

Dynamics of Conflict and System Change: *The Great Transformation* Revisited

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Karl Polanyi's analysis in *The Great Transformation* has played a prominent role in shaping our understanding of the nature and outcome of both globalization and the movements that have emerged to resist it. However, this article argues that Polanyi's account of the rise and demise of Europe's 19th-century market system is, in important respects, incomplete and misleading. Its central concern is Polanyi's neglect of class structures and processes and how this leads him to mischaracterize both the international and domestic institutions of Europe's 19th-century market system, and the central dynamic driving its development and ultimate collapse. The article critically reviews key features of Polanyi's analysis. Based on this review, it then presents a re-reading of the history of Europe's unregulated market system. Finally, it considers the implications of this alternative account for how we view the context and conditions for globalization and the ways it can best be resisted or shaped in less destructive ways.

KEY WORDS ♦ class conflict ♦ globalization ♦ Polanyi ♦ transformation
♦ transnational capital

Introduction

Recent years have seen a remarkable revival of interest in Karl Polanyi's, *The Great Transformation*. Written in 1944, this powerful account of the rise and demise of Europe's 19th-century market system remains one of the most influential analyses of institutional transformation and the emergence of new structures.¹

Polanyi's analysis in *The Great Transformation* has had a particularly significant influence on the study of globalization. Among the aspects of it that have proved most influential is Polanyi's characterization of markets as

being 'embedded' and 'dis-embedded'. Polanyi argued that, before the rise of the unregulated market system at the end of the 18th century, exchange relations were governed by principles of economic behaviour (reciprocity, reallocation, and house-holding) that were 'embedded' in society and politics. At the end of the 18th century, however, markets became 'dis-embedded' as states began to deregulate capital and to institute other changes that formed the basis of the unregulated market system. In *The Great Transformation*, Polanyi suggests that the collapse of this system in the course of the world wars would make it possible for the economies of European societies to undergo a process of re-embedding. After World War II, the introduction in many European countries of welfare reforms that partially decommodified labour, and of market and industry regulations, seemed to many analysts to represent a realization of this expectation.² Some analysts of more recent trends of change have argued that by reversing these reforms 'globalization' is dis-embedding the market, once again.³

The Great Transformation is actually an account of two transformations. The first is the dis-embedding of markets that occurred at the end of the 18th century with the rise of the unregulated market system. The second is the demise of the system and the consequent re-embedding of the market system. Much of the interest which Polanyi's analysis has generated for students of globalization relates to his notion that the demise of the system was a consequence of a 'double movement' of market expansion, on the one hand, and societal protection, on the other. Polanyi argued that, with the unregulated market system, there emerged simultaneously a protective countermove to check its action with regard to labour, land and money, and that it was the stresses and strains generated by this double movement that ultimately led to two world wars and to the collapse of the system. Many analysts have seen this notion as offering a key insight into the dynamics of change and, consequently, have applied it to an understanding of the forces emerging in reaction to globalization. As a result, it has become an increasingly frequent claim that resistance to globalization has emerged as part of a contradictory double movement of expansion and protection.⁴

In sum, Polanyi's analysis has helped to shape and direct thinking about the nature and likely outcome of globalization, and it continues to do so. It is important, therefore, to understand the limits of its usefulness for this purpose. This article will argue that, in fact, Polanyi's account of the rise and demise of Europe's 19th-century market system is, in important respects, incomplete and misleading. The key problem is that it systematically underplays the role of conflict, power and privilege in creating, maintaining and, finally, transforming the central institutions of Europe's market system.

There are at least four serious consequences of this. First, Polanyi's

account of the rise of the unregulated market system misses what is perhaps the most crucial chapter in modern history for understanding the accelerating globalization of capital today — the social conflicts that both propelled and emerged from the dismantling of the systems of national welfare and regulated markets prevailing in parts of Europe during the 18th century. Polanyi gives insufficient attention to how Europe's 19th-century market system was shaped by these events and by the class structures that had emerged from the introduction of capitalist forms of ownership and production in Europe. Second, and as a result of this, his account misconceives the character of European institutions and, in particular, the nature of the state. Third, because he overlooks, not only the social dynamics that shaped the rise of the unregulated market, but also the class-specific nature of the protectionist countermove that emerged in reaction to it, Polanyi misconceives the essential character of Europe's industrial expansion. Polanyi characterized the protectionist movement as a movement of societal self-protection. But not all groups within society were threatened by the expansion of markets and not all groups sought protection from it. As Polanyi himself points out (but without fully drawing the implications), industrialists demanded from the state that their property be protected, not from the market, but 'from the people' (1944: 225). If elites were threatened by market expansion it was because of its potential to increase social mobility and promote the growth of new commercial classes. It was to protect against this threat that states helped to create and reproduce a circuit of exchange that bypassed the mass of the populations of the trading countries and enabled a narrow transnational elite to monopolize the profits generated by industrial expansion. Domestic economies remained limited and weakly integrated, while strong linkages were forged between their expanding sectors and those of foreign economies. European industrial expansion was characterized, as a result, not by the double movement of market expansion and societal self-protection that Polanyi described, but by a dualistic system of external expansion and internal restriction.

Finally, in arguing that a movement of societal self-protection brought about the demise of the unregulated market system and the partial re-embedding of markets, Polanyi overlooks the extent to which the wars and social conflicts that recurred throughout the 19th century helped to bring about and shape the outcome of the great transformation that occurred in the 20th.

Polanyi's analysis ignores the social conflicts that persisted and increased throughout the century. Beginning in the later decades of the 18th century and continuing throughout the 19th century, Europe experienced more or less continual conflict over the distribution of resources and the terms and conditions under which market forces operated. Conflicts involving labour

became a continuous source of tension, leading to recurring outbreaks of violence nearly everywhere in Europe. As the century progressed, these struggles increasingly overlapped with enfranchisement struggles and nationalist conflicts. Conflict erupted for or against changes in property relations, higher wages, extension of the suffrage, redistribution of the national product, shorter hours of employment, the right to secure bread at an affordable price, to organize and to work in safe conditions. Workers, in other words, were not simply clamouring for protection, but struggling against monopoly and greed.

By overlooking the social conflicts that characterized the *whole* of the history of Europe's unregulated market system (and not just its final decades), Polanyi produces a flawed and misleading interpretation of why and how the institutions of Europe's 19th-century market system were transformed in the course of the world wars.

Polanyi's explanation of this transformation is shaped by a particular view of the relationship among social forces, states and global structures. Polanyi assumed that changes in the organization of the international economy provide particular kinds of opportunities for states to act which, in turn, shape the extent to which social forces will be able to influence state policy.⁵ Thus, in his analysis of Europe's 19th-century market system, he worked from the 'top down' — he focused first on the international balance of power system (and 'The Hundred Years' Peace' which it made possible) and the gold standard, and how these shaped the development of the 'liberal state' and local markets. Consistent with his 'top-down' perspective, Polanyi expected that the collapse of the market system in the course of the world wars would signal the emergence of a new global opportunity structure and that this would lay the basis for a new political and economic order in Europe. It was this view of the interrelationship of global structures, states and social forces that led him to expect the emergence of a new international opportunity structure after World War II and, as a consequence, the emergence of a system which re-embedded markets. However, soon after the publication of *The Great Transformation* it became clear that this expectation would not be fulfilled.⁶ In fact, after World War II, the United States was determined to restore a world economy based on the principles of a self-regulating market and this worked to effectively block moves towards the establishment of socialist markets locally and new economic arrangements internationally.⁷ The market system *had* been transformed in important ways; but *not*, as Polanyi had assumed, because of changes at 'the top'.⁸

The interrelation of global structures, states and social forces in *The Great Transformation* represents, in the view of many social scientists, a significant advance on more conventional studies of change produced after World War

II.⁹ But as will be argued later, many of the empirical inaccuracies and theoretical weaknesses of Polanyi's analysis are the result, at least in part, of his 'top-down' analysis and its focus on how international structures and processes shaped the nature of local social institutions.

Studies that use Polanyi's analysis to conceptualize globalization and its probable consequences tend to adopt its 'top-down' orientation and, thus, to replicate the weaknesses associated with it. For instance, there is a tendency in these studies to treat forces both of expansion (globalization) and protection (resistance) as generated by or located in macro-sociological processes and structures. For example, the claim that global capital can be opposed most effectively in the global arena and through the agency of a 'global civil society' is often advanced and defended with reference to a macro-sociological Polanyian movement of liberalism and protectionism.¹⁰

Growing concerns about the ability of transnational capital to undermine nationally embedded capitalism and democratically elected national governments, especially in weaker countries and increasing inequalities and ecological crises associated with globalization are increasingly focusing attention on how globalization might be resisted or shaped in less destructive ways. Inasmuch as Polanyi's analysis is influencing the way we think about this issue, it is important to be clear about the biases and exclusions that characterize it and how analyses which unreflectingly reproduce them may lead to a flawed and misleading analysis of globalization and the possibilities of resistance to it. The aim of this article, therefore, is to highlight aspects of Polanyi's analysis that are problematic, develop an alternative account, and draw from a comparison of the two implications for anti-globalization movements.

Section 1 of this article reassesses aspects of Polanyi's 'top-down' analysis in *The Great Transformation* and contrasts them with the structures and processes that come into focus when an alternative, 'bottom-up', view is constructed of the rise and demise of Europe's unregulated market system. It first reviews key elements of Polanyi's account of Europe's 19th-century market system, focusing on Polanyi's conceptualization of what he argues were key institutions underlying Europe's market system, and on his notion of the 'double movement'. It then revisits the terrain of Polanyi's analysis, focusing on the identity, objectives and capacities of the forces that brought about and resisted both the rise and the demise of the system. Working, in contrast to Polanyi's analysis, from the 'bottom up', it considers the genesis and nature of the configuration of class and state power that existed in Europe at the end of the Napoleonic Wars, and how this social power was reproduced in and through the social relations of surplus extraction and production that predominated in 19th-century Europe. To draw the implications of this critique and reassessment, Section 2 focuses on how and

why the unregulated market system was replaced by a system of nationally regulated capitalism, and the relevance of this history for resistance to globalization today. Building on the analysis of the previous section, it first considers the forces that contributed most significantly to the demise of the unregulated market. It then considers the relevance of this history for current efforts to resist globalization or shape it in less destructive ways.

