

SUBSTANTIVISM, CULTURALISM AND FORMALISM IN ECONOMIC ANTHROPOLOGY

Sergiu Bălan

sergiub99@yahoo.com

Abstract: *Polanyi's opinion is that there are two meanings of the term "economic", the substantial and formal, and they are heterogeneous. One is based on a deductive and logical mode of thinking, whereas the other is descriptive and built on experience. His ideas led to the birth of a two new school of thinking in economic anthropology, the so-called 'substantivist' and 'formalist' orientations. Formalists argue that economic rationality of maximizing individual can be found in all societies and in all forms of behavior, while substantivists maintain that economy is a type of human activity that is integrated, institutionalized and embedded in various social institutions, belonging to different cultures. The methodological dispute between the two schools was long-lasting and ended undecided, but it has the merit of having raised a number of other very interesting and perennial questions for other disciplines and inter-disciplinary areas of research.*

Keywords: *Polanyi, substantivism, formalism, culturalism, methodology, economic anthropology, neo-classic economics, economic man.*

In the field of economic anthropology, three of Karl Polanyi's theoretical contributions are of particular interest: the idea that the economic system is always embedded in the social and cultural context, the distinction between the three forms of distribution of goods (reciprocity, redistribution and exchange) and his conception about the existence of two fundamental meanings of economy, the substantive and the formal.

The idea that economy is embedded in the social structure represents a consequence of the holistic approach, specific for anthropology: every part of a system can be understood only by reference to the whole, because its existence and proper functioning depend on the fact that it is not an isolated entity, but a part of the system. This means that economic activity is possible only in the context of society and can be understood only if we have taken this fact into account, so in order to explain the principles of economic life, one always needs to do so by first acknowledge the social, cultural and political structures, in which it is enmeshed.¹

Economy, broadly understood as a process of interaction between man and his environment, by which he obtains all the necessary things in order to satisfy

* Lecturer at the Academy of Economic Studies (Bucharest); researcher at the Institute of Philosophy and Psychology "Constantin Rădulescu-Motru" of the Romanian Academy.

¹ S. Plattner, *Introduction*, in S. Plattner (ed.), *Economic Anthropology*, Stanford, Stanford University Press, 1989, p. 3.

his needs is, in Polanyi's view, an integrated and instituted process. This means, on the one hand, that in the context of economic life function a number of laws that gives it a certain unity, stability, that there are some structures that configures it and provides the recurrence and interdependence of its various aspects. On the other hand, it means that these principles give rise to specific institutions, in the context of which people perform their economic activities. For example, laws of free market or principles of economic planning are structures that integrate the economy, whereas the capitalist and socialist systems and their specific components are the corresponding institutions.²

The second of those main three ideas concerns the three structures that determine how goods are to be produced and distributed, and, according to Polanyi, can be found in different degrees of presence, in any economic system: reciprocity, redistribution and commercial exchange. Reciprocity is a form of distribution of goods and services, which move between agents being in a symmetrical relationship. Redistribution means that the goods change owner first from the periphery towards a center, and then from this center to wherever the members of the society need them. Commercial exchange refers to the transfer of goods in a market system.

According to Polanyi, those three systems for goods distribution can be found in every economic system, but only Western capitalist economies are integrated *via* the market system where the prices system functions. Traditional economies (those characteristic for previous periods of history or those belonging to primitive societies) are integrated mainly through reciprocity and redistribution, even if in some of them we can find functioning markets and marketplaces, the physical locations where people trade. In principle, believes Polanyi, in Western economies are to be found all three forms of distribution, in traditional and in socialist economies, only redistribution and reciprocity are at work, whereas in primitive societies lacking a central political authority, only reciprocity functions. Consequently, the mere presence of the marketplace as a physical location of commercial exchange, or that of money is not in itself an evidence of the existence of a capitalist economy. In many traditional economies we can identify the presence of objects that have the role of money, but it's often special purpose money and not a means of exchange for general purposes that functions as universal standard of value, as is the case in the market economy. Because special-purpose money and goods or services that can be exchanged for them are restricted to certain areas of society, pre-capitalist economies are multi-centric, i.e. they have more spheres of exchange. By contrast, capitalist economies are inherently uni-centric, as all goods, services and means of production flow in a single unified sphere of exchange, integrated by market principles and made possible by the use of all-purpose money.³

² K. Polanyi, *Economics as Instituted Process*, in K. Polanyi, C. Arensberg, H. Pearson (eds.), *Trade and Markets in the Early Empires*, Glencoe, The Free Press, 1957, pp. 243-270, republished in E.E. LeClair, H.K. Schneider (eds.), *Economic Anthropology. Readings in Theory and Analysis*, New York, Holt, Rinehart and Winston, Inc., 1968, p. 122-142.

