despite the fact that *The Wealth of Nations* covers a wide range of economic subjects, its concentration is on economic growth (Ekelund and Herbert, 1997:104). Possibly, it is the main motive behind why most of us associate Smith with neoliberal clichés of productivity and GDP growth. Taking into account such popular arguments, we can claim that Adam Smith is perhaps "one of the most widely referred to and most rarely read among the master economists of the past" (Arrighi, 2007:42). Even so, his originality in economic discipline derives from two fundamental foundations: his detachment

of political economy from moral philosophy, and his long-sighted view on the effect of the division of labor on economic growth.

Unlike Adam Smith, the life and work of Karl Polanyi is rarely given in the textbooks of economic thought¹. Before we go on, it is appropriate to give a short biography of him. Polanyi with his *magnum opus* *The Great Transformation* (1944) represents an original perspective in economic history. Born in a Jewish family in 1886 in Vienna, he had witnessed two world wars in his life. Graduating from Budapest University in 1909 with a doctorate degree in law, he was highly active in radical intellectual and political circles. 1920s passed for Polanyi with the debates of feasible socialism and socialist accounting with the influence of G. D. H. Cole's guild socialism, György Lukacs' critique of vulgar Marxism, and Otto Bauer's socialist society. These years shaped his general vision against von Mises and the Austrian School. Until the writing of *The Great Transformation* in 1944, Polanyi worked as a journalist, writer and tutor in Austria and after 1933 in London. He left for the US in 1940 and began to write his great work based on his lecture notes from London years. His academic life started at Bennington College, Vermont (1940-43) and continued at Columbia University (1947-53). He died in 1964 in Pickering, Ontario. After a long oblivion, interest in Polanyi awakened mainly with the neoliberal wave after 1980 while searching for an alternative to the mainstream discourse. His concepts of 'double movement' and 'fictitious commodities' attracted the attention of contemporary intellectuals.

About the content of his writings, Arnault Skornicki's review of a single volume collection of Karl Polanyi's essays and works is illuminating (Skornicki, 2008). In order to convey the ideas about Polanyi's alternative socialism to both vulgar Marxism and capitalist economy in totality, the editors

¹ Screpanti and Zamagni (2005: 45-46) state that "we have not found the right place in the panorama of economic schools" for him. "He was not a fully fledged economist, historian, anthropologist, or social philosopher, but was a little of each".

of *Karl Polanyi Essais* (2008) pick out variety of Polanyi's writings from his first works in Vienna years to English and the US periods in a survey of his political as well as academic life. His opposition to emerging fascism and relation to Lukacs' Marxism and Fabian socialism are discussed in Skornicki's review of the collected essays. In other scholars of Polanyi in English like Gareth Dale (2009), J. Ron Stanfield (1986), Kari Polanyi-Levitt (1990), and Fred Block (2003), the roots of *The Great Transformation* are well documented to show his consistency and ideological journey from Christian socialism to English guild socialism, and later to democratic socialism in *The Great Transformation*. Methodological borrowings from Marxism and American institutionalism are also presented in the works of Stanfield (1980) and Burawoy (2003). Confronting the fascist regimes both as an academic and a writer, Polanyi elaborated his ideas and approach. As Skornicki put it shortly:

He leans towards Austro-Marxism, the Fabian tradition and guild socialism he got to know well in the UK. That is why he puts much effort in setting up a kind of socialist public law with a view to finding the institutional policy suited to socialism (Skornicki, 2008: 7).

The Great Transformation is an analysis of the nineteenth century liberalism with an intuition of seeing it as a political project. Polanyi's adherence to political economy as a way of both intellectual and political interest is best depicted in this work (Buğra and Agartan, 2007). He shows that the double movement prevents a breakdown of the system in the short-run. Recognition of society prior to classes is the epicenter of political and social economy of Polanyi in the work. Parallel to Marxist theory of crisis, Polanyi's vision of market economy predicts the failure of the system in the long-run. Inherent fluctuations of the so-called self-regulating market economy, with the help of consciousness of society, alter the system and a great transformation is expected to take place. Regulation of the economy does not offset the failures of the system since they are innate and operate from within.

The time when he wrote *The Great Transformation* in 1944 was in urgent need of an anti-fascist science. *Zeitgeist* commanded Polanyi to write his work in such a framework and atmosphere. Economic theorists of any sort valued Polanyi's work with skepticism. Only institutionalists showed him eager respect and praised his studies. Economic historians find the work inspiring but anthropologists and area specialist historians challenged his remarks especially on markets and prices. Polanyi's neglect by orthodox economists and to some degree heterodox economists can be understood in terms of his rhetoric throughout *The Great Transformation*². His holistic view in analyzing the economic phenomena put a distance between him and the other economists. It was not only his language and rhetoric that was responsible for this, but also his rejection of the mainstream economic theories of his contemporaries indeed.

It is asserted that there is a contradiction between Polanyi's and Smith's arguments based on harsh critiques in *The Great Transformation*. Smith's optimistic, teleological history opposes with Polanyi's dark future. With double movements, Polanyi's description of economic system proposes collapse and clash while Smith's utopic system of natural liberty rests on teleological roots. Especially, Polanyi's plain critique of Smith's depiction of the motives of exchange and the division of labor adds much to this belief. However, it is not so. Polanyi is critical about most of the people that he mention in his works while acknowledging their positive sides. Smith is just one of them. Polanyi's sympathy for Smith reflects his belief in misunderstandings about Smith's theory.

How can we then relate Polanyi with Smith? This thesis tries to find out the relation based on the concept of the division of labor. The concept has never

² His own definition of essential vocabulary and heterodox approach created a reservation. Yet, a personal rhetoric was not specific to Polanyi. Keynes also used such rhetoric. See Lewis (1991).

been used and given such a position in the history of economic thought as in Smith. With *The Wealth of Nations*, the concept became popular. After some time, it lost its attractiveness for economists and was marginalized in economic science. It was transferred to sociological field and turned to be almost forgotten totally among the economists. On the one hand, the concept of the division of labor is central to Smith. On the other hand, it was included within the sociological field and while Polanyi was very close to sociological and anthropological disciplines he hardly uses the concept. This paradox is the starting-point of this thesis. With this intuition in mind, this thesis compares and contrasts the views of Smith and Polanyi on the division of labor and on the background tries to assess the dynamics of the transformation of the nineteenth century market economy. For this aim, we will first assess the place of the division of labor that Smith exclusively explained and built his system on, putting aside discussions about his methodological roots and social circumstances in which he wrote *The Wealth of Nations*. In the second chapter, we will inspect Smith's use of the division of labor in the development of his economic theory and its implications for further arguments. Third chapter will look at Polanyi's distinctive analysis of economic history with specific reference to the division of labor. Bringing the previous two chapters together, fourth chapter will lay out the outcomes of the actual comparison. Lastly, fifth chapter will conclude.

CHAPTER II

ADAM SMITH AND THE DIVISION OF LABOR: DYNAMICS OF ECONOMIC GROWTH AND DIVERGENCE

This chapter first sketches an outline of *The Wealth of Nations* and gives a general view of Smith's perception of political economy. In the second section, we review the construction of Smith's general theory based on the division of labor and market expansion. Third section is devoted to the discussion of increasing returns and the industrial organization debate. As being of a comprehensive application of Smithian growth theory, Giovanni Arrighi's book *Adam Smith in Beijing* (2007) will be the subject of the fifth section. Before conclusion, we reconcile "two views of the division of labor" in the fourth section. Lastly, we close the Smithian part of our thesis with a conclusion.

2.1 An Outline of *The Wealth of Nations* and the Political Economy of Adam Smith

The Wealth of Nations comprises five books. Although we admit that all five books of this classic work contain various topics in the discipline, it follows a practical sequence and gives a coherent treatise of the economy as a whole. Microeconomic issues form Book I and Book II and these two books are

primarily and purposely about production factors and their productivity. Main subjects are the division of labor, capital stock, money, interest rates, prices, wages, profits, and rent. Beginning with the division of labor in Book I, Smith draws on the labor theory of value and constructs his theory on the different employments of labor, land, and capital stock. After the division of labor, the book proceeds with the origins and use of money. In a logical consequence, Smith continues with natural and market prices of commodities where he also develops the labor theory of value and equilibrium analyses of market prices. Lastly, he discusses the distribution of surplus according to three factors of production; wages of labor, profits of capital stock, and rents of land. To put it briefly, Book I touches upon the issue of improvement in the productive powers of labor, land, and capital stock. Book II treats the alternative uses of capital stock alone. A link between capital stock and useful labor is forged by demonstrating that useful labor increases the efficiency of capital stock and puts it into motion while differing in agriculture, industry and foreign commerce³.

Most neglected parts of the work are probably the last three books. These parts are mainly, unlike Book I and Book II, historical and political. For instance, Book III deals with the historical roots of Europe's economic situation. In that book, Smith applies the theory of the division of labor to urban-country relations and shows the dependency and historical development of rural and urban sectors since the fall of the Roman Empire. According to him, the policy of Europe had been more favorable to arts, manufactures, commerce and the industry of towns than to agriculture and industry of the country. In other words, this book details a historical trajectory of European economy and questions why some nations are prosperous, i.e. China and Holland, while others not. A broad distinction between natural and unnatural development

³ Smith invokes comparisons throughout the work among sectors as well as countries such as England, France, Holland, China and the colonies. Civilized-savage nations disparity is also a practical method for Smith en route.

paths is the basis of answer to this question. By defining the natural and unnatural progression of opulence according to employment of different sectors with respect to related returns (beginning from agriculture, later manufacturing, and lastly foreign commerce), he explains the divergences between nations. Book III is therefore an application of the theory of development based on the division of labor discussed in the first two books.

Book IV is about systems of political economy, but mainly the mercantilist one. In this book, Smith conveys his ideas on mercantilist and physiocratic policies. Trade of gold and silver as well as corn and other commodities are discussed. Policies of different nations in preservation of wealth are contrasted. Also costs and benefits of colonial policies are given through the end of the book. Book IV is important because liberal thought relied mainly on this book for discerning a laissez-faire idea in Smith despite he never used this word. The fifth book treats the ways of public finance of the sovereign or commonwealth in a balance sheet of optimum revenue and the essential expenses. Smith includes defense, justice, public works and institutions, education of youth, instruction of people of all ages, and the dignity of sovereign into the list of areas where the sovereign should use the revenues. Public education is essential due to monotonous effects of the division of labor.

From the viewpoint of economic agents, Book I and Book II are distinguishable from others by not including the state in the analyses. Book III and Book IV are both inclusive of state and individual economic agents and Book V is thoroughly about the economics of the state.

Smith's understanding of state and political economy, as could be wrongly inferred from Book IV, is not limited to a liberal trade idea. Including a regulatory sovereign to accomplish certain aims is essential to him. This claim can be shown in the following manner. Economic aim of the ruler should take

care of two points: one is to increase the productive powers of labor; and socially there is a redistributive dimension as an indicator of the general welfare of the society. Such obvious emphases had been either censored or ignored throughout the development of economic theory. It is to be noted that Smith seeks the general welfare of society throughout *The Wealth of Nations* instead of a specific group or a class. Indeed, within the unity of five books, we see that Smith has a societal view contrary to the methodological individualist interpretation employed in the first two books. The following passage is important for identifying the place of the division of labor in Smith's understanding of political economy:

It is the great multiplication of the productions of all the different arts, in consequence of the division of labor, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people (Smith, 1776: 16).

