

THE SURPLUS APPROACH, THE POLANYIAN TRADITION,
AND INSTITUTIONS IN ECONOMIC ANTHROPOLOGY
AND ARCHAEOLOGY

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ABSTRACT

This paper was inspired long ago by Jared Diamond (1997), and in particular by his extensive use of the concept of economic surplus as the key to the development of civilization. Unfortunately, Diamond does not mention the origin of the concept in classical and pre-classical economics, nor does he pay much attention to debates in economic anthropology about the role of economic analysis in studying primitive and ancient economic formations. These debates were the subject of a recent book by Cedrini and Marchionatti (2017), who dispute the neoclassical “imperialist” attempt to occupy the territory of economic anthropology. The authors rely on the institutionalist background provided by Karl Polanyi and his substantivist tradition and by other anthropologists of similar inspiration. Substantivists, however, fail to complete their institutional analysis by anchoring it to the changing modes of generation and distribution of the economic surplus. Yet their emphasis on the need to introduce institutions from the beginning, when speaking of economic surplus, should be taken into consideration by the classical surplus approach.

Keywords: Surplus Approach, Economic Anthropology, Marx, Polanyi, Sraffa.
JEL codes: A12, B51, B52.

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We thank two anonymous referees for useful and encouraging comments. Thanks are also due to Tony Aspromourgos, Giancarlo De Vivo, Chris Gregory, Antonella Palumbo, Franklin Serrano and Attilio Trezzini for generous help and advice on various points, and Andrea Galeotti, Federica Cappelli and Manuele Gianfrancesco for useful comments. The responsibility for any errors is obviously our own.

“Don Quixote long ago paid the penalty for wrongly imagining that knight errantry was compatible with all economic forms of society”.

Marx, *Capital*, vol. 2: 82.

INTRODUCTION

Jared Diamond’s *Guns, Germs, and Steel: The Fates of Human Societies* (1997) introduced the general public to the mysteries of the Neolithic revolution, when humans went from being hunter-gatherers “living for the day” to practising residential agriculture and husbandry.¹ Yet Diamond’s extensive use of the notion of economic surplus has so far received little consideration. It is the availability of a social surplus, a net product above the material reproductive needs of the economy, that frees a portion of the population from having to take part in the production of subsistence goods so that it can develop “superior” activities (like government, religion, art, science and war). At the same time, this leads to social stratification. An economic surplus is also a prerequisite for investment.

The notion of economic surplus in economic anthropology actually has a longer tradition that goes back to the eighteenth century, and continues through Lewis Henry Morgan (1818-1881), Vere Gordon Childe (1892-1957), Melville Jean Herskovits (1895-1963), to Diamond and many current anthropologists and archaeologists.² From an economic perspective, the classical economists’ concept of economic surplus was rediscovered by Piero Sraffa (1951) after being “submerged and forgotten” by the marginalist revolution in the late nineteenth century. Heterodox economists should therefore be intrigued by the wide adoption of the notion in economic anthropology and archaeology.³ This interest should be boosted by the fact

¹ The transition from the condition of hunter-gatherers to the ‘discovery’ of agriculture took place in the so-called Neolithic age, about 10/12 thousand years before present (BP). The ‘discovery’ of agriculture is impressively recent if we think that the first humanoids appeared more than 2 million years BP and *Homo Sapiens* about 200 thousand years BP (see HARARI 2014, section 1 for a summary). What triggered the ‘Neolithic revolution’, an event no less important than the ‘industrial revolution’, is still debated. Gordon Childe (1942: 26) suggested climate change, the end of the last ice age and the beginning of dryer conditions. Later rejected, this view has recently been reconsidered. Besides, the advantages of agriculture were not so obvious – many authors talk of affluent hunter-gatherer societies. The classic work is SAHLINS (1972). Useful reviews are SVIZZERO (2017), SVIZZERO and TISDELL (2014a, 2014b), TISDELL and SVIZZERO (2016), WEISDORF (2005).

² The first number of ‘Economic Anthropology’ (2014) and a special issue of ‘World Archaeology’ (2017) were dedicated to the notion of economic surplus.

³ The Sraffian tradition does not have the exclusivity of the surplus approach which is shared by other heterodox scholars who move, for example, in various Marxist and post-

that since the early Sixties the field of economic anthropology has been contended by economic anthropologists of neoclassical and more heterodox persuasions. However, with few exceptions, the concept of economic surplus has remained somewhat in the background, except when openly ostracised by marginalists and not given its due weight by the ‘substantivist’ tradition inspired by Karl Polanyi [2001 (1944)]. For example, a recent book by Roberto Marchionatti and Mario Cedrini (2017)⁴ reconsiders this debate, but unfortunately fails to fill the gap by giving the concept of economic surplus the centrality it deserves alongside the institutional inspiration provided by Karl Polanyi and his school.⁵

In this paper, we exploit the insights of Marx [1973 (1857-1858)] and Krishna Bharadwaj (1994) to argue that while, according to the substantivist tradition, institutions are mainly concerned with the sphere of commodity circulation, in the classical surplus approach institutions regulate all economic spheres: production, income distribution, circulation and consumption, with a predominance of the manifestation of a given social order in the sphere of production. In this respect, we contend that in spite of Polanyi’s school emphasis on the exchange sphere, its attention to institutional elements must be fruitfully integrated in the surplus approach. We argue that the substantivist contention that the study of economic surplus cannot be separated from the institutions that preside over its emergence and social destinations deserves full consideration by the classical surplus approach. In our opinion, this desirable merge of the two traditions can be a response to the dilemma

between the ready-made models of orthodox Economics, especially the ‘micro-economics’, taken as universally valid and applicable *grosso modo* to the primitive societies; and the necessity – supposing this formalist position unfounded – of developing a new analysis more appropriate to the historical societies in question and to the intellectual history of Anthropology.

highlighted in the now classic *Stone Age Economics* (Sahlins 1972: xi). The latter book, as Marchionatti and Cedrini (2017: 112) stress, aimed at “the positive construction of an ‘anthropological economics’ beyond the sterile formulations of the debate between formalists and substantivists”. Our

Keynesian traditions, and by Institutionalists *à la* Veblen, an economist we shall mention below (see MARTINS 2013 for a review).

⁴ See CEDRINI and MARCHIONATTI (2017) for a synthesis.

⁵ Another best-seller on the history of humankind nicely points out that culture (in the wide German sense: he does not use the word institutions) is the DNA of human societies (HARARI 2014: 38, 119-120). Unfortunately, Harari too fails to link culture and institutions to evolution of the material basis of societies.

contribution is meant to be a step in the direction suggested by Marshall Sahlins in his seminal book.

The paper is structured as follows: section 1 briefly recalls the controversies between formalism and substantivism; section 2 present an overview of the surplus approach; section 3 points out the extensive use of the surplus concept made by Herskovits and Childe; section 4 dwells on the intimate connection of surplus generation and the historically given social order; section 5 confronts the classical view with Polanyi's school insights on surplus and institutions; section 6 concludes.

1. ECONOMIC IMPERIALISM IN ECONOMIC ANTHROPOLOGY AND THE SUBSTANTIVE REACTION

Marchionatti and Cedrini (2017: 2) denounce marginalist “imperialism” over other social sciences. In particular “when applied to primitive societies, economics imperialism rests on the ideological (not scientific) hypothesis that the primitive man is already, at least in embryo, a *homo oeconomicus*” (*ibid.*: 7). They also find classical economists guilty of imperialism, particularly Adam Smith, who committed the “original sin” of regarding “exchange” as a natural inclination of human beings (*ibid.*: 36). An alternative economic approach is found by the authors in the “concept of gift and gift exchange, around which primitive societies are structured” (*ibid.*: 7). Antecedents of this critical stance are found in Polanyi and his school (Polanyi *et al.* 1957), which was in turn inspired by influential anthropological studies conducted in the Twenties, particularly those of Franz Boas (1858-1942) and Bronisław Malinowski (1884-1942), who developed the notion of reciprocity. In the Sixties, followers of the Polanyian tradition, named by Polanyi “substantivism”, engaged in a fierce exchange with the “formalists”, anthropologists with neoclassical orientation:

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’ (Polanyi 1957: 243).