³ B. Isaac, *Karl Polanyi*, in J. Carrier (ed.), *A Handbook of Economic Anthropology*, Cheltenham/Northampton, MA, Edward Elgar Publishing Limited, 2005, pp. 14-25.

Differences between the two economic systems, the traditional and the contemporary Western system necessarily have consequences in the realm of theory. There, it leads, according to Polanyi, to the emergence of two different ways of understanding the economy: formal and how substantial. It is this distinction, between the formal and substantial meanings of economy that is of particular interest in this paper.

As Polanyi puts it, “the substantive meaning of economic derives from man’s dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, in so far as this results in supplying him with the means of material want satisfaction. The formal meaning of economic derives from the logical character of the means-ends relationship, as apparent in such words as ‘economical’ or ‘economizing’. It refers to a definite situation of choice, namely, that between the different uses of means induced by an insufficiency of those means. If we call the rules governing choice of means the logic of rational action, then we may denote this variant of logic, with an improvised term, as formal economics. The two roots meanings of ‘economic’, the substantive and the formal, have nothing in common. The latter derives from logic, the former from fact.”⁴

Consequently, Polanyi’s opinion is that the two original meanings of the term “economic”, the substantive and formal, are heterogeneous. One is based on a deductive and logical mode of thinking, whereas the other is descriptive and built on experience. The formal meaning presupposes a set of rules that determine the choice between alternative uses of scarce resources. The formal meaning does not necessarily presuppose choice, or scarcity of resources: human existence does not essentially mean the necessity of making choices, and if however choices are to be made, it may not be determined by the limiting effect of scarcity of resources. Indeed, some of the most important physical and social conditions of human existence, such as the availability of air and water or a mother’s devotion to her child, are not usually scarce resources. The laws and principles that apply in each of the two cases differ in the same way that strength of logical laws of syllogism differs from the force of natural laws of gravity. In the first case, we are talking about laws of thought, whereas in the second the laws are those of nature.

Polanyi’s view is that only by adopting the substantive meaning of ‘economic’, we will be able to provide the social sciences with the necessary categories for an investigation of all real economies of the past and present. Unfortunately, in today’s use of terminology, the two meanings, the substantive and the formal, are naively substituted for each other: “the current concept of economic fuses the ‘subsistence’ and the ‘scarcity’ meaning of economic without a sufficient awareness of the dangers to clear thinking inherent in that merger.”⁵

This terminological confusion is itself a consequence of the process called ‘the great transformation’ by Polanyi, i.e. the apparition in nineteenth century in the Western World of a new type of social organization, characterized by the prevalence of free market relations and of *laissez-faire* principles in the economic

⁴ K. Polanyi, *op.cit.*, p. 122.

⁵ *Ibidem*, p. 123.

sphere, and the prevalence of nation states at the political level. Polanyi calls this original social system by the new-coined term 'market system'. In this system, people's desire to engage in commercial exchange determines the apparition of an autonomous institution, the market, which in a very brief period of time will come to take control of the entire economic system. Moreover, economy itself begins to be conceived as the most important area of society, so that all other principles of society organization become secondary to the principles of the market. Therefore, "instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result."⁶ The vital importance that is now attributed to economic factors makes economy prevail over any other aspects of human life and society. This reversal occurs because, once the economic system was organized in separate institutions, based on specific human motivations and given special and independent status, then society must be reconfigured such as to allow the economic system to operate according its own objective laws. As Polanyi puts it, "this is the meaning of the familiar assertion that a market economy can function only in a market society."⁷

According to Polanyi, the idea of economics as a domain of human choice is applicable only to that type of organization of social life that appeared in Western Europe and North America in the last two centuries and is integrated through a market system that conduces to the establishment of the prices system. Since exchanges, as they occur in such a system, forces the participants to make choices under the pressure of scarcity of resources, the system can be reduced to a model based on the formal understanding of economy. As long as the economy is going to be controlled by such a system, formal and substantive meaning of economy will overlap in practice and formalistic economic theory will be adequate for explaining economic phenomena.

