

LHP: THE POWER OF MARKET FUNDAMENTALISM

RHP: BEYOND THE ECONOMISTIC FALLACY

Beyond the Economistic Fallacy

Karl Polanyi's major contributions to the social sciences can be best understood by tracing the essential touchstones of his life—from his youth and young adulthood in Budapest's hothouse intellectual and political environment, his time as editor of an Austrian financial newspaper, through his difficult but life-transforming years in England, his brief time in Vermont, and then to Columbia University. After acquainting ourselves with his remarkable life, this chapter explores Polanyi's most widely recognized contribution, *The Great Transformation* (hereafter referred to as GT).

We attempt to distill from his complex and sprawling historical writings some of his most important theoretical and methodological innovations. These include Polanyi's foundational critique of the “economistic fallacy”—the tendency in Western thought to analyze all aspects of life through an economic determinism. Polanyi countered this tendency by emphasizing the primacy of the social, by which he meant that even the mechanisms that societies adopt to secure the livelihood of their members are socially constructed and heavily dependent on both political institutions and robust social relationships of community and civil society. Through his criticism of the economistic fallacy, Polanyi also made contributions to our understanding of how to conduct exemplary historical and social analysis. Among the most important of these is his demonstration that sufficiently rich and multifaceted social analysis can only be accomplished by taking into account three distinct levels of analysis, levels that cannot be reduced to each other: 1) the global context in which the society is situated, 2) the actions of states, and 3) the conflicts among social classes and other groups. Although he wrote his masterpiece some seventy years ago, Polanyi's GT still commands our attention today because its story resonates so powerfully with the current clash between economic globalization and world-wide democratic aspirations.

Just as in Polanyi's accounting of the late nineteenth and early twentieth centuries, once again there appears to be an intractable contradiction between the imperatives of the global market system and a genuine democratic politics within nation-states. We have in so many ways, it seems, witnessed a virtual replay of Polanyi's "great transformation," as another historical epoch has been rocked to its foundations by the self-defeating project of creating a world dominated by an allegedly self-regulating global market.

<A>Polanyi's Life

There exists no full biography of Karl Polanyi, but such a project would be worthy of the efforts of the most skillful intellectual historian.¹ Polanyi's life spans five countries, he wrote in three languages, and he was actively engaged in political events from the reform politics of pre-World War I Hungary to the North American peace movement of the 1960s. Together with his wife, Ilona Duczynska, his personal networks included the major figures of the classical period of European communism to dissident Hungarian intellectuals active in the 1950s and 1960s. In short, to sort out the people and events that Polanyi influenced, or was influenced by, would require a broad canvas that encompasses many of the central events and ideas of the twentieth century.

For our purposes, a brief glimpse at Polanyi's life will have to suffice.² He was born in Hungary in 1886 to a remarkable family. His brother, Michael Polanyi, was internationally known first as a scientist and then as a philosopher. Their father was a Hungarian Jew who became wealthy as a builder of railroads. Polanyi's Russian mother, a strong intellectual, hosted a salon that became an intellectual center in prewar Budapest. As a young man, Karl was a founder of the Galileo Circle, a group of intellectuals committed to the liberating potential of social science and planning in vigorous opposition to "clericalism, corruption, against the

privileged, against bureaucracy-against the morass that is ever-present and pervasive in this semi-feudal country” (Duczynska 1977, xi).

Polanyi’s ideas can be traced to the formative period of Hungarian history from 1908 to 1918, when a generation of middle-class intellectuals was radicalized by the stagnation of the Austro-Hungarian Empire and ultimately by the barbarity of World War I. Polanyi was typical of this generation in his dissatisfaction with the Socialist Party, despite an intense sympathy for the working class that led him and other members of the Galileo Circle to participate in worker education projects. The Socialists were unattractive because their adherence to a deterministic version of Marxism made them cautious and conservative. The Socialists, moreover, were unwilling to espouse the cause of the Hungarian peasantry, which Polanyi supported vigorously. Despite the size of the rural population, the Socialists dismissed the problems of the peasantry with problematic Marxist phrases about the “idiocy of rural life.”