1. Karl Polanyi's The Great Transformation: A Critical Reassessment¹¹

In this section, the terrain of Karl Polanyi's analysis in *The Great Transformation* is traversed, first from Polanyi's 'top-down' perspective and, following this, in reverse — i.e. from the 'bottom up'. In outlining and comparing these contrasting perspectives, the aim is to bring into focus the extent to which Polanyi's neglect of class structures and processes leads him to mischaracterize both the international and domestic institutions of Europe's 19th-century market system, and the central dynamic driving its development and ultimate demise.

Europe's 19th-Century Market System: The Polanyian view

Karl Polanyi's analysis of industrial expansion in Europe focuses on what he considered to be the central institutions of Europe's 19th-century market system — at the international level, the balance of power system and the gold standard; and, locally, the liberal state and the unregulated market (which connects with others to form the larger unregulated 'market system'). Polanyi begins his analysis with the international system because, in his view, this was crucial to the emergence and consolidation of liberal states and the unregulated market. The discussion below focuses first, therefore, on the international system.

The International Balance of Power System and the 'Hundred Years' Peace'. *The Great Transformation* begins with a discussion of what Polanyi considered to be one of the most striking features of 19th-century Europe, and a key to understanding Europe's 19th-century market system — Europe's '100 Years' Peace'. For Polanyi, peace in Europe represented the victory of liberal interests and values, and of the liberal, non-interventionist state. Polanyi argued that the peace was made possible because of the 'Concert of Europe' and its commitment to maintaining Europe's 19th-century balance of power system. According to Polanyi, the Concert was dominated by 'haute finance' and by its concern for the preservation of liberal, free-market institutions. It was this concern, Polanyi argued, that

motivated the Concert to act as an ‘international peace interest’.¹² The Concert lost its ability to keep the peace when the growth of protectionism and imperialist rivalries began to undermine the gold standard which, in turn, destroyed the balance-of-power system and led, in 1914, to war.¹³

Polanyi’s characterization of Europe’s 19th century as ‘a century of peace’ is somewhat misleading: ‘Peace’ refers only to the relative absence, between 1815 and 1914, of multilateral great power war in Europe. But while there may not have been any lengthy multilateral great power wars in Europe during this period, European states were nonetheless continually engaged in conflict with their own populations, with other European states and populations, and with territories and states outside of Europe. Fourteen wars were fought in Europe between and among Britain, France, Germany, Spain, Russia, Denmark, Austria, Italy, Greece and Serbia. Twelve wars were fought by Britain, France, Russia and Austria against foreign populations in Europe. During that period, European states also fought some 58 wars outside of Europe.¹⁴ In fact, throughout the 19th and early 20th centuries, European states were continually at war, either with other states, their own or other European populations, or states and populations outside of Europe.

According to Polanyi, Europe enjoyed one hundred years of peace after 1815 because *haute finance* acted, through the agency of the Concert of Europe, as an ‘international peace interest’. Here, Polanyi is advancing a popular current of liberal thought which associates high finance with peace. But he can only do so by restricting his focus to the occurrence, or non-occurrence, of interstate wars in Europe. However, as was noted above, European states were continually at war during the 19th century, and in the very areas of the world where finance capital had migrated. That is why Lenin, Hobson and others associated finance capital, not with peace, but with war. The association of finance with peace is problematic, not only because of Europe’s imperialist wars; but because European states were continually at war with their own populations, as well as those of other territories and states both within Europe and around the world.

However, the recurring and increasingly violent social conflicts that characterized European domestic relations throughout the 19th century and constituted a critical dimension of European industrial development, is almost entirely missing from Polanyi’s account. Polanyi argued that it was only in the 1920s and 1930s, during ‘the final phase of the fall of market economy’, that class conflicts emerged in Europe (1944: 219).¹⁵ But, throughout its existence, the Concert of Europe was primarily and centrally concerned with class conflicts. The ‘peace interest’ that it promoted was linked to this concern and with defending the existing sociopolitical order against revolutionary threats. Europe’s monarchs and aristocracies realized ‘that if they weakened each other by a war comparable in size to the

Napoleonic wars they would open the gates to their own internal destruction' (Holborn, 1951: 36). Castlereagh, Britain's foreign secretary from 1812 to 1822, expressed this view when he warned that, with 'revolutionary embers more or less existing in every state of Europe . . . true wisdom is to keep down the petty contentions of ordinary times, and to stand together in support of the established principles of social order'.¹⁶ As Eric Hobsbawm notes, 'it was evident to all intelligent statesmen that no major European war was henceforth tolerable, for such a war would almost certainly mean a new revolution, and consequently the destruction of the old regimes' (1962: 126).

Recurring violent conflict was a fundamental dimension of European industrial development. Ethnic and nationalist, religious and ideological conflicts; riots, insurrections, rebellions, revolutions, uprisings, violent strikes and demonstrations; coups, assassinations, political repression and terrorism were characteristic of European societies up until 1945. However, Polanyi begins his analysis with what he supposes is Europe's century of peace because it is essential to his conception of Europe's 19th-century market system. For Polanyi, Europe's 'unprecedented' one hundred years' peace is powerful evidence of the dominance in Europe of a 'new' liberal bourgeoisie, and the establishment of free markets, free trade and the liberal state. The fact of war and social conflict involving European states throughout the 19th-century not only challenges Polanyi's notion of Europe's 'hundred years' peace', it also casts doubt on the features of Europe's 19th-century market system that, in Polanyi's analysis, are logically connected to it. A closer look at the 'first transformation' and the rise of the unregulated market system shows that the dismantling of market regulations and systems of national welfare prevailing at that time in parts of Europe was evidence, not of the rise of new liberal commercial interests, but of the continuing power of rural, pre-industrial and autocratic structures of power and authority.

In fact, Polanyi's characterization of the Concert of Europe and its role in European affairs is misleading. What Polanyi misses is the fact that the unregulated market system reflected the interests, not of 'new' capitalist classes, but of the traditional landowning and aristocratic elite; for, while the Concert may have been dominated by *haute finance*, it was also the tool of Europe's monarchs and aristocracies who, after 25 years of war in Europe, feared that another major European war would trigger revolution and destruction of the social order.¹⁷ It was committed, not to free markets and liberal states, but to protection and autocracy.

The emergence of the supposedly 'liberal' state that in Polanyi's analysis is linked to the liberal international system must, therefore, also be an illusion.

It is to this key structure of Europe's 19th-century market system that we turn next.

The 'Liberal' State and Unregulated Markets. As Polanyi rightly points out, 'The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism' (1944: 140). But, except for this early observation, the state is treated as predominantly liberal and, consistent with liberal conceptions, autonomous. The characterization of 19th-century European states as liberal and autonomous, falls far from the mark — throughout the century states in Europe were not liberal, but interventionist and exclusionary; and not autonomous, but nolibertarian.

Polanyi himself acknowledged that the 'self-regulating' market was an ideal. But it was much further from being a reality than he recognized. Throughout the 19th century, states in Europe adopted interventionist economic policies with regard to labour, industry, markets and trade. In a free market, economic transactions are governed by the free play of all people's unrestricted and competitive pursuit of their economic advantage. However, throughout most of the 19th century this freedom was not enjoyed by workers. The self-regulating market began to operate fully in 1834, Polanyi argued, because that is when workers in England became 'free'. By 'free', Polanyi meant that they had gained sufficient mobility to sell their labour power in the market. But labour was only *theoretically* free after 1834;¹⁸ in practice, its mobility was impeded by a variety of state-enforced legal and extra-legal devices.¹⁹ Moreover, limitations on its ability to engage in collective resistance and bargaining, meant that labour also was not free to engage in 'unrestricted and competitive pursuit of its economic advantage'.²⁰ State legislation, as well as wealth, power and the active collaboration of parish officers and justices of the peace, enabled employers to deny workers the right to bargain, bind workers by long and inflexible contracts (e.g. the coalminers' 'yearly bond' in parts of Britain), and make them liable to imprisonment for breach of employment (by a law of contract codified in 1823, not applicable to employers). Wage levels were determined, not by market forces or through collective bargaining, but by employers. Employers supplemented their profits by requiring workers to make payments in kind and forced purchases in company shops, and by imposing fines for any infraction of whatever measure they chose to devise (Hobsbawm, 1968: 122).

European states were interventionist in foreign as well as domestic economic affairs. In fact, the period 1860–75 represents the only free trade interlude in an otherwise protectionist century. It was not until the 1860s that Britain repealed the Navigation Laws and Usury Laws and abolished

restrictions on exports and all but a few duties on imports. Starting in the late 1870s and continuing until the end of World War II, there was a steady closure and constriction of markets everywhere in Europe.

The state, according to Polanyi, was autonomous from dominant class interests and acted in the interests of society as a whole. Embodying the contradictory impulses of 19th-century development, it passed protectionist legislation as well as 'pro-market' laws.²¹ But 19th-century European states were not class neutral. Before the world wars these states were aligned with the dominant landed and industrial class in Europe. In Britain, France, Germany, Sweden, Russia and elsewhere in Europe this alignment was encouraged by the social integration of top state personnel with the upper classes, especially the landed upper class.²² From about the 1870s onwards liberals like Vilfredo Pareto, Herbert Spencer and Max Weber wrote with dismay about the 'persistence' of traditional landed, bureaucratic and military elites.²³ The British state, as Max Weber pointed out, remained an 'administration of notables' throughout the 19th century — until 1905, every British cabinet, whether Conservative or Liberal, was dominated by the traditional landed elite (1978: II, 974).²⁴ The French bureaucracy fell completely into the hands of traditional elites during the Second Empire (1852–70) — in 1871, over two-thirds of the deputies elected to the Chamber of Deputies were local notables from old aristocratic families. At the beginning of the Fourth Republic in 1945, the state bureaucracy still recruited from the privileged social strata (Badie and Birnbaum, 1982: 113–14; Cole and Campbell, 1989: 48–9). The German bureaucracy also remained under the control of the aristocracy throughout the 19th century: in 1910, nobles occupied nine out of 11 cabinet positions, the upper legislative house, 25% of lower legislative seats, 55% of all army ranks of colonel and above, 80% of ambassadorships, 11 out of 12 administrative headships, 23 out of 27 regional administrative headships, and 60% of all prefectures (Goldstein, 1983: 252). Sweden's 'highly status-conscious nobility' still dominated the upper ranks of the bureaucracy in the mid-1920s (Rueschemeyer et al., 1992: 92; Samuelsson, 1968: 214). Right up to the eve of the Revolution of 1917, the Russian governmental apparatus was dominated exclusively by the nobility (Beetham, 1974: 199).