Regarding non-western societies, Polanyi believes that their economic life cannot be adequately understood and described unless we use the substantive meaning of economy, and not the formal one or a synthesis of the two, as is the case in Western economics, where "under the market system its terms were bound to be fairly realistic. But the anthropologist, the sociologist or the historian, each in his study of the place occupied by the economy in human society, was faced with a great variety of institutions other than markets, in which man's livelihood was embedded. Its problems could not be attacked with the help of an analytical method devised for special form of the economy, which was dependent upon the presence of specific market elements."⁸

2. As can be easily seen, the formal meaning of economy is nothing more than the explicative model formulated by neo-classical economics: the economy is the field of decisions regarding the choice of allocating scarce resources to satisfy unlimited needs, with the final purpose of maximizing utility. The substantial

⁶ K. Polanyi, *The Great Transformation. The Political and Economic Origins of Our Time*, Boston, Beacon Press, 2001, cap. 5, "Evolution of the Market Pattern", p. 60.

⁷ *Loc. cit.*

⁸ K. Polanyi, *Economics as Instituted Process*, ed. cit., p. 123.

meaning does not deny the existence of choices, but whenever we talk about economic behaviour of people in non-Western societies and interpreting it in terms of rational choice theory, we have to remember that it takes place in a social context determined by the fact that here economy is embedded in society, and not vice versa, as is the case in the Western society.

Polanyi's ideas led to the birth of a new school of thinking in economic anthropology, the so-called 'substantivist' orientation, whose prominent members include Paul Bohannan, Pedro Carrasco, Louis Dumont, Timothy Earle, Maurice Godelier, Claude Meillassoux, John Murra, Marshall Sahlins, Rhoda Halperin, Eric Wolf and George Dalton, the latter being also the successor of Polanyi as leader of the movement. Substantivists argue mainly that the formal meaning of economy, specific for neo-classical microeconomics, provides a conceptual apparatus adequate only for the study of contemporary Western economy. In the case of non-capitalist economies, using concepts such as demand, supply, marketing, rational choice, profit and others alike, which are appropriate in the context of market economy, is not recommended because they have different meanings in this context, or even simply have no meaning at all. The reason those concepts do not have a universal meaning and validity is the fact that "primitive economy is different from market industrialism not in degree but in kind. The absence of machine technology, pervasive market organization, and all-purpose money, plus the fact that economic transactions cannot be understood apart from social obligation, create, as it were, a non-Euclidean universe to which Western economic theory cannot be fruitfully applied. The attempt to translate primitive economic processes into functional equivalents of our own inevitably obscures just those features of primitive economy which distinguish it from our own."⁹

As a consequence of this way of understanding economy, substantivism is a profound relativistic theory, which argues that economic activities and behaviours in each society are based on a different logic, specific for that society. Therefore, each social system must be studied in its own context and described using appropriate concepts that adequately describe its content, or, as Richard Wilk puts it in a very suggestive way, for substantivists "the tools for understanding capitalism are as useless for studying the ancient Aztecs as a flint knife would be for fixing a jet engine. Each system has to be understood in its own terms."¹⁰ The main typological difference between the modern capitalist society others that preceded it or coexist with it nowadays is made by the way of understanding the problem of choice: in the latter, according to the Polanyi, people are not always forced to make choices about allocating scarce resources between alternative ends and motivated by self-interest alone, i.e. are not always oriented towards maximization of profit or utility. What determines instead the way they make decisions is the social context: out of reasons belonging to its own

⁹ G. Dalton, *Economic Theory and Primitive Society*, in E.E. LeClair, H.K. Schneider, *Economic Anthropology. Readings in Theory and Analysis*, New York, Holt, Rinehart and Winston, Inc., 1968, p. 164.