Well-governed society both helps the division of labor to flourish and, in result, flourish the wealth to the poorer. This duty belongs to the sovereign. Another instance for the role of political economy is given at the very beginning with the definition of “annual produce”. Taken with the following quotation, it thereby shows the way for what purposes the resources of a nation should be arranged.

Political Economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects; first, to provide a plentiful revenue or subsistence for the people, or, more properly, to enable them to provide such a revenue or subsistence for themselves; and, secondly, to supply the State or commonwealth with a revenue sufficient for the Public Services. It proposes to enrich both the people and the sovereign (Smith, 1776: 341).

The Wealth of Nations confirms to be "a guide for a legislator or a sovereign" (Smith, 1776: 341) in managing the economic affairs in a time of established mercantilist ideology. Thus, the ideal form of an economic system, according to Smith, is not a laissez faire economy with a minimal state that finds its voice in the liberal political economy. Quite the opposite, Smith advises an economic system and a state that watches the welfare of the society with proper fiscal and trade policies. Furthermore, active state investments such as infrastructure facilities and public education are a necessary part of his system. That's why Adam Smith's portrayal of political economy as "a branch of the science of a statesman or legislator" provides evidence for state involvement in the economy and his perception of economic science (Winch, 1983: 501).

2.2 The Division of Labor and Construction of a Development Theory: What did Adam Smith Find New?

Just at the beginning of Book I, Smith gives the definition of annual production in terms of labor. It is of primary importance due to originality⁴. Although he utilized theory of labor value throughout *The Wealth of Nations* with lacking consistency and clearness, his definition of "annual labor" as a new concept in defining the 'wealth' of a nation is notable. Besides it configures a development theory based on principally labor productivity.

The annual labor of any nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes and which consist always either in the immediate produce of that labor, or in what is purchased with that produce from other nations (Smith, 1776: 8).

⁴ Smith was not generous in footprints of predecessors. He was also in a dispute with Adam Ferguson about the division of labor (Schumpeter, 1954: 177).

Main determinant and measurement of growth is, accordingly, labor of every nation. Wealth in the form of consumption and purchase from abroad principally depends on the nature of the labor productivity of a nation. Its skill, dexterity and judgment with employment besides the employment in useful labor are two causal factors in the success of development. Deepening of the division of labor, in this respect, is appropriate for sharpening these two factors⁵:

But this proportion (proportion of produce to consumers) must in every nation be regulated by two different circumstances; first by the skill, dexterity, and judgment with which its labor is generally applied; and secondly, by the proportion between the number of those who are employed in useful labor, and that of those are not so employed (Smith, 1776: 33).

Smith's theory of economic development is based on firstly the division of labor and only later to other factors like true employment of capital stock and market extent⁶. Dexterity, timesaving and invention are the channels through which the division of labor exerts its benefits for the economy of a nation in both micro and macro levels. In the following passage, as a result of the division of labor, it is shown that per capita production boosts due to increases in dexterity, time-saving and people's capacity to invent:

⁵ West (1990: 34) states that Smith's treatment of the concept is peculiar in three ways: "limited by the extent of the market" is one of the most illuminating generalizations; different from predecessors Mandeville and Harris; the division of labor as the major reason for increased production. It is an original contribution against traditional treatment of the division of labor which assumed productivity is highest when each individual specializes according to "his talent". Talent was, according to Smith, the product of education and endowment.

⁶ Of the five books of *The Wealth of Nations*, Book I and Book II are directly associated ones with the theory of the division of labor. In Book I through Book III, the division of labor constitutes the cornerstone of economic growth that any modern society has to realize in order to maintain growth.

The greatest improvements in the productive powers of labor, and the greater part of the skill, dexterity, and judgment, with which it is anywhere directed, or applied, seem to have been the effects of the division of labor. . . This great increase in the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and, lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many (Smith, 1776: 38).

After stating the ways in which the division of labor increases the productive forces of labor, Smith gives illuminating instance of pin production which was highly renowned among political economists of that time⁷. Pin workers example is given by Smith as follows:

To take an example, therefore, from a very trifling manufacture, but one in which the division of labour has been very often taken notice of, the trade of a pin-maker: a workman not educated to this business (which the division of labour has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way, in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater parts are likewise peculiar trades. . . One man draws out the wire; another straightens it; a third cuts it; a fourth points it; a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations; to put it on is a peculiar business;

⁷ We should note a point about the pin factory example here. Precursors of political economy including the ancient Greeks, medieval Islamic scholastics and mercantilists were all aware of the division of labor. According to Rashid (1986) and others (Cannan (1994), Ozveren (2010) and Campbell and Skinner (1981)), the case of pin factory is originally stated in the French *Encyclopedie*. Smith had taken both the example and the idea of gains from the division of labor from this source. Despite the lack of originality of Smith on the division of labor, Rashid (1986: 295) acknowledges his emphasis upon it as an exclusive source of growth contrary to his contemporaries.

to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them (Smith 1776: 36-37).

Pin workers example is obviously spectacular and may make Smith bewildered owing to some thousand folds increase in production. Old guild system had two or three workers; one was the master and others were journeymen and/or apprentices. In this system, as Smith told, each person could possibly produce about a dozen pins in a day at maximum. Alternatively, by way of the division of labor under a factory roof, business of pin making could be possibly divided into eighteen distinct operations. After giving the details of pin workers example, Smith then ties it with his real life examination of such a factory:

I have seen a small manufactory of this kind, where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth, part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations (Smith, 1776: 37).

Division of labor, in accordance with his depiction of self-interested man, originates from human nature In Chapter II of Book I “Of the Principle Which Gives Occasion to the Division of Labor” it is stated that:

This division of labor, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature, which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another (Smith, 1776: 41).

After establishing confidently the roots of the division of labor on human nature⁸, Smith extends his logical examination to the market and exchange relations. On the way, however, Smith passes from technical division of labor to social division of labor. Smith's interchangeable use of the term causes controversies about his classification of the division of labor⁹. Throughout *The Wealth of Nations*, Smith draws on both types, yet technical division of labor is

⁸ The division of labor theory also brought a new theory of social harmony. With following sentences, Smith hypothesizes a new form of economic association between individuals:

"In civilized society he stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this: Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely" (Smith, 1776: 41-42).

⁹ Soon after him, Marx proposed a categorization of the division of labor as social and technical.

only employed in Book I and Book II. Afterwards, when Smith refers to the division of labor, it is indeed social division of labor.

In Book II, the idea of capital accumulation and its effect on the division of labor is explained as follows:

In that rude state of society in which there is no division of labour, in which exchanges are seldom made, and in which every man provides everything for himself, it is not necessary that any stock should be accumulated or stored up beforehand, in order to carry on the business of the society. Every man endeavors to supply by his own industry his own occasional wants as they occur (Smith, 1776: 236).

The division of labor increases total output without any change in the amount of capital employed. Pin making example illustrates us that the division of labor is applicable if the production unit is re-organized according to the specific tasks that enable workers to build up their dexterity and prevents loss of time when changing a particular work for another.

In consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that someone or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, whenever the nature of it admits of such improvement. A great part of the machines made use of in those manufactures in which labour is most subdivided, were originally the invention of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it (Smith, 1776: 15).

The last gain from the division of labor, encouragement of workers to invent new machinery, is, among the three, the most controversial one. Smith gives

the central role in machinery invention to common workers while declaring a modest place for two other class of people on this specialty; philosophers "whose trade it is not to do anything, but to observe everything"; and "the makers of machines" (Rashid, 1986:293).

As Smith's theory of division of labor is mainly about industries of town and not agriculture, improvements in the division of labor is involved in an interaction with the nature of industry such as demand structure. According to Smith, if people are assured to exchange all their surpluses, they feel that it is acceptable to dedicate themselves to a particular business. Apparently this is a different kind of the division of labor than the pin factory example, namely social division of labor¹⁰. The case of a Porter, for instance, gives us an idea about such kind of division of labor.

As it is the power of exchanging that gives occasion to the division of labor, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labor, which is over and above his own consumption, for such parts of the produce of other men's labor as he has occasion for. . . There are some sorts of industry, even of the lowest kind, which can be carried on nowhere but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him; even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family. In such situations we can scarce expect to find even a smith, a carpenter, or a

¹⁰ Contrary to the sentiments of "impartial spectator" and "sympathy" in the *Theory of Moral Sentiments* (1759), this self-interested description of human beings was a monument for political economy.

mason, within less than twenty miles of another of the same trade (Smith, 1776: 45).

His theory of markets is also related with the division of labor. The division of labor and market extent have reciprocal effects on each other. Exchange and specialization to which the division of labor gives occasion depend on market size. Hence the degree of the division of labor is limited by the extent of the market. Market extent and other limits to the division of labor are historically exemplified by Smith. There are some charges that prevent either the market to widen or goods to come for exchange to the markets¹¹. Especially long-distance trade between industrial centers of Britain and Indian markets was inspiring for Smith about the backwardness of continental trade in British inlands. For this reason the expansion of market is only possible if water-carriage is available for expansion of markets.

As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country. . . Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country (Smith, 1776: 45-46).

According to this narrative, Ancient Egyptians and Indians flourished through the inland market along the great rivers, while ignoring foreign commerce, to the extent of the possible boundaries of land. China also followed the same way. These three societies, in consequence, were limited by the size of the

¹¹ Transaction costs approach finds Smith's following analysis bearable with its theory.

market and the way to break out this constraint, foreign commerce, was not in consideration to them.

In addition, commercial system can give occasion to the division of labor and hence development. Smith thinks that commercial system of a nation should be in favor of increasing the productive powers of labor by acceding to foreign trade. America had been a proper experimental place for his theory of growth due to vast opportunity in commerce and agriculture¹². By comparing British mainland with North American colonies, he puts forward another dimension of his theory of growth than the division of labor. By showing the relative market saturation in British mainland and the improving nature of economic expansion in America, he captures the essence of the so called "law of falling rate of profits"(Arrighi, 2007: 45). American colonies, in this regard, have a high potential for growth with the help of agriculture's high profitability there. The historical background of Europe in this respect is explained in a detailed manner. In Book III, Chapters II and III handle two main causes of Europe's current situation¹³. One is engrossment of all land by large proprietors after the fall of the Roman Empire. With the institutionalization of land as the means of power and protection, agriculture, during the Middle Ages, became secondary, as a source of revenue, with respect to manufacturing and commerce. The other factor is the rise of cities and towns as a stimulus for commerce¹⁴. Moreover, as Smith admits, such a gain from the division of labor is limited to specific subsectors of manufacturing; hence agriculture is not perfectly suitable for this.

¹²"The discovery of America, however, certainly made a most essential one. By opening a new and inexhaustible market to all the commodities of Europe, it gave occasion to new divisions of labour and improvements of art, which, in the narrow circle of the ancient commerce, could never have taken place for want of a market to take off the greater part of their produce" (Smith, 1776: 359).

¹³ China and Holland holding the highest stage of economic development did not permit further economic expansion. The only way to break out this trap was a change in institutional environment and judicial settings (Arrighi 2007:58). Therefore, Smith's illustration of the division of labor is not simply an explanation of the past, but a prediction of the future.

¹⁴ Smith says that "the great commerce of every civilized society is that carried on between the inhabitants of the town and those of the country" (Smith, 1776: 307).

In sum, the theory of the division of labor links economic growth to technical division of labor and market extent. While acknowledging the limits of this idea, Smith embraces it also as a primary principle of social organization.

