

# Introduction: Karl Polanyi in the twenty-first century<sup>1</sup>

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Karl Polanyi's intellectual influence has arrived at its current growth phase in a curious and unconventional manner. Charles Kindleberger noted it already in the 1970s. Commenting on *The Great Transformation* as one of the classics of the twentieth century, he said,

Some books refuse to go away. They get shot out of the water by critics but surface again and remain afloat. *The Great Transformation* by Karl Polanyi doesn't exactly refuse to go away, but it was slow in arriving and it has kept on coming. Robert MacIver wrote a glowing preface for it when it was published in 1944, but few scholars took notice. Then it was discovered by economic historians. In the last decade, radical youth has adopted it as gospel. (Kindleberger, 1974: 45)

Polanyi's thinking long remained confined to relatively marginal heterodox institutionalist economists and economic historians. He could secure a minor appointment at Columbia University in 1947 only because the institutionalist tradition had persisted there. Even so, Polanyi's course on General Economic History did not address the recent historical developments discussed in *The Great Transformation* and it was not on the reading list. The course focused instead on economic institutions in primitive and archaic civilizations. No wonder the United States came to know Polanyi as an economic anthropologist, rather than as an economic historian.

Even in these decades of relative neglect, however, those Polanyi's thought did reach felt its unmistakable pull. Abe Rotstein recalls (in this volume) how his substantivist approach was his 'exit from the maze' of neoclassical economics at the University of Chicago. Polanyi's early following may have been small, but it was loyal. After Polanyi passed away in 1964, George Dalton published an influential collection of Polanyi's essays (Polanyi, 1968) while Harry Pearson produced *The Livelihood of Man* from lecture notes and other unpublished writings in 1977.

If Polanyi was relatively unknown in the post-war 'Keynesian' decades, neoliberalism would surely have made matters worse. After all, its free market thinking

## Introduction

rolled back the intellectual influence of the much more eminent John Maynard Keynes. Instead, however, the neoliberal decades witnessed a big rediscovery of Polanyi. Against neoliberal advocacy of free markets and rolling back the state, against its claim that globalization was an unstoppable juggernaut, Polanyi's ideas proved natural intellectual weapons. A widening circle of critics of neoliberalism and globalization – activists, scholars and even politicians – began to wield them. In the wake of the 1997 East Asian financial crisis, Harvard economist, Dani Rodrik, for instance, relied on Polanyi to point to dangers the world economy had not faced since the 1930s (Rodrik, 1998). By the late 1990s, his thinking was entering the broad left of British political life (Marquand, 1997), while influential scholars such as Fred Block and Margaret Somers were extending his influence in US left-wing and progressive scholarship. Following the 1999 Seattle anti-globalization demonstrations, the New Right dubbed Polanyi 'a kind of patron saint of globalization's critics' (Lindsey, 2001). In the new millennium, but most strikingly since the financial crisis of 2008, scholars across disciplines and political persuasions have cited Karl Polanyi in analyses of the wrongs of financial markets. Polanyi's ghost even came to haunt the 2012 Davos World Economic Forum, where world leaders could not have been more aware of the problems neoliberalism had created and less capable of handling them (Elliot, 2012). In answer to the question of who will 'guide us through the problems of the twenty-first century', the liberal economist, J. Bradford DeLong (2016), identified Polanyi, alongside Tocqueville and Keynes.

The rediscovery of Polanyi is also leading many to unearth the full extent of his past influence. Daniel Immerwahr brought to light the link between Polanyi's thinking and that of his lifelong friend, the post-war management guru, Peter Drucker (Immerwahr, 2009) who shaped so much of the US's post-war intellectual life. A recent British study, which calls for reviving a moral critique of capitalism alongside the material critique of its inequality so prominent since 2008, puts Polanyi at the centre of the British socialist tradition. When Polanyi fled Hitler and fascism and arrived in Britain, he was naturally attracted to Christian socialism and the 'moral economics' of figures like R. H. Tawney and G. D. H. Cole (Rogan, 2017: 53–55). Polanyi linked their criticism of the morally corrupting effects of capitalism to continental political and intellectual traditions, including the Marxist. This very British socialism became influential in Corbyn's Labour Party which aimed at 'giving workers more bargaining power and influence over economic decisions[,] ... constraining the power of finance, [a]nd ... removing certain aspects of society from market exchange altogether' (*The Economist*, 2018).

Why does Polanyi's thinking resonate so widely and deeply today? While clear economic, social and political parallels between his time and ours lay down the

## Karl Polanyi in the twenty-first century

necessary condition, the sufficient condition is provided only by the insight and prescience of his analysis. It was the product of the singular course of his life and intellectual evolution. Polanyi's life (1886–1964) spanned the most tumultuous decades of human history and was tossed about by its defining events (Catanzariti, 2014: 221), giving Polanyi's intellectual agenda its ambition as well as its personal and experiential depth (as Polanyi Levitt and Brie discuss in this volume). Add to this a mind formed in the fecund intellectual environment of *belle époque* Central Europe and you have an analysis to stand the test of time (on Polanyi's biography and intellectual biography see, *inter alia*, Dale, 2010a, 2016a, 2016b, and Polanyi Levitt 1990b and in this volume).