Polanyi passionately rejected the Second International’s belief that predetermined stages of historical development inevitably resulted in social progress. Central to him and others of his generation was the idea that progress could only come through conscious human action based on moral principles. The contrast between his view and that of the Socialists is encapsulated in Polanyi’s memorial address for the poet Endre Ady—a personal symbol of the younger generation’s hopes for a renewal of the Hungarian nation: “The truth is ‘that the bird soars despite rather than because of the law of gravity’ and ‘that society soars to stages embodying ever loftier ideals despite rather than because of material interests’” (quoted in Congdon 1976, 179).

Only months after these words were spoken, the hopes for Hungarian renewal were dashed. With the end of World War I, power passed from the Empire to the Karolyi regime, a coalition government dominated by the Socialists. Polanyi was associated with the Radical Party of Oscar Jaszi, a part of the coalition, but their reformist hopes came to nothing as external pressures and

internal disagreements blocked effective action. Dissatisfaction with political stalemate led many to turn to the newly formed Hungarian Communist Party, which recruited many radicalized middle-class intellectuals. Many Socialists joined with the Communists in creating the Hungarian Soviet Republic under the leadership of Bela Kun. But in the absence of support from the Soviet Union, the Bela Kun regime collapsed in 1919 from both internal and external pressures, and the right wing seized power.

Polanyi's abrupt departure for Vienna while Bela Kun was still in power suggests that he anticipated imminent disaster. He would never return to Hungary, except for a brief visit toward the end of his life. In Vienna, he worked as a journalist for *Oesterreschische Volkswirt*, a position that allowed him to study closely the turbulent political and economic events of the 1920s. There he met his wife, Ilona Duczynska, once an active participant in the Bela Kun regime, who had been forced to flee from the White Terror that followed the revolutionary regime's collapse.

As the political situation in Vienna turned to the right in the early 1930s, Polanyi emigrated to England, where he eventually found a job in worker education. In England he became associated with a group of Christian Socialists and Quakers and collaborated with them on a book, *Christianity and the Social Revolution* (1935). His own essay in that book, "The Essence of Fascism," prefigured some of the arguments in GT in pointing to how the corporatist fascist state reduced human beings to mere products. In 1940, Polanyi was able to get an appointment at Bennington College in Vermont, where he crystallized his thoughts and wrote GT. After the war, Polanyi was invited to Columbia to teach economic history, a position that he retained until 1953, when he retired to Toronto, Canada, to join Ilona, who had settled there because anti-communist immigration statutes blocked her from settling in the U.S.

During the Columbia years and in Canada, Polanyi's research shifted from the history of market society to the analysis of archaic and primitive economies. A collaborative research

project at Columbia led to the publication of *Trade and Markets in the Early Empires* in 1957.

[With the exception of a number of essays, the rest of Polanyi's work was published after his death in 1964. A research monograph, *Dahomey and the Slave Trade*, was published in 1966, and in 1968, George Dalton collected a number of the published essays, chapters from the three books, and some unpublished material in a volume called *Primitive, Archaic, and Modern Economies*. Finally, in 1977, Harry Pearson published an unfinished manuscript, *The Livelihood of Man*, containing both general material on Polanyi's theory of society and economy and an extensive analysis of ancient Greece.³

Polanyi's interest in primitive and archaic economies grew directly out of his analysis of nineteenth-century market society. In GT he demonstrated that the market played a subordinate role before the rise of capitalism and argued that previous scholarship, particularly of the ancient world, had wrongly interpreted the role of markets in those societies using anachronistic theoretical categories derived from modern capitalism. Despite his devastating criticism of a market-dominated society, however, Polanyi was never interested in generating visions of a return to a preindustrial past; his concern was to conceptualize and realize social arrangements that would reconcile technology and human needs, freedom and social justice, markets and democracy. This commitment was reaffirmed in a little-known collection of writings of Hungarian poets, *The Plough and the Pen* which he edited with his wife shortly after the Hungarian revolution of 1956. He revisited these beliefs as well in his final project, the launching of the journal *Co-Existence*, which absorbed much of his energy in the final years of his life. The page proofs of the first issue arrived the day Polanyi died.