¹⁰ R. Wilk, L. Cliggett, *Economies and Cultures. Foundations of Economic Anthropology*, Second Edition, Boulder, Colorado, Westview Press, 2007, p. 8.

history, each society has constructed a system of moral principles and rules for social life which configures, consciously or not, the motivations and desires of its members. If to this situation is added the fact that, because of the relative simplicity of the technology they use, the members of primitive societies have to deal with fewer situations in which they have to make choices. According to Dalton, "A Trobriand Islander learns and follows the rules of economy in his society almost like an American learns and follows the rules of language in his. [...] In primitive economies, the constraints on individual choice of material goods and economic activities are extreme, and are dictated not only by social obligation but also by primitive technology and by physical environment. There is simply no equivalent to the range of choice of goods and activities in industrial capitalism which makes meaningful such economic concepts as 'maximizing' and 'economizing'."¹¹ For this reason, substantivists are interested especially to study economic institutions, i.e. those structures of society that create the necessary settings for people to engage in activities such as production, distribution and consumption, and less concerned with the investigation of the actions of the individual persons. This feature makes substantivism similar to the so-called 'social economics', which has as its unity of analysis society as a whole and not the person or the family, because believes that only the dynamics of the whole system is important, in the sense that precisely this phenomenon, and not individual actions, is the cause that determines all the important changes of societies.

Focusing their attention on the institutional framework where choices are made, substantivists reject methodological individualism, i.e. the idea that the basic unity of analysis is the individual, and concluded that maximization theory has no relevance for economic anthropology. For instance, Rhoda Halperin argues that methodological individualism cannot explain patterned and predetermined reactions that occur in different cultural systems, nor understand why there are so many trans-cultural differences and similarities. Moreover, says Halperin, "if we posit the same rational, utilitarian motives to individuals in all cultures ... all economic processes in all cultures would appear to be identical"¹², and that will prevent us from understanding why so many dissimilarities between economic institutions in different cultures appear. Why, for instance one society defines utility and maximizes it in terms of extremely complex reciprocal obligations, while another does that in terms of purchasing power of material goods? In general, maintains Dalton, all economic systems have some elements in common, such as exchange, allocation of resources, transfer, labor, production of goods and services, but differ in regard to the way production is organized, resources are directed to some uses, and also in the way goods are distributed and consumed, i.e. in the ways that economy is institutionalized, to use Polanyi's term.¹³ If we do not take this situation into account, and attempt to apply maximization theory to economic systems where it is not appropriate, we can

¹¹ G. Dalton, *Theoretical Issues in Economic Anthropology*, in „Current Anthropology”, no. 10, 1969, pp. 63-102.

¹² R.H. Halperin, *Cultural Economies Past and Present*, Austin, University of Texas Press, 1994, p. 13.

¹³ G. Dalton, *op.cit.*

only produce confusion. Consequently, it is correct to say that that neo-classical theory can be correctly used to understand western economies, but not to go further and believe that, no matter what economic system we are talking about, the theory must be applicable in any case, because it is true about any economy whatsoever. As Dalton very suggestively said about this kind of situation, “to call a cat a quadruped, and then to say that because cats and dogs are both quadrupeds I shall call them all cats, does not change the nature of cats. Neither does it confuse dogs; it merely confuses the reader.”¹⁴

More than that, as Richard Wilk noticed, from the point of view of some radical scholars, not even the adoption of the substantivist perspective is good enough, as it doesn't preserve enough space in explanation for what anthropologists usually call 'culture'. Economic processes and phenomena are described and explained in terms of categories like social structure, groups, social rules and institutions, and nobody uses any more ideas belonging to the field of cultural anthropology, such as meaning, symbol or value. Consequently, some anthropologists, founders of what came to be known as 'culturalism', thought that substantivists didn't go far enough in their critique of the attempt to employ western economic theory for understanding all economic systems in the world, past and present. The most prominent of them is Stephen Gudeman, who argues that all the elements of economic behaviors are nothing more than cultural constructs, and for this reason one must always begin the analysis of an economic system from the study of the way members of the society understand concepts as 'exchange', 'profit' or 'money'. In other words, we should not build an economic theory based on the knowledge of western economy alone, and then try to use it without discrimination to all other cases we intend to study, but to start instead from the local 'model', constructed on the basis of the way local people understand their own economic life. This does not mean only to see how locals organize their economic activities and behaviors according to the general system of cultural values (for example, how much they value leisure time compared to the time spent in productive activities, or how prone are they to engage in acquisitive actions), but also to see what exactly do they understand by efficiency, profit, exchange, and so on.