Polanyi's encompassing historical explanation of the 'great transformation' that Europe underwent in his time is so original in its components and their configuration that even those versed in history and interdisciplinary studies approach its full meaning only gradually. And it is so suggestive that it has kept generations trying. This collection contains many contributions, by established and new Polanyi scholars, that push back the bounds of our understanding on many fronts, whether the ideas of fictitious commodities, particularly money, and the double movement, of socialism or of the different historical evolution of continental, British and American societies. The following brief outline of Polanyi's ambitiously original historical argument as it emerges from our collective efforts in this volume will help readers fit individual contributions in their proper places within it.

### Polanyi's historical diagnosis

Polanyi's diagnosis of the most profound crisis of European civilization traces its genesis back not just decades, as so many did and still do, but centuries, implicating capitalism itself. The crisis persisted through the inter-war period, Polanyi argued, because major governments did not yet realize that the world of 1914 was the Humpty Dumpty that could no longer be put back together. The outlines of a civilization beyond it were only beginning to be glimpsed when war erupted again in 1939. They included an international economy beyond the gold standard, the movement of political opinion to the left (Marwick, 1964) with the realization that a liberal order could no longer be recreated, the New Deal and Soviet industrialization. In many ways, the Second World War sharpened the view of possibilities on the horizon and, by writing *The Great Transformation*, the condensation of his historical explanation, Polanyi was making his own contribution to their post-war realization and contesting the competing neoliberal vision that had already emerged (Desai, 2019).

## Introduction

Polanyi traced the crisis of nineteenth-century civilization to what he dubbed its *utopian project* of founding society on a self-regulating market. The words 'utopian' and 'project' are significant. Seeing it as a project rather than accomplished reality constituted a momentous correction. What made it utopian, in the worst sense of the word, was that it extended the market far beyond real commodities, that is, goods produced for sale. Three elements of society's productive organization, its substance and very conditions of possibility – land, labour and money – were also commodified. They were, Polanyi argued, fictitious commodities. Unlike real commodities, they were either not produced at all, or not produced for sale. The crisis of societies that embarked on this project was as inevitable as the project was utopian.

Two implications were important. First, contrary to liberal ideology, market society was neither natural nor spontaneous. It had to be constructed through radically, indeed violently, transformative state legislation. In England, which was both paradigmatic of the process and its origin, the Poor Law Amendment Act of 1834, the Bank Act of 1844 and the Anti-Corn Law Bill of 1946 commodified labour, money and land respectively. Secondly, the need to maintain society against their onslaught induced a set of reactions, movements for social protection which, together with the spread of market society, formed the famous 'double movement'. This reaction of social protection, essentially what the jurist, A. V. Dicey (1905) meant by the move from individualism to collectivism in English society, was spontaneous.

These implications were critical to Polanyi's argument. With them, he overturned liberal views that treated market societies as spontaneous and natural and all effort to control them as artificial, violent and unnatural. On the contrary, Polanyi insisted that it was the creation of the market for these fictitious commodities by the state that was planned and violent. The social reaction, now involving the state in the protection of society from the dangers it had itself created, for its part, was spontaneous and natural.

The dialectic of this double movement, rather than the establishment of market society which remained both utopian and a project, framed nineteenth-century European developments and defined Europe's liberal civilization. It culminated in the crisis that destroyed that civilization and, along with it, the quartet of institutions – the self-regulating market, the liberal state, the gold standard and the balance of power; two economic, two political; two domestic and two international – that sought to realize the project. Now liberal society – both the project of creating a market society and managing its impact in an ad hoc and spontaneous manner – was no longer viable. Illiberal alternatives, alternatives involving the state centrally, this time in consciously organizing other, non-market, forms of social integration,

## Karl Polanyi in the twenty-first century

were bound to emerge. Would they be fascist and National Socialist or Socialist? Would they point towards reconstructing human, democratic and just societies or towards barbarity and the physical as well as moral destruction of humanity? Since refusing this choice in favour of trying to reconstruct the nineteenth-century liberal civilization of 'universal capitalism' would only once again prepare the soil for fascism, a new socialist civilization of national and regional planning was imperative (Polanyi, 1945). This was the great transformation to which the eponymous book referred.

Polanyi's understanding of socialism is worth pausing over. He clearly distinguished it from the nineteenth-century spontaneous movement for social protection. Socialism, by contrast, had to be a consciously chosen and pursued goal. This understanding also draws a clear line between limited social reforms and socialism. The latter must re-make society, and our conceptions of it, root and branch. Secondly, socialism was not, he had concluded quite early in his life when he intervened in the socialist calculation debate, about a centrally planned economy in which money and markets played no role. Precisely because he understood both money and markets so well (as Desai argues in this volume), he assigned them clear roles in socialism. Money as purchasing power was a useful social institution and could serve an egalitarian and morally desirable form of society, unlike money as a store of value and capital, which could dominate and destroy society. Well-regulated markets limited to real commodities could serve society while those for the fictitious commodities undermined it.