2.3 Increasing Returns and Factory Production

The basis of the Industrial Revolution, factory production, is not unfamiliar to Smith. He encourages, by the division of labor, such an organization of productive forces. However, the other building blocks of the revolution are not well explained in *The Wealth of Nations*¹⁵. According to Schumpeter (1954), Smith's pin factory has nothing in common with the factories of the Industrial Revolution. It is known that Smith has a negative perception of large-scale enterprises, especially the joint-stock companies. Hence, the Industrial Revolution, just near to him, is irrelevant to his theory. These two ostensibly contradictory instances lead to doubts about his anticipation of the Industrial Revolution. At the same time, he promotes the division of labor in the production area while discrediting big enterprises. The basis of the Industrial Revolution, according to the general orthodoxy, putting aside the natural endowments, transaction costs and markets for the merchandise, is increasing returns to scale production techniques¹⁶. Koebner utters this fact by "Students of his argument must agree with the protest raised by Charles Rist in 1909: Nothing can be more incorrect, though it is frequently done, than to regard

¹⁵ Smith was critical about commercial society, not industrial society. Industry for him was not in a position as it was for Robert Owen, Andrew Ure or Charles Babbage. Foreign commerce rather than industry appeared to be the upper level of economic development.

¹⁶ Details of the Industrial Revolution and Adam Smith's anticipation of it can be found in Kindleberger, Charles P. (1990), *Historical Economics: Art or Science?*, Berkeley: University of California Press, pp.103-26.

Smith as the prophet of industrialism" (Koebner, 1959: 382). Koebner gives no place for Smith in the Industrial Revolution.

Regarding the other 'revolutionary' development, the rise of British industry under the influence of steady improvement in mechanized production and transport, no claim of visionary gifts could be based on Adam Smith's explicit views. There was not a line in his book anticipating such transformations as were to take place. If he was nevertheless thought to have been aware of future realities, he owed this renown to the same maxims of policy which underlay his re-commendation to abandon the American colonies (Koebner, 1959: 382).

Kim (1989: 692) also agrees with Koebner and states that Smith attributes "the greatest improvement of industrial labor productivity" to the division of labor with its "contradictions with the competitive price theory". Although Smith puts forward the division of labor as a way of increasing the productivity of workers, any actual policy for application is not easy to deduct. Is it the workers themselves or the stockowner that will arrange the production units in line with Smith's idea? Still, Smith answers this question in a deterministic manner by saying that the division of labor "is not the effect of any human policy". He even continues to this reasoning with an analogy of human beings with other animals. By tying up the division of labor to human nature, Smith closes the policy options to raise the division of labor. The only way to expand the benefits of the division of labor is increasing the extent of the market and exchange relations either by home market deepening or through foreign commerce. We find Vincent-Lancrin's hypothesis quite plausible. He states that:

In *The Wealth of Nations*, the division of labor refers simultaneously to two different things: a social division of labor and an organizational division of labor. The central point is that the organization of work (the organizational division of labour) in the firm is the logical counterpart of the social division of labor, and that these reflect two inseparable

aspects of the process of the division of labour. Smith is thus concerned with organizations as well as with markets, each functioning according to the same principle. Hence, Smith does not believe that the organizational and the social divisions of labour are fundamentally different, although he does recognize some variation between them and describes different states of the division of labour within the firm, liberal and capitalist (2003: 209).

In other words, technical division of labor in the factory or the production units is dependent on the social division of labor that is as well dependent on the extent of the market. The divergence of agriculture and manufacturing, in terms of returns from increased employment of stock in these sectors, is important to understand Smith's ideas. While "the nature of agriculture does not admit of so many subdivisions of labor", returns from agriculture are the highest¹⁷. From this comparison, we can infer that, being aware of the contradiction with pin factory example, the division of labor in fact does not increase total output in 'every instance'. Indeed this fact coincides with the Chinese example. Contrary to English Industrial Revolution that is associated with labor productivity with increased machinery and capital use, China experienced an industrious expansion during the eighteenth century. Comparison of these two cases is the subject of next section.

2.4 Giovanni Arrighi and *Adam Smith in Beijing*

According to Smith's development theory, economic progress is driven by productivity gains with widening of the division of labor. The only limit to this

¹⁷ On the issues about the incomes of different economic classes derived from economic value discussion, agricultural investments, in agreement with physiocratic thought, returns the highest profit. Smith's description of pin industry, hence, does not constitute a basis for further analysis of sectors in this manner and the impact of physiocracy shows its weight on the work of Smith.

deepening is the limit of the market. Giovanni Arrighi's book *Adam Smith in Beijing* (2007) is a historical comparison of the Smithian development trajectories of China and Europe. China's rise in the late twentieth century with a labor-oriented discourse calls for a review of Smith's two developmental paths in *The Wealth of Nations*, namely natural and unnatural paths. These paths were represented respectively by China and Holland holding highest maturity levels attained from different trajectories in the eighteenth century. Interestingly, over time, China came up against the limits of the market by spatial scale and entered a so-called high-equilibrium trap for nearly two centuries, while the advanced part of Europe, especially Britain, escaped such a trap through the Industrial Revolution.

In the natural path or the "natural progress of opulence", the order of economic sectors to be realized and invested consists of agriculture, manufacturing, and foreign commerce, respectively in accordance with their returns. The role of capital is limited because such kind of a developmental path generates an excess labor demand. If the country has limited capital stock and inadequate capital accumulation possibilities, it is the only manner of growth strategy option. For this reason, Smith's natural path has its own limits by paying insufficient importance to capital accumulation and innovation, which are the basic premises of the British Industrial Revolution. The unnatural alternative is, on the other hand, based on first foreign commerce and later to agriculture and manufacturing. China representing the natural path experienced a territorial division of labor in agriculture and manufacturing restrained by the extent of the Chinese market. Conversely, Holland and other European countries revealed an unnatural trajectory since the fall of the Roman Empire which Smith did not approve in agreement with Physiocrats on the superiority of agriculture over other sectors. Hence, Smith "upheld China rather than Europe as a model of the kind of market-based economic development" that was most

advisable for governments to pursue (Arrighi, 2007: 69). He did not see the European path as having a greater growth potential than the Chinese model.

Arrighi analyzes this farsighted attitude of Smith in a comparison of Chinese development with Europe. In the beginning part of his book, he defines Chinese industrial development as 'industrious revolution'. Although the term has first used for Japan, it quite well describes the circumstances in China's development. The period till the eighteenth century that China experienced world's highest opulence was based on market economy and was limited by the continental extent of the Chinese market due to disregard of foreign trade; it was not capitalist in the proper sense and at the same time it was market based. Increasing division of labor on the continental market created a labor surplus and a capital shortage, in contrast to European developmental record. During this period, China experienced an 'involuntary growth' or 'growth without development' trajectory characterized by decreasing returns to the increasing number of days worked annually. The emergence of a mode of production that relied heavily on investment in human capital mobilized labor rather than non-human resources. Obviously, such kind of developmental path was necessarily labor-intensive and not contingent upon capital accumulation. After about two centuries of stagnancy, with the reforms in late 1970s, Chinese economy experienced market expansion and increasing division of labor which generated a further need for labor utilization and economic surplus for investment in industry and agriculture. As it was in the two centuries before, the economic growth led to the mobilization of labor resources from rural to urban areas as the importance of foreign commerce increased vis-a-vis agriculture and industry during these years¹⁸.

¹⁸ Since Adam Smith, British-type capitalism never evolved in China.

While in the other part of the world, unnatural path flourished into a capitalist miracle¹⁹. Capital gained from external trade was put into motion in the factories of Europe. With adequate capital supply from foreign markets, British-led Europe followed a capitalist revolution along this path during the eighteenth and nineteenth centuries.

With the rise of Chinese model in the last decades, we witness a change in paradigm about the natural path. While in the original form, the natural path is proved to be backward before the Industrial Revolution in the eighteenth century, the very same phenomenon emerges as an ideal case of progressive, dynamic and labor-augmenting alternative to the Western capitalist system by the end of the twentieth century. This paradox raises the question of what concept of market-based development is most practical to explain the demise and re-emergence of East Asia as an emerging region of the world-economy. Although the Smithian theory distinguishes the structural differences in the East Asian and European histories, his future projection fails to predict coming European industrial advancement and long stagnation of East Asia. Such an omission falls short in giving sufficient clues to enlighten the so-called “Great Divergence” of the West from other parts of the world in long-term historical trajectory. Arrighi, by showing Smith's theory's shortcomings, aims to explain the divergence by comparing power relations in the Japanese and Chinese developmental experiences. Hereby, Chinese blueprint calls for a rigorous re-examination of Smith's theory.

¹⁹ According to Marx, what Smith called unnatural path is indeed the capitalist path.

2.5 Reconciling "Two Views of the Division of Labor" and Other Questions

In Book V, Smith calls for government intervention to alleviate negative effects of the division of labor by means of public education²⁰. He emphasizes the necessity of education for common people²¹. Smith puts the problem as follows:

In the progress of the division of labour, the employment of the far greater part of those who live by labor, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects, too, are perhaps always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention, in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become (Smith, 1776: 637).

Apparently, it is a contradiction to the idea of workers' "invention of new machinery" that Smith told previously with a mythical example. This clear counter-case leads to confusion about his theory of the division of labor. Accordingly, by his successors, his perception of the division of labor has been questioned from different angles. Generally, economists oscillated between two views. West (1964) and Rosenberg (1965), primarily on this problem, cross-examine "two views of the division of labor". As reported by West, *The Wealth of Nations*, by constructing a growth theory on the division of labor,

²⁰ According to Rosenberg, Smith's above mentioned analysis "constitutes a major source of inspiration for the socialist critique of capitalism" (Rosenberg, 1965: 127).

²¹ For Smith, agricultural worker is less likely to be morally degenerated with comparison to workers of the industry of towns.

conducted to a big problem. Basically, Smith exaggerated the pin factory case "as to contradict the more objective findings of the economic analysis of the division of labor" (West, 1964: 32). For West, Smith's purpose was economic, so that sociological analyses were in some way imperfect and lacking. He is on the same side as the idea that Smith was consciously in a dual attitude toward the division of labor and thus classifies contents of *The Wealth of Nations* mainly into two themes as sociological content and economic content that respectively dominate Book III-V and Book I-II. Smith's economic view at the beginning leaves its place to social consequences at the end. So that, the same phenomenon, the division of labor, appears in two opposite versions. One is productivity-concerned, from the economic perspective, while the other is a deteriorative cause on workers' inventiveness, from the sociological perspective. West concludes his analysis with the suggestion that the division of labor is a more complicated sociological phenomenon than Adam Smith thought.

Rosenberg (1965), one year after West, reviewed the problem. He concludes that, as a determinant of inventive activity, the division of labor overshadows its deleterious impacts. He says "although Smith was seriously concerned with these effects, he did not fear that such developments would constitute a serious impediment to continued technological change" (1965: 138). Lisa Hill, in her study of "Adam Smith, Adam Ferguson and Karl Marx on the Division of Labour", compares Smith with Ferguson and Marx. In the way of finding the roots of Marx's "alienation of labor", she says:

Smith's attitude to the division of labour, though depreciative in parts, does not share in Marx's (or Ferguson's) deeper negativity. Specialization does not undermine social solidarity but rather transforms the quality and means of interdependence while at the same time enhancing personal and private independence. The division of labour enhances social life precisely because it is a key cause of the dissolution of those charitable, philanthropic, paternalistic

and dependent relationships Smith disparaged (Hill, 2007:346).