On the one hand, Gudeman believes that economic action is developed according to rules that may belong to non-economic spheres, from which it can not be isolated, such as religious or social life, so that an activity of production, distribution or consumption can be viewed as a result of free decisions motivated by utilitarian considerations, as an inevitable sequence of prescribed gestures, as a result of supernatural dictates or as a combination of all those. On the other hand, he argues that there is no universally valid model of economic behavior, but only different local models, specific for the different cultures. Therefore, all western theories, even substantivism, are nothing more than cultural constructs, typical for some particular cultural context, and in this case he asks: “Why should we accept Western theories as being cross-culturally convincing or as having a

¹⁴ G. Dalton, *Bridewealth vs. Brideprice*, in “American Anthropologist”, No. 68, 1966, pp. 732-738.

special grasp on economic essentials, the search for which may be a modern, Western obsession?”¹⁵ The search for an universal theory would express only westerners’ belief that such a theory is not only possible, but that it is precisely the one they have formulated about their own economic system, and thus would be another expression of ethnocentrism and of the tendency to impose everywhere their own cultural model.

This view, however, can lead to absolute relativism, and the situation where we have as many explanatory models, as societies studied by anthropologists. Being aware of this danger, Gudeman formulated in his 2008 book *Economy’s Tension: the Dialectics of Community and Market* a model believed to have universal applicability, but general enough to include all particular situations. He then maintains that, no matter the economic and social system in which they live, people have two ways to deal with the problems of production, distribution and consumption of goods: market or impersonal exchange and mutuality or community. Market is the anonymous sphere of competitive exchange, unaffected by personal relationships between individuals, where they transfer between them goods, labor, money or ideas.¹⁶ Community, in turn, is the sphere where people transfer between them goods and services that create, mediate or reinforce personal relationships: “Through *mutuality* or *community* things and services are secured and allocated, by means of continuing ties, such as taxation and redistribution; through cooperation in kinship groups, households, and other groupings; by bridewealth, indenture, and reciprocity; and by self-sufficient activities, such as agriculture, gardening, or keeping house.”¹⁷ Between those two spheres, believes Gudeman, there is a dialectical tension, which results in different outcomes, and that is the reason why in different societies we find various and changing degrees of dominance of one of them.

3. Between 1960 and 1970, in the field of social sciences was noticed a tendency with apparent periodical manifestations - such as Enlightenment or nineteenth century positivism -, to ask for and to impose methods of research with a closer resemblance to those of natural sciences. In anthropology, it was said that field research must not be exclusively based on more or less random observations, but to be conducted in the context of a theoretical frame formulated in advance with the purpose of testing on site various hypotheses, and not to explore a whole new and unknown reality. In that context, about substantivists and their critique of economic science and its contemporary neo-classical form, was said that they interfere with the progress of knowledge in this field and have the tendency to transform anthropology in a wholly descriptive discipline, much as history. Their insistence on the fact that social and cultural systems should explain all aspects of economic behavior came to be regarded with suspicion because it greatly reduces or even completely denies individual’s agency, freedom of choice and action. Those who have criticized the substantivist approach

¹⁵ S. Gudeman, *The Anthropology of Economy*, Oxford, Blackwell Publishing, 2004, p. 4.

¹⁶ *Idem*, *The Economy’s Tension. The Dialectics of Community and Market*, New York/Oxford, Berghahn Books, 2008, p. 4.

¹⁷ *Ibidem*, p. 5.

referred to the distinction made by Polanyi between formal and substantial and have explicitly placed themselves on the opposite side, and called themselves 'formalists', arguing that economic phenomena must be investigated within the conceptual frame of the rational decision model proposed by neo-classical economics. The most prominent members of this orientation are Robbins Burling, Edward LeClair, Frank Cancian, Scott Cook and Harold Schneider, considered to be the leader of the formalist school.