If the 19th-century European state was not class neutral, neither were its policies. State policies were generally consistent with the immediate interests of the landowners. As a result, landowners did not experience significant political setbacks with respect to tariffs, labour legislation, land reform, state allocations, tax policy or internal terms of trade until after World War II. Though tariff policy varied throughout Europe and fluctuated throughout the 19th century, at no time anywhere was agriculture left without substantial protection. Landowners were also able to block efforts at

agrarian reform, to maintain the social and political isolation of agrarian labour, and to secure favourable state tax and pricing policies.²⁵ Moreover, by ensuring the survival of various forms of corporatism and creating new ones, states provided landowners and wealthy industrialists with privileged access to the state and to all the resources at its command. At the same time, states brutally repressed labour organization and ensured that the mass of the population would be barred from any possibility of gaining significant institutionalized economic, social or political power.

The interventionist policies of states redounded principally to the benefit of dominant classes. State policies maintained a vast restrictive system of legal, social and land institutions that effectively excluded workers from political life and from opportunities for economic advancement. Most importantly of all, states supported an expansion of production based on imperialist exploitation of other states and territories, both within and outside of Europe. By limiting the geographic and sectoral spread of industrial capitalism, this process of expansion enabled elites to increase production and profits while retaining their monopoly of land and capital. As a result, industrial expansion in Europe was essentially dualistic — characterized by repression and restriction at home and imperialist expansion abroad. It was this ‘double movement’, not of expansion and societal protection, but of external expansion and internal repression, that drove Europe’s 19th-century industrial capitalism.

The ‘Double Movement’ of European Industrial Capitalist Development. As was argued above, Polanyi failed to take into account the class nature both of states and of the local markets that they created and maintained. As this section will show, he also failed to recognize the class nature of the protectionist countermove that, according to his account, emerged in response to the rise of the unregulated market.

Polanyi treated protectionism in 19th-century Europe as a movement neither of states nor of particular groups within states, but of society as a whole. For him, the protectionist countermovement was primarily a social and cultural phenomenon. It represented the reassertion of the dominance of society over markets. Land, labour and money are social substances, he argued, rather than bases of class formation and class interests. Different sectors differ only in the type of ‘social substance’ that they seek to protect; and since land, labour and money are ‘social substances’, protection of them is a general, social interest. Thus, the working class was effective in gaining passage of various sorts of social legislation, he contends (and he vastly overstates the extent to which they succeeded in this), because when it sought protection it represented the general needs of society against the market. For Polanyi, then, the emergence of a ‘spontaneous social protective

reaction against the perils inherent in a self-regulating market system' (1944: 76) came from all sectors of society; it may have been groups, sections and classes that acted, but their interests cannot be understood apart from 'the situation of society as a whole' — for the 'challenge' was 'to society as a whole' (1944: 152). All groups, sectors and classes sought to gain protection, and all succeeded; and they did so because it was in the interest of society as a whole.²⁶

Thus, Polanyi elaborates the protectionist countermove largely without reference to specific social relations or interests, to exploiters or producers and their differential capacities, limitations and potentialities. The self-regulating market threatened and met with resistance from 'society as a whole'; and when different classes within society endeavoured to secure protection for themselves (the 'protectionist countermove'), their efforts redounded to the benefit of everyone. For Polanyi, the most important way in which groups, sectors and classes act and are acted upon and, in particular, the way in which they interrelate with state and global structures, is as an organic whole.²⁷

It is probably true that all groups within all societies act always to protect themselves. However, not everyone is equally victimized or disadvantaged by any particular process of change, nor were they by the expansion of markets. Some gained or had either sufficient power to secure protection from or compensation for losses, or sufficient mobility to reposition themselves; others lost and lacked sufficient power or mobility to gain protection. In fact, the type and extent of protection gained by different classes differed significantly, and it did so because, throughout the 19th and early 20th centuries, state legislation worked to protect the interests of dominant classes. Polanyi took no account of this because he ignored the class-specific interests that shaped the central institutions of Europe's market economy. Classes are endowed with different power resources, and this influences the way social institutions develop, operate and are transformed. By ignoring the class-specific nature of European institutions, Polanyi also misconceives the nature of the economy that they were designed to support and reproduce.

With the dawning of the industrial age, elites in Europe used the wealth and privileges which they had acquired in the past to ensure that processes of industrial development would not adversely affect their interests. Concerned to consolidate and maintain their control of labour while, at the same time, mobilizing it for the expansion of production, elites sought to increase profits by increasing absolute surplus value production²⁸ at home and pursuing imperialist expansion abroad. This dualistic system of internal restriction and external expansion constituted the central feature of Europe's industrial expansion. The 'double movement' of expansion and protection

which Polanyi so compellingly argued was its central dynamic, was but an element of it, and one generated, not by the resistance of ‘society as a whole’ to the self-regulating market, but as part of a system of production fundamentally shaped by social class conflict.

To elaborate this process of industrial capitalist development, we proceed below to traverse the terrain of Polanyi’s analysis in reverse — i.e. with a ‘bottom-up’ exploration of social relations, conflicts and interests, and how these shaped European institutions and the development of international capitalism in the 19th century.

According to Polanyi, the basic dynamic shaping both the development of industrial capitalism in Europe and its transformation in the course of the world wars was the antagonism which emerged in the 19th century between ‘society as a whole’ and the ‘soulless institutions’ of the self-regulating market system. Despite the record of industrial and political struggles that recurred throughout the 19th century, and the language of class that emerged to express and shape them, this history largely fades from view. Polanyi assigns no role to class in shaping the *rise* and spread of the market system; and in the *demise* of the system its role, according to Polanyi, does not begin until the 1920s. However, as will be shown below, class antagonism in Europe’s industrial expansion began, not in the 1920s, as Polanyi maintains, but in the 18th century.

Class Forces in the Rise and Demise of the Unregulated Market

Within a generally unilinear and progressive development of productive forces we find, in social and political life, recurring problems and, historically, some common set of responses to them. Social processes recur in a world that is ever-changing as a result of technological developments; however, since things that have occurred in the past tend to recur, the world is never entirely transformed.²⁹ Technological advances combine with repeated processes in social life to create growth as well as stagnation, social progress and retrogression.

Among the many processes in social life which tend to recur is the one set in motion by the discovery of new sources of wealth or means of creating it. Whenever there are new opportunities of gaining wealth and power, those in a position of privilege will endeavour, not only to gain from them, but to control and monopolize these gains in order to preserve the structures and institutions of society on which their privileges depend and to prevent new groups or classes from gaining power. Thus, while they seek to profit from technological change and changes in productive forces, elites may also seek to limit their application and block the distribution of resources needed to spread their advantages more widely.

Europe's 19th-century market economy was essentially dualistic. Economic growth proceeded through a process of externally oriented expansion that limited the geographic and sectoral spread of industrialization and the growth of organized labour. This process enabled dominant classes to preserve the traditional bases of their political and economic power, monopolize gains from industrial expansion and exclude other classes and groups from political and economic life.

All the structures we associate with 'dependent' development were as common to Europe before the world wars as they are to the contemporary Third World. Europe's economies were characterized by a lack of internal structural integration, and dependency on outside capital, labour and/or markets. Great Britain, France, Italy, Germany, Spain, Portugal, the Austro-Hungarian Empire, Russia, Belgium and much of the Balkans had a dynamic, foreign-oriented economic sector which failed to transform the rest of society. Some countries experienced widely-spread growth, though less widespread and much later than is usually supposed; in most, modern industrial sectors oriented to and dependent on international markets formed enclaves within non-industrial, mainly agricultural and backward hinterlands linked, not to other sectors of the domestic economy, but to similar industrial enclaves in other countries (Halperin, 1997: Ch. 5; 2003: Ch. 3). Production was largely for external markets; trade was external; capital was invested abroad.³⁰

Thus, on the eve of World War I, most of Europe was still rural and 'pre-eminently pre-industrial', as Arno Mayer has argued (1981: 187, 301). Agriculture was still the single largest and weightiest sector in all the Continental countries. Even after World War I, France drew her wealth principally from agriculture and approximately half of her population was engaged in agricultural pursuits (Ogg, 1930: 185). In 1914 almost half of Western Europe's working population was still employed in agriculture (including fishing and forestry), and rural dwellers still made up the largest part of the population in all the countries of continental Europe, except Germany. In many Western European industrial countries, the absolute numbers of those employed in agriculture did not decline dramatically until after 1945 when mechanization of production increased significantly.

Dualism and dependent development in Europe, as in the Third World today, was actively and dynamically perpetuated by local and transnational class relations and processes. Elites in both places sought to preserve their wealth and privileges by avoiding the development of the domestic market (and the social externalities associated with it) and depending, instead, on exogenous inputs and consumption as a means of expanding production and accumulating capital. To understand how traditional and aristocratic elites came to direct industrial expansion in Europe in this way, we need to

understand why and how they came to dominate the state apparatus. For this we turn next to a consideration of the configuration of social forces that, at the end of the 18th century, engineered the rise of Europe's 19th-century market system.

The First Transformation: The Rise of the Unregulated Market System. Europe's 19th-century market system was a product of the social conflicts which, in the 17th and 18th centuries, emerged as a result of efforts to dismantle Europe's systems of national welfare and regulated markets. These efforts were increasingly advanced by means of an attack on the 'Absolutist' state.