From the sociological view, the division of labor depicted in *The Wealth of Nations* bifurcates from Ferguson's and Marx's understandings. Similar to Rosenberg, Hill concludes: "in particular, the intellectually and morally debilitating effects of specialization are naturally offset by the more general gains in knowledge and refinement brought about by that same process"(Hill, 2007: 348).

As in the case of *Das Adam Smith Problem*, Smith's vision of the division of labor also leads to a variety of interpretations. In the *Theory of Moral Sentiments* (1759), the concept is taken into consideration from a social perspective. It is, as classical philosophers thought, social harmony that emerges as a consequence of the division of labor. From the ethical side, it is the natural cement of societies in which sympathy, altruism and moral values dominate over self-interest and individual wants. In fact, Adam Smith scholars detect three versions of the concept in his works: student notes based on *1762-3 and 1763-4 Glasgow Lectures* published by Cannan (1896); *Early Draft of The Wealth of Nations* (Meek and Skinner, 1973: Appendix); and the final edition of *The Wealth of Nations*.²² Early draft is said to be a revised version of the economic part of Smith's moral philosophy lectures at Glasgow. Early draft does not include the discussion of the dependence of the division of labor on market extent. However when working on *The Wealth of Nations*, Smith might have realized the importance of market extent and transportation costs. His comparison of sea and land transportation illustrates their relative effects on the division of labor about the Scottish highlands. At the end, Smith reached a conclusion that the division of labor was dependent upon the extent of the market (Meek and Skinner, 1973: 1103). However, there were also points that

²² Meek and Skinner (1973) studies the evolution of Adam Smith's works. In addition, *Early Draft of The Wealth of Nations* and previous *1762-3 and 1763-4 Glasgow Lectures* published by Cannan (1896) documents Smith's interest in the division of labor.

Smith did not develop and omitted in the last version. The last paragraph of Meek and Skinner (1973) article indicates a significant issue. Extracting a development theory from *The Wealth of Nations* arises some problems. In the part where Smith put forward four stages of economic development, the role of the division of labor and its realization in each stage is not the same. Basically, the first three stages differ from the last one in terms of specialization. Since specialization brings income from a specific employment, the three stages are excluded. These are characterized by the subsistence mode of production. They principally rest upon specific trades but not entirely which is the characteristic of the fourth stage alone. The fourth stage experiences specialization in terms of the area of employment and the process of manufacturing (Meek and Skinner, 1973: 1109). Smith proposed an incomplete form of the division of labor. This point is crucial for clearing the ambiguity over his handling of the division of labor.

2.6 Conclusion: A Comparison of Smith's Definitions

The division of labor can be used to comprehend Smith's general theory in its totality. The contradiction of early Chinese experience with his theory of the division of labor is bearing. With the realistic and historical side of the theory, he did not attribute a transformative role on the division of labor and, instead suffixed institutional trap and the market extent as further conditions to be explained. The concept appears both as a factor of economic growth and a policy to be employed by political economy in a particular system. The first is an inspiration to scale economies and increasing returns approach in economics; while the other is, with its teleological essence, the magic formula of political economy that constructs order in economy and, in return, society.

Smith's methodology justifies two-sided approach to the division of labor. As identified by the historical narrative, his comparisons of the systems of political economy recall the division of labor with a tautological conceptualization. Superiority of British institutions in terms of substance over the Chinese ones clashes with the theory preset. It means the division of labor should be extended in order to make it prosper and advance the benefits. Based on this dual nature of the theory, it can be asserted that Smith tried to incorporate his static analysis of growth dynamics to international trade theory with its deficiencies in fully explaining the factors of the division of labor other than the concept itself. Table 1 gives a summary of Smithian theory of the division of labor.

Table 1. Definitions and alternative uses of the division of labor in *The Wealth of Nations*

	Basic presumptions	Methodology	Application
Growth-oriented (technical) definition	Pioneer of scale economies, increasing returns and labor productivity	Introspective and inductive method	Factory production and economic sectors
Policy-oriented (social) definition	Order-establishing employment in economy and society	Historical and institutional method	Societies and economic systems as organic entities

Growth-oriented definition is a technical matter. Smith is found to be the first on insistence uniquely on the division of labor in this sense in the history of economic thought. However, policy-oriented definition is the one on which

Smith depicted mostly in *The Wealth of Nations*. It is traced as social division of labor by the following theorists. Smith reinforced social division of labor by using these two definitions jointly without even an explicit articulation of the two meanings. Chinese market economy is basically an application of the policy-oriented approach while subsequent "Great Divergence" between industrializing Europe and 'others' can be assumed to be due to his pledge of the division of labor as the true source of growth which he abandoned nearly totally in his work after Book II. His comparative method in later parts of the work is basically blurred with this problem. Arrighi's *Adam Smith in Beijing* (2007) gives valuable insights in a modern context about Smith's long-disregarded development theory. Contributing to the policy-oriented definition, Arrighi enriches Smithian political economy. The division of labor theory in this respect is central to understand both *The Wealth of Nations* and Smith's method of inquiry. Considering Smithian frame of political economy "as a branch of the science of a statesman", policy-oriented definition is more amenable to his ultimate aim.

CHAPTER III

KARL POLANYI AND THE DIVISION OF LABOR: REVIEW OF ECONOMISM IN ADAM SMITH AND THE LIBERAL SCHOOL

The Great Transformation (1944) had been written in an epoch of destruction and collapse of the West-centered liberal world system. Insistence on economic progress in spite of individual freedoms and democracy had created suppressive regimes in once-liberal European countries. The bond between economic science and history in the making emerged as a primary noteworthy case of interest to Karl Polanyi during these years. His reading of current developments in the Western world had to be rooted to the birth of the market economy itself. In his reasoning, the system has its integral deficiencies that lead to social upheavals and protectionist double movements in societies. Such an analysis triggered a debate of methodological conflict with economic orthodoxy represented by liberal political economy. Adam Smith and his theory of the division of labor, main theme of this thesis, had not been the main target of Polanyi at any time. To a certain extent, Smith's heritage in mainstream economics as a historical reference figure has been the point. Polanyi maintained a line in his works to support his argument of social embeddedness beginning from early societies to the modern society of the twentieth century. From his perspective, the division of labor was not an economic issue to be discussed in purely economic terms. Its social roots were prior to economic ones. Technical division of labor, particularly, had not been a subject of importance for him to write upon since he was not an economist in the narrow sense. In due course, there emerges a basic dissimilarity between

Smith and Polanyi about their approaches to division of labor. However, there are also some methodological affinities between the two. Both cared about social change. For Polanyi, it was the great transformation of the nineteenth century civilization away from a liberal system. Smith pursued a societal approach, in affinity with Polanyi. His two development projections, discussed in the second chapter, led to a contradictory policy in transition to a higher level of civilization. Although Smith proposed a four-stage theory of development based on the dominance of the sectors and increasing specialization as a result of the division of labor, his analysis of commercial society is not limited mainly to a production analysis of a sector-based society. Rather, with the impact of the changing production modes, i.e. emerging factory production, social degradation began to take place. Lastly, his theory of economic progress, in its essence, is a theory of social change, not limited to the dynamics of the division of labor²³. Institutional setting and legislation also count for this aim.

It would be a great misapprehension to expect from Polanyi an economic dynamic similar to the division of labor in Smith's economic theory. He wrote principally about non-market societies and systems with embedded markets in the ancient and pre-capitalist times. About the functioning of market economy and its related society, commodity fiction of land, labor, and money had been his analytical instruments. The analysis of market society from the perspective of the interrogatives of liberal economic theory was far from appropriate as far as he was concerned.

This chapter brings Smith and the division of labor to a discussion from Polanyi's viewpoint. In the first section, an inventory of Adam Smith and the

²³ As put in the fifth section of chapter two, Meek and Skinner (1973) finds evidence that Smith discharged the division of labor as a transformative dynamic in his stages theory omitted through to *The Wealth of Nations* from the *Early Draft*. Only he extensively used the concept in commercial society in which further progress was told to be contingent upon other instances like institutional setting and legislation. Here Smith meets Polanyi.

division of labor will be discerned from *The Great Transformation*. Second section will touch upon Polanyi's use and understanding of the division of labor. Third section will compare two approaches to the division of labor according to substantivist and formal definitions of 'economic' with reference to Polanyi's article "The Economy as Instituted Process" from his other work, *Trade and Market in the Early Empires* (1957). As applications of the substantivist and formal approaches, fourth and the last section of this chapter will revise the roots of modern markets in two scholars' theories, namely European policy in Polanyi as a historical fact and the natural course of the division of labor in Smith as a part of his economic theory.

3.1 Adam Smith and the Division of Labor in *The Great Transformation*

After establishing the premises of the nineteenth-century liberal system onto four institutions, that is, the international balance of powers, the gold standard, the liberal state and the self-regulating market economy, Polanyi outlined the basic areas of inquiry to better understand the 'transformation' of society. Planning to make his reasoning well-grounded, Polanyi discusses economic systems while differentiating market society from previous societies and binding economic systems, as embedded, to social institutions. About this point Polanyi firstly mentions Smith as the forerunner of 'Economic Man'. Smith's infamous description of market exchange was established on human nature seeing that people's "inherent propensity to barter, truck and exchange one thing for another" was the main motive of economic behavior since the primitive man. In other words, markets were the products of the division of labor and, its equivalent, market exchange was a universal mode of economic relations in the market. According to Polanyi, this was a fallacy about the motive of the primitive man. In his view, two pioneers of two distinct

disciplines, political economy and political science, Smith and Rousseau fell into such similar fallacies of economic and political psychologies of early men (Polanyi, 1944: 46).

It will be a proper question to begin with: “what does Polanyi mean with the division of labor when he used it with reference to Smith?” Apparent remarks in *The Great Transformation* concentrate on this point. Industrial progress and expansion of the market in the second half of the eighteenth and through the nineteenth centuries were a milestone for Polanyi about the economic psychology of ‘inherent propensity to exchange’ to noticeably take part in economic concerns of human beings. Economic liberalism, both before Polanyi and during his time, like found in Herbert Spencer, Ludwig von Mises and Walter Lippmann, continued in this fashion and raised market exchange as the spontaneous social organizer. The problematic point in this idea showed its misleading effects on studies of pre-capitalist societies.

For Polanyi, nineteenth-century civilization owed much to Smith vis-à-vis the birth and advance of market ideology. In Chapter Four of *The Great Transformation*, “Societies and Economic Systems”, Polanyi cites Adam Smith's name for the first time in the book. In the query of market economy, Polanyi recognizes the necessity of quoting Smith and his perception of political economy. Beginning with the primitive man, Polanyi rejects human beings' alleged instinct of economic gain. Although he admitted that the market as an institution existed since the Stone Age, the system of market economy has different underpinnings than previous systems. In his words, "gain and profit made on exchange never played an important part in human economy" and "no economy has ever existed that, even in principle, was controlled by markets". After that, Polanyi ties this discussion to his main argument of market economy. Smith's understanding of the division of labor, in this account of markets, is mainly problematic for primitive man's axiomatic gainfulness

and axiom was "much more relevant to the immediate future than to the dim past".

No less a thinker than Adam Smith suggested that the division of labor in society was dependent upon the existence of markets, or, as he put it, upon man's "propensity to barter, truck and exchange one thing for another." This phrase was later to yield the concept of Economic Man. In retrospect it can be said that no misreading of the past ever proved more prophetic of the future (Polanyi, 1944: 45).