The formalist critique of substantivism was initiated by Scott Cook, in his 1966 article *The Obsolete "Anti-Market" Mentality: A Critique of the Substantive Approach to Economic Anthropology*, where he points out that economic anthropology came to be divided between formalists, who believe that the difference between western market economy and primitive subsistence economies is only one of degree, and substantivists, who argue that this difference is one of in kind.¹⁸

Although there is great diversity of views within the formalist orientation, Richard Wilk believes that critical reaction against substantivism could be summed up in five ideas that can be found in the writings of all its members: (1) Substantivists misunderstood microeconomic theory, because they didn't realize that maximization, in the sense that it is discussed by economists, does not necessarily imply the existence of markets and money. Anything of interest to man, from financial profit, to leisure, security and the feeling of love, can be understood using the idea of maximization. (2) Substantivists are not realistic people, who understand and take into account the real economic state of affairs, but some 'romanticists' (Cook's word) whose thinking is flawed by misconceptions such as the belief that human being can not be adequately understood as an intelligent agent, motivated animated only by self-interest. (3) Substantivists did not understand that formal methods work well in non-Western societies too, because in any society we find rational people who have limited resources available for attaining certain alternative goals. It is true that formal instruments may need to be refined and adapted from case to case, but their validity is unquestionable. 4) Substantivists are essentially limited by their inductive methodology, which attempts to collect data on a multitude of particular situations, and then construct generalizations from them. Formalists, on the other hand, believe that the opposite method, the deductive one is preferable because it allows us to explain each element of behavior by a general law, valid for all human beings. (5) The source of substantivists' erroneous way of thinking is to be found in Polanyi's thought. He was wrong considering that the laws of market economy do not apply in primitive and traditional societies. On the other hand, in today's world, more and more societies are attracted in the global economic system and copy its economic model, so substantivism, even if it were functional, is not relevant any more.¹⁹

¹⁸ S. Cook, *The Obsolete "Anti-Market" Mentality: A Critique of the Substantive Approach to Economic Anthropology*, in "American Anthropologist", New Series, Vol. 68, No. 2, Part 1, Apr., 1966, pp. 323-345.

¹⁹ R. Wilk, L. Cliggett, *op.cit.*, p. 10.

The attack against substantivism led to the crystallization of formalist perspective, which can be summarized, according to Barry L. Isaac, in two fundamental ideas: (1) The idea that models formulated by neo-classical microeconomics have an universal application, and therefore are preferable to substantivist approach, both in the fields of comparative economics and in economic anthropology. In the words of Harold Schneider, “the unifying element among these formalists is, in contrast to substantivists, the partial or total acceptance of the cross-cultural applicability of formal theory.”²⁰ (2) Today’s economic anthropology should not be primarily concerned with the study of ancient and primitive societies, for what purpose were designed methodological instruments used by substantivists, and instead must turn its attention to certain aspects of economic behavior in the contemporary globalized world, where maximization theory works very well.²¹

Unlike substantivists, formalists adopted an individualistic methodology, because their interest is always directed to the problem of choice, and choice is seen as a rational individual agent's action, so attention is now directed to individual behavior, not institutions. Methodological opposition between the two orientations was presented for the first time in Scott Cook’s article mentioned above, where he calls his opponents with the slightly derogatory term of ‘romanticists’: “The Formalists may be characterized as those who focus on abstractions unlimited by time and place, and who are prone to introspection or are synchronically oriented; they are scientific in outlook and mathematical in inclination, favor the deductive mode of inquiry, and are basically analytic in methodology (i.e., lean toward the belief that parts determine the whole). The Romanticists, on the other hand, may be characterized as those who focus on situations limited in time and space, and who are prone to retrospection or are diachronically oriented; they are humanistic in outlook and nonmathematical in inclination, favor the inductive mode of inquiry, and are basically synthetic in methodology (i.e., lean toward the belief that the whole determines its parts).”²²

The opposition between formalists and substantivists is one of many episodes of an ongoing philosophical and methodological debate between the two major schools in the social sciences. Barry Isaac puts together multiple sources and provides a picture of this methodological opposition, compiling a list of categorial couples that represent each of the two directions. We can see the controversy between substantivists and formalists as another episode of the long methodological dispute between idealists and materialists, descriptivists and normativists, individualists and holists, positivists and humanists, generalists and particularists and so on.²³ This methodological opposition, which can be found in economics in the dispute between institutionalism and neo-classical microeconomics, is the expression of a perennial philosophical dilemma that cannot be ultimately solved in definitive manner, but is a matter of choice in each

²⁰ H.K. Schneider, *Economic Man. The Anthropology of Economics*, ed. II-a, Salem, Sheffield Publishing Company, 1989, p. 9.