'Absolutism'³¹ was attacked by its opponents for its over-regulation. In the 18th century, 'Absolutist' governments in Britain,³² France and elsewhere in Western Europe were regulating local markets, as well as controlling employment and settlement. The aim of much of this regulation was to provision the local community and ensure fair practice, to protect the local population against monopoly and speculation, and against shortages and high prices. Thus, in Britain, marketing, licensing and forestalling legislation set maximum prices on staple foods such as meat and grain. Market officers ensured that sellers adhered to regulations and statutes governing quality and price. Magistrates surveyed corn stocks in barns and granaries, ordered quantities to be sent to market, and attended the market to ensure that the poor were provided with corn at a favourable price. Official regulations prevented middlemen merchants from bypassing or cornering the market, and ensured quality control, a 'just price' and an adequate domestic supply of goods; and market courts enforced them (Lie, 1993: 282). Those in Britain who demanded 'freedom of trade' during the 18th century were actually demanding freedom from the requirement to trade inside open markets, by means of open transactions, and according to the rules and regulations which ensured fair practices and prices (Lie, 1993: 283).

Demands to deregulate markets were accompanied by a clamour to end the state's role in the provision of welfare. In the 16th century, and in line with a Europe-wide movement, the government of Britain had begun a campaign to eliminate poverty, to push for legislation to set up new institutions for poor relief and to establish a system of hospitals to provide medical care for paupers. By 1700, Britain had a national welfare system.³³ During the 18th century, *ancien regime* France established a nation-wide welfare system. By 1770, Prussia had introduced measures establishing a cradle-to-grave welfare system that guaranteed every Prussian subject adequate food, sanitation and police protection.³⁴

In 18th-century Britain, entrepreneurs sought to escape government regulations through long-distance trade and expanded production for export.³⁵ As a result, competition for labour increased, and this enabled workers to bargain for wages and regulate their work time. Wages rose throughout the century and labourers were able 'to take on less work and spend more time at leisure without endangering their traditional standard of living' (Gillis, 1983: 41). Economies in Britain, as in the rest of Europe at the time, were based on local markets and face-to-face relations between seller and consumer, so workers were often able to exercise economic power as consumers, as well.

On the eve of the 'industrial revolution', then, European governments regulated markets on behalf of local people, instituting wage controls and other labour protections, and were active in providing welfare. As a result, workers could exercise power both as labourers and consumers. However, by the end of the 18th century these features became the target of a broad campaign to 'dis-embed' capitalist development.

The development of industrial production in Europe owes much, according to most writing on the subject, to the dismantling of the regulatory systems established by 'Absolutist' monarchs and the consequent rise of the 'unregulated' market system. Standard accounts tend to portray these and the other socioeconomic and political changes at this time as, in various ways, caused by and necessary to developing industrial production. This tends to mask the nature of the changes made at that time. Many were not necessary and many that *were*, originated, not with the revolt against the mercantilist systems of 'Absolutist' states, but with the 'Absolutist' monarchs themselves. It was, in fact, 'Absolutist' states that attempted to reform land, tax, educational and legal systems, abolish serfdom and the guilds, and establish the conditions for the freer circulation of property and goods. These reforms triggered the 'national' revolutions and revolts that led to the demise of 'Absolutism'.³⁶

The Aristocracy vs. Absolutism and the Rise of Global Capitalism. Centralized state structures had developed in Europe between the 13th and 15th centuries as a means of shoring up the crumbling feudal social order. However, monarchical attempts to rationalize and liberalize these structures after the 16th century triggered what would become a centuries-long aristocratic-'Absolutist' feud.³⁷ As expanding trade generated new opportunities to increase wealth, this feud intensified. In the 18th century, aristocrats were able to gain the upper hand when monarchs, beset with fiscal difficulties, abandoned efforts at wide-ranging reforms and relinquished their regulatory and welfare functions.³⁸

Those who demanded deregulation and the reorganization of economic

relationships in the late 18th century were concerned with consolidating control over labour. Production processes were devised, not just to mobilize labour to expand production, but to enable property owners to control a potentially powerful mass of workers by transforming them into mere instruments of production, 'hands'.³⁹ To maintain control of labour, dominant classes sought to keep labour poor and in excess of demand. Gradually but persistently, they worked to destroy the market position of the skilled labourers of previous centuries who were more independent and valuable, and could therefore command higher wages and regulate their own time. By expanding production largely for export, they obviated the need to provide labourers with sufficient means to buy what they produced and deprived them of the ability to exercise power through consumer choice or boycott, as they had in the 18th century. Dominant classes kept peasants and rural workers poor and weak by blocking land reform. They monopolized domestic industry and international trade through cartels and syndicates, tariffs and other controls. They instituted corporatist arrangements of a discriminatory and 'asymmetrical' nature to limit competition and they obstructed rising entrepreneurs and foreign competitors.

As will be shown below, industrial expansion in Europe was shaped, therefore, not by a liberal, competitive ethos, as is emphasized in most accounts, but by feudal forms of organization, monopolism, protectionism, cartelization and corporatism, and by rural, pre-industrial and autocratic power structures.

Absolute Surplus Value Production and Imperialist Expansion. As bases of growth, increasing production for export rather than for mass, local consumption, are genuine alternatives. As the history of the post-World War II period makes clear, the expansion of domestic markets is a problem, not of production, but of distribution and consumption. In 19th-century Europe, the expansion of external rather than domestic markets was a matter of choice, of deliberate organization and collective effort on the part of elites concerned to maintain a specific distribution of resources that subordinated labour and preserved elite privileges.⁴⁰ It was not the case that governments did not know how to create the mass demand necessary for industrialization to proceed on the basis of the internal market. Government-induced demand creation was a key feature in Europe's 19th-century industrial expansion. Almost universally, government demand (in addition to foreign inputs) substituted for missing developmental 'prerequisites' such as capital, skills and a home market for industrial goods (Morris and Adelman, 1988: 123-4). Everywhere in Europe, national governments were involved in building railways and ports, and in the expansion and control of credit

institutions. Moreover, a significant aspect of Europe's industrial development throughout the 19th century was the demand stimulus of government weapons purchases for imperialist expansion.

Industrial expansion in Europe focused on expanding production for export rather than for local markets so as to consolidate and maintain the basic relation of capitalism: the subordination of labour to capital. Expanding production for foreign rather than for local consumption ensured that, as workers were not the principal buyers of what they produced, they would not need to be paid more than was necessary for bare subsistence. It also ensured that the masses would no longer be able to exercise power through consumer choice or boycott as they had done in previous centuries when the production of goods in Europe had been largely for local markets. Had Europe developed a capitalist economy based on expanding the mass production of goods for local consumption, not only would wealth have had to be redistributed in favour of workers to enable them to buy what they produced, but their demands would have dominated commercially. External expansion, however, offered a means both to secure markets for increased production and to avoid increasing the power of labour. Mechanization and skilled labour were restricted to those sectors of the economy producing for export; but even in these sectors mechanization was introduced far later and less completely than is generally thought. In the rest of the economy, production continued to be carried out by methods of increasing absolute surplus production, i.e. extending the length of the working day, intensifying work and decreasing the standard of living of the labour force.⁴¹ These methods predominated in Europe far longer than is generally recognized. In most sectors of European economies, technological improvement came late, and only under pressure of military competition and war; workers were unskilled and wages remained low. As a result, masses of workers remained unskilled, uneducated and 'in reserve', keeping the overall market position of labour weak.⁴²

The one source of power left to workers was their mass. But since this mass is strong only when it is organized and united,⁴³ each advance in labour organization in Europe produced additional legal obstacles and setbacks. Thus, workers were barred from effective trade union organization and strike activity until well into the 20th century.⁴⁴ Backed by the power of the state, elites were able to maintain political and economic restrictions on workers that kept wages low and labour weak, dependent and controlled.

Industrial expansion based on production for export required European states to acquire external markets. Thus, imperialism was intrinsic to Europe's dualistic industrial expansion. Polanyi argued that imperialist rivalries began to destroy the central institutions of 19th-century European society after 1879. However, imperialism characterized Europe's industrial

expansion from the start. If imperialism became increasingly destructive to Europe's market system after 1879 it was because, after that time, imperialist ambitions began to focus increasingly on Europe itself.⁴⁵

Imperialist expansion had the effect of restricting the geographic and sectoral spread of industrial capitalism within the constraints posed by the concentration of land ownership. Expansionist policies were proposed and advocated by European elites as a means of increasing revenue and resources and as an alternative to alleviating land hunger and expanding opportunities for participation at home through redistribution and reform.⁴⁶

In the classical theory of economic development, the extension of the market depends on the extent of the division of labour and this, in turn, depends on a more equitable distribution of land and other resources, and of income and of opportunity (Smith, 1920: 7–16). Thus, the redistribution of land was among the most critical issues affecting the growth of the internal market.⁴⁷ But at the beginning of the 19th century, most land was in the hands of a tiny fraction of the population, and land became increasingly concentrated in the course of the century. Imperialist expansion offered a means of securing cheaper food without transforming agriculture. However, land concentration and the limited development of domestic markets eventually slowed the growth of industrial production.⁴⁸

Imperialism, War and the Transformation of European Society. The 'bottom-up' analytic perspective presented here challenges Polanyi's conceptions of society and of the state, and his arguments concerning the 'double movement' of European industrial development and Europe's century of peace. It shows that the change in the form of the state that occurred as part of the 'first transformation' represented, not the rise to power of a 'new' and liberal industrial capitalist class, but the means by which landed wealth consolidated its power over the state and, as a result, over the economy. It argues that, as a result, European industrial expansion was characterized not by the double movement of expansion and protection that Polanyi described, but by a dualism of expansion and exclusion. The dualism which emerged with industrial production was generated, not by a 'spontaneous social protective reaction against the perils inherent in a self-regulating market system', but by a system designed to expand production while leaving intact as much as possible traditional relations of power and authority. As a result of it, societies industrialized on the basis of the expansion and integration, not of internal markets as standard accounts assume, but of external ones. This enabled European economies to expand production with the least amount of disruption and levelling of the social structure. Key groups within society sought and won protection, not from

the market, but from pressures for redistribution and reform that threatened their monopoly and privilege.

The deregulation of markets, dismantling of national welfare systems (in Britain, France and elsewhere) and the imposition of capitalist forms of ownership and factory production brought to an end an unprecedented period of social peace in Europe and set in motion recurring social conflicts which, during the 19th century, spread throughout Europe. Between the Napoleonic Wars (1815) and the beginning of World War I (1914), attempts to maintain or eradicate restrictions on political rights and economic opportunities generated minority and class conflicts at home. At the same time, efforts to secure protected foreign markets in lieu of developing internal markets generated imperialist conflicts abroad and, increasingly, in Europe itself. These conflicts culminated in a massively destructive, two-phased final war of European imperialism.

