War and Social Change in Modern Europe

The Great Transformation Revisited

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**Page dimensions:** 612.0x792.0

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Conflict and Change in World Politics

In *The Great Transformation* (1944), Karl Polanyi chronicled the rise of a self-regulating market system in Europe in the early nineteenth century and the “great transformation” that occurred when the system collapsed in the course of the world wars.\(^1\) Two features of this chronicle, in particular, have made the book a focus of interest for scholars over the more than half a century since it was written. First, its account of the social implications of the new system presented an eloquent and powerful testimonial to the ravages generated by the commodification of land and labor and the operation of unregulated markets. Second, in explaining how and why the system collapsed through a contradictory “double movement” of expansion and protection, Polanyi offered a key and enduring insight into a universal dynamic of growth and change.

Polanyi’s analysis was concerned to demolish two notions that pervade liberal thought. First, in arguing that the market emerged as a result of deliberate state action, Polanyi rejected completely the notion that the self-regulating market was in any way “natural” or that it “evolved” or arose spontaneously as a result of the expansion of trade. His keen insights into how the international institutional context shaped the development of national markets strengthened the argument. Polanyi’s most insistent claim was that the unregulated market constitutes a threat to human society, and he argued that, irrespective of whatever indices are marshaled to show an improvement in living standards in the nineteenth century, the fact remains that the unregulated market wrought a social catastrophe in Europe.

Much of Polanyi’s book, and the interest it has generated, focuses on the elaboration of this “double movement” and its consequences: the emergence simultaneously of the market system and of a protective countermove to

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1 The “great transformation” about which Polanyi wrote has been interpreted wrongly to mean “the commodification of money, land, and labor” (see, e.g., Katznelson 1986: 14; Zolberg 1986: 413).
check its action with regard to labor, land, and money, and the pattern of stresses and strains that it generated and that ultimately led to two world wars and to the collapse of the system.

Despite the phenomenal resurgence of interest in Polanyi’s work in recent years, the insight that a “double movement” shaped industrial development in Europe has not been sufficiently incorporated into our understanding of modern European history, nor have its implications for comparative-historical studies been recognized. Europe’s industrial development was shaped by protectionism to a far greater extent than is generally recognized. I argue that before World War II, protectionism had enabled a small elite of landowners and wealthy industrialists to monopolize land and the entire field of industry and trade. As a result, the pattern of development in Europe before World War II was far more similar to contemporary third world development than is commonly thought.

Polanyi’s focus on the interrelationship of global structures, states, and social forces offered important insights into how to study these subjects as well. Increasingly, contemporary analysts of social change are recognizing the need to conceptualize and theorize the interaction and fundamental interdependencies between domestic and international structures and processes (e.g., Skocpol 1979; Gilpin 1981; Spruyt 1996; Katzenelson and Shefter 2002).

Polanyi’s analysis of the institutional complex underpinning Europe’s “nineteenth-century civilization” (Polanyi 1944: 3) assumed that changes in the organization of the international economy provide particular kinds of opportunities for states to act that, in turn, shape the extent to which social forces will be able to influence state policy. Thus, working from the top down, Polanyi focused first on the international balance of power system (and the “Hundred Years’ Peace” that it made possible) and the gold standard. These and the “liberal state” were the creation of the self-regulating market system (a series of connected markets). He argued that with the collapse of the market system in the course of the world wars, a new global opportunity structure would emerge and lay the basis for a new political and economic order in Europe. However, soon after the publication of The Great Transformation, it became clear that this expectation would not be fulfilled. In fact, following World War II, the United States was determined to restore a world economy based on the principles

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2 Polanyi argued that “While on the one hand markets spread all over the face of the globe and the amount of goods grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land and money” (1944: 76).

3 A good discussion of Polanyi’s analytic schema, on which I depend for this brief consideration, is Block and Somers 1984: 72-75.

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of a self-regulating market, and this worked to effectively block moves toward the establishment of socialist markets locally and new economic arrangements internationally. The market system had been transformed in important ways, but not, as Polanyi had assumed, because of changes at the top.