²¹ B. Isaac, *op.cit.*, p. 18.

²² S. Cook, *op.cit.*, p. 327.

²³ B. Isaac, *op.cit.*, p. 20.

investigated case, provided that it has no final solution.

The impossibility to definitively settle this kind of philosophical and methodological controversy explains why the dispute between formalists and substantivists ended with no final victory of either side but gradually faded away and ended in indecision. However, if we were to choose a winner, we could say that ultimately formalist point of view seems to have prevailed, as the leader of the other school, George Dalton, eventually came to agree that substantivism is adequate only at the study of pre-colonial, tribal, primitive, traditional economies, and generally for those in pre-statal societies, which would have shocked Polanyi, who was interested in investigating non-European economies precisely with the goal of building a truly universal framework for comparative study of the economy.

On the other hand, the situation could be interpreted otherwise, as was suggested by Richard Wilk. Thus, we are free to believe that formalist point of view could be summarized as the idea that economic rationality of maximizing individual can be found in all societies and in all forms of behavior. In turn, the substantivist view can be summarized as the belief that economy is a type of human activity that is integrated, institutionalized and embedded in various social institutions, belonging to different cultures. If we examine carefully both positions, believes Wilk, we will see that they are not mutually exclusive, i.e. do not contradict each other, so they can both be true simultaneously. Similarly, it is possible that both to be false, so it is possible to formulate alternative views for each.²⁴

Thus, there are several possible alternatives to the formalist hypothesis of economic rationality: (1) People are not rational in the formalist sense, but non-rational or irrational, so we can define other types of human rationality, different from that based on maximization; (2) economic rationality is specific only for certain types of behaviour, or for certain social groups, (3) economic rationality as defined by economists is a circular concept, vague or meaningless, because its existence cannot be demonstrated as such, (4) economic rationality is found only in certain types of societies.²⁵

Similarly, we can find alternatives to substantivism's fundamental idea, that economy is always embedded, contained in social institutions: (1) Economy is an autonomous sub-sector of society, and is not embedded at all, (2) Society is embedded in the economy, and not vice versa, (3) Economy is only partially embedded in social institutions, (4) In each particular context, the economy is embedded in society in a specific way so there are no generally valid types, (5) Economy is not restricted to one sector of society or to a behaviour, but is present in any human activity.²⁶

Although it cannot be said that the dispute between formalists and substantivists ended with one's side victory, it is however not without merit. Leaving aside for the moment its importance for the field of anthropological research methodology, and to the special domain of economic anthropology, Wilk

²⁴ R. Wilk, L. Cliggett, *op.cit.*, p. 12.

²⁵ *Loc. cit.*

²⁶ *Loc. cit.*

believes it has the merit of having raised a number of other very interesting questions for other areas of research, such as: Is it possible to predict human behaviour? How should we understand rationality? How can we determine whether someone is acting from self-interest? The difference between Western economy and all others is one of grade of one in kind? Are there universal economic laws, valid in any human society?

REFERENCES

1. Dalton, G., (1969), *Theoretical Issues in Economic Anthropology*, in „Current Anthropology”, no. 10.
2. Gudeman, S., (2004), *The Anthropology of Economy*, Oxford, Blackwell Publishing.
3. Halperin, R.H., (1994), *Cultural Economies Past and Present*, Austin, University of Texas Press.
4. Polanyi, K., (2001), *The Great Transformation. The Political and Economic Origins of Our Time*, Boston, Beacon Press.
5. Schneider, H.K., (1989), *Economic Man. The Anthropology of Economics*, ed. II-a, Salem, Sheffield Publishing Company.
6. Wilk, R., Cliggett, L., (2007), *Economies and Cultures. Foundations of Economic Anthropology*, Second Edition, Boulder, Colorado, Westview Press.