<A>*The Great Transformation*

While Polanyi's work in anthropology and classical studies originally had more immediate influence on subsequent scholarship in those fields, GT remains his major achievement; today it

is by far the work by which he is most known and has been most influential across a broad spectrum of intellectual perspectives. It is his only complete book-length, sole-authored manuscript, and it develops many of the themes he pursued in his later work. Befitting a scholar with such an irregular career, Polanyi wrote the book that brought together all of the themes of a lifetime at the beginning of his formal academic career, not the end. Hence, it is appropriate to focus our analysis on GT, considered today by many as one of the most important books of the twentieth century.

Polanyi wrote GT as a conscious political intervention in the hope he could influence the shape of the post-World War II world. Fascism and the war had brought about the collapse of “civilization as we have known it,” but this catastrophe had occurred behind the backs—without the comprehension—of the historical actors. Polanyi believed that only a deep understanding of the terrible events of the previous decades could prevent a recurrence of barbarism and war in the future. While it was on the European continent that the weaknesses of the market caused the most tragic damage, Polanyi was persuaded that the long-term factors that had caused the wreck of civilization must be analyzed in the birthplace of the Industrial Revolution—early nineteenth century England.⁴ Polanyi sought to point the way toward a more humane and rational structure for the postwar world by illuminating the origins of fascism and World War II in the rise of the self-regulating market. This developmental project structured his entire approach.

The driving forces of GT are Polanyi’s passionate hatred, not of markets, but rather of a society dominated almost entirely by the market and his hope for a socialist alternative. But he was not willing simply to extend and elaborate the arguments characteristic of the socialist tradition; he sought instead to rebuild the socialist analysis of market society from its very foundations. This led him to reanalyze precapitalist societies and to reappropriate such pre-Marxist theorists as Aristotle, Hegel, and Robert Owen. The audacity and originality of Polanyi’s effort to reconstruct the socialist critique of market society gives his work its lasting power.

GT is the account of the rise and fall of market society. There are two critical transformations: the emergence of nineteenth century market society out of eighteenth century mercantilism and the collapse of market society in the twentieth century into fascism and world war. Polanyi's political purpose led him to analyze the second transformation more fully than the first, but there are lacunae in both analyses. Nevertheless, both transformations were central to his critiques of competing interpretations as well as for his understanding of large-scale historical change.

The book begins by demonstrating that England's transition from a commercialized mercantilist society to market society was neither inevitable nor the result of an evolutionary process. He challenges the prevailing wisdom that deemed nineteenth century market society to have emerged "naturally" from the preindustrial era with the steady expansion of market activity. Instead, Polanyi points out that while markets became increasingly important in the sixteenth century, there was no sign until the nineteenth century of markets becoming the controlling forces of societies. Rather, the state's determined regulation of these markets, as well as of long-distance and local trade, consistently limited their impact and prevented the creation of potentially threatening national markets. (GT, 280–285; see also Katznelson 1979; Somers 1994).

In opposition to the familiar evolutionary view, Polanyi argues that the emergence of national markets did not result from the gradual or natural extension of local or long-distance trading. Instead, it was only when mercantilist states began to see economic development as a foundation for building national strength that they deliberately turned to creating national markets as central to their state-building strategy.⁵ Even the creation of national markets, however, fell short of the full development of market society. This required a still more monumental societal disjuncture—nature, money, and human beings had to be transformed into the unnatural commodities of "land, capital, and labor" (GT, 71–80).