The great wave of European imperialism launched by the depression and agrarian distress of 1873–86 was, as Geoffrey Barraclough described it, a ‘stupendous movement, without parallel in history’ (1964: 63–4). It sharply diminished the possibilities of overseas outlets within two decades.⁴⁹ Thus, by the turn of the century overseas expansionism had begun to approach its limit as an engine of growth. As a result, the imperialist ambitions of European states came to focus with renewed urgency on Europe itself.⁵⁰

Externally oriented expansion led to a process of growth so distorted from a welfare point of view that, by the first decades of the 20th century, it had produced stagnation and crisis. Thus, at the same time that interstate tensions in Europe were intensifying, European societies were becoming increasingly polarized by pressures for redistribution and reform. These tensions combined to produce, by 1914, the first of two massively destructive regional wars.

World War I brought into conflict the two central features of European development — internal restriction and external expansion. For the threat of imperialism in Europe itself forced governments and ruling elites to do precisely what a century of externally oriented expansion had succeeded in preventing — social revolution and a vastly accelerated process of social change.

In the 18th century, governments had relied on the social elite to pay for mercenary troops and to provide military leaders to fight professional wars. These wars had tended, as a result, to heighten existing social inequalities. But when mass armies were mobilized to fight Napoleon’s mass ‘citizen’ armies, the participation of the lower classes, both in the war effort and in areas of work and social life usually barred to them, worked to enhance the power of labour and to strengthen its market position.⁵¹ Moreover, their loyalty had to be ensured by extending to them various rights. Thus,

serfdom was abolished and peasants were granted the ownership of the land they cultivated concurrent with the military reforms that Stein introduced in Prussia. Later, Alexander II in Russia introduced reforms that both transformed the army from a professional into a conscript force and abolished serfdom. In Austria, the adoption of universal military service coincided with reforms that established a constitutional monarchy (Andreski, 1968: 69).

Thus, after the end of the Napoleonic Wars, and despite the difficulty of raising and maintaining large numbers of mercenaries, experimentation with mass citizen armies largely ended, and there was a return to old-style armies of paid professionals, mercenaries and 'gentlemen' (Silver and Slater, 1999: 190). Mass armies were used in 1870 by France and Germany, also with frightening consequences, and then not again until 1914.

In 1914, aggressive imperialist threats on their frontiers forced states, once again, to use what was then still the most powerful weapon of mass destruction — the *levée en masse*. Mass mobilization for World War I set in motion a social revolution that, between 1917 and 1939, swept through all of Europe. The efforts of Western governments and ruling elites to prevent its further spread and escalation led directly to World War II. At its end, the region was wholly transformed. While previous regional conflagrations had been followed by restorations (e.g. the Napoleonic Wars, the revolutions of 1830 and 1848, and World War I), the decisive shift in the balance of class power in Europe that had occurred as a result of World War II made restoration impossible. Instead, the vastly increased organizational strength and power of working classes and peasant masses and the decline of the aristocracy created the conditions for an historic class compromise and for the achievement in Western Europe of universal suffrage and the welfare state.

Class compromise placed economies on an entirely different footing, leading to more balanced and internally oriented development and, for a time, to unprecedented growth and relative peace and stability.⁵² States resumed the welfare and regulatory functions they had relinquished in the 19th century. Throughout Europe, the state began to manage economies with the aim of expanding domestic markets through increased production, raising the level of earnings and of welfare of the working class, and increasing and regulating domestic investment. State programmes partially decommodified labour through free health care and education, housing subsidies and child care allowances. Thus, European economies were re-embedded, leading to a more balanced and internally oriented development, and to an era of unprecedented growth and of relative peace and stability. Increased domestic investment and the rising real wages of the workforce altered the structure of demand for domestic goods and services. Although there was a strong growth of the volume of exports after the war, the

proportion of resources devoted to them (measured by the current price ratio of exports to GDP) declined in Europe up to the mid-1960s. 'It was not until the end of the 1960s that production for international trade absorbed an increasing proportion of labour within the advanced countries — in this sense the golden age growth could be regarded as primarily domestically based' (Marglin and Schor, 1990: 51).

The territorial coincidence of production and consumption and the resulting expansion of domestic markets brought to an end, for a time, the great movements of colonialism and imperialism and intense social conflicts. The integration of workers into the political process and changes in their status and level of welfare ended the labour conflicts that had recurred throughout the 19th and early 20th centuries. The reduction of protection and monopoly increased domestic investment, and the rising real wages of the workforce altered the structure of demand for domestic goods and services. The resulting expansion of domestic markets⁵³ ended the pursuit of profit through colonialism and imperialism.

2. Globalization and its Discontents

The previous section presented a re-reading of the rise and demise of Europe's unregulated market system. This section will consider the implications of this alternative account for current trends of change. Do the differences of conceptualization and analytic perspective between Polanyi's account and the one presented in previous sections have important implications for the way we view the forces driving and resisting efforts to dis-embed capital today? Below, the factors that brought about and shaped the outcome of the collapse of the unregulated market system are further elaborated. Then the implications of this account for present circumstances are considered.

The Re-regulation of Capital: Causes and Conditions of the Compromise of 1945

By the beginning of the 20th century, external expansion as an engine of growth had begun to approach its limit and, as it did, imperialist rivalries came to focus once again on Europe itself. The mobilization of Europe's masses in 1914 to fight in Europe the first of a two-phased culminating war of European imperialism set in motion a social revolution. World War II completed what the first had begun — a shift in the balance of class power throughout Europe. It was this that made possible the many important other changes generally attributed to the war and its impact. By bringing about a redistribution of political power, wealth and income, the war

enabled states in Europe to put their economies on an entirely new footing. This was the 'great transformation' which occurred in Europe as a result of the world wars and which marked the beginning of an era of unprecedented growth and of relative peace and political stability in Europe.

The achievement of nationally embedded capitalism and of democracy in Europe was made possible by an increase of working-class political power relative to that of global capital (see, e.g. Rueschemeyer et al., 1992; Schumpeter, 1976). The mass mobilizations for war in 1914 and 1939 were decisive in increasing the political power of workers relative to that of capital.

In the years leading up to the war, there had been a marked rise of socialist parties and a steady and dramatic increase in the number of their members, their candidates returned to representative bodies, and their share of the popular vote.⁵⁴ By 1914, labour violence was raising alarms in all the capitals of Europe and social polarization and conflict was evident throughout the region. Thus, even as they declared war, European governments were unsure whether workers would voluntarily join the war effort, or whether oppressive measures would be needed to induce them to participate. However, everywhere in Europe, industrial workers and peasant masses were inducted into national armies and moulded into effective fighting forces. In some places, they enthusiastically supported the war. In Britain, large numbers of working-class volunteers signed up before conscription was introduced in January 1916. By the time volunteering ceased, nearly 30% of the men employed in industry had volunteered.

Many contemporary observers assumed that working-class participation in the war represented a victory of nationalism over Socialist solidarity.⁵⁵ But labour struggles continued throughout the war and, in many places, increased both in number and intensity. In 1917, millions of European workers participated in massive strikes and demonstrations in solidarity with the Russian Revolution. In fact, the war proved to be a watershed in the development of socialism and of organized labour in Europe. At its end, left-wing parties and movements emerged throughout Europe,⁵⁶ and trade union membership skyrocketed as unskilled and agricultural labour and women joined the ranks of organized labour for the first time.⁵⁷

In light of this, it seems reasonable to assume that when the working classes joined up with national armies, they did so to advance their own struggle for economic and political rights.⁵⁸ It was widely acknowledged that the war could not be won if workers did not support it, thus workers had reason to believe that their patriotism and sacrifices might win them rights for which they had struggled for over a century. Their struggle continued, both during and after the war; and, ironic or contradictory as it might seem, socialist solidarity continued to be an important means of advancing it.⁵⁹

During the war, the state's role in the economy expanded significantly. But these changes did not prove to be permanent. Following the war, the British government took a series of decisions that reversed the wartime trend; and socialist and partly socialist governments that came to power in Germany, France and Austria were brought down before they were able to effect any change in capitalist institutions.⁶⁰

In fact, in all Western European countries, leaders and ruling classes were committed to re-establishing the prewar status quo. As Philip Abrams observes, the very term 'reconstruction' reflected the ambiguity of official thinking in Britain. Though Ministers spoke 'as though the word meant transformation . . . the original reconstruction committees had been set up . . . to restore the social and economic conditions of 1914' (1963: 58). Thus, despite the profound dislocations that the war brought, it was not until a second massively destructive European war shifted the class balance still further that restoration of the 19th-century system became impossible and economies were placed on an entirely different footing.

Simon Kuznets has argued that the changes that this involved would have emerged in the course of time without the wars — they accelerated trends but did not create them (1964: 85). Others have pointed out that the political and military costs of developing and defending foreign markets made Keynesianism attractive to capital, as well as to labour. However, given the vigorous efforts by the US to mould postwar Europe in its own image, it is unlikely that a massive capitulation to social democratic reforms would have occurred there had not the wars brought about a decisive shift in the balance of class power. As Schumpeter observed after the war:

The business class has accepted 'gadgets of regulation' and 'new fiscal burdens', a mere fraction of which it would have felt to be unbearable fifty years ago. . . . And it does not matter whether the business class accepts this new situation or not. *The power of labour is almost strong enough in itself* — and amply so in alliance with the other groups that have in fact, if not in words, renounced allegiance to the scheme of values of the private-profit economy — to prevent any reversal which goes beyond an occasional scaling off of rough edges. (1976: 419–20; emphasis added)

Moreover, the organizational strength and power of the working classes had vastly increased at a time when capitalists needed to gain their cooperation in a war against socialism. In order both to 'keep workers away from Communism and create an army of consumers' (Lipietz, 1992: 10) capitalists committed some portion of their profits to wage increases and home investment, and allowed the state to control investment. Wages rose with profits, so that labour shared in productivity gains, making higher mass consumption possible for the new mass consumer goods industries.

For a time, governments of advanced industrial countries pursued

relatively more internally oriented policies that centred production and services on local and national needs. However, after 1973, productivity rates slowed in these countries. In the US, where productivity rates diminished as a result of intensified international competition from Europe and Japan, the response was a strategy to protect short-term profitability by keeping wage increases below productivity growth and pushing down domestic costs.