The fact that the expected outcome of the great transformation failed to materialize in just the way Polanyi said it would does not deprecate his rich and insightful analysis, but it does invite closer scrutiny of his analytic schema and, in particular, his assumptions about how the world economy, states, and social forces are interrelated.

The next section focuses on these assumptions. It revisits the institutional complex underlying Europe’s nineteenth-century market economy, starting, where Polanyi’s analysis begins, with the international system. It finds that contradictions and problems stemming from his assumptions about the character and relations among the world economy, states, and social forces lead him logically to a flawed and misleading interpretation of nineteenth-century European institutions and of how and why they were transformed in the course of the world wars.

INDUSTRIAL EXPANSION IN NINETEENTH-CENTURY EUROPE: A CRITIQUE OF THE POLANYIAN VIEW

The Balance of Power System – and the “Hundred Years’ Peace”? 

Europe’s nineteenth-century balance of power system was maintained by a “Concert of Europe” that, according to Polanyi, was dominated by haute finance and by its concern for the preservation of liberal, free-market institutions. Motivated by this concern, the Concert acted as an “international peace interest.” For Polanyi, one of the most striking features of

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5 For insightful analyses, see, e.g., Block 1977; van der Pijl 1984: 50–137.
6 As Polanyi himself recognized; see Polanyi 1947. A year after the publication of The Great Transformation, Polanyi wrote an article on the transformation of liberal capitalism that reiterated the analytical position he had elaborated in his book.

He argued that to understand the transformation of liberal capitalism, we must look first to the international environment, “since it is in the international field that the methods of private enterprise have broken down – as shown by the failure of the gold standard; and it is in that field that adherence to such methods constitutes a direct obstacle to practical solutions” (Polanyi 1945: 89).

7 Though “business and finance were responsible for many wars,” they were also responsible for “the fact that a general conflagration was avoided” (1944: 16). Business and finance maintained peace by providing the balance of power system with “concrete organized interests” (1944: 17):

Haute finance functioned as a permanent agency of the most elastic kind. Independent of single governments, even of the most powerful, it was in touch with all; independent
nineteenth-century Europe was what he called the “Hundred Years’ Peace.” The Concert lost its ability to keep the peace when the growth of protectionism and imperialist rivalries began to destroy the self-regulating market and the liberal state. The collapse of these institutions undermined the gold standard that, in turn, destroyed the balance-of-power system and in 1914 led to war.8

This characterization of the nature of the Concert of Europe and its role in European affairs is misleading. While the Concert may have been dominated by haute finance, it was also the tool of Europe’s monarchs and aristocracies who, after twenty-five years of war in Europe, feared that another major European war would trigger revolution and destruction of the social order.9 It was committed not to free markets and liberal states but to protection and autocracy. It was this commitment that motivated the series of Concert-sponsored antirevolutionary military actions in Europe.

In describing Europe’s nineteenth century as a “century of peace,” Polanyi is referring only to the relative absence, between 1815 and 1914, of multilateral great power wars in Europe. But while that may be the case, it is also true that during this period, European states were continually engaged in conflict with their own populations, with other European states and populations, and with territories and states outside Europe. Fourteen wars were fought in Europe between and among Britain, France, Germany, Spain, Russia, Denmark, Austria, Italy, Greece, and Serbia.10 Twelve wars were fought by Britain, France, Russia, and Austria against foreign populations in
Conflict and Change in World Politics