Polanyi's intervention in the socialist calculation debate also made clear to Polanyi that the alternative was not between unrestricted markets and central planning, as Ludwig von Mises's opening salvo in that debate contended. Polanyi rejected that choice, as Brie (in this volume) so well explains. Polanyi agreed with Mises that the problem with central planning in 'complex society' was that it assumed a level of overview (*übersicht*) of one's actions and their social consequences that was impossible. Taking inspiration from Guild socialism, he re-conceived of socialism as creatively designing social and productive arrangements such that they permitted ever-greater levels of overview in a society rendered complex by the machine age. As Brie discusses, this was why Polanyi thought of socialism as the realization of freedom in a complex society, the title of the closing chapter of *The Great Transformation*. This was not, however, the liberal 'freedom that kills' but a new freedom that was truer for being responsible.

Already a year after the publication of *The Great Transformation*, however, Polanyi knew that his vision of socialism would not be realized. The problem was that the Great Transformation had not advanced uniformly in different parts of the

## Introduction

world. And the Second World War had dealt them very different hands. The United States had not undergone the great transformation and had, therefore, remained committed to realizing the liberal utopia. At the same time, it had emerged from the Second World War with its productive capacity massively boosted, while that elsewhere was destroyed. This placed it in a position to attempt to realize the liberal utopia on a world scale. And it was now zealously attempting to do so.

Even so, its power was not unlimited. As Polanyi Levitt and Somers and Block discuss in their different ways, the Keynesian welfare state of the West, the actually existing socialisms of the communist bloc, the developmental arrangements that emerged in the Third World and the international arrangements that permitted all three after the end of the Second World War were at least partial realizations of Polanyi's vision. The US was forced to accept them. They furnished the world its 'golden age' but were brought to an end by their own incompleteness, making way for neoliberalism which, for four decades now, has been engaged in a renewed attempt to realize the liberal market utopia.

The neoliberal New Right was never without socially authoritarian politics (Desai, 1994, 2006), though the world remained mesmerized by its economic liberalism for decades. This ever-present authoritarianism has swelled after decades of zealous neoliberal ministrations, as Polanyi would have predicted. Today this is widely acknowledged. Our politics are taking ominous forms as virulent fascist foam appears on the crest of waves of right-wing ascendancy, just as in the 1930s (Hobsbawm, 1994). Moreover, there are reasons to believe that the dangers this time are much greater. On the one hand, as Polanyi detected long ago and as Thomasberger (in this volume) shows, neoliberalism no longer relies on arguments about the naturalness or spontaneity of markets, making it harder to refute even as it becomes more urgent to do so (see also Crouch, 2011; Slobodian, 2018). On the other, neoliberalism's discontents are being organized almost exclusively by the far and farther right. In the 1930s, socialist formations were, by contrast, much more prominent on the political landscape, fighting and limiting the appeal of fascism. Today, by contrast, just when socialist forces are needed to counter the appeals of the entire menagerie of the rough beasts of the right, we find most parties of the left bereft of the requisite political capacity.

They squandered it by following neoliberal economic policy nostrums, offering only a limited social liberalism without any economic socialist accompaniment. No wonder it failed to acquire broad appeal among populations suffering from unemployment or precarious employment, debt, social service erosion, degradation of urban and other environments, and, increasingly, physical insecurity and political marginalization. The manner in which the entirely salutary increase in productivity

## Karl Polanyi in the twenty-first century

and the transformation of labour into higher and more productive forms plays out under neoliberalism only exacerbates these problems. Instead of liberating humankind from the less pleasant forms of labour, leaving it free to raise its levels of culture and knowledge as never before, these trends have contributed to deprivation, precarity and wearying uncertainty. This state of affairs recalls Polanyi's profound analyses of 'machine civilization' and the conundrums they pose for humanity which Polanyi Levitt discusses (in this volume).

Unable to address these problems, most centre left parties are today part of the discredited establishment. From Trump's United States to Brexit Britain to Macron's France, Orban's Hungary and lately even Merkel's Germany, the ascendance of the forces of the far right has underlined Polanyi's prescience. As Ann Pettifor points out in trying to make sense of the Brexit vote,

Karl Polanyi predicted in *The Great Transformation* that no sooner will today's utopians have institutionalized their ideal of a global economy, apparently detached from political, social, and cultural relations, than powerful counter-movements—from the right no less than the left— would be mobilized (Polanyi, 2001). The Brexit vote was, to my mind, just one manifestation of the expected resistance to market fundamentalism. The Brexit slogans 'Take Back Control', 'Take Back Our Country', and 'Britannia waives the rules' represented an inchoate and incoherent attempt to subordinate unfettered, globalized markets in money, trade, and labour to the interests of British society. (Pettifor, 2017: 131)

However, as Polanyi also points out, unless we go beyond inchoate responses towards socialism, the dangers of fascist solutions to the inevitable breakdown of efforts to erect market societies will only grow.

As the relevance of Polanyi's analysis becomes clear to a widening circle of scholars, obstacles to its full comprehension remain. The articles in this volume, each in their own way, either take up the challenge of addressing some of the most critical of these problems, or explore and develop his ideas in hitherto unanticipated ways. In the rest of this introduction, we discuss the contributions that follow and how they aid in overcoming obstacles to understanding Polanyi and constructing a saner politics and political and geopolitical economy for socialism in the twenty-first century.