Smith's such axiomatic claims stimulated in his successors a shift of attention away from economic history. Their interest was limited to the period of history, in Polanyian terms, when exchange for economic gain took place only recently and only as an exception. Preceding history of human beings is then neglected and economic science escaped the totality of the history of human behavior. This point is exclusively seen in Polanyi's continual search for linking social anthropology with economic history at this chapter of *The Great Transformation*.

The habit of looking at the past ten thousand years as well as at the array of early societies as a mere prelude to the true history of our civilization which started approximately with the publication of *The Wealth of Nations* in 1776, is, to say the least, out of date (Polanyi, 1944: 47).

Chapter Five, "the Evolution of Market Pattern", is closely connected to the previous chapter. The market itself and its special patterns of conduct through history are considered in pre-industrial British context. Seventh chapter of the Book, "Speenhamland, 1795", and Chapter Eight "Antecedents and Consequences" consider the emergence of the labor markets and the commodification process of labor. Smith in this context was in favor of the liberal market policies:

After the Restoration the Act of Settlement and Removal was passed to protect the “better” parishes from the influx of paupers. More than a century later, Adam Smith inveighed against this act because it immobilized the people, and thus prevented them from finding useful employment as it prevented the capitalist from finding employees (Polanyi, 1944: 92).

In the chapter entitled “Political Economy and the Discovery of Society”, Polanyi reviews the birth of the social science. Some generalities in society by the mid-eighteenth century appeared to the concerns of firstly the Physiocrats and then to classical political economy. However, these regularities in economy had to be explained by something other than political rule. Positivist mind of the Enlightenment shaped the discussions. Whenever Smith did propose ‘humanistic’ foundations during the time, biological trend outweighed him as ‘the given foundation of a society that was not of a political order’. Townsend’s, Malthus’s, and Ricardo’s so-called laws brought economic society as distinct from the political state.

At the end of *The Great Transformation* (1944: 267-8), Polanyi says that there have been three constitutive facts in the history of modern man: knowledge of death, knowledge of freedom and knowledge of society. Knowledge of society, for him, began with the industrial society and its first spokesman was Robert Owen. The following two quotations show Smith’s perception of the labor issue before it would be a main source of debates among succeeding political economists:

The increase in the aggregate of trade naturally swelled the volume of employment while territorial division of labor combined with sharp fluctuations of trade was responsible for the severe dislocation of both village and town occupations, which resulted in the rapid growth of unemployment (Polanyi, 1944: 96).

The fatal irreversibility of urbanization hinged upon this simple fact which Adam Smith foresaw when he described the industrial worker as intellectually the inferior of the poorest tiller of the soil, for the latter can usually take himself to any job. Still, up to the time Adam Smith published his *Wealth of Nations*, pauperism was not increasingly alarming. . . . Adam Smith, in 1776, had been reflecting the mood of quiet progress. Townsend, writing only ten years later, was already conscious of a groundswell (Polanyi, 1944: 97).

In Chapter Nine, “Pauperism and Utopia”, the problem of poverty is at the center of discussion in transition to industrial society. The problem of poverty as a social fact and its roots had not been considered till Townsend and Owen. In lieu main problematic of moral philosophers were not paupers and poverty but ‘mobile capital’ and wealth circulating in the hands of the rich. Interestingly however, they believed that pauperism was mostly seen in most fertile and civilized countries. “And even Adam Smith in his cautious manner declared that it is not in the richest countries that the wages of labor are highest” (Polanyi, 1944: 108). They were aware of the social protection mechanisms against pauperism in traditional societies.

Widespread pauperism triggered questions about the issue. With the rising literature, pauperism emerged as an area of concern for political economists. Smith missed the target in this case. He was between the previous cohort of Defoe, Mandeville, Berkeley and Hume with respect to his successors Owen, Townsend, Bentham and Marx.

In the case of Ricardo, theory itself included an element which counterbalanced rigid naturalism. This element, pervading his whole system, and firmly grounded in his theory of value, was the principle of labor. He completed what Locke and Smith had begun, the humanization of economic value; what the Physiocrats had credited to Nature, Ricardo claimed for man. In a mistaken theorem of tremendous scope he 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, 1944: 132).

Economic theory which was laid down during the Speenhamland period was misleading. Especially Smith's theory was a rich source of misunderstandings. The solution to the problems of classical economists was apprehending by a far-reaching consequence of the authority of Nature. The breaking point of Smith from this thought became the rift between him and Townsend that triggered the "birth of nineteenth century consciousness". Marx, in this regard, was also unsuccessful in re-implanting the society into his 'dismal science' due to his profound roots in Ricardo and the liberal economics of classical political economy (Polanyi, 1944: 131).

At the last resort, for Polanyi, Smith had done what he could in the prevailing intellectual and material circumstances. In order to be a social philosopher, he worked with a sense of optimistic realism and confinement to the laws of society. He was the founder of a 'social science', but not yet a 'dismal' one.

Adam Smith, it was true, treated material wealth as a separate field of study; to have done so with a great sense of realism made him the founder of a new science, economics (Polanyi, 1944: 116).

Polanyi's compliment for Smith continues as follows²⁴:

²⁴ "It follows that neither Ricardo nor Malthus understood the working of the capitalist system. Not until a century after the publication of *The Wealth of Nations* was it clearly realized that under a market system the factors of production shared in the product, and as produce increased, their absolute share was bound to rise. Although Adam Smith had followed Locke's false start on the labor origins of value, his sense of realism saved him from being consistent. Hence he had confused views on the elements of price, while justly insisting that no society can flourish, the members of which, in their great majority, are poor and miserable... Smith's own view was that universal plenty could not help percolating down to the people; it was impossible that society should get wealthier and wealthier and the people poorer and poorer" (Polanyi, 1944: 129).

Nothing was further from the mind of Smith than such a glorification (Physiocrats') of Physis. Political economy should be a human science; it should deal with that which was natural to man, not to Nature. . . This exclusion of the biological and geographical factor in the very beginning of his book was deliberate (Polanyi, 1944:117).

The biological nature of man appeared as the given foundation of a society that was not of a political order. Thus it came to pass that economists presently relinquished Adam Smith's humanistic foundations, and incorporated those of Townsend. . . Economic society had emerged as distinct from the political state (Polanyi, 1944: 120).

In another work²⁵, Polanyi pointed out a methodological issue in the history of economic thought. Two main approaches to economic history emerged since early moral philosophers and classical political economists. Societal and economic approaches dominated the works of notable scholars. Interestingly enough, these two approaches alternated chronologically according to Polanyi.

Table 2. Moral Philosophers and Economists According to Approaches in the History of Economic Thought

1. Original Societal Approach	Montesquieu (1748), Quesnay (1758), Adam Smith (1776)
2. Original Economic Approach	Townsend (1786), Malthus (1798), Ricardo (1817)
3. Return to Societal Approach	Carey (1837), List (1841), Marx (1859)
4. Return to Economic Approach	Menger (1871)
5. Synthesis of (3) and (4)	Max Weber (1905)

Source: Dalton (1968: 123)

²⁵ Dalton, George (1968), *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, New York: Anchor Books.

Concerning our issue, Smith is given in the list of original societal approach together with French Enlightenment scholars and political economists from whom he was most influenced. Carl Menger and thus the Austrian School are put in economic approach that usually tied their origins to Smith. Hence Smith can be claimed along with other philosophers of his time as a societal scholar and maybe a bridge to classical economists, targeting society in the broad sense.

Lastly, above mentioned remarks show Polanyi's general perception of Smithian economic thought. Overall evaluation of Smith literature in Polanyi's works shows that Polanyi indeed had done an archetypical reading of *The Wealth of Nations* without falling to a trap of reckoning the Scotchman's 'sins'²⁶.

3.2 Place of the Division of Labor in Karl Polanyi: Critique of 'the Division of Labor Equals Market Exchange'

Polanyi's view for one thing can be thought as a response to the Austrian School of his time. His main target was not Smith's personal ideas but his false legacy inherited by this school (Özveren, 2007a: 549). Hence, one problem is

²⁶ Polanyi was not unique in depiction of Smith in such a mode. "Instead of a divine instinct of mutuality of interests, planned in the breasts of individuals, he [Smith] would have found that this very mutuality itself was an historic product of collective action in actually creating mutuality of interests out of conflict of interests. Instead of an unseen hand guiding the self-interest of individuals towards general welfare he would have seen the visible hand of the common-law courts, taking over the customs of the time and place, in so far as deemed good, and enforcing these good customs on refractory individuals. . . within this institutional history of collective action controlling and at the same time liberating and expanding individual action, he would have found the reasons why, in his England of the eighteenth century, the human animal had reached the stage where he could say, "this is mine, that is yours; I am willing to give this for that"" (Commons, 1934: 162).

to properly address Polanyi's critique to Smith. Being a victim of the oppressive regime of his time, Polanyi is obviously not an admirer of either autocratic systems on the one extreme or liberal utopianism on the other. *The Great Transformation*, at the end, is a study of research of freedom in a complex society with such an intuition²⁷.

Polanyi summarizes the foundations of economic theory by asserting that during the Speenhamland era, capitalism was already functioning without a labor market as if it was a perfectly competitive market economy. Three foundations were, by then, already laid down: classical economists' theory of value and its extensions; a nascent market economy and a paternalistic regulation policy of labor; idea of economic society based on 'natural laws'. The last one of these foundations had made the most far reaching impact according to Polanyi²⁸.

Polanyi's main contribution to the critique of *homo economicus* approach of economic analyses is his social embeddedness idea. Inclusion of the primitive man with his later works in economic history questioned Smith's plain evolutionary theory of markets and market economy based on the division of labor. Polanyi defined the division of labor in the following way with an intuition to reject such an economic approach.

Division of labor, a phenomenon as old as society, springs from differences inherent in the facts of sex, geography, and individual endowment; and the alleged propensity of man to barter, truck, and exchange is almost entirely apocryphal (1944: 45).

²⁷ In this society, human actions were not uniquely composed of the three principles of Polanyi; reciprocity, redistribution, and house-holding. With the development of the market economy, modern society turned into a complex phenomenon with reactions to the incompatible developments within the system.

²⁸ By this, "economic society was subject to laws which were *not* human laws" (Polanyi, 1944: 131).

For Polanyi, easy part was the rejection of primitive man's so-called rational market behavior. He eliminated gainful description of Smith from the beginning. However, it was not a total demolition of Smithian thought. Hence his objection to Smithian theory of the division of labor was indeed targeted upon the first instances of national markets and the formation of market economy. So that, it is appropriate to start with his objection to the emergence of national economies and ideological roots of building such national economies. The relation between market economy and market society is important to grasp the essence of Polanyian thought.

Polanyi's definition of market is as follows:

A market is a meeting place for the purpose of barter or buying and selling. Unless such a pattern is present, at least in patches, the propensity to barter will find but insufficient scope: it cannot produce prices. For just as reciprocity is aided by a symmetrical pattern of organization, as redistribution is made easier by some measure of centralization, and house holding must be based on autarchy, so also the principle of barter depends for its effectiveness on the market pattern. But in the same manner in which either reciprocity, redistribution, or house-holding may occur in a society without being prevalent in it, the principle of barter also may take a subordinate place in a society in which other principles are in the ascendant (Polanyi, 1954: 59).

However, these three principles are associated with three 'traits', symmetry, centricity, and autarchy and they are just traits that do not lead to one-purpose institutions. Market pattern, on the other hand, is capable of creating the market as an institution for the mere motive of exchange²⁹. So the importance of market pattern shows us that the market shapes the society through the market pattern.

²⁹ He sums up the logic of the dissimilarity between pre-market societies and modern society by illustrating that "a market economy can function only in a market society".