Importantly, while Polanyi's substantive definition echoes Marx's view that “All production is appropriation of nature on the part of an individual within and through a specific form of society” [Marx 1973 (1857-1858): 87], we shall see that the Hungarian scholar forgoes the more complex Marxian definition of socio-economic formation. Moreover, while Polanyi and his

school severely attacked marginalism in its attempt to describe primitive societies, they accepted its broad validity when describing market economies.

Marchionatti and Cedrini (2017) and Cedrini *et al.* (2020) also draw inspiration from Marcel Mauss (1872-1950) and Marshall Sahlins (1972). In these authors Marchionatti and Cedrini find an analytical key to primitive economic formations and a prescription for reforming current market economies – e.g. in the “Zen road to affluency” by Sahlins. One issue needs to be clarified in this regard. From both a positive and a normative point of view, the study of primitive societies is essential to understand *ab ovo* the long journey of human economic-institutional relations. In this respect the main questions – if the early communities were egalitarian/solidaristic or not, and the origin of social stratification – remain far from being ascertained (Ames 2007). However, assuming our normative sympathy for an egalitarian/solidaristic point of view, making it the axis of a new political economy, does not help us in the positive analysis of the economic formations that have followed one another since antiquity. The positive and the normative must be kept separate. Failure to do so can expose to criticism, such as that expressed in the midst of the controversy between marginalist and substantivist anthropologists by Scott Cook who accused “Polanyites” of a “romantic ideology rooted in an antipathy toward the ‘market economy’ and [of] an idealization of the ‘primitive’” (1966: 324).⁶ A more pragmatic view of human behaviour as conditioned by historical circumstances is advisable. The classical notion of social surplus is central to this interpretation. Let us therefore consider this tradition and return to substantivism later.

2. THE SURPLUS APPROACH

The concept of economic surplus descends from the tradition of the Classical economists and Marx, revived by the work of Piero Sraffa, Pierangelo Garegnani, Luigi Pasinetti, Krishna Bharadwaj and others (see Bharadwaj 1994 and Cesaratto 2019a, 2020 for an introduction). The economic surplus is defined as the excess of output over reproductive necessities, the subsistence of workers and the renewal of the capital goods destroyed during the production process.

⁶ The Marxist archaeologist Bruce Trigger (1937-2006), was also critical of this simplistic view. He argued (TRIGGER 2003) that although hunter-gatherer societies did not provide a model for future societies, they did show that egalitarianism is possible in human societies. Unfortunately, hierarchy is required in complex economic systems, and this explains (although it does not justify) appropriation of the surplus by the elites. This proves “that altruism is not inherent in the human condition and that we cannot create more-just societies simply by removing the corrupting influences of modes of production such as capitalism” (McGUIRE 2006: 71).

2.1. A simple model

The Classical concept of social surplus is encapsulated by the equation:

$$S = P - N \quad (1)$$

where S is that part of the physical net social product P (net of reproduction of the means of production) which is left once workers' "necessary consumption" (or wage goods), N , are paid. The social surplus S can be defined as the part of the social product P left once society has put aside what is necessary N to reproduce the social output at least at the current level and that can thus safely be used for any other purpose.

To elaborate the concept of social surplus, let us refer to an extremely simple formulation provided by Aspromourgos (2005) in a paper on the origin of the concept in William Petty (1623-1687). Let us consider a two-commodity economy with no joint production, no fixed-capital and abundance of fertile land; the production process can be represented as follows:

$$\begin{array}{l} A_a + c_a L_a \rightarrow A \\ c_a L_b \rightarrow B \end{array}$$

where A_a is the quantity of commodity a employed in the production of commodity a (of itself); L_a and L_b are the labour inputs in the production of the two commodities (a and b), while c_a is the amount of commodity a necessary for reproduction of the labour force. In this simple model commodity a , say corn, is used as means of production in its own production and as subsistence good (the model recalls Ricardo's (1815) corn model). As long as industry a just reproduces itself, that is $A = A_a + c_a L_a$, production of commodity b is zero. If, however, $A > A_a + c_a L_a$, the surplus can be used to activate industry b , that is:

$$S_a = A - (A_a + c_a L_a) = c_a L_b \quad (2)$$

Industry a is a self-contained subsystem able to reproduce itself with a possible surplus. The surplus of commodity a allows the production of commodity b . More interestingly, L_a can be defined as *necessary labour* and L_b as *surplus labour*: the existence of a surplus in the production of the necessary commodity (corn) allows maintenance of surplus labour producing surplus or superfluous commodities (say, silk).⁷

⁷ Superfluous with respect of the reproduction of the system.

The key to the existence of a surplus lies in the fact that in industry a , workers have a higher per-capita productivity than their own necessary consumption.⁸ Given the homogeneity of inputs and outputs in industry a (e.g. corn) we can express this as:

$$(A - A_a)/L_a > c_a \quad (3)$$

That is, net output per worker of commodity a is higher than her subsistence.

In a more complex economy with heterogeneous means of production and subsistence goods, industry a could be defined as the integrated subsistence-good sector, the vertically integrated sector that produces subsistence goods for the whole economy and its own means of production (Garegnani 1984; Fratini 2015). In the terminology of Sraffa (1960), these means of production and subsistence goods are *basic commodities*, that is commodities that are used, directly and indirectly, in the production of *all* other commodities. In our simple system, commodity a is a basic commodity, while commodity b is non-basic. As is well known, Sraffa concedes that in advanced capitalist economies workers may partake in the distribution of the social surplus. When wages consist entirely of subsistence goods, wage-goods play the role of basic commodities, like production goods, insofar as they enter “the system on the same footing as fuel for engines or feed for cattle” (Sraffa 1960: 9; see also Pivetti 1999). When wages come from distribution of the surplus, basic commodities consist only of the means of production.

2.2. *The classical surplus approach and its antecedents*

While we owe a more general formulation of the simple equations shown in sec. 2.1 to Sraffa (1960), we agree with Aspromourgos (2005: 4) that since Petty,

a concept of surplus (or parallel formulations in labour terms) and the associated circular or input-output treatment of production, formed the framework for analysing and binding the structure of distribution and prices, and capital accumulation and consumption – in classical economics and beyond.

It cannot be denied that the concept of surplus was widespread among major economic writers of the classical and pre-classical period, including

⁸ A potential surplus due to productivity gains or to more parsimonious subsistence levels might also not be produced and traded for a reduction of working time. This might happen also in primitive societies.