### ***The Great Transformation and since***

The overarching narrative of Kari Polanyi Levitt's opening essay on 'The Return of Karl Polanyi' reconstructs how Keynes's and Hayek's ideas have shaped recent history, and contemplates how Polanyi's prescient ideas might yet shape developments.

## Introduction

Polanyi Levitt stresses how quintessentially Central European Polanyi's outlook was. The worlds that structured Polanyi's formative experiences, the worlds of the German Kaisers, the Ottoman Sultans, the Romanov Czars and the Hapsburg King-Emperors, collapsed in revolutions amid and after the First World War. The contrast between their vulnerability and the relative social stability of the Western imperial powers concentrated Polanyi's mind. The result was Polanyi's treatment of the Anglo-American historical trajectory as the exception and today it permits us to understand why the Anglo-American world has led the neoliberal counter-revolution and thus shaped the contemporary re-emergence of authoritarian and far right forces.

The bulk of Polanyi Levitt's contribution is taken up with reflections on the recently unearthed Bennington Lectures, 'The Present Age of Transformation', delivered in 1941. While they anticipated *The Great Transformation*, they also contained lectures on the US and Soviet Russia and the progress of the great transformation there, themes not fully covered in the book. Arising equally from her own personal knowledge of her father, her profound and original understanding of his work and from her own distinguished scholarship on the economy of the post-war world, these reflections deepen our understanding of Polanyi's signature arguments.

The first lecture, anticipating the conceptual framework of *The Great Transformation*, also emphasizes just how slowly the great transformation unfolded. In the 1920s vain efforts at restoration of the pre-war order were made and only their failure finally drove governments' new departures: the New Deal in the United States, Soviet Five-Year Plans in Russia, the 'National Socialist revolution' in Germany and various autarchic regimes in Europe. For Polanyi, these diverse processes had a single and external cause: the gold standard.

In the second lecture, 'The Trend Towards an Integrated Society', the originality of Polanyi's thinking on social integration comes through. Never in human history was the economy disembedded from the social matrix and when it was 'an unheard-of thing [was] brought into existence – an economic society, i.e., a human community based on the assumption that society depends for its existence on material goods alone'. Eventually, such a society exhausts the ability of democratic politics to achieve social integration, opening the door for authoritarian politics to impose a 'false integration'.

More than any passage in *The Great Transformation*, the Third Bennington Lecture on 'The Breakdown of the International System' speaks to us today. Polanyi observes that 'the more close the interdependence of the various parts of the world grew, the more essential became the only effective organizational unit of an industrial society on the present level of technique: – the nation'. As in our day,



## **Karl Polanyi in the twenty-first century**

nationalism became 'a protective reaction against the dangers inherent in an interdependent world' as is clear in the rise of far right and illiberal politics in countries as diverse as the US and Britain, Brazil and India, and Turkey and Hungary or Poland.

Polanyi Levitt argues that the first post-war decades in Britain and Western Europe can be seen as a partial realization of Polanyi's vision as capital was subordinated to the reconstruction of society on the basis of full employment and social security financed by progressive taxation. By the mid-1970s, three decades of full employment had strengthened labour and diminished the power of capital, as Kalecki predicted. However, then came the neoliberal counter-revolution, which restored the discipline of unemployment in the labour market, and other free market policies gained favour. While the conventional account of the birth of neoliberalism is focused on the Chicago School, Polanyi Levitt suggests, relying on Quinn Slobodian's excellent recent research (2018), that it should perhaps be complemented by the more global approach of the Geneva School.

For Polanyi Levitt, the demise of the Soviet Union in 1991 was a watershed event equal in importance to the First World War. It led to triumphant globalization and unprecedented financialization, culminating in the 2008 financial crisis. The triumphalism was short-lived, however, and Polanyi Levitt notes how China proved the bigger winner of 'globalization'. Indeed, the fast-growing emerging economies recovered from the financial crisis faster and more completely than did the heartlands of capitalism. The baleful influence of the International Monetary Fund and the World Bank over the developing world declined, expanding their policy-space. The resulting acceleration of the trend towards multi-polarity is reminiscent of Polanyi's 1945 vision in 'Universal capitalism or regional planning'.

### **Money as a fictitious commodity**

A unique section on what Polanyi meant when he designated money as a fictitious commodity follows. Market-driven economics assumes that everything that is bought and sold is a commodity. Those immersed in it cannot understand what Polanyi meant by 'fictitious commodities'. Polanyi developed this concept out of intellectual traditions of long standing (Desai in this volume) that questioned the naturalness of markets. He understood money as a social institution emerging from state and credit relations, one that far pre-dated capitalism, took specific, and dangerous, forms under it, and could survive in socialism in suitable forms.