In his discussion of England's 1795 Speenhamland Act, Polanyi takes up the most important of these transformations: for the purpose of buying and selling their labor in the market, human beings had to be turned into commodities.⁶ Speenhamland is the story of how, in the last quarter of the eighteenth century, rural England was suddenly beset by a disturbing and acute increase in poverty. Looking across the channel to the French Revolution, fear of pauper rebelliousness was intense among the landed classes. This fear coexisted with a concern for the potential depopulation of the countryside as higher wages in the emerging rural-industrial villages attracted impoverished country people.

Although it was not understood at the time, pauperism was a product of a marked increase in both the extent and volatility of England's world trade. The volatility was most intensely experienced in the countryside, as rural unemployment went hand in hand with severe dislocations of both village and town occupations. When economic downturns reduced commercial and manufacturing employment, the laboring poor were left only to drift back to their country parishes for survival. The eradication of the family plot by enclosures had done away with any vestiges of informal unemployment insurance for the unemployed, so that even those employed in rural industry had no means of security other than state-provided poor relief. For Polanyi, pauperism was only the overt sign of the dislocations soon to explode with the onset of the Industrial Revolution and the market economy. Yet the outcome was not inevitable; expanding trade and markets would not have by themselves been able to make a qualitative leap into a market society. Only conscious political intervention could bring about this historically unique event. This analytic perspective underlies Polanyi's focus on Speenhamland.

In 1795, the Speenhamland Act was introduced in the south of England as a new practice of poor relief. As an institution it reflected the principle of the "right to live" through a system of family allowances and "grants-in-aid of wages" based on the going price of bread. It was an act in response to the structural problems of economic hardship intended to protect the labor force in

the countryside while simultaneously preventing itinerant pauperism. As relief was only available to residents in their local villages, Speenhamland helped maintain the local political power of the landed classes and slowed the release of cheap labor from the countryside. According to Polanyi, however, the Act had devastating consequences for the people it was intended to help.⁷ Knowing full well the public coffers were obligated to keep workers alive, albeit at bare subsistence levels, employers allegedly had no incentives to pay decent wages, preferring to let tax-payers pick up the slack. Actual wages thus crashed beneath subsistence while parish relief payments to working people skyrocketed. While squires took on the role of the benevolent almsgivers in their positions as political rulers, as employers they benefited from virtual gang labor, while the taxes to support labor came only from the pockets of the rural middle class.

Speenhamland, a system supposedly organized to support the poor, was in fact benefiting the employers by using public funds to subsidize their labor costs. In some areas only those who were on relief had a chance of employment, and those who tried to keep off of and earn a living on their own were hard pressed to find a job. The consequence was a vast demoralization of the poor, as the able-bodied laboring poor became indistinguishable from paupers—being forced onto welfare. Polanyi recounts how incentives to work were undermined and the dignity of the English worker was stripped away by this method of welfare, which crystallized in one system the mutual incompatibility and unworkability of the protectionist “right to live” with the wage system of the labor market—two contradictory impulses that prefigured the entire development of the nineteenth century.

The crux of Polanyi’s discussion of Speenhamland is thus the tension between an early kind of social insurance system and the emergence of an unalloyed market for labor. Polanyi points to the importance of the passage in 1799 and 1801 of the anti-Combination Laws that criminalized union activity, making unionization a form of treason against the state. These laws prevented

workers from being able to resist collectively and bargain for power through the mechanism of unionism. On the one hand, the wage system compelled working people to gain a living by selling their labor. On the other, Speenhamland's system of aid-in-wages attempted to protect workers from the dangers of being fully exposed to the market. The combination of the two, in tandem with union illegality, prevented workers qua "labor" from establishing its own value in negotiations with employers. A new class of employers had been created but, in Polanyi's words, rural workers could not constitute themselves as a class (GT, 81–89).