In pursuing this strategy transnational corporations and intergovernmental agencies engaged in concerted political action to get states to deregulate industry and markets, privatize their assets and curtail their welfare functions. The consequent increase in capital mobility and foreign investment, the ability to move production to low-wage areas, as well as the development of global commodity markets and of a global labour market are forcing workers to compete with low-wage labour elsewhere. This reduces the relative bargaining power of labour and lowers wages and working conditions, in the industries experiencing capital outflow, as well as in related industries (Crotty and Epstein, 1996: 131). As Greg Albo points out, this is leading to:

. . . an unstable vicious circle of ‘*competitive austerity*’: each country reduces domestic demand and adopts an export-oriented strategy of dumping its surplus production, for which there are fewer consumers in its national economy given the decrease in workers’ living standards and productivity gains all going to the capitalists, in the world market. . . . So long as all countries continue to pursue export-oriented strategies, which is the conventional wisdom demanded by IMF, OECD, and G7 policies and the logic of neo-liberal trade policies, there seems little reason not to conclude that ‘competitive austerity’ will continue to ratchet down the living standards of workers in *both* the North and the South. (1994: 147)

The strategy is also facilitated by downsizing the workforce, re-setting corporate activity ‘at ever lower levels of output and employment’ (Williams et al., 1989: 292), the retreat of marginal capital from industrial production into financial speculation, and a return to the methods of absolute surplus value production — intensifying work regimes, reducing real wages, cutting health, pension and social safety net protections, eroding job security by restructuring employment away from full-time and secure employment into part-time and insecure work.

Resistance to Corporate Globalization Today

The discussion presented thus far suggests that the way these trends can be halted is to politically mobilize labour and other forces in national arenas to secure concessions from capital. But are we at an historical juncture that precludes this remedy?

Many people characterize the historic class compromise concluded between labour and capital following World War II as a ‘positive’ class compromise, in that expanding aggregate demand through Keynesian policies benefited both capital and labour (Brecher, 1997; Glyn, 1995; Lipietz, 1992; Wright, 2000). Nationally regulated capitalism in 1945 offered capitalists a trade-off — higher labour costs and restrictions on hiring and firing, in exchange for stable commodities markets and labour markets. But a nationally based *positive* class compromise like that forged after World War II is no longer possible, they argue, because of the development of a world market for commodities — the sale of commodities no longer depends upon the purchasing power of those workers who produce them. Thus, Keynesian demand management solutions no longer have the same appeal. Capitalists don’t have to treat labour as a factor of consumption. They sell to other states and wealthy groups within other states.

What Table 1 shows is that, up until around 1975, nationally regulated capitalism in advanced industrial countries offered capitalists *some* advantages; however, after the mid-1970s the development of countries in other parts of the world and the possibilities for significantly expanding commodities and labour markets increasingly eroded the conditions on which the advantages of nationally regulated capitalism were based. Today, globalization allows capitalists to have it all, without the need to make trade-offs.

Table 1
Changing Conditions for Positive Class Compromise

	1950–75		2000	
	Capital nationally regulated	de-regulated	Capital nationally regulated	de-regulated
Interests of capitalists				
• minimize labour costs		X		X
• hire and fire labour at will		X		X
• sell all commodities produced	X			X
• have a particular mix of skills in the labour market	X			X
• have predictable and adequate supplies of labour	X			X

Thus, it follows that the only remaining option for gaining concessions from capital is *negative* class compromise — one in which both sides give up something.

However, many contend that the conditions for any compromise — positive or negative — have been irrevocably eroded as well (e.g. Standing, 1997; Teeple, 1995). The post-World War II compromise was concluded with permanently employed full-time workers represented by national industrial unions. Today, however, globalization has produced increased heterogeneity and inequality within labour markets, thus eroding the economic conditions for labour solidarity (Teeple, 1995; see, also, Wright, 2000).

This argument is based on the erroneous assumption that labour had become largely permanent and full-time by the end of World War II. It had not. It only did so as a *result* of the postwar compromise.

Marx and his disciples had attempted to create working-class internationalism by means of the International Working Men's Association. This labour Internationale was founded in 1864 as a response to capitalist globalization. However, it ultimately proved ineffective. It established regular contacts between labour leaders of different countries and, in many countries, inspired trade union organization and helped to formulate some of the ideas which later became the basis of the demands of organized labour. But, as Collins and Abramsky note, it was hardly 'the powerful, well administered, smoothly functioning organization of current legend' (1965: v-vi). More importantly, it failed to organize the unskilled majority of the working class. The Second Internationale (1889–1914) was much larger than its predecessor. However, labour internationalism ultimately proved:

. . . unable to move beyond the exchange of information and a reinforcement of national union identities. Unions looked increasingly towards the state as the source of economic and social protection. . . . Far from the workers having no country, that was almost all they had, including the transferred allegiance to another country, claimed as the workers' state, the Soviet Union. (MacShane, 1992: 47)

It was not labour internationalism, but mobilization in national arenas and for World War I, that succeeded in bridging the divide between urban/rural, skilled/unskilled labour. And it was this that succeeded in increasing labour's relative power within European societies.

The assumption that increased capital mobility and the subsequent downward pressure on wages and erosion of labour solidarity are new and insurmountable conditions facing labour is also erroneous. The conditions of labour were no more favourable for forging labour solidarity in the past than they are today. They facilitated neither the development of solidarity internationally among labour forces, nor the development of strong unions

and high solidarity within national workforces. In the 19th and early 20th centuries, continental wages were substantially lower than in Britain, and British labour leaders feared competition from goods produced by low-wage industries, as well as threats by employers to replace striking British workers with Europeans (Collins and Abramsky, 1965: 39). Industrial development in Europe in 1914 was largely carried out by atomized, low-wage and low-skilled labour forces. It was mobilization for war in 1914 that, by driving unskilled labour into the ranks of organized labour for the first time (between 1914 and 1921), created a unified and powerful labour force.⁶¹

The critique of Polanyi's analysis and re-reading of the history with which it is concerned suggests that effective resistance requires, not primarily a global challenge from below, but oppositions that focus particularly on reinvigorated national challenges primarily at the local and national level. While transnational and international solidarities and coordination are important to an effective struggle, mobilization and mass participation must be primarily national and local.

In the 19th and early 20th centuries, when capitalists were free to take their capital elsewhere, and labour was neither permanent nor full-time, the power of labour relative to capital grew as a result of mobilization for the world wars. However, that mobilization helped to extend and consolidate the broad social movement unionism that became increasingly strong in national arenas during the end of that period.

Historically, workers have been embedded in ethnic, national and other communities and identities. In places where class and ethnicity were overlapping social categories, class and minority (ethnic and religious) issues and conflicts were thoroughly intertwined.⁶² Working-class struggles were waged both in the marketplace and in the political arena. European working-class movements in the 19th century were always broad social movements (what, today, is being called 'social movement unionism') in which struggles for democracy, for workers' and minorities' rights, and for protection against the market merged.⁶³

However, after World War II unions became more narrowly based and focused; since the beginning of the 1980s national union federations have come to represent a declining and often minor part of the working population (Norway and Sweden are exceptions). Overall, this has weakened the bargaining position of workers and strengthened the position of capital. After World War II, states' citizen armies and the mobilization of mass populations to fight wars were eliminated. As was the case with 19th-century European imperialism, the deployment of military force to secure and defend capitalist globalization today is being carried out by professional armies. Overall, this has weakened the bargaining position of workers and strengthened the position of capital.⁶⁴

Conclusions

In *The Great Transformation*, Karl Polanyi reminds us of the historic incapacity of markets to satisfy human needs and of the social dislocations engendered by the subordination of society to the market economy. But Polanyi's analysis does not provide useful assumptions about the context and conditions for the dis-embedding and re-embedding of capital.

Polanyi misses key dimensions of the historical transformations he discusses, and develops conceptualizations and conclusions that, in important ways, are inaccurate and misleading. Particularly problematic are his treatment of society as an organic and sociologically undifferentiated whole, and his conception of the state as a neutral mechanism for aggregating interests. Polanyi also misses the political dynamics of what is perhaps the most crucial chapter in modern history for understanding current trends of change — the social conflicts which propelled and emerged from the dismantling of Europe's 18th-century national welfare systems and regulated markets. As a result, he misconceives the character of Europe's industrial expansion and the trans-local institutional complex that underpinned it.

Most importantly of all, Polanyi's analysis largely ignores the role of social conflicts and struggle in the rise and demise of Europe's 19th-century market economy. Those who accept his account of the transformations which gave rise to Europe's 19th-century market system, and to the present order of welfare states may tend, therefore, to overlook the centrality of political and local forces in the changes that were effected. The globalization of capital has been driven throughout its history by processes that are largely national and political. Deregulatory trends and the subsequent rise of the unregulated market at the end of the 18th century were not, and they are not today, impelled by macroeconomic forces beyond the control of states and governments. They were, and are today, the product of concerted political action by those seeking to increase profits by freeing market relations from state control and the reorganization of economic relationships. The unregulated market brings suffering, not as Polanyi insisted, to 'society as a whole' — some benefit, some don't. Its operation is characterized, not by a 'double movement' of expansion and societal protection, but by a dualism of privilege and exclusion, wealth and poverty, power and exploitation.

Globalization is fundamentally political in nature and related to an ongoing struggle over the terms and conditions, and distribution of gains from industrial capitalist production. Throughout its history, the globalization of capital has been driven by processes that are largely national and political — the dis-embedding of markets in the 18th century was the result

of a shift in the overall balance of labour and capital, as was the partial re-embedding of markets in the 20th century. Recent changes in the organization of production are not being driven by the 'logic' of technological development, markets or international capital. Production processes, as Alfred Sohn-Rethel (1978b) has pointed out, are designed in part to consolidate and maintain the basic relation of capital — the subordination of labour to capital. These changes are, therefore, never politically neutral. States and interstate regimes have played a key role, today as in the past, in defining and guaranteeing through state policies, military action and international treaties the domestic and global rights of capital. The mobilization of opposition in local and national arenas has played a key role in opposing capitalist globalization. International solidarity ties have helped too, but they cannot provide an effective alternative to national mobilization. It was mobilization in national arenas not internationally, and not for industry but for war, that succeeded in bridging the divide between urban and rural, skilled and unskilled labour and increasing labour's relative power within European societies.