“Petty, Cantillon, Hutcheson, Hume, Steuart, Mirabeau, Smith and others” (Brewer 2011: 488). Given the immaturity of the capitalist system, in pre-Smithian authors the concept was doubtless not associated with a fully-fledged theory of distribution between wages, profits and rent, as in the classical period proper.⁹ Related, but not less interesting questions were, however, posed by the pre-classical authors (*ibid.*: 503-504). One question inspired by the geographical discoveries of the time concerned the evolution of human societies. The classic book by Meek (1976) shows how the “mode of subsistence” shaped the pre-classical and classical theory of the stages of economic and institutional evolution. In the pre-classical authors, Meek shows, the idea is very clear “that societies undergo *development* through successive *stages* based on different *modes of subsistence*” (*ibid.*: 6, italics in the original). As a pre-classical author put it: “In every inquire concerning the operations of men when united together in society, the first object of attention should be their mode of subsistence. Accordingly as that varies, their laws and policy must be different” [William Robertson (1721-1793), quoted by Meek 1976: 2].¹⁰ Preceded by various authors, Turgot and Smith were the champions of the four-stage theory. Passages in Turgot predate later results reported by Diamond about the role of the local availability of domesticable plant and animal species in the emergence of a surplus and of more complex institutions (Meek 1976: 74-75) [we find the same anticipations later in Engels’ *The Origin of the Family* 1908 (1884): 30]. Economic anthropologist Marvin Harris (1968: 29) reports that Turgot “embraced a fairly modern notion of the relationship between economic surplus and social stratification”. The four stages were finally ratified by Smith (probably already in the *Lectures on Jurisprudence* in the early 1760s, *ibid.*: 68): hunting, pasturage, agriculture and commerce. Based as they were on inference from early reports from newly discovered lands, especially the Americas (*ibid.*: 67; Marchionatti and Cedrini 2017: 11-14), this classification is not radically modified by modern research (Svizzero and Tisdell 2014a; Tisdell and Svizzero 2016).

Although traceable, spread of the four-stage theory among French writers should not be exaggerated, given its absence, for instance, in the

⁹ The origin and legitimacy of inequality, however, was a central question for the European *intelligentsia* since the query posed by the Academy of Dijon, to which famously Rousseau intended to respond (MEEK 1976: 76-91). Meek (*ibid.*: 70-71) reports that Turgot, unlike Rousseau, regarded the emergence of the inequality that accompanied that of the economic surplus, positively. Reactions to Rousseau’s quixotic idea of the “noble savage” were possibly not extraneous to the advent of a materialist view of the evolution of social institutions as captured by the four-stage theory (*ibid.*: 224).

¹⁰ The relation between modes of subsistence and institutions began to emerge in Montesquieu’s *De l’Ésprit des Loix* (1748) (*ibid.*: 33). Marchionatti and Cedrini (2017: 14-28) present a useful review of the early debates complementary to Meek (1976).

contributions of Turgot, Rousseau and Quesnay to the *Encyclopaedia* (Meek 1976: 97).¹¹ Rather than the four-stage theory, the idea that progress of the human mind and reasoning determine economic evolution was presumably dominant during the Enlightenment (Harris 1968: 38-41). In this regard, Meek (1976: 6) contrasts the material basis of the four-stage theory in the “different modes of subsistence” to earlier or coeval theories that refer to “different modes of political organization, or different phases of some kind of ‘life cycle’ based on an analogy of human life” – e.g. primitive life as the infancy of human beings who slowly acquire more rational habits. Harris (1968: 51) notes that as long as

the Enlightenment theoreticians stressed the factor of conscious rational choice as the key to the explanation of sociocultural differences, they remained cut off from genuine understanding of the systemic and adaptive nature of social organization. They could only see a collection of individuals more or less successfully controlling their passions under the halting influence of reason. They could not see a superorganic system interacting with the natural environment and responding with adaptive evolutionary transformations, which were neither comprehended nor consciously selected by the individual members of the society.

Meek (1976: 1 and *passim*) defines this the “law of unintended consequences”. Both Meek and Harris approvingly cite the views of the Scottish philosopher Adam Ferguson (1723-1818) in this regard.¹²

3. ECONOMIC ANTHROPOLOGY BETWEEN ECONOMIC SURPLUS AND GARDEN MAGIC

The interest of Marx and Engels in economic anthropology, particularly in the pioneering American anthropologist Lewis Henry Morgan (1818-1881) who invigorated the preceding stage theory, is not surprising given their concern to demonstrate the historically determined nature of capitalism and the existence, *per contra*, of different economic formations (see Marchionatti and Cedrini 2017: 36-48 for a short review). We

¹¹ Marchionatti and Cedrini (2017: 23-28) report that Denis Diderot (1713-1784) advanced a view of savage populations alternative to that of the four-stage theory. While the latter tended to present the savage stage in derogatory terms as the negative of the fourth civilised commercial stage, Diderot revived the ‘cultural relativist’ view anticipated by Michel de Montaigne (1533-1592) two centuries earlier, opening the way to a more sympathetic and appreciative view of the early standard of living and customs compared to that proposed by Adam Smith.

¹² A more dynamic (dialectic) version of the decisive role of the progressive self-awareness of the human mind (the Spirit) in the progress of humanity was famously provided by Hegel. The materialist and Hegelian idealist views found a synthesis in Marx.

shall refer to Marx later. As an example of the continuity of the notion of surplus in studies of ancient societies, in the next section we introduce two outstanding scholars who made extensive use of it: the anthropologist Melville Jean Herskovits (1895-1963), who also referred to old American institutionalism, and the celebrated archaeologist Vere Gordon Childe (1892-1957).

3.1. *Herskovits, the old institutionalist*

Herskovits's manual in *Economic Anthropology* published in 1940, the first in this field, met ferocious criticism from Frank Knight (1941), a marginalist purist, to which the anthropologist replied with some retractions in a second edition of the textbook (1952). The extent of these retractions has been the subject of different evaluations. Indeed, in both editions Herskovits argues along Robbinsonian lines that "in any society, the adaptation of means to ends and the 'economizing' of means in order to maximise ends is a fundamental problem to consider" (1940: 140; 1952: 62). Yet, Herskovits is adamant in distancing himself from methodological individualism, as "society ... is more than an aggregate of Robinson Crusoes; and ... social interaction in terms of cultural tradition dictates reconsideration of the earlier starting-point" (1952: 7). The individual must therefore be seen as "operating as a member of his society, in terms of the culture of his group" (*ibid.*: 8). Herskovits also attributes the double retreat of anthropologists to dissatisfaction with standard economics, first with technological explanations of successive economic formations (reduced to a list of inventions), and later with purely cultural aspects, the "garden magic and gift exchange" (1940: 138; 1952: 58).¹³ Rather than marginalism, Herskovits's reference point is (old) American institutionalism, and in particular Thorstein Veblen's concept of "conspicuous consumption" (1940: 140-141; 1952: 63), but also historical materialism (1952: 494-495).¹⁴

Herskovits notes the connection between the emergence of a social surplus and of inequalities, and the association between the political and religious powers, "those who govern, and those who command techniques for placating and manipulating the supernatural forces of the universe"

¹³ Herskovits refers ironically to the influential book by Malinowski *Coral Gardens and Their Magic*. As reported by Pearson (2010: 175), two well-known formalists, Scheneider and LeClair, former students of Herskovits, presented Herskovits "as part of a reaction against Bronislaw Malinowski's denigration of economic theory".

¹⁴ On the continuity between Veblen and Herskovits, see SOUZA LUZ and HALL (2019: 510-511, 514).

(*ibid.*: 414). After Veblen, both groups are included in the leisure class sustained by the social surplus (*ibid.*: 416, 459 and *passim*). The service of the supernatural (a “social and psychic insurance”, *ibid.*: 440) and the prestige derived from ostentation of conspicuous consumption, are seen as functional to political power (*ibid.*: 461). Display includes “generosity that takes the form of ceremonial lavishness, display and the ritual destruction of property” (*ibid.*: 482). Herskovits concludes that from “such research... fresh light will be shed on some of the perplexing problems which arise out of the unequal distribution of wealth in our own society” (*ibid.*: 483). It is in this deep sense that Herskovits sees *continuity* between what he defines as “literate and nonliterate economies” (*ibid.*: 488).