In Polanyi, political processes like the Poor Laws and the enclosure movement are the principal factors in the development of a national economy. At this point, guild system and its nineteenth century equivalent, wage earning and propertyless labor, were the main premises of economic development and in a sense transition to industrial society. Formation of 'free' labor markets is a necessary condition of the social transformation for Polanyi. This reorganization of society in the curb of a liberal creed can explain the expression of "market economy can only function in a market society." In the pre-industrial era in Europe and Asia, the dominant structure of the labor supply for industries was controlled by conservative guild systems located in towns. Therefore, another pillar of the market economy is dependent upon the society in which the system evolves. With the dissolution of the guild system, economic policy proposed reorganization of production in the countryside in addition to the towns. Economic policy of mercantilist thought regulated monopolies in towns to achieve competitiveness in the international marketplace.

Regarding the division of labor as the source of growth, first section of Part Two of *The Great Transformation* entitled as "Satanic Mill" discusses the two faces of the Industrial Revolution³⁰. As a result of "miraculous improvement in the tools of production", people have experienced "a catastrophic dislocation". Robert Owen, Joseph Townsend and some other utopian social scientists had proposed "colleges" or cooperatives of laborers for the problem of pauperism³¹. Smith was silent on the issue³². From one angle their proposal is also a kind of

³⁰ "The very term "the Industrial Revolution" was now frowned upon as conveying an exaggerated idea of what was essentially a slow process of change" (Polanyi, 1944: 169).

³¹ Robert Owen by his *Villages of Union* rearticulated John Bellers' *Colleges of Industry* proposal.

³² Defoe had chanced upon the truth which seventy years later Adam Smith may or may not have comprehended; the undeveloped condition of the market system concealed its inherent weaknesses. Neither the new wealth nor the new poverty was yet quite comprehensible (Polanyi, 1944:115).

increase in the division of labor between their useless labor powers. Polanyi was aware of this idea's utopic nature as much as Smith's pin factory. Both were doomed to fail in practice. Smith's factory observation was not only dependent on mutual division of labor but other factors than this pure idea of gain from the division of labor. In other words, organization of the firm and in general economic system could not be a natural occurrence. His famous statement's first part was about this problem: "Laissez-faire was planned; planning was not." It is true that Smith did never use the word 'laissez-faire'; however, legislators and authorities after him understood it in that way. To quote Polanyi:

The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism. To make Adam Smith's "simple and natural liberty" compatible with the needs of a human society was a most complicated affair. Witness the complexity of the provisions in the innumerable enclosure laws; the amount of bureaucratic control involved in the administration of the New Poor Laws which for the first time since Queen Elizabeth's reign were effectively supervised by central authority; or the increase in governmental administration entailed in the meritorious task of municipal reform. And yet all these strongholds of governmental interference were erected with a view to the organizing of some simple freedom - such as that of land, labor, or municipal administration (Polanyi, 1944: 146-7).

It is now clear that, contrary to the expectations in his time, increase in the machine use brought more labor requirements in industry. As a result of such a fact, intervention to economy in labor issues had become crucial.

We see Polanyi's rejection of growth-oriented economics in the critiques of him. Taking into account that Smith had proposed a growth theory based on the division of labor and the main objective of *The Wealth of Nations* can be defined as to increase the wealth of a nation measured by annual produce of

that nation, Polanyi's objection to Smithian economics is quite plausible. Özveren (2007c) discusses the central concern of institutional change and progress in Polanyi and shows that Polanyian thought is more amenable to this institutionalist advance of social change. Polanyi was dissatisfied with progress-oriented social sciences of his time. Instead of the stages of development³³, he sought to elaborate a conception of social change founded on the different configurations of the basic forms of integration labeled as exchange, reciprocity and redistribution (Özveren, 2007a: 557).

3.3 Two Approaches to the Division of Labor: Substantivist vs. Formal

In the article entitled "The Economy as Instituted Process" (1957), Polanyi refers to the meaning of 'economic' to make clear his methodology and understanding of economics. He distinguishes two definitions of economic: substantive and formal. Basic divergence point of the two meanings is their respective approach to life. Substantivist approach considers the livelihood, material want-satisfaction of human-beings. It is derived from factual behavior. On the other hand, the formal approach considers a choice between various uses of means according to some rules, i.e. rational, and presupposes insufficiency and scarcity of them. An eminent follower of Polanyi conveys the formalist approach in the following way.

Scarcity is not a technical condition but a state of mind, a culturally relative mentality. The institutionally sanctioned limitation of wants is an alternative to "more". It is notable that the limitation of wants is not a practice steeped in a spirit of asceticism, but is habitual . . . shaped by the institutional adaptation to the ecological context (Stanfield, 1986: 82-3).

³³ Polanyi maintained an analytical distinction between industrial society and self-regulating market.

The choice between alternative scarcities is not the true definition of human acts on survival and life in general. It can only be a long-term plan of state or central institution. Polanyi hence rejects the ‘economic problem’ at the beginning. When analyzing modern economies, he sees no reason to indicate formal and substantivist uses separately. However, due to institutional discrepancy, pre-market societies and socialist economies cannot be studied with formal approach. Smith’s analysis of commercial society with production in an increasing division of labor in factory and society has a totally different essence from Polanyi’s societal scrutiny³⁴. Polanyi's contribution to the critique of formal economics is his social embeddedness approach. With the inclusion of the primitive (social) man into the analysis, social embeddedness changed the direction of the development of the market economy from Smith's evolutionary, right-way theory of the division of labor³⁵. ‘Economistic fallacy’ of Polanyi is a generalization of formal economics to all activities of human behavior. Stanfield states that

If men appear to be generous here, there selfish, it is not their basic natures that are different but their social organization. . . the presence of this or that motive. . . is not the important factor in institutional analysis. Rather, it is the institutional structure in which motives operate (Stanfield, 1986: 59-60).

Polanyi quotes F. H. Knight's "no specifically human motive is economic, to economic life" (1944: 258). Human nature as a social being is not a rationalist prototype of neoclassical modeling. It means an “economistic fallacy” to

³⁴ Instead of naming the global system as capitalism which refers to Marx and a specific mode of production and accumulation, Polanyi breaks out “economistic fallacies” and, from a socio-economic and historical perspective identifies the basic premise of the system as commodification of human effort and his environment via the market. Hence, he intentionally calls it ‘market economy’.

³⁵In relation to Veblen’s appointment of the orthodoxy in economics from Alfred Marshall’s to his time as *neoclassical*, he (Veblen) and Polanyi purposefully aimed to broaden the scope of economics to historical and institutional perspectives in a *neo-societal* approach inspired by Adam Smith.

perceive the economic history of human beings from the formal perspective of orthodoxy. Spanning of especially pre-industrial³⁶ world with rationalist individual figure is in a clash with anthropological findings of Polanyi, Thurnwald, Malinowski and others. Polanyi (1957) and Hopkins (1957) illustrate the insufficiency of formal approach in historical respect³⁷. Two aims of the substantive approach can be deduced from these articles: man's relation to natural life; and the institutional progress of economy³⁸.

3.4 Evolution of Markets: European Policy and the Division of Labor

Smith theorizes the formation of national and international markets by recourse to division of labor uniquely along the natural path. However, unnatural path Europe followed historically since the Fall of Roman Empire had been a major exception to the natural occurrence of trade. It was obvious especially during the Mercantilist era. About the national markets, Smith differentiates nations according to the degree of the division of labor and primary source of national wealth³⁹. His four stages theory shows this reasoning. Polanyi, in contrast to

³⁶ For Polanyi, "economic liberalism misread the history of the Industrial Revolution because it insisted on judging social events from the economic viewpoint" (1944: 35).

³⁷ "To narrow the sphere of the genus economic specifically to market phenomena is to eliminate the greatest part of man's history from the scene" (Polanyi, 1977: 6).

³⁸ As a criticism of the use of formal meaning by Polanyi, Waller and Jennings (1991) states that although Polanyi clearly stated the difference between formal and substantivist approaches and applied to pre-industrial societies, his analysis of the nineteenth century society is blurred in using the accurate meaning. His rejection of individualistic definition of economic value and theory does not proceed further to challenge individualistic tenets of formalism. Historical abnormality was seen as a universal principle. However it should be remembered that Polanyi's transformation is not the transformation of industries or technology, but rather it is a change in cultural and behavioral senses.

³⁹ Smith failed to construct a theory of international trade based on the division of labor. Absolute advantages theory, usually attributed to him, had no reference to the concept of the division of labor in local scale except its formal meaning of division between nations.

Smith's natural path, looks at political processes of mercantilist nation states and *haute finance* in the formation of national and international markets. At this point, Smith's historical account of European markets coincides with Polanyi. For both, European policy favored trade rather than agriculture and industry. In contrast, Smith's ideal path and Polanyi's history of markets differ in terms of both the formation at the beginning and the dynamics of expansion. In the *Trade and Market in the Early Empires* (1957), Terrence Hopkins explains the idea of Polanyi's rejection of the division of labor as the source of market growth based on the differences of the theory of society between methodological individualism and Polanyi's holistic approach.

The division of labor definition of the economy is part of a rather familiar theory of society - the one that holds it to be an aggregate of more or less freely moving individual atoms coming together, bouncing off, or avoiding one another in accordance with the laws of nature and rationality... the classic distinction between society and individual from an heuristic device to a cardinal principle marks the atomistic theory of society as a product of nineteenth century social thought (1957: 276).

Before the Industrial Revolution, market pattern was already based on householding with the help of an economic policy differentiating export markets from local markets. Such a dualistic policy gave rise to 'isolated internal markets' to which internal commerce was affixed. With the Industrial Revolution, a "big self-regulating market" attempted to break the old market patterns in Europe. Mercantilism regulated the internal trade and bestowed the authority over the social relations under its specific setting. Smith's one-time division of labor between urban and country never flourished into an increase in the division of labor en route to national markets as Smith himself admitted. In lieu mobile capital and towns struggled in a spatial war on markets and production. Mercantilist era had been a balanced form of the division of labor

Instead, he could do better with constructing his trade theory on the division of labor between industries.

between these two forces. Townspeople and agrarian country called for state regulation to escape from both monopoly and destructive competition while falling into a broader trap of regulation in some near future. By this opening, the mercantilist nation-state broadened its scope of intervention to a national scale. Agrarian peasant had continued to be self-sufficient householder and noncompetitive nature of local trade safeguarded the “functioning of markets under the given conditions” (Polanyi, 1944: 68-70).

From this discussion of market economy and markets, Polanyi comes to orthodox economic history in which markets play the central role in the theory which Smith unintentionally pioneered. By rejecting the Smithian theory of the sequence of market expansion by increasing division of labor, he questions the idea of market.

Orthodox economic history, in effect, was based on an immensely exaggerated view of the significance of markets as such. . . . Markets are not institutions functioning mainly within an economy, but without. They are meeting place of long-distance trade. Local markets proper are of little consequence. Moreover, neither long-distance nor local markets are essentially competitive, and consequently there is, in either case, but little pressure to create territorial trade, a so-called internal or national market. Every one of these assertions strikes at some axiomatically held assumption of the classical economists, yet they follow closely from the facts as they appear in the light of modern research (Polanyi, 1944: 61).