Karl Polanyi treats the emergence of the unregulated market system as unprecedented, and its demise as inevitable. But Europe's 19th-century market system was not a once-and-for-all occurrence. It was part of a struggle over the distribution of costs and benefits of industrial capitalism that began centuries ago and that continues today. It is most likely the *recurrence* of unregulated markets that is inevitable; most likely their demise is not. The 'double movement' which Polanyi places at the centre of his analysis suggests that unregulated markets, by inevitably triggering a protective reaction from all sectors of society, will inevitably be destroyed. This notion has had widespread resonance among theorists and activists of the anti-globalization movement. But if, as this article has argued, the balance of social forces determines who gets protection and when and if change occurs, then the notion that a Polanyian double-movement has emerged or will inevitably emerge to bring about the re-embedding of capital may engender a complacency that is unwarranted.

Notes

1. It has figured prominently in debates about transitions under way in Eastern Europe and the post-Soviet area, as well as in debates about 'globalization' and the rise of a global market. It has been and continues to be a source of inspiration for political-economists, International Relations theorists, sociologists and historians endeavouring to understand transformations of national, regional and global structures. It may be, as has been said, that 'No work of economic history except *Capital* and *The Protestant Ethic and the Spirit of Capitalism* has had more influence' (Hejeebu and McCloskey, 1999: 286).

2. There are differences of opinion about what Polanyi meant by 'embedded' and 'dis-embedded'. However, the interpretation of Polanyi's argument most frequently employed is represented by Robert Cox's summary:

Karl Polanyi's analysis of capitalism in the nineteenth and twentieth centuries showed a dialectical process that he called the 'double movement'. The first phase of that process was an attempt to impose a utopia called the self-regulating market. The project was to disembed the economy from society so as to allow the market to function without social or political constraints, in effect to make it a dominant and unrestricted power over society. This project failed as society reacted to bring the market under social and political control, beginning with factory legislation, social insurance and the institutionalizing of industrial relations, and culminating in the welfare state. (Cox, 1995: 39)

3. See, e.g. Altvater (2003), Bienefeld (1991), Blyth (2002), Falk (1999), Helleiner (1995), Hettne (1995), Mittelman (2000).
4. See, for an example, Bernard (1997), de Benoist (1996), Gill (1995, 1997), Hodgson (1994), McMichael (1996), Munck (2002a, 2002b), Rosow (1994), Sally (1994), Tool (1994). As Philip McMichael noted recently, 'There has been a veritable cottage industry concerning a second Polanyian cycle associated with late-twentieth century globalization, where globalization via multilateral institutions is generating an increasingly consequential protective countermovement' (2002: 7).
5. A good discussion of Polanyi's analytic schema is Block and Somers (1984: 72-5).
6. See Polanyi's article, 'Our Obsolete Market Mentality' (1947), reprinted in Polanyi (1971: 59-77).
7. Though the free market and the laissez-faire state gave way, in varying degrees, to regulated markets and interventionist states, the liberal international order survived. John Ruggie (1982) popularized the use of the term 'embedded liberalism' to characterize this hybrid system. For insightful analyses, see, e.g. Block (1977), van der Pijl (1984: 50-137).
8. As Polanyi, himself, recognized; see Polanyi (1947).
9. For a discussion, see Halperin (2003: Ch. 1).
10. For a discussion of the 'global civil society' thesis, see Halperin and Laxer (2003). For arguments that link resistance to corporate globalization to a 'protectionist countermovement', see the sources listed in note 4.
11. Polanyi's analysis is not itself the target of the critique, so much as being an eminent representative of the sort of 'top-down' analyses and interpretations that cloud important issues; thus, there will not be a sustained textual engagement with it.
12. Though 'business and finance were responsible for many wars', they were also responsible for 'the fact that a general conflagration was avoided' (1944: 16). They maintained peace by providing the balance of power system with 'concrete organized interests' (1944: 17).

13. The Concert of Europe ceased to operate in 1904 when Britain formed the Entente Cordiale with France. In 1907, an Anglo–Russian agreement completed a triple alliance in opposition to Germany, Italy and Austria-Hungary. The split of Europe into two hostile power groupings destroyed the balance-of-power system. An attempt to restore the system after World War I (using the League of Nations in place of the Concert of Europe) failed, according to Polanyi, because the defeated countries were not genuine power units.
14. See Halperin (2003), for a list and description of these wars.
15. (1944: 219). See, for Polanyi's most extended discussion of classes, chapter 13.
16. *Correspondence*, Third Series, XI, p. 105; in Hobsbawm (1962: 126).
17. While in some respects the Concert of Europe sought to serve as a counterweight to the absolutist states of the Holy Alliance, it also guaranteed them membership in the Concert and ensured that they would be consulted about any major change in the European status quo.
18. The New Poor Law of 1834, Polanyi claims, introduced the market system. Other scholars have argued, however, that it was designed to preserve the power of the traditional landed classes (e.g. Brundage, 1974, 1979).
19. In Prussia, a Junker had only to deny a labourer a 'certificate of morality' to prevent him from leaving his estate (Reddy, 1987: 172). Until 1890, the *livret* system in France required workers to meet all debts and other obligations to past employers in order to gain further employment and avoid arrest for vagrancy. A provision barring workers from changing employment during most of the year was in use until 1883 in Finland, and 1885 in Sweden. A 1907 Hungarian law forbade agricultural workers from leaving their place of employment without the permission of their landlords (Goldstein, 1983: 59).
20. In Britain, trade unions ceased to be formally illegal in 1824, but efforts to destroy them continued. Peaceful picketing was not clearly recognized as legal until 1906 (Goldstein, 1983: 60–1). Unions and strikes were technically legalized in Hungary in 1872 and 1884, but until 1904 provisions of the Hungarian penal code outlawed 'gatherings for the purpose of extracting wages' and 'violent arguments for the furtherance of wage claims' (Goldstein, 1983: 59). Even after labour unions were legalized in France in 1884, police and troops were routinely dispatched to major and some minor strikes, and clashes with workers were frequent (Goldstein, 1983: 68). Vaguely worded legislation in Sweden, Germany and Belgium was used to harass labour officials and jail workers who engaged in picketing or wage disputes.
21. Polanyi's argument that workers were afforded protection, too, recalls G.E.M. De Ste Croix's description of the Roman Empire:

The rulers of the empire rarely if ever had any real concern for the poor and unprivileged as such; but they sometimes realised the necessity to give some of them some protection . . . either to prevent them from being utterly ruined and thus become useless as taxpayers, or to preserve them as potential recruits for the army (1981: 502).
22. See, e.g. Cecil (1970), Checkland (1985), Clark (1966: 206–74), Craig (1956),

- Dangerfield (1961), Gillis (1983), Guttman (1969), Kitchen (1968), Peiter (1976), Ridley and Blondel (1969), Rosenberg (1958), Shapiro (1962), Spring (1977), Struve (1973), F.M.L. Thompson (1963), Eugen Weber (1976) and Weiner (1981). See also, Badie and Birnbaum (1982: 113-14), Goldstein (1983: 252), Rueschemeyer et al. (1992: 92), Samuelsson (1968: 214) and Rosenberg (1958: 43, 44, 199).
23. See, e.g. Pareto (1968 [1901]) and Spencer (1981 [1884], 1898: Chs 22, 23, 24; 1902: 122–41). See also, Michels (1959 [1915]) and Mosca (1939 [1896]).
24. Thomas (1939: 4). Brief exceptions are the Liberal ministries of 1892–5.
25. Price controls on grain and other food staples needed to reduce the ‘wage bill’ for industrialists, were balanced by measures to prevent prices from dropping too low and cutting into the profits of large landowners. Price controls, as well as taxes on agricultural exports, were also offset by low agricultural land taxes.
26. Although each single restriction had its beneficiaries whose super-profits or -wages were a tax on all other citizens, it was often only the amount of the tax that was unjustified, not also protection itself. In the long run there was an all-round drop in prices which benefited all. (1944: 217)
27. Polanyi observed that in the late 18th and early 19th centuries:
- The traditional unity of a Christian society was giving place to the denial of responsibility on the part of the well-to-do for the conditions of their fellows. *The Two Nations were taking shape*. To the bewilderment of thinking minds, unheard-of wealth turned out to be inseparable from unheard-of poverty. (Polanyi, 1944: 102; emphasis added)
- This seems to suggest, though apparently not to Polanyi, that 19th-century European societies were *not* organic unities.
28. For an explanation of absolute surplus value, see note 41, later.
29. As Friedrich Nietzsche observed (1967). Capitalism comes and goes; so do democracy and prosperity, but in forms that vary in conjunction with the progressive development of productive forces.
30. In Britain, capital flowed between London and the far reaches of the British Empire, but not between London and the industrial north. As Charles Kindleberger describes it:
- [a] limited number of firms in a limited number of industries could get access to the London new-issues market — railroads, shipping, steel, cotton (after 1868), along with banks and insurance companies. And some attention was devoted to refinancing existing private companies. For the most part, however, the flow of savings was aimed abroad and not to domestic industries. (1964: 62)
- French industrial banks were mainly interested in underwriting foreign bonds rather than in lending to domestic industry (Baldy, 1922; Bouvier, 1961: Ch. 6; Collas, 1908).
31. The term ‘Absolutism’ was used by those who opposed state policies and reforms which today we associate with the welfare state and with progressive