### Table 1.1. Wars Fought Outside Europe by European States

<table>
<thead>
<tr>
<th>Year(s)</th>
<th>Event</th>
<th>Country A</th>
<th>Country B</th>
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<tbody>
<tr>
<td>1807–37</td>
<td>Netherlands in Central Sumatra</td>
<td>1871–72</td>
<td>France in Algeria</td>
</tr>
<tr>
<td>1823–26</td>
<td>Britain in Burma</td>
<td>1873–1908</td>
<td>Netherlands in Achin</td>
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<td>1825–30</td>
<td>Britain in Tasmania</td>
<td>1878–80</td>
<td>Britain in Afghanistan</td>
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<td>1836–52</td>
<td>France in Argentina</td>
<td>1878–81</td>
<td>Russia in Geok Tepe</td>
</tr>
<tr>
<td>1836–52</td>
<td>Britain in Argentina</td>
<td>1881</td>
<td>France in Tunisia</td>
</tr>
<tr>
<td>1838–42</td>
<td>Britain in Afghanistan</td>
<td>1881–85</td>
<td>Britain in Sudan</td>
</tr>
<tr>
<td>1839–47</td>
<td>France in Algeria</td>
<td>1882</td>
<td>Britain in Egypt</td>
</tr>
<tr>
<td>1843</td>
<td>Britain in India</td>
<td>1885–86</td>
<td>Britain in Burma</td>
</tr>
<tr>
<td>1853–36</td>
<td>Portugal in Zambesi in Delagoa Bay</td>
<td>1891–94</td>
<td>Netherlands in the Malay Archipelago</td>
</tr>
<tr>
<td>1845–46</td>
<td>Britain in India</td>
<td>1892–94</td>
<td>Belgium in East Congo</td>
</tr>
<tr>
<td>1846–49</td>
<td>Netherlands in Bali</td>
<td>1894–96</td>
<td>Italy in Abyssinia</td>
</tr>
<tr>
<td>1848–49</td>
<td>Britain in India</td>
<td>1894–1901</td>
<td>France in Madagascar</td>
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<tr>
<td>1850–52</td>
<td>Britain in South-East Africa</td>
<td>1896–1900</td>
<td>Britain in Sudan</td>
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<tr>
<td>1853</td>
<td>Britain in Burma</td>
<td>1897–98</td>
<td>Britain in India</td>
</tr>
<tr>
<td>1856–57</td>
<td>Britain in Persia</td>
<td>1897–1901</td>
<td>Britain in Uganda</td>
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<tr>
<td>1856–60</td>
<td>Britain in China</td>
<td>1898</td>
<td>Britain in Sierra Leone</td>
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<tr>
<td>1856–60</td>
<td>France in China</td>
<td>1898</td>
<td>Spain vs. the U.S.</td>
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<tr>
<td>1857</td>
<td>France in Senegal</td>
<td>1899–1900</td>
<td>Britain in China</td>
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<tr>
<td>1857–59</td>
<td>Britain in India</td>
<td>1899–1900</td>
<td>France in China</td>
</tr>
<tr>
<td>1859–60</td>
<td>Netherlands in South Celebes</td>
<td>1899–1900</td>
<td>Russia in China</td>
</tr>
<tr>
<td>1859–60</td>
<td>Spain vs. Morocco</td>
<td>1899–1900</td>
<td>Italy in China</td>
</tr>
<tr>
<td>1859–63</td>
<td>Netherlands in South Borneo</td>
<td>1899–1900</td>
<td>Germany in China</td>
</tr>
<tr>
<td>1859–64</td>
<td>Russia in Circassia</td>
<td>1899–1902</td>
<td>Britain in S. Africa</td>
</tr>
<tr>
<td>1861–67</td>
<td>Britain in Mexico</td>
<td>1903–8</td>
<td>Germany in S.W. Africa</td>
</tr>
<tr>
<td>1865–68</td>
<td>Russia in Bokhara</td>
<td>1904–5</td>
<td>Russia in Japan</td>
</tr>
<tr>
<td>1867–68</td>
<td>Britain in Abyssinia</td>
<td>1911–17</td>
<td>Italy in Libya</td>
</tr>
<tr>
<td>1867–68</td>
<td>Russia in Bokhara</td>
<td>1912</td>
<td>France in Morocco</td>
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During that period, European states also fought some fifty-eight wars outside Europe, as shown in Table 1.1.

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" in the nineteenth century. In this, Polanyi advances a popular current of liberal thought that associates

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11. 1821 Austria in Piedmont 1849 France in Italy
1825–33 Britain in Portugal 1849 Russia in Hungary
1826–33 France in Portugal 1859 France in Italy
1833–40 Britain in Spain 1859 Austria in Piedmont
1848–49 Austria in Piedmont 1860–61 France in Italy
1848 France in Italy 1866–69 Britain in Crete
Introduction

high finance with peace. But he can do so only by restricting his focus to the occurrence, or nonoccurrence, of interstate wars in Europe. In fact, European states were continually at war during the nineteenth 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. Polanyi’s association of finance with peace is problematic, not only because of the imperialist wars fought by European powers throughout the century, but because European states were also continually at war with their own populations, as well as those of other territories and states both within Europe and around the world.