The pervasiveness of neoclassical market-driven thinking confines even those sympathetic to Polanyi's idea that land, labour and money are fictitious commodities

## Introduction

to a sort of moral position that they should not be. While such a moral position is not wrong, those who do not venture beyond it will be ill-equipped to understand that Polanyi's argument about fictitious commodities was historical (Desai in this volume). Polanyi drew on classical political economy, Marx, and later adherents of Marx such as Ferdinand Tönnies, to argue that these elements of industry *are not* commodities. They are not produced, not produced for sale and, because of that, unlike other commodities, their supply and thus their prices are subject to vagaries that those of real commodities are not. The supply of real commodities can be increased or decreased in response to rises and falls in price and demand. The supply of fictitious commodities cannot, in the short run. That is why their prices are subject to wild swings which so often prove devastating to entire societies. The treatment of land, labour and money as commodities led, *inevitably*, to movements for social protection.

While land and labour as fictitious commodities are at least discussed, if in moral terms, the topic of money as a fictitious commodity is generally avoided. At best, scholars enlist Polanyi's authority in demands for financial regulation amid the numerous financial crises of our time. One of the distinctive features of this volume is that three contributions explore Polanyi's idea of money as a fictitious commodity, and thus of the peculiarities of money under capitalism, in hitherto unprecedented detail.

Hudson uncovers the historical origin of the commodification of money, tying Polanyi's work on contemporary capitalist society with that on older social formations. Desai explores the meaning of money as a commodity in modern times, and uncovers its close alliance with what Polanyi dubbed the 'crustacean' nation state. Finally, Ugarteche Galarza casts light on the continuing relevance of the impossibility of financial market self-regulation by investigating how, alongside financial deregulation, at least a partial re-embedding of the financial sector has been unavoidable, yielding not so much a financial system but a complex of at least two major parts, one largely embedded, the other mostly disembedded.

Michael Hudson's historical essay tracks the first step in the commodification of money. It was taken when the debt relation was transformed from the social and political relation it was, into one of exchange. In the ancient Near East, the management of the debt relation originally included jubilees – celebrations that extinguished all debts so that all could make new beginnings with 'Clean Slates' – at regular intervals. Jubilees served to maintain social cohesion and economic stability by releasing debtors from unpayable debt. When debt came to be considered a relation of pure exchange in Roman times, it led to the one-sided emphasis on debtor responsibility for discharging debt, forgetting creditor responsibility.

## Karl Polanyi in the twenty-first century

Without periodic stabilizing jubilees, and with interest rates unhinged from real growth rates and thus the ability to pay, debts inevitably mounted to unsustainable levels and racked Rome with recurrent and politically destabilizing debt crises.

However, commodification in general having been still limited in Roman society, this problem appeared full blown only in capitalist society. It took particularly destructive forms in ages of financialization that followed slowing growth, investment and profits unable to keep up with the alchemy expected by compound interest. The gilded age of the early twentieth century and the financialization of our neoliberal age are the two most recent. Hudson's historical investigation is the result of a much larger research project on the origins of money in the Near East.

Desai tackles why money is a fictitious commodity, exposing the limitations of market-driven understandings that simply consider money a commodity, or a symbol of a commodity. She first investigates what fictitious commodities are and reveals the proximity of the idea that land, labour and money were not real commodities to classical political economy, Marx and other thinkers inspired by Marx, chiefly Ferdinand Tönnies. Commodifying money required artificially restricting its supply, as the 1844 Bank Act did (while, interestingly, commodifying labour involved artificially increasing its supply by severing its link to land and society). Though systemically necessary for capitalism, this commodification of money posed equally systemic dangers for it: 'the resulting monetary system could "periodically liquidate business enterprise for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society"', as Polanyi noted (Polanyi, [1944] 1957: 73).

Removing misunderstandings of money as a fictitious commodity is especially important. It is true that Polanyi identified three fictitious commodities, and labour had a certain priority since it was human life itself. However, it is the treatment of money as a commodity and the movement of social protection against it – as central banks linked national currencies to the international gold standard and protected their societies against its harsh vagaries at the same time – that structures the narrative of *The Great Transformation*. The collapse of the gold standard was the 'proximate cause' of the collapse of nineteenth-century civilization.

Desai's contribution also sheds light on a normally obscured theme in Polanyi's thinking: the emergence of what Polanyi called 'crustacean nations'. While the movement for social protection principally implicates the nation state generally, that relating to money implicates the nation state most directly. Central banks, in commodifying money as well as protecting society against its consequences, constitute the outer layer of the system of social protection that nation states became with the development of capitalism. Capitalism requires the development

## Introduction

of ‘crustacean nations’ – nation states with hard protective shells. This gave the crisis of nineteenth-century civilization the form it took, one of violent confrontation between imperialist nations and eventually war. The same form laid the foundation, however, of the world of planned national or regional economies that Polanyi anticipated at war’s end and which, he argued, made the world more amenable to socialism.

This understanding of the historical role of nation states in capitalism is nascent and developing in the work of Marx (Desai 2013, 2012, 2018b) and Polanyi developed our understanding of the umbilical link between capitalism and the nation state, including their centrality both as agents of imperialism and those of resistance to it, most fully. However, no aspect of his work has been less commented on in our world – dominated as it has been by market-driven ‘globalist’ thinking or what Friedrich List labelled ‘cosmopolitan’ thinking, disdaining the national realities of the capitalist world.

