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One of the most positive trends in the social sciences in the last 30-40 years or so has been the renewed interest of economic historians in long-run analysis. Under various monikers such as ‘global history’, ‘world history’, and even ‘deep history’, the comparative study of economic and social change in the long run has offered some profound perspectives on the origins of our times. Generally, however, the guiding question has been the one at issue in the ‘rise of the West’ debate and the adjacent topics of Eurocentrism, imperialism, technological progress, and colonial ideology. That is to say, much of the discussion has been primarily concerned with the question “how did Europe come to dominate the world?”, and to some extent also the followup question, “when did, whatever it was that allowed this to happen, begin? “.

Bas van Bavel’s recent book, *The Invisible Hand?*, asks a very different kind of question. This book is not concerned with the rise of the West, but with the underlying economic framework that most mainstream economic historians use in understanding the long-run socioeconomic patterns that they study. Although the specifics differ by author, of course, most of the economic historical mainstream still presents the story of economic history, and with it the difference between poor and rich today, as that of the ‘unfolding’ of the free market. The main disagreements consist of what kind of institutional order was necessary to make that free market flourish in Western history, and to what extent such an order as the Western world has could be adopted by developing nations as a matter of policy. Although there are exceptions, for the most part the working assumption is still that more markets, freer markets, and strong property rights – read: strong enforcement of the power of property owners – were the core ingredients that the Western nations achieved and by which they prospered. Whereas others, failing to achieve such an institutional order, suffered and still suffer stagnation and poverty. It is in this light that these economic historians also read such historical sources on markets and merchants as we have: as analytical *and* political defenders of what Adam Smith called the ‘commercial society’.

Van Bavel challenges this narrative by re-examining the role of markets in economic history. His book aims to undermine the case that market societies are characterized by “virtuous cycles” while all other types of society have “vicious” ones. He takes as case studies a number of the most frequently invoked ‘success stories’ of commercial society: medieval Iraq under the

Abbasids, the Italian city-states of the Renaissance, the Dutch Republic, and finally Britain and the United States. Van Bavel's argument is that, unlike the boosterist argument about the glorious unfolding of the energies of the market leading these societies to prosperity and success, the actual story in each of these cases is quite different. Instead of a neo-Whig argument about the institutional order of freedom and enterprise, Van Bavel presents a more cyclical narrative inspired by the work of Karl Polanyi and Giovanni Arrighi.

Firstly, he distinguishes clearly between output markets and factor markets, and focuses his narrative on the latter: the markets in land, labor, and capital. Polanyi once called these 'fictitious commodities' to emphasize the essential difference between market exchange in the products of labor, which he saw as economic activity potentially compatible with a humane society, and the 'unnatural' phenomenon of commodification of land, labor, and capital themselves, which unleashed the terrible logic of the market and subjugated society to it.

In focusing on these factor markets, Van Bavel goes directly to the heart of the mainstream case for commercial society. Moreover, Van Bavel's discussion of their dynamics owes nothing to mere ethical critique or moralizing about the limits of the market sphere in civil society, as many 'communitarian' critics have done in recent years. Rather, his analysis of the workings of factor markets in each of these classic historical cases is aimed at demonstrating that far from being market-driven success stories, quite the opposite is the case. In each case, Van Bavel argues, markets underwent a rise-and-fall pattern rather than a straightforward story of climbing to ever greater heights.

Initially, in each case, there *was* a dynamic in which increased market exchange went along with rising prosperity and real wages. But this was because both were the result of greater freedom for the immediate producers, being liberated from the bondage of feudal domination. In this initial stage, the relative improvement in the position of the immediate producers (mainly farmers and artisans) led to what he calls a period of 'social balance', in which the political and economic power of the ruling class and that of the popular classes was in some degree of equilibrium. The next stage is the period of the dominance of factor markets, in which the logic of the market becomes dominant as an allocation system and the 'factors of production', as the economists call them, become commodified. The elites of the old society lose much of their power with the decline of the old system, giving the opportunity for the immediate producers to make substantial political and economic gains. But this process also presents a political opportunity for the nascent elites that had been prevented from domination by the old powers: usually, the urban bourgeoisie and the larger mercantile interests. These interests promote the full development of factor markets, often with considerable violence and using the instrument of state power, to undermine the old order as well as to maximally benefit from their new opportunity to amass wealth and power.