- liberalism. Conventional accounts of this history assume that opposition to Absolutism was principally concerned with a variety of ‘freedoms’. The record of the states which emerged with the defeat of ‘Absolutism’ provides little, if any, support for this.
32. Many historians assume that England did not experience a form of state corresponding to the absolute monarchies of the continent because English monarchs could not take the property of their subjects without their consent in parliament. But continental absolutisms were also based on the rights of property.
 33. Pat Thane rightly points out that, ‘There is a real question as to whether the vastly richer Britain of the twentieth century is relatively more or less generous to its poor than the Britain of the seventeenth and eighteenth centuries’ (1998: 55).
 34. The legal measures were never fully implemented, however, because of resistance from aristocratic office-holders whose job it was to apply them.
 35. British exports increased 67%; production for the home market increased only 7%.
 36. Toward the end of the centuries-long aristocratic–Absolutist feud, the struggle against Absolutism assumed a new name — ‘nationalism’. Both sides had attempted on occasion to gain support from the masses in order to shift the balance of power in their favour. But in France in the 18th century, aristocratic ‘nationalists’ propounding the view that the *natio* (aristocratic owners of wealth) should rule rather than the king, sought to gain support from the masses by claiming that they, the *natio*, represented the interests of the people. Thus was born the notion of nationalism as a movement that represented the interests, not of a privileged few, but of whole societies. See, for an elaboration of this argument, Halperin (1997: Ch. 3).
 37. France’s Louis XIII (1610–43) attempted (unsuccessfully) to eliminate the purchase of offices and of courts based on class. Louis XV (1715–74) attempted to abolish feudal rights, numerous feudal burdens of the peasantry and guild restrictions, and to introduce a general property tax and a tax on aristocratic incomes. The Hapsburg Emperor, Joseph II (1765–90) decreed the abolition of serfdom and guilds and religious toleration. Prussia’s Frederick William I (1688–1740) instituted far-reaching educational, fiscal and military reforms. Frederick II (1740–86) introduced legal reforms and freedom of religion to all his subjects.
 38. In Britain, this shift in the balance of social power was signalled by the voiding of the Speenhamland decision of 1795. Speenhamland set a minimum income for subsistence and required that poor relief be limited to the local parish. Polanyi saw Speenhamland as part of the self-protective countermove against economic liberalism. However, Speenhamland’s measures were not designed to protect workers, but to provide employers with virtual gang labour, subsidized by public funds. Nonetheless, wealth owners wanted even more stringent welfare reform. The Poor Law Amendment Act of 1834 jettisoned what remained of the

- 18th-century social security system and placed the administration of 'relief' almost entirely in the hands of the aristocratic Justices of the Peace.
39. See Sohn-Rethel (1978a) on the division of intellectual and manual labour.
 40. In Germany, the doctrine was preached that 'the State should retard the march of technical innovation for fear of the economic damage caused to those who had invested in older methods' (Dobb, 1963: 383–4). German landowners, fearing that increased factory employment would increase the power of the Polish population and the danger of socialism (as evidenced by the opinions expressed in *Kreuzzeitung*, the most influential organ of German conservatism; Richter, 1938: 48–52, in Tipton, 1976: 115) were able, through their opposition, to hamper industrial development plans in the 1890s and to prevent their revival after 1902 (Tipton, 1976: 115–16).
 41. Profit is increased by producing goods with fewer or cheaper workers (i.e. by reducing the cost of labour). One way to do this is by increasing relative surplus production — using machines to produce the same amount of articles with *less* labour, or making labour *cheaper* by reducing the cost of food and other wage goods needed to physically reproduce it. However, machines require skilled, and relatively valuable (higher cost) workers; while reducing the cost of foods entails the reform of land tenure and agricultural systems (and also increases the value of agricultural workers). Increasing absolute surplus value production reduces the cost of labour by applying large quantities of unskilled or semi-skilled labour to production (in Britain, employers gained more workers at no additional cost by paying whole families, including women and children, together the same wage once paid to a single 'head of household'), increasing the duration or the normal intensity of labour, importing cheap food from abroad, or forcing workers to consume poorer quality food.
 42. See, for an elaboration of this argument, Halperin (2003: Ch. 3). The various education acts extending educational opportunities in Europe were not designed to advance the children of the working class. While Britain's Education Act of 1870 granted the children of the working class the right to universal primary education, it was intended, as H.G. Wells wrote, 'to educate the lower classes for employment on lower class lines, and with specially trained, inferior teachers who had no university qualifications' (1934; in Landes, 1969: 341). Its essential function 'was to discipline a growing mass of disaffected proletarians and integrate them into British society' (Landes, 1969: 341). In 1897 less than 7% of grammar-school pupils in Britain came from the working class. The Education Act of 1902 set up a new system of secondary education designed to exclude the children of the working class from higher education.
 43. The one factor of success that the workers have at their command, as Marx pointed out, is mass. But this mass is strong only when it is compact and united. 'Without compactness, without solidarity the workers would be doomed to failure' ('Inaugural Address and Provisional Rules of the International Workingmen's Association', London, 1864).
 44. See note 21.

45. Imperialism in Europe during and immediately after the Napoleonic Wars had subordinated many areas of Europe to the Great Powers, either through direct rule or through administration, occupation or annexation. In the 1820s, imperialist expansion began in other regions of the world.
46. Weber associated imperial expansion with the economic interests of groups that sought monopoly profits instead of being content to manufacture and exchange goods in a formally free market (1978: II, 920, 922; see also Gerth and Mills, 1946: 162–71). Many have argued that imperialism was necessary because capital could not expand in any other way. However, the main capital exporters, Britain and France, did not have capital-saturated domestic economies (see e.g. Trebilcock, 1981; Lewis, 1972: 27–58; Cameron, 1961: 123, 152; Cairncross, 1953: 225; Lévy, 1951–2: 228; Sée, 1942: 360). Moreover, British imperial investments were not necessarily more profitable than domestic investments. See e.g. Davis and Huttenback (1988). It might appear that the United States both developed its home market and pursued aggressive expansionism. However, the US did not gain a formal empire (in the Caribbean and the Pacific) until 1898–9, a policy shift linked, perhaps, to the slump of the later 1880s and 1890s. While, Britain in 1913 was exporting 25% of its output, the US was exporting only 7%. British investment still exceeded US foreign investment when it peaked in the 1920s (Floud, 1997: 90; McCloskey, 1981: 144).
47. Morris and Adelman have found that ‘Sustained and widespread economic growth is likely only with above-average equity in land distribution and with success in wresting political power from powerful resource-owning elites’ (1989: 1425).
48. See Morris and Adelman (1988: chapter 5) for a discussion. When British industry fell behind international competitors, there were insufficient employment opportunities outside the export trade areas to absorb the export unemployment because no special effort had been made to stimulate production for home consumption.
49. Between 1876 and 1900, European control of Africa expanded from about one-tenth to nine-tenths of the continent; France claimed a quarter of the total area and nearly a fifth of the population of China; and Britain asserted exclusive interests in the whole basin of the Yangtse, with well over half the population of the empire (Barraclough, 1967: 61–2). Though there were still gains to be made in Africa and Asia, poverty and low rates of growth there meant that their demand for manufactures was limited.
50. As the world was increasingly being carved up by naval powers, the essentially landlocked Russian, Austro-Hungarian and German Empires began to fight over Europe. Treaties and agreements concluded among the Central Powers and among the Allies during World War I provided for the acquisition of new territories in Europe by these powers as well as by France and Italy.
51. A number of scholars have argued that the alteration of class structures is an important effect of war (Sorokin, 1927, 1969; Marwick, 1974: 10; 1980: Ch. 11; Andreski, 1968: 33–8; Titmuss, 1958: 86). According to Pitirim Sorokin war brings about ‘an extensive redistribution of wealth’ among groups and

- individuals within society (1927: 338) and ‘sudden changes in the relative strength and position of various political parties, social estates and classes’ (1969: 501). In time of war, ‘the social rise of the poor and the disenfranchised and the social sinking of wealthy and privileged groups, is more intensive than in time of peace’ (1927: 348–9). Schumpeter, in a similar observation, noted that the transformation of social orders is often accelerated by major wars (1976: 419).
52. Most of the wars involving European states after 1945 resulted from the attempts on the part of some West European states to hold on to colonial possessions.
 53. Tariffs and various other controls had enabled a narrow elite to monopolize domestic markets and international trade, obstructing rising entrepreneurs and limiting the expansion of industry at home. In contrast, postwar policies focused on expanding domestic markets through increased production rather than dividing up and exploiting national markets through restrictive practices.
 54. Trade unionism and socialism grew apace fuelled, no doubt, by the Great Depression of the 1880s and 1890s.
 55. Many historians and social scientists have assumed this; see, e.g. Braunthal (1967: 355), Schumpeter (1976: 353), Carr (1945: 20–1).
 56. Socialist parties came to power in Sweden (1920), Denmark (1924) and Norway (1927); a Labour government took office in Britain at the end of 1923; the Left triumphed in France in 1924; in Belgium and Holland, socialists entered the cabinet for the first time in 1939.
 57. Trade union membership doubled in Britain (from 4 to 8 million; Geary, 1981: 151–5); in Italy, it doubled during the war and nearly doubled again by 1920 (Maier, 1975: 47). By 1920, Europe had 34 million trade unionists (Ogg, 1930: 759–97).
 58. Hobsbawm has argued this view persuasively (1990, especially pp. 120–30).
 59. Workers were probably also motivated to join the war effort for the economic security of army pay (Benson, 1989: 162).
 60. Thus, in Britain, ‘Nationalization of mines, heavy industries, and other economic branches subsisted only at the margin of the economic system’ (Menderhausen, 1943: 340).
 61. Unskilled workers became active in Germany for the first time after World War I. Revolutionary protests and strikes in the Balkans, Hungary and Czechoslovakia after World War I involved mainly urban unskilled labour and peasants (Seton-Watson, 1945: 134–8; McClellan, 1964: 275–96).
 62. In certain parts of Hungary, for instance, the landed gentry were Magyars, the urban middle class German-speaking, the peasants Croat or Slovak natives. In Galicia, landowners were Polish and the peasantry was Ruthenian. Hobsbawm (1990), Gellner (1983) and Wallerstein (1996) all argue, though for different reasons and in different ways, that nationalism and class conflict are intimately related.
 63. Because governments were allied with employers against workers, working-class activism focused on both the marketplace and the political arena. Thus, the call for industrial reform tended to overlap and merge with that of political reform.

The first serious attempt to found a Labour International, the establishment of the Fraternal Democrats in Britain in the 1840s, came from the leaders of Chartism.

64. 'The replacing of mass conscript armies with professional armed forces', as Joachim Hirsch has argued, 'is incompatible with maintaining the principles of citizenship. Universal liability for military service has historically been inseparable from democracy' (1999: 309). What would be the consequence, in the current context of widespread anti-globalization sentiment, if governments depended on mass citizen armies to advance and defend through military means the further globalization of capital?

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