Substantivists and formalists somehow converge in their criticism of Herskovits. They both reject the concept of economic surplus that Knight (1941: 258) defines as “treacherous” (without discussing it), arguing that in Herskovits “politics and religion, as well as art and recreation are practically viewed in Veblenian terms, as non-utilitarian and ‘invidious’ activities” (*ibid.*: 266-267). Similarly, George Dalton, an early distinguished substantivist, as reported by Heath Pearson (2010: 184), accuses Herskovits of neglecting the more altruistic motivations of human behaviour in favour of economic individualism and utilitarianism. While it is admissible that institutions in primitive societies be interpreted in sympathetic or malevolent ways, these accusations are clearly deceitful so that Pearson (2010: 189) talks of a list of “indignities to which Herskovits has been subject in the anthropological literature of recent decades”.¹⁵ The continuity Herskovits sees in economic history has little to do with *Homo Economicus* and much with “the generalized nature of the mechanisms and institutions that mark the economies of all the nonliterate, non-machine societies” (1952: 11). According to Herskovits, study of the emergence and distribution of the social surplus in ancient societies could be illuminating for our more complex societies, particularly with reference to the manipulation of social consensus over inequality (*ibid.*: 395-397).

¹⁵ One frequent accusation to Herskovits by Marxist ‘cultural anthropologists’ and substantivists refers to the continuity the former saw among economic formations, likely influenced “by his Veblenian insistence on ‘the desire for prestige’ as a universal personality trait that determined economic institutions in all societies and thus ran counter to the Boasian tradition of psychological and cultural pluralism”, in the words of a historian of economic anthropology quoted by Pearson (2010: 188; see also POLANYI *et al.* 1957: 348-351). Marxists completely miss the centrality of the concept of surplus in Herskovits. Marchionatti and Cedrini (2017a: 67; 2017b: 637) include Herskovits among the formalists and unfairly present him as an opponent of the classical school (MARCHIONATTI 2008: 81, 99).

3.2. *Childe, the materialist*

Considered “the most influential archaeologist of the twentieth century” (Smith 2009: 1), Childe was a critical but firm believer in human progress “against sentimentalists and mystics” (1936: 19).¹⁶ His great frescos of the early evolution of humans are still “very broadly correct” (Sherratt 1989). He regarded the transitions from hunting to farming, and from farming to urban life, as two “revolutions”, which he named the Neolithic and Urban Revolutions, dividing savagery from barbarism and barbarism from civilization, respectively. He picked up his terms from Morgan:

I ... took over the Marxist terms, actually borrowed from L.H. Morgan, ‘savagery’, ‘barbarism’ and ‘civilization’ and applied them to the archaeological ages or stages separated by my two revolutions: Palaeolithic and Mesolithic can be identified with savagery; all Neolithic is barbarian; the Bronze Age coincides with civilization, but only in the Ancient East (Childe 1958: 72).

“In this way”, Sherratt (1989: 179) points out, “he returned to nineteenth-century and Enlightenment ideas [the stage theory]: but with the addition for the first time of archaeological evidence for these events”.¹⁷

The Old Stone Age (or Palaeolithic) was the era of the hunter-gatherers, while the New Stone Age (or Neolithic) was characterised by farming and animal husbandry. In the more “favourable circumstances [of Neolithic]”, Childe argues, “a community can now produce more food than it needs to consume, and can increase its production to meet the requirements of an expanding population” (1936: 35).¹⁸ In the Near East, a second “urban

¹⁶ On the unconventional figure of Childe see SHERRATT (1989, 1997-1998), TRIGHAM (1983) and CHILDE (1958). His materialist scientific perspective was presumably the opposite to that of Malinowski, based on full immersion in the mentality of primitive populations. Presumably referring to Malinowski, Childe wrote that “no one after two or three years of residence and observation can decide how an institution functions in a society and evaluate its role. To do that you have to compare the institution and the society as they are today with what it was in the past” (CHILDE 1946: 247). Famously, Malinowski spent two years of full immersion in the Trobriand islands where he conducted the study that made him famous. The two popular books, Childe (1936, 1942), are wider illustrations of the Neolithic and Urban revolutions. The six editions of the *Dawn of the European Civilization* are possibly his central work (see MEHEUX 2017). Childe (1957) sums up his concern on the origin of European civilization.

¹⁷ Smith (2009: 5) is of a similar opinion. Thus the four-stage theory was vindicated against what Smith calls “the interlude of Boasian particularism” (*ibid.*), the particularistic analysis of disappearing local cultures.

¹⁸ The possibility of storing agricultural products like cereals enabled intertemporal transfer of consumption, while sedentary life-style allowed an increase in the female fertility rate. By contrast, the accumulation of a surplus or an excess of offspring in a nomadic life-style were an obstacle to mobility. This also helps explain why hunter-gatherers did not fully exploit their surplus potential, without recourse to the ‘Zen strategy’ explanations advocated by substantiv-

revolution” (Childe 1950) took place after the Neolithic revolution. This saw the emergence of cities and states in proximity to fertile land in alluvial basins or oases amenable to improvement by irrigation that needed a central power to coordinate them. In this way

A regular army of craftsmen, merchants, transport workers and also officials, clerks, soldiers, and priests is supported by the surplus foodstuffs produced by cultivators, herdsmen, and hunters. The cities are incomparably larger and more populous than Neolithic villages” with a further “multiplication of our species (Childe 1936: 35).

The availability of a sufficient and constant surplus also permitted the development of the bronze industry: “To secure bronze tools a community must produce a surplus of foodstuffs to support bodies of specialist miners, smelters, and smiths withdrawn from direct food production” (*ibid.*). The mines, moreover, were often far away, so that an international division of labour emerged between agricultural goods and metal producers (Childe 1957b: 10).

Production and distribution of the surplus, religious representation and political power were deeply intertwined (Childe 1936: 124), even physically, since granaries and magazines were attached to the temples so that “[t]ruly monumental public buildings not only distinguish each known city from any village but also symbolize the concentration of the social surplus” (Childe 1950: 12; 1936: 110). Social stratification emerged – in contrast with former economic formations in which sentiments of solidarity and kinship prevailed (Childe 1950: 7):¹⁹

Naturally priests, civil and military leaders and officials absorbed a major share of the concentrated surplus and thus formed a ‘ruling class’. Unlike a palaeolithic magician or a neolithic chief, they were, as an Egyptian scribe actually put it, ‘exempt from all manual tasks’. On the other hand, the lower classes were not only guaranteed peace and security, but were relieved from intellectual tasks which many find more irksome than any physical labour. Besides reassuring the masses that the sun was going to rise next day and the river would flood again next year [...], the ruling classes did confer substantial benefits upon their subjects in the way of planning and organization (Childe 1936: 13).

ists. Childe (1936: 53) freely admitted that “prosperity” among food gatherers should not be underrated, against the image transmitted by substantivists that earlier anthropologists equated hunter-gatherers with a strict subsistence economy – see e.g. MARCHIONATTI and CEDRINI (2017: 112-113). The possible communitarian institutions of Neolithic societies were also amply acknowledged by Childe (e.g. 1936: 81-82; in his tradition, see FRANGIPANE 2007; RISCH 2018).

¹⁹ Harris (1959: 185) quotes Childe as the most consistent representative of the “surplus theory of social stratification”.

A role of the State emerged for regulating social relations and eventual antagonism, with unwritten common laws replaced by formal legislation, and for implementing public works (Childe 1936: 125). Material needs like administration of storehouses, management of irrigation and agricultural cycles, and monumental architecture all required the development of writing, counting and scientific observation (e.g. necessary to create a calendar). Foreign trade in luxuries and basic-commodities developed. Unfortunately, a fracture arose between the high culture of the scribes and the ordinary people, including the craftsmen with their practical knowledge (in Childe's view, this fracture did not take place in northern European formations, and this laid the basis for their technological leadership; see Wailes 1996).