In the final stage of the cycle, the dominance of factor markets led by the new ruling class leads to ever greater accumulation of wealth on the part of that class, and ever greater inequality between this elite and the common people below them. Far from benefiting in the long run from the unfolding of factor markets, the immediate producers are slowly and systematically pushed into a position of absolute dependence on them, as the new elite uses its control over the reins of power in its favor. The result is a combination of state action to enclose and dispossess together with the promotion of factor markets and commodification. It is in this stage, Van Bavel argues, that one also sees a shift among the now fully fused economic-political elite from 'productive' mercantile activity to finance capital and rentierism. The ruling class shifts its interests from trade to becoming bondholders in the state debt. They then use their leverage to force unfavorable market participation on the lower classes and war on their neighbours. The period of 'social balance' is definitively gone as the new elite reorganize the institutions of society in their favor. The final result is that while factor markets persist, economic decline sets in: inequality reaches the level where it induces rebellion, defection, and resistance, productivity goes down, growth declines, and a "lock-in effect" persists in which the new elite freezes the institutions of the commercial society in place even as changing economic circumstances and poor incentives make their rule economically ineffective.

The importance of this critique rests not just in Van Bavel's incisive critique of the conventional narrative about factor markets being the cause of economic success. Certainly, a major thread in the book is to demonstrate that in each case, the dominance of the logic of such markets was rather a *symptom* of success than a cause. But he also points out that in each case, the period of stagnation and (relative) decline came about because factor markets enabled a narrow elite to merge economic and political power, so that they acquired the opportunity to change the institutional order of society in their favor.

This is an important point since with the rise of the New Institutionalist school of economic thought, more and more the attention of the economic-historical mainstream has shifted to the institutional arrangements that make market society flourish (allegedly), rather than simply focusing on relative prices and trade volume in those markets alone. This New Institutionalist school has in this manner frequently evaded the common critiques from the left, because unlike their predecessors, their attention is focused on social context, state organization, and even power dynamics as much as on the logic of the market in the abstract. But as Van Bavel shows, it is insufficient for the New Institutionalists to simply adjust the standard tale of market-driven Western success to a tale of institution-and-market-driven Western success. It is the very institutions that make the expansion of factor markets possible that also, perhaps inevitably, lead to the rise of a new ruling class that will alter their parameters so as to entrench their economic and political position. Far from the problem with factor markets in premodern (and developing) societies being that they simply aren't being adequately supported at the social and political level, as the New Institutionalists argue, Van Bavel's argument suggests the opposite: the problem is that factor markets are *inherently self-defeating* as an instrument for either freedom or prosperity, at least for the vast majority.

Although the focus of the book is on premodern cases, up to the Dutch Republic, Van Bavel does not shy wholly away from continuing this argument – and its policy implications – into the present. In many ways, the critique mirrors that of Polanyi: while it does not argue against market exchange as such, for markets to function to everyone's benefit requires a political and institutional order in which the immediate producers have a relatively strong position vis-á-vis both the *ancien régime* of their time and the new mercantile elites. Moreover, such markets revolve mostly around output markets, not factor markets, and where the latter are present they are strictly to be 'embedded' in social regulations that precisely prevent the latter from developing to full capacity. As Van Bavel puts it: "Freedom and equity come first in time, before free markets. The idea that free markets can be introduced, and that freedom and equity follow automatically, seems to be misguided. Instead, the dominance of factor markets is at the base of the erosion of equity and freedom in a later stage."

For Polanyi, the dominance of factor markets was a historical aberration, something he did not believe could last long. Eventually, Polanyi thought, society would be torn apart by the logic of commodification, and so he predicted a 'double movement' in which social forces would eventually permanently overcome this logic, leading to a return of 'embedded' society. This cyclical perspective, a return to the original embeddedness, owes something to the Marxist idea of socialism as the return to 'primitive communism' at a higher order. But unlike the Marxist account, which insists on classlessness as the characteristic of both those ends of the cycle, the Polanyian perspective was always remarkably sanguine about the very hierarchical societies of the premodern age that it saw as 'embedded'.

The same is not quite true for Van Bavel. Although fierce in opposing the mantra of 'the more markets, the better', certainly as factor markets are concerned, the political(-economic) implications of his argument remain fairly tacit in this work. Even so, one cannot help but notice that the one dynamic of prosperity he does identify depends wholly on the political strength of organized working peoples – farmers, craftsmen, even agricultural labour – against both old and new elites. If equity and freedom indeed predate, rather than follow from, the 'free market', this raises the question how a politics enabling them was and is to be achieved. Here, Van Bavel gives some general suggestions about "alternative mechanisms of exchange and allocation" and "a wide distribution of property and power", but little specific. In that sense, to some extent the weakness in Polanyi's account is also his. But that market liberalism does not have the answer is clear. In our times as much as in the Middle Ages, it cannot avoid its negative feedback loop, barring some external correcting mechanism: and "none of the market economies in history has ever been able to produce such a mechanism". This leaves us with the possibility of a politics of the balance of countervailing powers, the re-embedding social-democracy of Polanyi, or of a politics of the resistance of working people against the recipe of 'property rights and factor markets' and the political-economic elite that enforces them, as proposed by Marx (who is eventually cited on the penultimate page). Either way, Van Bavel credits above all “the bravery, and success, of people in revolt against arbitrariness and elite power”, and in clearly identifying factor markets as both cause and support for these, he has made an important argument in the mainstream of economic history today.