

Adam smith and karl polanyi

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Adam Smith and Karl Polanyi Question one The self-regulating market requires intervention, both for its creation and for its maintenance. So the creation of a self regulating market in copyrighted goods requires state intervention to create and maintain that market, Polanyi and Karl (1944). Self-regulating market requires state intervention to ensure that the prices of labor, land, and money are all controlled only by economic factors internal to that self-regulating market. When social, environmental, religious or national policies interfere with the operating of that self regulating market, state intervention is required. The basic mechanisms include (a) regulation of market transactions, (b) regulation of market participants, (c) disputes resolution and enforcement actions, and (d) pre-commitment of resources (Polanyi and Karl 34).

Question two

According to Polanyi and Karl (1944), market economy implies a self-regulating system of markets in which there are various human processes involved. They include: technological processes, learning processes and economic processes that involves human activities. Commercial societies, they claim that the free-market system of property rights, freedom of contract, and other liberty rights – the “ negative” right of individuals to peacefully pursue their own ends – is impersonal and dehumanizing, or even inherently divisive and adversarial. While market societies are controlled market (Polanyi and Karl 47).

Question three

Karl Polanyi remains one of the most cogent critics of neoclassical economics. As an alternative to the market society, he emphasizes the embedded-ness of economic activities and institutions and the historical

relativity of economic concept (Polanyi and Karl 35).

Question four

Karl Polanyi denounced the “economist prejudice” found in both the market liberalism of Ludwig von Mises and the communism of Karl Marx, Polanyi and Karl (1944). Polanyi drew his own inspiration from Christian social thought and yearned for “a Christian spirited guild life. He also had an objection to the “ruling economic class”, or “the richest 1%”, having undue influence on government policies and that this situation reflects a “failure of democratic representation” for the middle and lower classes, or the “other 99% (Polanyi and Karl 47).

Question five

A self-regulating market demands nothing less than the institutional separation of society into an economic and political sphere. Such a dichotomy is, in effect, merely the restatement, from the point of view of society as a whole, of the existence of a self-regulating market, Polanyi and Karl (1944). It might be argued that the separateness of the two spheres obtains in every type of society at all times. Such an inference, however, would be based on a fallacy. True, no society can exist without a system of some kind which ensures order in the production and distribution of goods. But that does not imply the existence of separate economic institutions; normally, the economic order is merely a function of the social in which it is contained, Polanyi and Karl (1944). Neither under tribal or feudal, nor mercantile conditions was there, as we have shown a separate economic system in society. Nineteenth century society, in which economic activity was isolated and imputed to a distinctive economic motive, was, indeed a singular departure.

Question six

At every opportunity Polanyi took pains to reassert what were, perhaps the most founder mental convictions about the market economy: its “ extreme artificiality”, in spite of the most seductive appearances to the contrary; it’s a fundamental incompatibility, not only with human values but with the most mundane practical arrangements of everyday life (Polanyi and Karl 37).

Question seven

The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact, these markets form an absolutely vital part of the economic system. But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them, Polanyi and Karl (1944). In other words, according to the empirical definition of a commodity they are not commodities. Labor is only another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance. None of them is produced for sale. The commodity description of labor, land, and money is entirely fictitious (Polanyi and Karl 47).

Question eight

Social history in the nineteenth century was thus the result of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones,

Polanyi and Karl (1944). While on the one hand markets spread all over the face of the globe and the amount of goods involved grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land, and money. While the organization of world commodity markets, world capital markets, and world currency markets under the aegis of the gold standard gave an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy. Society protected itself against the perils inherent in a self-regulating market system (Polanyi and Karl 54).

Question nine

Polanyi's assertions about the nature of man are not unquestionable, though. Both liberals and Polanyi cast the general nature of man as primarily peaceful, either redistributing through a social network, or trading, Polanyi and Karl (1944). Polanyi's work seems contentious and open up for debate at least. The problem is not just one of evidence, " numbers and methodology, but that he may have fundamentally misjudged the character of society itself" (p. 56).

Question ten

There is no consensus on the precise definition of capitalism, there is, however, little controversy that private ownership of the means of production, creation of goods or services for profit in a market, and prices, wages and competition are elements of capitalism, Polanyi and Karl (1944). Currently, the economy fluctuates between increasing strength, stagnation, or slight decline. Many firms face consequences of economic downturns.

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Work cited

Polanyi, Karl. 1944. *The Great Transformation*. Boston: Beacon Press.