Ugarteche Galarza, who cautions against the common confusion of Marx’s concept of fictitious capital and Polanyi’s concept of money as a fictitious commodity, harnesses Polanyi’s concepts of embeddedness and disembeddedness in a novel argument about the organization of money and finance in contemporary capitalism. Precisely because money is not a commodity, the neoliberal deregulation of the financial sector could only be incomplete. No sooner had it got into its stride early in the neoliberal era than it caused crises and these, in turn required forms of re-embedding. It turned out to be, Ugarteche Galarza’s original argument goes, partial in a most interesting way. The re-embedding process gave a special status to the most powerful financial institutions, that of being ‘Too Big to Fail’ (TBTF), effectively creating a two-tier system, or rather, not a system at all, but a complex.

In this complex, privileged firms enjoy greater freedoms to speculate as they please as well as more or less blanket state protection when speculation inevitably lands them in trouble. The TBTF concept emerged in the first major financial crisis of the neoliberal age to hit US financial institutions, the Third World debt crisis of the early 1980s, which threatened major US banks such as Continental Illinois. While the large financial institutions enjoy these privileged freedoms as well as protection, other banks and financial institutions, including worker pension funds and other savings institutions, face greater regulation and are only partially protected, and their clients, working people and the lower middle classes, have lost their savings in every financial crisis. The former are fully embedded in financialized capitalism while the latter are more disembedded: after all, as they say, ‘competition is for losers’. Ugarteche Galarza’s analysis demonstrates that the rhetoric of competition is, and can only be, used conveniently: it cannot describe the real world of money

## Karl Polanyi in the twenty-first century

in capitalism. He also provides powerful justification for the socialization of private financial institutions if economies are to be prosperous, productive and equal.

### **The double movement: from social protection to socialism**

Apart from a few ‘greats’, like the Weber–Durkheim–Pareto and the Menger–Walras–Jevons triumvirates of Sociology and Economics respectively, few writers of the late nineteenth and early twentieth century are studied and, if they are, they are studied in the disciplinary silos in which we have become accustomed to live and think. This has led to two problems. First, because Polanyi is isolated from his intellectual milieu, many attribute to Polanyi an originality he did not have while not appreciating his true originality. For instance, Polanyi is widely believed to have originated the ideas of the fictitious commodities and the double movement. However, Dale (2010a: 71) traces the origin of the idea of fictitious commodities to Tönnies and Desai (in this volume) argues that the idea was likely common in the intellectual culture of the time. Similarly, we have already indicated the relationship between the idea of the double movement and the account of the transition from individualism to collectivism in England by Dicey (and here we do well to remember that Polanyi’s formal training was in Law). Moreover, Thomasberger’s contribution in this volume points out that Polanyi himself attributed the idea of the double movement to ‘Liberal writers like Spencer, and Sumner, Mises and Lippman’ who, however, put ‘an entirely different interpretation on it’ (Polanyi, [1944] 1957: 141). Understanding Polanyi’s intellectual setting permits a better appreciation of his true originality, his deft deployment of carefully chosen ideas to diagnose the crisis and the stakes in it.

The second problem is that while the inviting suggestiveness of Polanyi’s ideas has contributed greatly to their currency, it has led to their all-too-easy employment. More serious scholarly engagement and debate have uncovered their often more complex and even opposite meanings, leading Michael Brie (in this volume) to call Polanyi ‘the best-known unknown intellectual’. We have already discussed the problems in the appropriation of the idea of fictitious commodities. The contributions in this part deal with our understanding of the double movement and the ideas – of society, social protection and socialism –, deeply connected with it. Rotstein ruminates on Polanyi’s understanding of the Reality of Society. Thomasberger reveals how Polanyi really understood the ‘double movement’. Lacher illuminates Polanyi’s understanding of the incompleteness of the great transformation in the US. Finally, Brie not only rejects the portrayal of Polanyi as a social democrat seeking only to re-embed markets but also provides a deeply insightful account of what

## Introduction

socialism meant to Polanyi and how he delinked socialism from liberal ‘freedom that kills’ and founded it on the type of freedom compatible with human sociality, what he called ‘freedom in a complex society’.

In his posthumous contribution, Polanyi’s student and colleague, Abe Rotstein, provides us with a document of living history, based on conversations with Polanyi in which he spoke of ‘a topic he called “the reality of society”’, the fundament of his thinking. Early on in these conversations, spanning some twenty-eight visits to Polanyi in Pickering, Rotstein began taking extensive notes. These notes were read, approved and corrected by Polanyi and he suggested Rotstein help him write the sequel to *The Great Transformation*. The title eventually settled on was ‘Freedom and technology’. In contrast to *The Great Transformation*, which ‘was built on a social sciences approach using institutional analysis’, the sequel would be based on the confluence of religious and philosophical thinking. Like Hegel, who wished to transform religious representations into philosophical ideas, Polanyi asked ‘Were there important truths that lay behind and beneath these beliefs and practices?’