Childe's approach is therefore well grounded in the classical surplus approach and in historical materialism [Childe 1979 (1949)]. What is most impressive is the necessity felt by Childe to provide an organic exposition of the events that led him to integrate his *grand fresco* with ingredients from the theory of effective demand as influenced by income distribution, and from the Smithian theory of division of labour as determined by the size of the market (interregional trade implied, for instance, enough demand for certain commodities to justify specialisation). In a Classical-Keynesian fashion, Childe focuses on the overall working of a socio-economic formation rather than on individual choices or social sentiments (see Cesaratto 2019b for some examples). The classical idea of the economy as a circular flow prevails (e.g. Childe 1957). The distance from the subjectivism and particularism of "garden magic" cannot be wider.

Continuity with this tradition can be traced in many modern archaeologists (e.g. Renger 2016; Frangipane 2018).

4. THE ECONOMIC SURPLUS: A FACT EXPLAINED BY THE SOCIAL ORDER OR BY SOMETHING ELSE?

The existence of a social surplus above the subsistence given to the labouring class (including slavery or serfdom) can be taken as an empirical fact. However, the origin of surplus can be explained in different ways. Namely, it can be attributed to labour exploitation in a given social order, as in the classical approach, or to the contribution at the margin delivered by land or capital when employed in production, as in neoclassical theory. The existence of exploitation might appear as self-evident in pre-modern economies, for instance, where slavery or serfdom were pervasive. It is less evident in a market economy where the decision about the portion of the social product (or of social labour time) devolved to the subsistence of the labouring class is not embedded in institutions, say, in the hands of a des-

pot or a feudal lord, but it is left to the market. Not surprisingly, exploitation is controversial. Whether the results of modern debates over income distribution can be applied to pre-modern societies is also controversial, a question notably elicited by substantivists. Marx's position on this matter is well-known and summed-up in his work concerning pre-capitalist economic societies:

Bourgeois society is the most developed and the most complex historic organization of production. The categories which express its relations, the comprehension of its structure, thereby also allows insights into the structure and the relations of production of all the vanished social formations out of whose ruins and elements it built itself up, whose partly still unconquered remnants are carried along within it, whose mere nuances have developed explicit significance within it, etc. Human anatomy contains a key to the anatomy of the ape. The intimations of higher development among the subordinate animal species, however, can be understood only after the higher development is already known. The bourgeois economy thus supplies the key to the ancient, etc. But not at all in the manner of those economists who smudge over all historical differences and see bourgeois relations in all forms of society. One can understand tribute, tithe, etc., if one is acquainted with ground rent. But one must not identify them. Further, since bourgeois society is itself only a contradictory form of development, relations derived from earlier forms will often be found within it only in an entirely stunted form, or even travestied. For example, communal property. Although it is true, therefore, that the categories of bourgeois economics possess a truth for all other forms of society, this is to be taken only with a grain of salt. They can contain them in a developed, or stunted, or caricatured form etc., but always with an essential difference [Marx 1973 (1857-1858): 105-106].

The proposition that the "Human anatomy contains a key to the anatomy of the ape" has to be handled, Marx says, with extreme care.²⁰ Marx's idea was that in capitalism, where the process of estrangement of labour from the condition of production is complete, exploitation emerges in its purest form, and with it, consciousness of its existence. On the other hand, and in an apparent contradiction, exploitation is less evident in capitalism than in former economic formations. Talking of what distinguishes "*wages labour* from other *historical* forms of labour", Marx (1865: 132-133) contrasts the self-evidence of labour exploitation in former modes of production, such as slavery and serfdom, with the hidden exploitation in a market economy where workers are apparently fully remunerated for their services.

²⁰ According to MARX [1973 (1857-1858): 85], while production unifies all social formations, it has general and historically determined features. See GINZBURG (2000) for a thoughtful comparative analysis of the methods of Marx, Sraffa and Wittgenstein.

The existence of an economic surplus in the classical sense is on the other hand denied by the mainstream, marginalist school of thought. In its most basic version, this theory postulates that under equilibrium conditions, production factors (say capital and labour) are paid at their marginal productivity. In a way profits (wages) *can* be seen as a residual after wages (profits) are paid:

$$\begin{aligned} r \cdot K &= Y - w \cdot L = Y - MPL \cdot L \\ w \cdot L &= Y - r \cdot K = Y - MPK \cdot K \end{aligned} \quad (4)$$

where Y is the total net product, K the capital stock, L the labour stock, r the profit rate and w the wage rate. However, given constant returns to scale, Euler's theorem tells us that wages and profits, paid at their respective marginal productivity, absorb the whole total net product, leaving no residual in aggregate:

$$Y = w \cdot L + r \cdot K = MPL \cdot L + MPK \cdot K \quad (5)$$

To the extent that the 'residual claim' of the capitalist (or of the landlord) is remuneration of the 'production factor' land or 'capital', marginalists can thus reject any evidence of exploitation in market economies (for a graphical analysis, see Cesaratto 2019b). These results may be extended to pre-capitalist economic formations.²¹

To talk of surplus and exploitation in a proper Classical (and Marxian) sense, we must therefore have tools to dispose of the conventional explanation of the economic surplus (and, at least for part of the followers of surplus theory, also to overcome the problems with the labour theory of value, on which Ricardo and Marx relied). Echoing Marx, Garegnani (2018: 640) proceeds by regarding exploitation under slavery or feudalism as self-evident and founded on "the (feudal) social order [that] does not allow serfs to appropriate the entire product". Any immediate evidence of la-

²¹ To give few examples, not conditioned by moral prudery, Knut Wicksell suggested: "the owner of land under a system of private ownership of land must be rewarded for its contribution to production just as the owner of slave labour would be paid if slave labour were hired in the market" (1934:132). An eminent 'formalist', Raymond Firth (1968: 67), argued: "If social anthropology examines forms of social relations in the more primitive societies, economics examines certain types of social relations – for example production and exchange relations – in all societies. ... the science of economics can be said to put forward principles that are truly universal..." (see also MARCHIONATTI and CEDRINI 2017: 62). Another formalist, argues that "the initial assumption of economics about scarcity of means and unlimited wants ... are still useful assumptions even in the absence of markets and prices" (BURLING 1968: 179). Marchionatti (2008: 113) reports an eminent formalist, Harold K. Schneider, who defended the direct application of marginalism to any economic system. Another possibility is to regard slavery and serfdom in terms of a "theory of distortions", that is of deviations from a market ideal [GREGORY 2015 (1982): 22].

bour exploitation vanishes, however, when we consider a capitalist society, in which on one hand, “you certainly need no theory of value to ascertain that the worker does not receive the entire product”, while on the other, “the mere fact that the social order does not allow the workers to appropriate the entire social product, is a question the answer to which can only be inferred from the entire body of economic theory” (*ibid.*: 641). According to Garegnani, economic analysis has provided two alternative answers: the classical surplus approach that “confirm[s] that profits owe their origin merely to the social order” (*ibid.*); and marginal theory that presumes to show that profits “were ultimately the price of a ‘scarce’ factor of production” (*ibid.*).

Fortunately, concludes Garegnani (*ibid.*), the modern classical surplus approach includes an analytical criticism of the marginal explanation of distribution, the rightly famous critique to the marginal notion of ‘capital’,²²

from which it emerges that *profits have no systematic explanation other than the fact that the existing social order does not allow workers to appropriate the entire product*. If, then, this approach holds and it is legitimate to describe the revenue of a feudal lord as the result of labour exploitation, it will seem to be no less legitimate to describe profits in the same terms” (*ibid.*, our italics).