However, Polanyi also ignores the recurring and increasingly violent class conflicts that characterized European domestic relations throughout the nineteenth century. This critical dimension of European industrial development is almost entirely missing from Polanyi’s account. According to Polanyi, 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).

Yet 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). As Viscount Castlereagh, Britain’s foreign secretary from 1812 to 1822, recognized, 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.”12 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).

Polanyi’s analysis is consistent with that of the many scholars who have drawn a contrast between the recurring violence that has accompanied industrialization in many parts of the contemporary third world and the supposedly peaceful domestic relations and relatively smooth development of industrial capitalism and democracy in Europe. But 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; and coups, assassinations, political repression, and terrorism were characteristic of European societies up until 1945.

Polanyi begins his analysis with Europe’s supposed century of peace because it is essential to his conception of Europe's nineteenth-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 nineteenth century not only challenges Polanyi’s notion of Europe’s hundred years’ peace; it also casts doubt on institutional features of Europe’s nineteenth-century market system that, in Polanyi’s analysis, are logically connected to it.

The “Liberal” State?

As Polanyi rightly pointed 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). However, according to his account, the state subsequently assumed a predominantly liberal character and, consistent with conceptions of the state in liberal theory, functioned as an autonomous actor. Polanyi’s characterization of nineteenth-century European states as both “liberal” and autonomous falls far from the mark: throughout the century, states in Europe were not liberal but exclusionary, not autonomous but nobilitarian.¹³

The “self-regulating” market was, as Polanyi acknowledged, an ideal, but it was farther from being a reality than he recognized. Throughout the nineteenth century, states in Europe adopted interventionist economic policies with regard to labor, 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 nineteenth century this freedom was not seen as applicable to workers. Polanyi argued that the self-regulating market began to operate fully in 1834, when workers in England became “free,” that is, gained sufficient mobility to sell their labor power in the market. But after 1834 labor was only theoretically free.¹⁴ In practice, its mobility was impeded by a variety of state-enforced legal and extralegal devices,¹⁵ as was its ability

¹³ The nobilitarian state: a state administrated by notables as, for instance, Britain throughout the nineteenth century (Weber 1978: 974). More on the nobilitarian character of the state below.

¹⁴ Some scholars argue that the New Poor Law of 1834 that, Polanyi claims, introduced the market system, was designed to preserve the power of the traditional landed classes (e.g., Brundage 1974, 1979).

¹⁵ In Prussia, for instance, Junkers demanded certificates of morality from anyone who moved to a new estate. Thus, a Junker had only to deny a laborer such a certificate to prevent him from leaving his own estate (Reddy 1987: 172). Until 1890, workers in France had to produce an identification booklet (livret) attesting that they had met all debts and other obligations to past employers or be barred from further employment and subject to arrest for vagrancy. A provision barring workers from changing employment during most of the year and requiring that they show they had a source of income for “protection” was in use until
to engage in collective resistance and bargaining.\textsuperscript{15} 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, to bind workers by long and inflexible contracts (e.g., the coalminers’ “yearly bond” in parts of Britain), and to 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).

If European states were not liberal in domestic economic affairs, neither were they with respect to foreign trade. 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 the Second World War, there was a steady closure and constriction of markets everywhere in Europe.\textsuperscript{17}

1883 in Finland and 1885 in Sweden. In Hungary, a law passed in 1907 forbade agricultural workers from leaving their place of employment or receiving outside visitors without the permission of their landlords (Goldstein 1983: 59).

\textsuperscript{15} Though in Britain trade unions ceased to be formally illegal in 1824, efforts to destroy them continued. The courts did everything in their power to curb unions and prohibit strikes. Temperton v. Russell (1893) ruled against boycotts; Trollope v. London Building Trades Federation (1895) declared union officers who published blacklists of nonunion firms and free laborers to be guilty of conspiracy; Lyons v. Wilkins (1899) outlawed “picketing to persuade”; the Taff Vale decision of 1901 held unions liable for damages incurred by individual members during a strike; the Osborne judgment of 1909 declared that unions could not levy dues for political purposes (Meacham 1972: 1352–53).

Many European countries supplemented their basic restrictions on unions and strikes with additional regulations that severely curtailed workers’ freedoms. Strikes were legalized in England in 1834, but Master and Servant Acts remained in use by judges to threaten striking workers with jail. Peaceful picketing was not clearly recognized as legal in the United Kingdom until 1906 (Goldstein 1983: 60–61). 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 labor 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 labor officials and jail workers who engaged in picketing or wage disputes.

\textsuperscript{17} The Great Depression and the agrarian distress of 1873–86 was the impetus for the raising of tariff walls throughout Europe. France developed a comprehensive system of agricultural protection in the 1880s (Meredith 1904: chaps. 4 and 5). Bismarck popularized all-around protectionism in 1879. By the end of the Depression, Germany had surrounded itself with protective tariffs, established a general cartel organization, set up an all-around social
Conflict and Change in World Politics

The state, in Polanyi’s view, was acting in the interests of society as a whole because, embodying the contradictory impulses of nineteenth-century development, it passed protectionist legislation as well as “pro-market” laws. But nineteenth-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.

From about the 1870s onward liberals such as Vilfredo Pareto, Herbert Spencer, and Max Weber wrote with dismay about the “persistence” of traditional landed, bureaucratic, and military elites. The British state, as Max Weber pointed out, remained an “administration of notables” throughout the nineteenth century (Weber 1978: 974). Until 1905, every British cabinet, whether Conservative or Liberal, was dominated by the traditional landed elite. The French bureaucracy fell completely into the hands of the traditional notability 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: 48–49). The German bureaucracy also remained under the control of the aristocracy throughout the nineteenth century. In 1910, nobles occupied nine out of eleven cabinet positions, all of the upper legislative house, 25 percent of lower legislative seats, 55 percent of all army ranks of colonel and above, 80 percent of ambassadorships, 11 out of 12 administrative headships, 23 out of 27 regional administrative headships, and 60 percent of all prefectures (Goldstein 1983: 252). Sweden’s “highly status-conscious nobility” still dominated the insurance system, and was practicing high-pressure colonial policies (Polanyi 1944: 216). Austria also turned to protectionism in the 1870s, as did Italy in the 1880s, and Britain after World War I. It was in the crisis of 1873 and during the subsequent depression years that the foundation of the modern cartel movement was laid (Rosenberg 1934) and that a second great wave of European imperialism was launched that, increasingly, focused European imperialist ambitions on Europe itself.

18 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).


21 Thomas 1939: 4. Brief exceptions are the Liberal ministries of 1892–95.
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 nineteenth-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, labor legislation, land reform, state allocations, tax policy, or internal terms of trade until after World War II.\(^\text{22}\)

Though tariff policy varied throughout Europe and fluctuated throughout the nineteenth 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 labor, and to secure favorable state tax and pricing policies.\(^\text{23}\) 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, state policies ensured the exclusion of workers from political life and from opportunities for economic advancement by maintaining a vast restrictive system of legal, social, and land institutions. States brutally repressed labor 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 (on suffrage and other restrictions, see Chapter 3). Most important of all, states supported an expansion of production based on imperialist exploitation of other states and territories, both within and outside 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: repression and restriction at home and imperialist expansion abroad. It was this “double movement,” rather than the Polanyian one of protection and expansion, that characterized Europe’s nineteenth-century industrial capitalism.

\(^{22}\) It is often assumed that the repeal of the Corn Laws marked the end of the power of the landlords in Britain. But it did not. More on this below in the chapter.

\(^{23}\) When states found it necessary to introduce price control on grain and other food staples and in order to reduce the “wage bill” for industrialists, they took 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.
The “Double Movement” of Industrial Capitalist Development

For Polanyi, nineteenth-century protectionism in Europe was a movement neither of states nor 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. In his view, land, labor, and money are social substances, rather than bases of class formation and class interests. Thus, different sectors differ only in the type of “social substance” that they seek to protect. Since land, labor, and money are “social substances,” protection of them is a general, social interest. 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. A “too narrow conception of interests,” Polanyi maintains, leads “to a warped vision of social and political history” (154–55).

Thus, Polanyi describes a “spontaneous social protective reaction against the perils inherent in a self-regulating market system” (1944: 76) that came from all sectors of society.24 Though it was groups, sections, and classes that acted, 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.25

This conception is the basis of the “double movement” of expansion and protectionism that, for Polanyi, explains the demise of Europe’s nineteenth-century market economy. Because Polanyi fails to recognize the existence of exploiters and producers and their differential capacities, limitations, and potentialities, it is conceived and elaborated largely without reference to specific social relations or interests. The self-regulating market threatened society as a whole; it met with resistance from society as a whole; and when different classes within society endeavored to secure protection for themselves (the “protectionist countermove”), their efforts redounded to the benefit of society as a whole. The most important way in which groups, sectors, and classes

24 Agrarians, manufacturers, and trade unionists all “wished to increase their incomes through protectionist action” (1944: 153). However, Polanyi characterizes the search for protection as primarily noneconomic. For “even where monetary values were involved,” he asserts, they were secondary to other interests: “almost invariably professional status, safety and security, the form of a man’s life, the breadth of his existence, the stability of his environment were in question” (1944: 154).

25 Nations and peoples shielded themselves “from unemployment and instability with the help of central banks and customs tariffs, supplemented by migration laws. . . . 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).
act and are acted on and, in particular, the way in which they interrelate with state and global structures, is as an organic whole.

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 or by the expansion of markets. Some gained or had sufficient power to secure protection from or receive compensation for losses, or sufficient mobility to reposition themselves; others lost and lacked sufficient power or mobility to gain protection. In fact, as previously discussed, the type and extent of protection gained by different classes differed significantly, and it did so because throughout the nineteenth and early twentieth centuries, state legislation worked to protect the interests of dominant classes. Polanyi took no account of this, or of 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 structure that was emerging from the introduction of capitalist forms of ownership and production, and the class-specific nature of protectionism, Polanyi also failed to grasp the essential dualism that characterized Europe’s industrial capitalist development.

The institutional complex underpinning Europe’s nineteenth-century market economy set in motion and maintained a process of economic growth that was based on external expansion rather than on the development of domestic markets. This externally oriented expansion had the effect of limiting the geographic and sectoral spread of industrialization and the growth of organized labor. As a result, industrial expansion in Europe was characterized by dualism and monopoly, a lack of internal structural integration, and dependency on outside capital, labor, and markets. It was shaped not by a liberal, competitive ethos but by monopoly and by rural, pre-industrial, feudal, and autocratic structures of power and authority. These structures 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.

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14

Introduction

His discussion of the Speenhamland Act of 1795 and the anti-Combination Laws of 1799 and 1801 illustrates the analytical position. Polanyi sees these measures as part of a spontaneous countermovement from all sectors of society set in motion by the commodification of labor. Their aim, he argues, was to protect workers from the market by providing them with the means to live outside the wage system and thus preventing them from gaining their status as workers within the market system (see Polanyi 1944: chap. 7). But these measures were not designed to protect workers. They drove wages down below subsistence and barred workers from seeking redress through collective resistance and bargaining. Landowners objected to Speenhamland because it set an external standard for subsistence income; thus, in 1834, the Poor Law Amendment Act swept away entirely the eighteenth-century social security system, and placed the administration of “relief” almost entirely in the hands of aristocratic Justices of the Peace (Ashford 1992: 154–55).
CONFLICT AND CHANGE: A CLASS APPROACH

The basic antagonism generated by industrial capitalist development, according to Polanyi, was that which developed between whole societies, on the one hand, and the institutions of the self-regulating market system, on the other. European societies in the nineteenth century were, in fact, being destroyed, Polanyi wrote, by “the blind action of soulless institutions the only purpose of which was the automatic increase of material welfare” (1944: 219). But this increase of material wealth was not automatic or class-neutral, and the actions of the institutions created to produce it were not “blind” but designed specifically for the purpose.

Because Polanyi ignores the industrial and political class struggles that characterized nineteenth- and early twentieth-century Europe, he assigns them no role in shaping the development and operation of the market system and its central institutions. Even after acknowledging the European class conflicts of the interwar years, he treats them as a symptom only, rather than a cause of the dissolution of the free market system, and declines to consider whether and in what ways classes or class conflict shaped the way in which nineteenth-century European institutions were transformed in the course of the world wars. His analysis, throughout, eschews the language of class that emerged to express and shape the struggles of Europe’s industrial development and that provided the principal categories of social analysis employed by Europeans themselves to describe their own society during the nineteenth century.27 As G. E. M. de Ste. Croix argues, “it is a healthy instinct on the part of historians in the empirical tradition to feel the need at least to begin from the categories and the terminology in use within the society they are studying – provided, of course, they do not remain imprisoned, therein” (1981: 35).

Before considering the utility of specific class categories for understanding the two transformations with which Polanyi was concerned, we first consider the utility of class more generally for the analysis of change. To

27 “The idea of class,” as William Reddy points out, “has been a central one in European politics ever since Sièyes wrote his pamphlet ‘What Is the Third Estate?’” (1987: 22). It was recognized not just by revolutionaries but by Popes, as well. Pope Pius XI’s 1931 encyclical, Quadragesimo anno, speaks of the serious threat that class struggle had posed at the end of the nineteenth century and asserts that it had been dispelled by Leo XIII’s Rerum novarum. With the onset of the Industrial Revolution, the language of class supplanted the language of “ranks,” “orders,” “estates” (Morris 1979: 9; see also 18–20 for a comparison of the eighteenth-century language of status groups and the nineteenth-century discussion of conflict groups or classes), and the language of trade. “Working people, for the first time, altered their vocabularies and world views to speak and think of themselves as workers, rather than just as members of this or that trade. They generalized the sense of solidarity of trade beyond specific and segmented crafts” (Katznelson 1986: 23). The language of class reflected the changing nature and intensity of inequality and exploitation. It conveyed “what Europeans perceived as the fundamental social antagonisms arising from the unequal distribution of power and authority” (Dahrendorf 1959: 201–3).
enable us to do this, we turn to a consideration of two influential studies that endeavor to explain change: Theda Skocpol’s *States and Social Revolutions* (1979) and Robert Gilpin’s *War and Change in World Politics* (1981). Like Polanyi’s study, both of these attempt to understand change in terms of the interrelationship of global structures, states, and social forces; both are top-down analyses; and in both, the failure to take into account social interests and purposes leads to empirical and theoretical weaknesses that undermine their conclusions.

The Transformation of International Systems, States, and Societies: Two Perspectives

*Theda Skocpol’s States and Social Revolutions.* In her influential study, *States and Social Revolutions*, Theda Skocpol endeavors to explain how the interaction of social forces, states, and the international system work to produce the conditions for social revolution. At the center of Skocpol’s analysis are autonomous states operating in an anarchical international environment. Skocpol argues that the state can be seen as autonomous because it tends to give priority to securing national defense over the protection of any particular interests of the ruling class or section thereof.

According to Skocpol, the absolutist state, especially as it developed in France, was a quasibureaucratic apparatus that opposed the dominant feudal class and realized goals fundamentally opposed to the interests of the feudal class by directly attacking its material base. Yet her own analysis suggests that state institutions played a clearly partisan role in the class struggles that triggered social revolutions. She argues that absolutist states were constrained by “agrarian class structures and political institutions”; that, in fact, as a result of these constraints, ancien régimes were unable to respond to external military threats, and as a consequence broke down (1979: 85). She states that “the property and privileges of dominant classes” became vulnerable to attack when this occurred. Thus, according to her own analysis, it would appear that regimes, prior to their breakdown, protected the property and privileges of dominant classes, and that it was only the regimes’ protection that prevented “revolts from below” from threatening the property and privileges of the dominant class (1979: 285).

Skocpol argues that social revolution is brought about by external factors (usually military defeat) that change the relationship of state organizations to domestic political and social groups. Ancien régimes cannot respond to external events (“international military threats arising in the modern era”), and as a result states experience “revolutionary crises.” When this occurs, “revolts from below” accomplish “changes in class relations that otherwise would not have occurred” (Skocpol 1979: 285).

However, it seems reasonable to assume that the breakdown of a regime will bring about system change only if internal groups come to power having