For Polanyi they consisted of three ‘revelations’: the knowledge of death and finitude; that of the inner life, whether dubbed ‘soul’ or ‘conscience’, which was higher than physical existence and involved an awareness of the rest of society; and that of freedom, the way to a clear conscience, which became the foundation of our civil liberties. Polanyi believed that industrial society increases both interdependence and reliance on technological systems. ‘As we realize the full extent of that dependence, our own vulnerability hits home: we realize that we must protect these arteries of our life at any price. We offer our tacit consent to hand over to our government the virtually unlimited power to do whatever is “necessary”.’ Bearing in mind that these conversations took place amid the Cold War and McCarthyism provides a clue to their contemporary relevance in ‘the new world that Edward Snowden and Julian Assange have uncovered for us’, the world of ‘Homeland Security’, ‘cyber attacks’, ‘global epidemics’ ‘drones’ and ‘Big Data’. It is against this world that our freedom needs to be built.

Thomasberger, like Brie (see below), argues against the view that markets are ‘always already embedded’, which erases the distinction between market and non-market societies. He also challenges the widespread notion that the double movement is the eternal repetition of embedding followed by disembedding. In place of this ‘theorem of the double movement’, Thomasberger emphasizes the necessity of taking *The Great Transformation*’s opening sentence more seriously: that nineteenth-century civilization, in which the double movement had operated, had collapsed. This argument denies that the double movement that characterized nineteenth-century civilization is relevant today and implies that

## Karl Polanyi in the twenty-first century

the nineteenth-century movement to re-embed society was not socialism. By the twentieth century, the double movement no longer operated: as long as the countermovement of social protection was necessary, ‘as a protective movement, it depended on economic liberalism. ... the countermovement was a reaction to the liberal utopia, which made it an integral part of this civilization.’

After the collapse of that civilization, the left needs to discuss socialism rather than ‘re-embedding’ markets. Even on the right, the argument has long shifted away from laissez-faire towards ‘developing new justifications for the market system’. For Lionel Robbins, ‘The issue is not between a plan and no plan, it is between different kinds of plan’ and for Hayek, ‘Laissez-faire has been replaced by “planning for the market” or “planning for competition”’. The new position, as it emerged in the work of Austrian economists such as Ludwig von Mises and Friedrich Hayek in the socialist accountability debate, was that ‘complex societies’ were necessarily opaque to their members. Only the market could provide humankind with a way of dealing with this problem, only it could synthesize the necessarily partial knowledges of individuals into complex social decisions. Opposing such arguments requires us to move forward from simple state–market or society–market dualisms and towards a socialism that challenges the power and property relations that underlie capitalism.

Polanyi accepted the terms of this challenge, in the process also accepting that this problem faced all modern ‘complex’ societies, not just capitalist societies, and sought to make a case for socialism on this far more difficult terrain. In the twentieth and twenty-first centuries, rather than any spontaneous movement for social protection, the politically organized and ideological imposition of market disciplines can only be combatted by equally political, organized and conscious movements for democratic socialism. Only such a well-organized ideology could counter the dangers of the other alternative to the unbearable burdens of market society, fascism. This was also the root, Thomasberger argues, of Polanyi’s interest in institutions and of his enduring relevance as an institutionalist economist.

Based on extensive archival work into Polanyi’s writings, including many unpublished manuscripts, Hannes Lacher contests views that the international order originating in Bretton Woods was a realization of Polanyi’s vision of (re)-embedded markets, and that the New Deal anticipated Polanyi’s vision of socialism. On the contrary, like Polanyi Levitt, Lacher argues that Polanyi sharply distinguished the European from the American experience. He emphasizes how Polanyi believed that, owing to the deep roots of capitalist ideology among the working class, and the relative weakness of both class and state structures there, the US would prove a capitalist outlier in a post-war world dominated by a European

## Introduction

socialism. Agreeing with Sombart (and disagreeing with Stalin and International Workers of the World leader Daniel De Leon's judgements at various points), Polanyi insisted on American exceptionalism.

Though *The Great Transformation* was written in Vermont, Polanyi does not discuss the New Deal in it. So the argument that he considered it a model for the rest of the world does not seem credible. The New Deal remained too committed to private property. While it could have played a progressive role in the US context, it was nowhere near the socialism Europe needed. And, while in writing *The Great Transformation*, Polanyi might have entertained the hope that the New Deal might develop into a socialism, he was never in doubt about how far it had to travel to do so.

Lacher's careful reconstruction of Polanyi's views as they evolved and even fluctuated, at least in their estimation of the centrality of the US post-war world, impresses upon us just how much Polanyi's analysis depended on understanding history and the course it was taking in very contemporary events. Realizing that the Bretton Woods agreements represented not the triumph of his hopes for Europe and the world, but their frustration by the post-war might of the US, Polanyi also re-evaluated the New Deal. Where he had once 'considered the New Deal one of the modalities through which liberal capitalism and market-economy had been overcome', Polanyi's writings in the mid- and late 1940s saw 'the US, once more, as a market-economy... [one] hell-bent on stopping the disappearance of market-economy elsewhere in its tracks, including – and especially, in Britain'.