Markets are places of buying and selling but the constitution and the subjects of buying and selling are not clear-cut. In classical view, supposing a competitive local market brings competition for foreign markets. Local markets are supposed to be the meeting places of individuals in different divisions of labor to exchange the products of each other. Hence expanding trade opportunities and market extent improves the division of labor. Instead of this

reasoning, Polanyi ties the existence of markets to long-distance trade and the division of labor to the geographical location of goods. The origin of trade is hence not dependent on the propensity to barter but to the geographical distribution of goods and geographical division of labor. In his later work of "Ports of Trade" (1963), Polanyi investigates long-distance basis of trade. Local markets in his thought had a different function. They were nearly same in time and in geography. "A Scottish village of Adam Smith's time and a Central African tribal market" differ very little in essence in his eyes.

Local markets are, essentially, neighborhood markets, and, though important to the life of the community, they nowhere show any sign of reducing the prevailing economic system to their pattern. They are not starting points of internal or national trade (Polanyi, 1944: 66).

Also, internal or national trade was not the true source of evolution of market pattern for Polanyi. "Trade map of Europe in this period should rightly show only towns, and leave blank the countryside." He discards evolutionist idea of market system by referring to political interventions and finding no roots of national market in local or long-distance trade. In line with nation states, mercantilism breaks the rules of municipal trade, trade between towns. Destroying the previous noncompetitive commerce between towns, this system brought a plane for a within the borders national market. At the end, until the Industrial Revolution, we see no dominance of market over society. Mercantilism "merely liberated trade from particularism, but at the same time extended the scope of regulation".

The logic of the case is, indeed, almost the opposite of that underlying the classical doctrine. The orthodox teaching started from the individual's propensity to barter; deduced from it the necessity of local markets, as well as of division of labor; and inferred, finally, the necessity of trade, eventually of foreign trade, including even long-distance trade. In the light of our present knowledge we should almost

reverse the sequence of the argument: the true starting point is long-distance trade, a result of the geographical location of goods, and of the “division of labor” given by location (Polanyi, 1944: 61-62).

If we accept the propensity to barter inherent in human nature as a motive of the division of labor, it is not so directly agreeable for it to lead an increasing division of labor or establish markets per se⁴⁰.

Individual acts of barter or exchange – this is the bare fact – do not, as a rule, lead to the establishment of markets in societies where other principles of economic behavior prevail (Polanyi, 1944: 64).

Also, in actual life, historically there were some other limits to the division of labor to lead to national markets:

As a rule, the economic system was absorbed in the social system, and whatever principle of behavior dominated in the economy, the presence of the market pattern was found to be compatible with it. The principle of barter or exchange, which underlies this pattern, revealed no tendency to expand at the expense of the rest. Where markets were most highly developed, as under the mercantile system, they thrived under the control of a centralized administration which fostered autarchy both in the households of peasantry and in respect to national life. *Regulation and markets, in effect, grew up together* (Polanyi, 1944:71, emphasis ours).

In short, market in Polanyi is different from the market economy in which everything is on sale including labor, land, and money. It is far away from individuals’ own preferences so that the objection of Polanyi to this system on the ground of freedom is legitimate. Polanyi’s analysis does not pertain to individual behaviors but on the institutional frame in which individuals act.

⁴⁰ “In fact, one could argue that with an increasing division of labor barter and exchange become more trivial and satisfy less our inclination. In general, goods from an assembly line are not subject to barter, but traded on markets” (Holler, 2006: 476-7).

This point is related with the difference between his institutionalist approach on the one side, and the neoclassical and the new institutionalist approaches on the other.

CHAPTER IV

TAKING STOCKS

Taken separately, Adam Smith and Karl Polanyi are two prominent figures of two dissimilar periods in the history of economic thought: One a witness to the birth and the other to the collapse of the liberal system. Relevance is meaningful only if a conceptual examination like the division of labor is at stake. There exists a wide collection of Smith readings. Many economists tie him to current fashions of supply and demand analyses and rational choice theories; while some economic historians who read him from the first hand relate his works to the Enlightenment project that had a composite view of secular realities. This makes some comparisons irrelevant from the beginning.

Keith Tribe (1999) gives a very comprehensive review of Smith scholarship and argues the issue the right place for him. For Tribe, depiction of Smith as an ‘economic liberal’ is outdated with new explorations. To put Smith into his true historical context, Tribe defines new perspectives in the works of authoritative Smith scholars like Albert Hirschman, Andrew Skinner, Donald Winch, and Vivienne Brown. These authors perceive Smith as a cultural and institutional critic of capitalism. In essence this new approach seeks to revise some old liberal arguments on Smith.

In accordance with Tribe’s argument, we can state that government’s policy-making power had a different meaning to Smith than to the twentieth century’s ordinary man. Its control on daily activities is not comparable even to today’s

most liberal regimes. *The Wealth of Nations* can be deemed to have been written for an enlightened sovereign or monarch. Especially from Book III to Book V, Smith gives advises to the sovereigns on how to 'manage' economic affairs according to the rules he depicted. At the end, aiming to increase the 'wealth of a nation', his analyses of economy concentrate on production and productive forces of a society. Özveren (2007: 20) posits that the science of political economy from Smith to Ricardo foreshortened its scope by excluding the institutions like the division of labor and private property through which it lost its historical depth. For Polanyi to identify questions about the system, Smith was a bridge to better apprehend Robert Owen's societal approach. This chapter will put forward the main points of Smith's and Polanyi's approaches while taking time dimension into consideration. Some generalities and commonalities will be outlined in their seemingly-opposing and to some degree heterodox views.

4.1 Two Different Systems with a Common Concept: Social Change

As discussed in the second chapter of this thesis, Smith's conception of transition was dependent on long-term division of labor and certain institutional setup shown with a comparison of his natural and unnatural paths of developmental trajectory. The China-England dichotomy is source of inspiration for understanding Smith's institutional and historical perception of the transition. For him, "the natural course of things" would bring increasing division of labor and market economy, or in his own words, commercial society as the highest level of the stages of development. On the other hand, since institutions and historical parameters mattered, England deviated from the natural path. Beginning from the late Roman period and continuing with the Glorious Revolution of 1688, Europe in general and England in particular

held a policy favoring unnatural path and the industries of towns against agriculture of the country. Contrary to Smith's projections, England experienced the transition to market economy. Although Smith did not make a specific inference from his unnatural path, his projection of natural path produced a counter-example, specifically in China. China did not develop into a commercial society for the next two hundred years. From this two-fold economic theory of transition, we see that his institutionalist precautions came true to show that transition and institutional change are not a natural one-way results but rather a 'socially instituted' process⁴¹. So that, the only dynamic of economic growth in Smith, namely the division of labor, in larger-scale and long-term perspective is not valid in Europe, in accordance with Polanyi. His broader description of social change depends on the extent of the market and the institutional factors matter⁴².

Polanyi's dynamics were, on the other hand, related to the constitutive processes of the fictitious commodities. To put Polanyi into this picture,

The road to the free market was opened and kept opened by an enormous increase in continuous, centrally organized and controlled interventionism. To make Adam Smith's "simple and natural liberty" compatible with the needs of a human society was a most complicated affair. Witness the complexity of the provisions in the innumerable enclosure laws; the amount of bureaucratic control involved in the administration of the New Poor Laws which for the first time since Queen Elizabeth's reign were effectively supervised by central authority; or the increase in governmental administration entailed in the meritorious task of municipal

⁴¹ See Özveren, Eyüp (2001), Groundwork for an Institutional Economic Approach to 'Transition': Smith and Polanyi Reconsidered, in Clark, Charles M. A. and Janina Rosicki (eds.), *Economic Transition in Historical Perspective: Lessons from the History of Economics*, VT: Ashgate).

⁴² Polanyi's neglect of static analysis of economic change based on the division of labor now becomes more meaningful if we consider the fact that even Smith himself abandoned such an exploration after Book II and internalized historical and more realistic approach at the cost of holding a dualist approach.

reform. And yet all these strongholds of governmental interference were erected with a view to the organizing of some simple freedom - such as that of land, labor, or municipal administration (Polanyi, 1944: 146-7).

The division of labor in Smithian economic theory is not a unique force of social change and transition to a higher level of opulence in the long-term. Instead, historical and institutional confines determine the last word. Özel (2009: 39), being inspired by Polanyi, gives four pre-conditions of the market economy: private ownership, freedom to contract, self-interested individuals, and fictitious commodities of land, labor, and money. Except the making of self-interested individuals, the three pre-conditions of the market economy are the outcomes of political decisions. 1834 Poor Laws, 1844 Banking Law, and 1846 Abolition of Corn Law established free markets for fictitious commodities of land, labor, and money⁴³. These political pronouncements were the institutional backbones of the transition to the liberal system in essence (Polanyi, 1944: 215-6).

Both Smith and Polanyi were aware of the artificial nature of the English origin of market economy in some way. It was unnatural path and dependent on the historical policy of European sovereigns in Smith. For Polanyi, “there was nothing natural about laissez-faire; free markets could never come into being merely by allowing things to take their course” (1944: 145).

4.2 ‘Market as an Institution’ and Fictitious Commodities

Directly related with the division of labor is markets. They are supposed to be places for long-term or social division of labor. To bring to light the place of

⁴³ Through the Gold Standard (1821-1914).

markets in the two scholars according to this idea, we examine the function of markets.

Trade and Market in the Early Empires (1957) contains essays of Polanyi on Aristotelian economics, economy in the ancient societies, and money issues. In the article entitled “The Economy as Instituted Process” (1957), Polanyi refers to the meaning of ‘economic’ to make clear his methodology and understanding of economics. However, when analyzing the market economy, he sees no reason to indicate formal and substantivist uses separately. Due to institutional discrepancy, pre-market societies and socialist economies cannot be studied with formal approach. In a similar vein, Smith’s analysis of commercial society with production in an increasing division of labor in factory and society has a totally different essence from Polanyi’s societal scrutiny. Market economy is not a spontaneous or natural outcome of social progress based on the division of labor. It is a result of the deliberate disembedding process indeed. Exchange and market were old institutions but they never evolve to a system of market economy. Up to the Industrial Revolution, the history of market was totally different from the next stage of its history.

The economic system was submerged in general social relations; markets were an accessory feature of an institutional setting controlled and regulated more than ever by social authority (Polanyi, 1944: 70).

When the last resort of human survival, namely land, becomes a commodity in the market economy, the “livelihood of man” is posed under threat⁴⁴. Being deprived from the capability of survival, reaction to this process becomes sustained in juxtaposition to technological and institutional developments.

⁴⁴ This process of commodification was criticized by Lie (1991) and North (1981) as a weakness of his understanding and application of institutional change.

The role played by markets in the internal economy of the various countries, it will appear, was insignificant up to recent times, and the changeover to an economy dominated by the market pattern will stand out all the more clearly (Polanyi, 1944: 46).

Organization of the society by this mechanism was a demand vis-à-vis the development of the factory system as part of a process of buying and selling. Such a demand initiated a process of regulation to transform land, labor, and money into commodities to sustain production in this new organization (Polanyi, 1944: 78-9). Self-regulating markets create economic values for non-economic human effort and environment. With the progressive political processes, non-economic becomes economic in exchange. Economizing behavior does not regulate the market. In Polanyi, exchange does not necessarily originate from economic motivation.

Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way (Polanyi, 1944: 3-4).

It was, in a sense, the impact of the Industrial Revolution and classical political economy. The liberal creed was responsible. Disembedding of economy from the political and social spheres was the result of market ideology that Smith naively projected. Polanyi's accusation of classical political economists fits the story.

No market economy separated from the political sphere is possible; yet it was such a construction which underlay classical economics since David Ricardo and apart from which its concepts and assumptions were incomprehensible (Polanyi, 1944: 205).