We may therefore conclude that the modern classical surplus approach allows us to safely regard the notion of surplus as a unifying analytical core in the investigation of the whole series of historical economic forms (modes of subsistence and social formations). Exploitation obviously takes different forms in different social orders or formations, each associated with different political institutions (Patterson 2005: 195-196).²³ In this regard Bharadwaj (1994: 16) quotes an exemplary clear paragraph of Marx in vol. 3 of *Capital* (1965: 791-792) that contains a terse definition of “social formation” as based on a historically determined “relationship of the owners of the conditions of production to the direct producers ...the innermost secret... of the entire social structure and with it the political form”. Although that relationship corresponds to a “definite stage in the development of the methods of labour”, this “does not prevent the same economic basis ... from showing infinite variations and gradations in appearance”. Although Marx was often accused of mechanicism, his notion that the mode of social formation is based on its material “mode of pro-

²² A comprehensive review of the entire debate can be found in LAZZARINI (2011).

²³ For the sake of the argument we stick to the standard but simple definition of “social formation” as composed of a material “mode of production” and a “political, cultural, and ideological superstructure” (OLSEN 2009: 181), a definition that does not preclude a flexible view of the concept as found in Marx.

duction” betrays a great deal of sensitivity to the variety of “empirically given circumstances”.

In the seventies, Sraffa and the Cambridge controversy on the marginal theory of capital did not pass unnoticed in economic anthropology. Gregory notes (2000: 1003) that although Sraffa’s (1960) book “has, so far at least, failed to rehabilitate political economy as the dominant paradigm; however, his contribution... serves to remind us that *Homo economicus* is a *neoclassical* form of *Homo sapiens*” (our italics). A perceptive paper by Gudeman (1978: 349, 365) identified in Sraffa what economic anthropology needed in order to go beyond the inconclusive formalists versus substantivists debate – but also what a historically mute analytical core needed for its completion:

If Sraffa and the other neo-Ricardians are correct, the bulwark of the formalist approach may now be severely damaged, in so far as formalist methods are based upon neoclassical theory... In sum, Sraffa presents anthropologists with that which they lack – a way of conceptualizing and calculating production and distribution – but that which they may accept only upon condition of placing it within a set of historically and culturally determined social relationships. To paraphrase the philosopher, this is a method in search of a society.

Garegnani’s reference to historically determined “social orders” shows the opening of the surplus approach towards Gudeman’s encouragement, something that is further stressed by Cesaratto and Di Bucchianico (2021).

5. SUBSTANTIVISM: HAMLET WITHOUT THE PRINCE?

5.1. *Polanyi on institutions*

Polanyi’s analysis is extremely well-known, but it is useful to recap its basic message here as expressed in the *manifesto* of his school (Polanyi *et al.* 1957). Following his approach (*ibid.*: xvii), in economic history distinct “economies have operated on altogether different [institutional] principles”, the main distinction being that between market and non-market economies. The validity of “economic analysis” as far as market economies are concerned is broadly accepted, where “economic analysis” is mainly identified with marginalism. So “the substantive definition of the economy... is not necessary to the understanding of the market economy which is analysed far more conveniently in the formal way” (Dupré and Rey 1978: 183).²⁴

²⁴ On the role Polanyi attributed to the institutional analysis of ‘self-regulating markets’, see, however, MAUCOURANT and PLOCINICZAK (2013).

Polanyi and his fellows argue that economic history should be a study of changing economic institutions and not of a “unilineal evolution to our own day” (1957: xviii). In non-market economies, institutions preside over the organization of “man’s livelihood” (1957: xvii) or, in other words, economic life is “embedded” in institutions, while in market economies, the social texture is represented by the price system, so that society is “disembedded”.

Two meanings of the adjective ‘economic’, substantive and formal, are then distinguished. As we have seen, the former has to do with activities addressed to supply human beings “with the means of material want satisfaction” (Polanyi 1957: 243). The second meaning refers to Lionel Robbins’s definition of economics as the rational allocation of scarce resources among alternative ends (*ibid.*). While the former applies to “all empirical economies of the past and present”, the latter is only appropriate for the capitalist economy (*ibid.*: 244, 246-247).

Our positive suggestion in this regard is that the substantive school should not miss the *essential* meaning of marginalism as a theory of distribution alternative to the classical surplus approach of Ricardo and Marx; or even endorse that theory, that is the existence of a natural income distribution determined by “factor endowments”, techniques and preferences, at least as far as capitalism is concerned. Marginalism cannot explain modern capitalism as much as it does not help understanding previous economic formations. Once marginalism is disposed of, it is difficult not to recognise Polanyi’s definition of economics as an “instituted process” (Polanyi 1957: 248) as relevant and fully consistent with the modern classical and Marxian notions of social order and social formation. While the Marxian imprint on Polanyi is evident (Halperin 1984), the surplus approach can in turn complement the institutional approach by underlining the intimate connection between the material and immaterial bases of the economy, that is between the production and distribution of the surplus and the institutions (or social order) that regulate the system, Marx’s “innermost secret” of economic formations. In this respect, the classical surplus approach strengthens “the transcending importance of the institutional aspect of the economy” (Polanyi 1957: 249), that is, that the “human economy, then, is embedded and enmeshed in institutions, economic and noneconomic” (Polanyi 1957: 249-250). Otherwise substantivism risks to play Hamlet without the Prince.

In this regard, let us briefly recall the potential (but, unfortunately, underdeveloped) relationship between the classical concept of economic surplus and Polanyi’s approach. For instance, Polanyi in the *Great Transformation* [2001 (1944)], albeit not dealing with surplus in a significant and systematic manner, offers a suggestive passage in Chap. XV when dwelling on the ‘commodification’ of land. According to Polanyi, “to separate land

from man and to organize society in such a way as to satisfy the requirements of a real-estate market was a vital part of the utopian concept of a market economy” (*ibid.*: 187), and in this discussion he uses a concept of ‘surplus’ which appears similar to the classical one (*ibid.*: 187, 188). Indeed, when the Hungarian author reconstructs the steps needed to subjugate land to the requirements of a society based on industrialization, that concept surfaces:

The first stage was the commercialization of the soil, mobilizing the feudal revenue of the land. The second was the forcing up of the production of food and organic raw materials to serve the needs of a rapidly growing industrial population on a national scale. The third was *the extension of such a system of surplus production* to overseas and colonial territories. With this last step land and its produce were finally fitted into the scheme of a self-regulating world market (*ibid.*: 188, italics added).

And, later, he insists that supporting a “swiftly expanding urban population” required mobilizing not land itself but rather its produce, so that “Surpluses of grain were supposed to provision the neighborhood, especially the local town” (*ibid.*: 189-190). This helps to see how Polanyi was not completely against the use of the concept. It hence seems to us that, despite the “protest against the use of the concepts ‘scarcity’ and ‘surplus’ in comparative economics” that Humphreys (1969: 196-202) points out in his discussion of economic theory in Polanyi’s theoretical enterprise, there is space to argue for a non-absolute rejection of the concept from the Hungarian scholars’ part. As we shall see later, something analogous may be argued regarding Harry Pearson’s thought. However, as said, these are but few passages excerpted from his *magnum opus*. Besides, even when he uses the concept, Polanyi appears not to consider it truly central. When discussing the issue of land in light of the colonial experience, he states that “Whether the colonist needs land as a site for the sake of the wealth buried in it, or whether he merely wishes to constrain the native to produce a surplus of food and raw materials, is often irrelevant” (*ibid.*: 187) since “in every and any case the social and cultural system of native life must be first shattered” (*ibid.*: 188).

Nonetheless, Polanyi notoriously orders economic institutions in three classes, according to whether they are based on reciprocity, redistribution or exchange:

Reciprocity may be attained through a sharing of the burden of labor according to definite rules of redistribution as when taking things ‘in turn’. ... *Redistribution* obtains within a group to the extent to which the allocation of goods is collected in one hand and takes place by virtue of custom, law or ad hoc central decision. ... *Exchange* in order to serve as a form of integration requires the support of a system of price-making markets” (Polanyi 1957: 253-254, our italics).

Like Marx, he also points out that:

Forms of integration do not represent 'stages' of development. No sequence in time is implied. Several subordinate forms may be present alongside of [sic] the dominant one, which may itself recur after a temporary eclipse (Polanyi 1957: 256).

Therefore, Polanyi's "forms of integration" are consistent with Marx's sequence of social formations and Garegnani's notion of social order. It is thus surprising that he opposes his theory to that of Marx (by which he has clearly been inspired), when he writes:

Historically untenable stages theory of slavery, serfdom and wage labor that is traditional with Marxism – a grouping which flowed from the conviction that the character of the economy was set by the status of labor (Polanyi 1957: 256).

Here, the "status of labour" (Marx's "innermost secret") represents the social relations of production that Polanyi stubbornly rejects (Bharadwaj 1994: 66).

To order these ideas, a central tenet of the classical surplus approach is that income distribution, which reflects the historical class relations of production, is the central "intimate" nexus of all economic formations. All formations are "embedded" in institutions (including the market in the case of capitalism) that regulate the social relations in production and distribution. Unless anchored in the theory of income distribution (as described by the classical surplus approach), institutions are left in the air. What do they regulate from an economic point of view, if not production relations and income distribution? Marx, conveniently quoted by Bharadwaj (1994: 86), is again the clearest (and ironic) critic of the idea, to which substantivism is exposed, that only in capitalism does the economic factor shape institutions, while in pre-capitalist formations its influence can be ignored:

Truly comical is M. Bastiat, who imagines that the ancient Greeks and Romans lived by plunder alone. But when people live by plunder for centuries, there must always be something at hand for them to seize; the objects of plunder must be continually reproduced. It would thus appear that even Greeks and Romans had some process of production, consequently, an economy, which just as much constituted the material basis of their world, as bourgeois economy constitutes that of our modern world. ...I seize this opportunity of shortly answering an objection taken by a German paper in America, to my work, "Zur Kritik der Pol. Oekonomie, 1859". In the estimation of that paper, my view that each special mode of production and the social relations corresponding to it, in short, "that the economic structure of society, is the real basis on which the juridical and political superstructure is raised and to which definite social forms of thought correspond..." all this is very true for our own times, in which material interests

preponderate, but not for the middle ages, in which Catholicism, nor for Athens and Rome, where politics, reigned supreme... This much... is clear, that the middle ages could not live on Catholicism, nor the ancient world on Politics. On the contrary, it is the mode in which they gained a livelihood that explains why in one case Politics, and in the other Catholicism, played the chief part. For the rest, it requires but a slight acquaintance with the history of the Roman republic, for example, to be aware that its secret history is the history of its landed property. ... Don Quixote long ago paid the penalty for wrongly imagining that knight errantry was compatible with all economic forms of society. (Marx 1965, vol. 2: 81-82).

The final, ironic sentence is clearly directed to those who do not ground their analysis in the material basis of societies. As can also be seen in Acemoglu and Robinson (2012a), the risk is that institutional change is left in a vacuum.²⁵

5.2. *Substantivism on the economic surplus*

An antecedent of Polanyian criticism of the classical concept of economic surplus is Malinowski, who in 1922 criticised historical materialism for sharing the concept of *Homo Economicus* with marginalism, a deceptive and poorly informed position, according to Harris (1968: 565-566). Springing from a Malinowskian background, two Polanyian authors were later particularly concerned with the concept of economic surplus, Harry Pearson (1957) and George Dalton (1960). Pearson's seminal paper appeared in the substantivist *manifesto* (Polanyi *et al.* 1957).

As seen above, substantivists do not completely discard marginalism, they only limit its cogency to market economies. The same criterion sometimes seems to be applied to the notion of surplus, somehow seen as symmetrical to that of "scarcity" (Pearson 1957: 321). Leaving that aside and ignoring a good number of misdirected arguments,²⁶ we share Pearson's main thesis that the notion of surplus cannot be isolated from the institutional context.

²⁵ Even Acemoglu and Robinson's (2012a) definition of "extractive" and "inclusive" economic institutions is clearly (but also confusingly) related to social class power relations. The deep origins of socio-political power and conflict are left unexplored by these mainstream authors. An echo of this criticism is in the review of Diamond (2012b) to Acemoglu and Robinson (to which the authors reply in Acemoglu and Robinson 2012b).

²⁶ Pearson attributes a mechanical view of the classical surplus approach to the classical economists. He sees it as based on a notion of *biological subsistence*, accompanied by an automatic transition from the possibility of a surplus to a new, socially stratified setting (*ibid.*: 323, italics added). However, the notion of biological subsistence is foreign to the classical tradition (Stirati 1994); nor does the classical surplus approach establish a mechanical transition from the *potential* existence of the surplus to a new social order (as we have seen, Marx stated that "the same economic basis" can occur in "infinite variations").

Indeed, the argument that the concept of surplus “is useful only where the conditions of a specific surplus are institutionally defined” (Pearson 1957: 321; similarly, Dalton 1963: 391-392) is a healthy warning against any mechanical application of the approach. We therefore support Pearson’s advice of not separating “technological development from institutional complex of which it is but a part” (Pearson 1957: 326). However, the danger with Pearson and the substantive tradition is to gravitate to the other extreme that sees autonomous institutional changes as the driver of economic change. To be sure, a new social order may also change the level and destination of the surplus without any change in the material or technical basis of the economy (Pearson 1957: 323).²⁷ Moreover, the transition between the surfacing of a potential surplus, and its materialisation with the coeval appearance of a new social order has of course to be explained (e.g. Earle 1997).

The Classical view is consistent with the notion proposed by Pearson of *socially determined subsistence* associated with that of *relative surplus*. These notions suggest that the emergence of a surplus is not a mere technological, but a political or institutional event, likely led by an emerging élite that acquires control over the destination of resources (this appropriation could well be preceded by long periods in which the social product was administered in a community manner as, for instance, during the Neolithic in Mesopotamia; see Frangipane 1996, 2007).

As Pearson put it:

If the concept of surplus is to be employed here at all, it must be in a relative or constructive sense. In brief: A given quantity of goods or services would be a surplus only if society in some manner set these quantities aside and declared them to be available for a specific purpose. The essential point is that such surpluses are initiated by the society in question (*ibid.*: 323).

Food-storage emerges as a key-event to the emergence of ranks, in more crude forms among hunter-gatherers and more extensively with agriculture (Testart 1988) as storage assigned a dominant position to warehouse administrators (Frangipane 2018 and, in a neoclassical perspective, Mayshary *et al.* 2019).

²⁷ This argument is in line with that of Marx [1973 (1857-1858): 96], namely: “conquering people divides the land among the conquerors, thus imposes a certain distribution and form of property in land, and thus determines production. Or it enslaves the conquered and so makes slave labour the foundation of production. Or a people rise in revolution and smashes the great landed estates into small parcels, and hence, by this new distribution, gives production a new character. Or a system of laws assigns property in land to certain families in perpetuity, or distributes labour [as] a hereditary privilege and thus confines it within certain castes. In all these cases, and they are all historical, it seems that distribution is not structured and determined by production, but rather the opposite, production by distribution”.

As we have seen, a new social order might also change the level and destination of the surplus without any change in the material base of the economy. The Classical view that surplus potential and the social order interact without any technological determinism is therefore in line with the argument that:

To emphasize the complexity of the causal nexus in any given situation is not to deny that there may be important social consequences of increases in subsistence means. Changing technology and productivity play their role in the course of institutional developments. The argument here is simply that they do not create generally available surpluses, for this implies a separation of technological development from the institutional complex of which it is but a part (Pearson 1957: 326).

Unfortunately (and inconsistently), Pearson also attacks the surplus tradition by subscribing to the idea that in capitalism wages are determined by “the forces of supply and demand”, while the other “factors of production playing their respective roles (of which one may morally approve or disapprove) also receive market sanctioned returns” (*ibid.*: 333). He concludes with a Solomonic: “To the functioning of the market system, one [production factor] is as important as the other” (*ibid.*: 333). Any idea of capitalist exploitation is thus rejected, while the criticism of capitalism is reduced to the idea that in a Neolithic stage, an alternative non-market economy existed based on gifts and reciprocity.

In his criticism of Pearson, the American anthropologist Marvin Harris (1959: 185) retorted that “[f]ew anthropologists would subscribe to the view that the growth of socially stratified and economically specialized societies is possible without at least the production of ‘surplus’ food”. Considered the most prominent substantivist of the Sixties and Seventies, George Dalton (1960: 486) commented on the controversy between Pearson and Harris, arguing that the classical notion of subsistence does not cover items related to “social survival”, which include, for instance, religion. Once “spiritual subsistence” is included in material subsistence, the way is open to deny that social groups like priests, are maintained out of a surplus produced by the working lot (Dalton 1960: 486).

Dalton thus defends a subjective concept of exploitation, which “only exists when people *feel* it” (Stein 1984: 275; italics in the original). While, according to Herskovits (1952: 440), the producers of “spiritual subsistence” basically cheat the working lot, selling them “social and psychic insurance”, for Dalton these are “surely the definitions and values of the analyst, not those of the society being analyzed” (1960: 487). This appears as a sort of ‘sensationism’ in which “reality lies in sensations rather than material things” (Stein 1984: 275). In this respect Stein (1984: 282) quotes the distin-

guished Marxist anthropologist Maurice Godelier who wrote that “Dalton and Pearson allege that the idea of surplus is a mental construction that lacks any practical implications”. Stein (1984: 284) concludes in support of the objectivity of exploitation:

It will also be useful to emphasize the objective nature of exploitation, both as economic process and social relationship. Sensation is not a necessary feature of exploitation; for exploitation to exist, it makes no difference whether exploited persons feel they are exploited, or whether or not exploiters feel they are exploiting others.

We are thus reminded of Herskovits’s emphasis on the subtle ways exploiters elicit the respect and admiration of the exploited, precisely through ostentatious consumption.

George Dalton also acknowledged “the success [that] formal economic theory has had in analysing Western economy” (1961: 143), converging with criticism of the concept of surplus moved by the formalist (marginalist) tradition, for instance by marginalists LeClair and Schneider (1968: 469-470), who in an important book of readings on the substantivism versus formalism controversy, dismiss Childe, Herskovits and the concept of surplus in a couple of pages, where the latter is defined, on the basis of generic arguments, “an analytical dead end” (*ibid.*: 469).

6. CONCLUSIONS

In the paper we made two basic criticisms of Polanyi and substantivism.

The first is that the distinction between embedded vs. disembedded economy leads to the false theory of the market economy as ‘disembedded’ and based on a self-adjusting (marginalist) relative prices mechanism which regulate the economy independently of institutions. In this way it not only legitimates neoclassical theory, but also convey the false idea that in capitalism the economy is disembedded from society. It is only in marginalism that the economy is disembedded from society, while in the surplus approach and in its anthropological and archaeological applications it is never disembedded from society. Importantly, if one accepts the notion of disembeddedness, then economy can be placed (theoretically) outside society, and hence one can argue against the intervention or regulation by the ‘non-market’ institutions, as putting sand in the wheels of ‘self-adjusting’ markets. Economy can never be separated from society, whether it be competitive or regulated.

Secondly, the Polanyian/substantivist tradition commits the original sin of focusing on circulation (that includes exchange, gifts and redistribu-

tion), as opposed to the production side favoured by classical economics (Bharadwaj 1994: 83-84). Once the circulation sphere is deprived of its material basis, it is easy to fall into subjectivism. Dupré and Rey (1978: 187) refer to “intrusion of the psycho-sociological”. In this regard, the substantive school can be reinforced by redirecting its attention towards the Classical notion of economic surplus and the material approach of the Classical economists and Marx to the analysis of economic formations, and by a more resolute discarding of marginalism, whose inability to explain economic facts also extends to modern capitalism. Symmetrically, Polanyi’s and Pearson’s emphasis on the need to introduce institutions from the beginning when speaking of surplus should be endorsed by the surplus approach (incidentally, it testifies that their rejection of the concept of surplus is not absolute). A passage by Pearson (1957: 339) about the need to introduce institutions from the beginning is particularly revealing: “There are always and everywhere potential surpluses available. What counts is the institutional means for bringing them to life”. As anthropologist Christopher Morehart (2014: 163, 164) puts it:

Surplus’s potentiality is important because it elucidates people at the threshold between many possible, yet socially finite, decisions”, but “such an approach is incomplete without considering the historical and subjective aspects of surplus as it is connected to differing and overlapping institutional spheres.

The concept of social surplus and its declinations in specific historical-institutional settings cannot just be separated.

This is quite similar to what the late Ginzburg (2014: 22), inspired by Sraffa, suggested a few years ago:

The crucial element that distinguishes the two theories [classical and marginalist] is not the reproduction of the production cycle nor the existence of the surplus, but the circumstances surrounding its formation and distribution, and hence what is taken as given in the measurement of the net product by means of the theory of value.

Later in the paper, Ginzburg (*ibid.*: 34) quotes a note from manuscripts by Sraffa dated 1931, a few years after his rediscovery of the classical surplus approach, where the latter writes: “The study of the ‘surplus product’ is the true object of economics; the great difficulty of the matter is that this object either vanishes or remains unexplained. It is a typical problem to be handled dialectically.” And the solution envisaged by Sraffa could only be a reference to the non-economic circumstances that cause it:

When we have defined our ‘economic field’ there are still outside causes which operate in it, and its effects go beyond the boundary. This must happen in

any concrete case... The surplus may be the effect of the outside causes; and the effects of the distribution of the surplus may lie outside (*ibid.*: 35).

We may call these “outside causes” institutions.²⁸ Inspired by a conversation with Garegnani, Clark (1992) is open in this direction, from an institutionalist perspective. In a study of ancient economic formations in the Near East, Frangipane (2018: 677) also emphasises the variety of interactions between the economic surplus and institutions: what “emerges from this comparative analysis is that surpluses were produced for various reasons and purposes, and were used in different ways in differing types of societies, depending also on the political and economic role taken on by the elites”.

What we can derive from this is that from the very beginning, the concept of economic surplus should not be considered in a historical or institutional *vacuum* – and vice versa, of course, institutions should not be examined in an economic *vacuum*, since they exist largely to regulate the existence, production and distribution of the economic surplus. How much this leads us to review or integrate the methodological description of the classical surplus approach proposed by Garegnani (1984, 2018) in order to take into consideration a larger variety of economic formations is left to future research (Cesaratto and Di Bucchianico 2021).

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²⁸ This is a word that Sraffa uses explicitly a couple of times in his manuscripts, commenting a first version of the equations which later became the opening equations of *Production of Commodities*. It concerns a subsistence economy where production makes it possible to just reproduce the means of production (including subsistence-goods) (see DE VIVO 2019: 98; DE VIVO 2016: 59). Sraffa seems to suggest that the exchange rate between the two industries can be regulated by institutions other than the market. Although evocative, this is of course an isolated remark, written in the complex context of Sraffa’s painful rediscovery of the classical surplus approach (GAREGNANI 2003). GINZBURG (2000) reports an opinion of Wittgenstein on Sraffa, in which the method of the Italian economist is defined as “anthropological”, that is, sensitive to the specific real circumstances that corroborate a concept. Unfortunately these remarks are not reported in the English translation GINZBURG (2016).

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