Finally, in the ultimate chapter of this part, Michael Brie also challenges the notion that Polanyi believed that 'the unleashing of market forces would always be answered with the "protection of society"'. This 'pendulum' view of history and the relative obscurity of Polanyi's understanding of socialism make him the 'best known unknown intellectual'. Brie seeks to rectify this. He traces the intellectual journey Polanyi took as he developed his understanding of socialism, beginning by identifying the guiding question of his work. It arose out of his understanding of his generation's responsibility for the First World War and concerned two opposed conceptions of freedom: the liberal conception and his own. There was, he felt, a 'contradiction between the freedom of the individual to make clear decisions and the senselessness and absurdity of the complex relationships that lead to civilizational catastrophes'. What was the concept of freedom that might deal with it? In answering this question, Polanyi was also aware that, after that war, socialism faced new intellectual challenges from the extreme free market Austrian economists such as Ludwig von Mises and new political ones from the emerging fascism. From the first challenge, whose axiom of capitalism as a 'complex society' he accepted, he



## Karl Polanyi in the twenty-first century

asked: ‘How is freedom possible in a complex society?’ From the experience of fascism, he drew the conclusion that fascism and socialism were two stark alternatives: while fascism was capitalism’s Plan B, socialism had to be made democracy’s Plan A, the foundation of its existence without which it risked slipping back into the conditions that made fascism possible.

Polanyi’s responses to the two challenges were combined by putting individualism and freedom at the centre of his socialist vision but also by framing them in the ‘reality of society’ that Rotstein discusses. In this socialism, ‘everyone can and must take responsibility for the impact of her or his free actions on the lives of others. This is not a comfortable socialism of passive well-being, but a challenge for the transformation of both society and the individuals.’ This was a socialism of freedom as solidarity, one that was constantly striving to expand real freedom.

### Polanyi’s wide-ranging influence on social and political thought

Somers and Block’s contribution shows that Polanyi’s approach is still productive of new concepts and can throw into relief the limitations of some of the best-known analyses of arguably the gravest economic malaise of our time: inequality. Somers and Block demonstrate that the chief argument of Thomas Piketty’s best-selling *Capital in the Twenty-first Century*, that the rate of return on capital tends to exceed the economy’s growth rate, leading to constantly rising inequality, is too economic. It assumes that capitalism has certain inexorable economic laws when, in fact, the distribution of incomes, a Polanyian perspective shows, is the result of key political decisions which create a structure of ‘predistribution’ of incomes. It comes before the better-known ‘redistribution’ effected through fiscal – taxation and spending – methods and is equally political. Somers and Block also demonstrate that explaining, as Piketty does, the reversal of that trend of rising inequality between 1914 and 1970 by the two world wars ignores the centrality of developments on which Polanyi focused. It is the deep and wide mass mobilizations of the period, which determined predistribution, that provide a more convincing explanation of the fall in inequality of that time, as well as indicating what needs to be done to achieve such a reversal again, hopefully permanently. Finally, Somers and Block show that while for Piketty capitalism remains the same throughout, a substantivist Polanyian perspective, which was attuned to the concern about the transition to a ‘post-industrial society’ from its beginnings in the 1950s, helps us take into account changes in the economy that emerge from changes in the productive structure.

Chikako Nakayama’s contribution draws our attention to the structural similarities as well as links between many of Polanyi’s arguments – such as that about the

## Introduction

relation between Lancashire and India or the role of haute finance in *The Great Transformation* – and the distinctive World Systems analysis of Giovanni Arrighi. Polanyi's influence, Nakayama shows, particularly that of his historically grounded understanding of the foundations of British imperialism in India, enabled Arrighi to arrive at a richer understanding of imperialism and hegemony in the world system, including an appreciation that the transition from British to American 'hegemony' was also a weakening of imperialism. In particular, Nakayama stresses the extent to which, far more than most Western understandings of imperialism, Polanyi was aware of the benefits that the imperial countries derived from their colonies, benefits that could not be had without direct colonial control. This understanding permitted Arrighi to see clearly how 'American hegemony could not enjoy such advantages as Britain' and how 'America fell into crisis owing to its quagmire of the Vietnam War'.

Finally, Jamie Peck explores the affinities of Polanyi with a whole range of thinkers in geography, economic history and political economy, such as the French Regulation School, who 'share the same object of inquiry – the culturally inflected, institutionally mediated, politically governed, socially embedded and heterogeneous economy, one subject neither to self-governing equilibrium nor to incipient convergence, but to restive restructuring and divergent development'. Building on this element in Polanyi's oeuvre, Peck proposes a substantivist project of comparative political economies that seeks to comprehend their similarities and differences as they have come to be historically constituted. Peck also explores the origin of Polanyi's perspective in his peripatetic personal and intellectual biography, in which his personal experience of the variations among major capitalist economies founded his substantivist conception of the economy, and the potential of the intellectually ambitious if also incomplete, suggestive if also at times ambiguous, 'moving system of thought' that was the result.

## Note

- 1 I would like to thank Kari Polanyi Levitt for her valuable input into this introduction and regret that, due to other demands on her time, she could not co-author it, as originally planned. While Kari's input has greatly enhanced it, all responsibility for remaining errors of fact or judgement remain, of course, mine.