Table 3. Market for Smith and Polanyi

Smith	A place for potential division of labor; an economic institution; works as pro-system; works spontaneously.
Polanyi	A socio-economic institution; exchange for not a purely economic motive; produces double movements; transforming society.

4.3 Economic Value and Social Critique

Neoclassical rejections of Polanyian critique on markets and exchange are doomed to fail due to a basic difference. When Polanyi talks about value, he firstly means social value as he sees the economic process as a socially instituted occasion. So that, if society values a thing based on its own customs and judgments, then it is socially valuable. Here the meaning of a widespread critique of Polanyi becomes disclosed. The critique expresses that if labor, land and money were fictitiously commodified, then all other commodities are also commodified in this rationale since an apple or a shoe, without being an issue of exchange, is also a natural occurrence or a man's own manufacture for individual use. What makes them commodity is also valid for land, labor, and money. Polanyi's argument to this linear projection of commodification process would be on societal basis.

About the division of labor, social critique of economic value is valid for both Smith and Polanyi. Taking social cost approach to the commodity fiction process will give us meaningful glimpses considering Smith's societal approach manifest in the end of *The Wealth of Nations* on the alienation of labor. Objection of Polanyi on land and labor issues are not naïve ecological

and romantic sensitivity but a social critique⁴⁵. He would indicate the difference between socially agreeable and not so processes. With the process of fictitious commodities, the social value turns to negative. Since the market economy takes these commodities as basis for reproduction of the system, socially non-acceptable outcome is on the horizon. This mechanism works against society. The one that misses the social value, three fictitious commodities here, is bound to collapse instead of self-regulation and produce double movements in the long-term. Polanyi's call for regulation in these areas, therefore, shows the priority of social value. Stanfield (1980) clears out the controversy over Polanyi's obvious acceptance of price-determination in market economy. He states that:

Polanyi made no attempt to develop a theory of value in the sense of analyzing the determinants of market prices. He also did not offer any systematic critique of existing theories of price formation. He probably would have accepted much of orthodox theory in this regard, despite his conviction that orthodoxy embodied an economistic fallacy which severely undermined the positive contribution of its analysis (1980: 601).

Ankarloo (2002) asserts that the critique of Polanyi from the neoclassical and new institutionalist approaches is null⁴⁶, since Polanyi's conception is potentially historical, social and realistic. On the other hand, their approaches lack this specificity.

Contrary to the promise of above all North, NIE (New Institutional Economics) remains ahistorical, asocial and non-realistic in its approach. This is so, because with its focus on the market as a universal yardstick, used in order to explain

⁴⁵ See Swaney, James A. and Martin A. Evers (1989), the Social Cost Concepts of K. William Kapp and Karl Polanyi, *Journal of Economic Issues*, March 23(1), 7-33.). Thereby, he proves Polanyi's cultural analysis of societies in conformity with the anthropological support.

⁴⁶ For criticism on Polanyi in general, see Silver (1983) and (1995), Lie (1991), and North (1977).

all other institutions, NIE cannot fully allow for a history of different market forms, nor can NIE conceive of the capitalist market system as the product of history, but tends rather to see the market as the very beginning as well as the end of human history (2002: i).

Behind this stance of Polanyi, the institutional critique of prices versus economic values lies. For him, economic value is not a technical issue of production forces. Rather, the determination of economic value depends on normative social processes of value creation in Aristotelian judgment under power and customs in institutional set up.

Economic value ensures the usefulness of the goods produced; it must exist prior to the decision to produce them; it is a seal set on the division of labor. Its source is human wants and scarcity - and how could we be expected not to desire one thing more than other? Any opinion or desire will make us participants in the creation of power and in the constituting of economic value. No freedom to do otherwise is conceivable (Polanyi, 1944: 267).

From this narrative, it appears to us that even Polanyi himself uses the formal definition of economic while describing the market economy as a dominating system over society. This part is the core of ambiguities about Polanyi's thought of free society framework. However, Smith and Polanyi prefer societal approach on long-term division of labor and outweigh social costs rather than economic value.

4.4 Liberty We Want

Polanyi closes the book with his main argument: freedom. He outlines three bases of modern man's realization: knowledge of death, knowledge of freedom, and knowledge of society. Knowledge of freedom was revealed by Christianity in pre-modern world. However, with the discovery of society shortly after

Smith, freedom had been a restricted issue due to changing social conditions in the newly emerging industrial society related with the effects of long-term social division of labor. It was the beginning of a post-Christian era. In accordance with his political conviction, the idea of freedom is central to Polanyi's academic works as well as his journalism and individual stance in favor of socialist democracy. Smith also, considering the Book V of *The Wealth of Nations* with the idea of liberty, had a libertarian point distinct from the optimistic idea of 'natural liberty' in his previous books. In order individuals to possess economic liberty by escaping from skill dampening effect of the division of labor, he advises to sovereigns to provide general public education. Polanyi, in addition to Smith, has a sensitive approach to societal freedoms with his renowned words "freedom in a complex society". Economic freedom is the leading one in this respect. It can be asserted that Smith could not envisage the dislocation of agrarian people with supposed dependency between town and countryside in the long-term. Despite his inability to detect social degradation, I think he had always a drawback about mechanization of labor that show the way to Marx about the idea of 'alienation of labor'. For this reason, Smith meets with Polanyi on the fiction of labor as commodity and its effect on individual liberty. Decrease in labor flexibility, in return, generates a halt to progress and further division of labor to which we pointed in Chapter Two about the consequences of growth of market on labor force, the other side of the argument, economic growth and increase in production, is non-sense.

For Adam Smith 'the natural system of perfect liberty' was a utopia too good to be realized on earth given the role of history and institutions. For Karl Polanyi, having once come into effect, market system had proven itself to be too poor a utopia to be entertained (Özveren, 2001: 72).

Benefit of the society as a whole comes before that of a class in both Smith and Polanyi. There are several ways to satisfy this: freedom of choice of a man to

live according to where and how he wants. To enable this right, there is an institution above people: the state. The chapter "Market and Man" of *The Great Transformation* handles the issue of poverty against the market mechanism, and the division of labor. The degree of the connection between politicians and bourgeois interests has always been a susceptible weakness for Marxist and liberal approaches alike. Interests of political rulers have been tied to wealthy groups in society. Both were in favor of central intervention in some instances for the public benefit. For Polanyi, "legislation, planning, industrial tribunals, and guaranteed employment" were the instruments of personal freedom and freedom from hunger (Hejeebu and McCloskey, 1999: 295). Smith converged with Polanyi and Polanyi observed this approvingly:

Adam Smith did not seem to think so when he urged that direct British rule should replace administration through a chartered company in India. Political rulers, he argued, would have parallel interests with the ruled whose wealth would swell their revenue, while merchant's interests were naturally antagonistic to those of his customers (Polanyi, 1944: 173).

Economic liberals' understanding of freedom as just the freedom of private property and free enterprise was a limited view. Economic liberalism opposed reality of society at the end. Either the reality of society or the reality of freedom would be sacrificed in two types of authoritarian regimes. Liberals' dogmatic position on regulation led to fascism in Europe. Only in this manner the meaning of Polanyi's assertive statement can be understood: "In order to understand German fascism, we must return to Ricardian England".

CHAPTER V

CONCLUSION

In conclusion, it is a prevalent inaccuracy to tie Smith almost exclusively into modern discussions of rationality and market exchange. As Donald Winch declared in a speech, Smith should be held within the context of eighteenth-century wisdoms. In his words, "I am still intrigued by the implications of Smith's definition of political economy as 'a branch of the science of a legislator' – a branch attached to a trunk labeled jurisprudence" (Winch, 2012). Winch's research on Catherine the Great of the Russian Empire illustrates the application of Smith's enlightened sovereign. Especially on taxation, her Russia had been an illuminating example. Smith's exclusion of the rationalist bias, contrary to widespread belief, and choice of a Newtonian naturalist interpretation of exchange brings him to a more realistic position than many thought. The division of labor, by definition, fuels the required power for the market to grow in his theory. No further dynamic or rule of conduct was needed. This idea is utterly not the same with neoclassical abstraction of marginalist calculating atomistic individuals. From this viewpoint, Smith's idea on the place of individuals in societal organization is amenable to Polanyi's social forms of market conduct as the two, irrespectively of whether plainly or implicitly, nullified rational behavior exaggeration. Smith did not develop a pure theory of the division of labor as a beneficial factor that would discredit his realistic approach. Rather, he emphasized historical and institutional peculiarities that are not in agreement with his theory of the division of labor. The paradox given at the beginning of the thesis thus can be solved with their

perception of time for change. Smith held both a short-term and long-term view of the division of labor and social change; yet Polanyi was concerned with long-term perspective and social effects. The table below sketches a brief comparison of the two scholars' ideas on the division of labor and their approaches.

Table 4. Comparison of Smith and Polanyi in General

	Smith	Polanyi
The division of labor as an instrument of analytical interest	Central position to the theory; Short-term: Technical division of labor; Long-term: Social division of labor	Hardly uses; Long-term: Social division of labor
Dynamics of Change	Economic dynamic: The division of labor	Socio-economic dynamic: Double movement
Evolution of markets and social change	European policy since the Fall of the Roman Empire; favoring unnatural path	Political intervention in Mercantilist state and the political economy; favoring foreign trade
Methodology	Historical, institutional, inductive, and Newtonian	Historical, institutional, and Aristotelian

Polanyi wrote, after *The Great Transformation*, extensively on pre-capitalist societies and their trade patterns. Using highly non-capitalist forms of exchange and trade in these economies, his target became a new track in economics with economy embedded in social life in its cultural facets. To this day, his tradition influenced institutional and heterodox economic thought. He worked to analyze alternative modes of allocation systems. This point, whether consciously or not, leads Polanyi to scale down Smith on production and economic growth issues and to make Smith's ideas on social interrelations and political economy as an instrument of social welfare all the more pointed.

Lastly, Polanyi's work is a research devoted to economic history and focused on the political and economic origins of his time. With reference to its aim, an analysis of market economy is half-done in economic terms. He explicates the transformation of non-market system into an economic market economy while commenting heavily on the difference between the two. Correcting the economic fallacies of the mainstream, the work opens a new tradition in economic science. Retrieving from neoclassical and new institutionalist economic fallacies, Polanyi's historical perspective still provides an opportunity to build up an analysis of the current phase of market economy. In order to avoid neoclassical orthodoxy, mainstream economic theory in one way or another has to be replaced with a better approach. In this respect, what remains for further investigation is to develop a theory of economic value determination in the market economy, under its own rules, in a Polanyi-inspired institutionalism. This has also been a long-delayed research niche in Polanyi studies.

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Appendix A: Tez Fotokopisi İzin Formu

TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü	<input type="checkbox"/>
Sosyal Bilimler Enstitüsü	<input checked="" type="checkbox"/>
Uygulamalı Matematik Enstitüsü	<input type="checkbox"/>
Enformatik Enstitüsü	<input type="checkbox"/>
Deniz Bilimleri Enstitüsü	<input type="checkbox"/>

YAZARIN

Soyadı : Erkul
Adı : Abdullah
Bölümü : İktisat

TEZİN ADI (İngilizce) : Adam Smith and Karl Polanyi on the
Division of Labor: A Comparison and Contrast

TEZİN TÜRÜ : Yüksek Lisans Doktora

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir.
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.
3. Tezimden bir (1) yıl süreyle fotokopi alınamaz.

TEZİN KÜTÜPHANEYE TESLİM TARİHİ: