

From Menger to Polanyi: Towards a Substantive Economic Theory

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Abstract:

Polanyi's wide-range comparative outlook consists in considering any given social system as the result of historical evolution and as a whole. The economy appears then as a process, specifically inscribed within such social systems. These methodological assumptions are in contrast with those of economics, to the extent that the latter embraces both individualism and ahistorical generalizations, i.e. a non-institutional characterization of economic activity.

The analysis of the "market system" as an "economically" instituted economy, and of the "market society" as a society in which the economic system becomes differentiated, autonomous and dominant, enables Polanyi to explain the "economistic fallacy" with reference to its real basis. Thus, the generalization of such categories as "rational choice" and "utility" reveals as fallacious, to the extent that it obscures their institutional particularity; moreover, an authentically general, a "substantive" concept of "economy" is needed. Polanyi opposes it to the "formal" concept, and interprets, for instance, Carl Menger's long engagement in revising his *Grundbegriffe* as a tentative of distinguishing a more general meaning from the "overriding" meaning of "economy".

The article carries on Polanyi's suggestions about the continuities and results of Menger's revision of his book of 1881. The problem of situating both Menger's work and Polanyi's interpretation within the history of economics is also dealt with, with particular reference to the inter-war theoretical and methodological opposition between institutional and conventional neoclassical traditions.

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