Speenhamland was repealed in 1834. According to Polanyi, repeal followed the political victory in 1832 of the new industrial middle class, now armed not only with new legislative power but also with "scientific" laws of Malthusian population theory. The 1834 Poor Law Reform Act (usually called "the New Poor Law") eliminated "outdoor" relief to the unemployed (provided in their own homes) and forced those displaced from the countryside into the hated workhouses as the only alternative to the despised factories. In this single institutional change, English workers were transformed into virtual commodities. Now, they had only themselves to sell in order to survive. They either had to lose their citizenship through workhouse imprisonment or by accepting the terms of an unfair wage system. The "social safety net" disappeared in favor of the market, not the state, setting wage levels. In Polanyi's view, industrialization *as set?\\EN* [should this be deleted? Not sure what this is supposed to say or represent] achieved its true inaugural moment.⁸

Polanyi was no romantic; he was not contrasting the "golden age" virtues of Speenhamland to the vices of market capitalism. Indeed, despite the subsequent catastrophic impact of its repeal, the forced urban migration that followed, and the unprecedented "scientific cruelty" of the New Poor Law, his assessment of Speenhamland's impact on social life is unequivocally

negative. A plague on both houses, he charges: "... if Speenhamland meant the rot of immobility, now the peril [of the market] was that of death through exposure" (GT, 87).

Polanyi places great emphasis on the Speenhamland interlude for several reasons. First, Speenhamland illustrates that the market's development was neither evolutionary nor continuous. It was the political and violent intervention of the Poor Law Reform that institutionalized the first true labor market. This emphasis on the role of the state in unleashing market forces is essential to Polanyi's argument that the nineteenth century market economy and its accompanying ideological distortions were complete historical novelties. The road to the free market was paved with continuous political manipulation, whether the state was actively involved in removing old restrictive regulations, as in the case of Speenhamland, or in building new political administrative bodies to bolster the factors of production of the new market economy, as in the administrative mechanisms of the New Poor Law (GT, 147). The political mechanisms surrounding the Speenhamland interlude—its institutionalization, its dynamics, and its final repeal—all serve to demonstrate the degree to which the "natural" self-regulating market was politically constructed in its origins.

Second, Polanyi argues that the experience of and the debates around Speenhamland established the fundamental assumptions of liberal ideology. The reform of the Poor Law occurred when "economic liberalism burst forth as a crusading passion, and *laissez-faire* became a militant creed" (GT, 143). Polanyi returned to Speenhamland and the birth of the "liberal creed" to show how the fundamental assumptions that continued to shape economic thought in the 1930s and 1940s were mistaken from the start and dated from that century-old passion for a "self-regulating market." There was nothing more central for Polanyi than these three points: that the ideology of economic liberalism was pervasive and politically established, that it was fundamentally mistaken, and that it had become "one of the main obstacles to the solution of the problems of our civilization" (1977, xvii).

To make this point persuasively, he also used Speenhamland to argue that the effort to create a free market for labor was *ultimately* doomed to failure because of the contradiction between arrangements that sought to protect human communities and the wage system that made no adjustment for social needs. For Polanyi, labor's commodification is the paradigm of market society; the attempt to transform human beings into commodities is the core, and the core weakness, of market society. It is the core weakness because no sooner was market society institutionalized than it catalyzed a powerful countermovement, which Polanyi defines as collective efforts to protect society from the market. Precisely because turning people into commodities represented such a fundamental threat to the fabric of early nineteenth century society, it set in motion an inevitable counterpressure for the protection of society. In contrast to the calculated efforts of industrialists and state builders to create a market society, Polanyi argues that like all countermovements, this early one was spontaneous, unplanned, and came from all sectors of society in response to the devastating impact of the market.

Polanyi uses comparative historical analysis to show that, despite the varying ideological configurations of the different European governments, all of them, including England, passed through a period of *laissez-faire*, followed immediately by a period of legislative intervention designed to address the dominant social problems of the time. New laws regulating public health, factory conditions, social insurance, trade associations, public utilities, and so on all reflected the essential contradictions of industrial development within a free-market system. Polanyi describes the opposing principles of market society and the protectionist countermovement in the following terms: "The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely *laissez-faire* and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market-primarily, but

not exclusively, the working and the landed classes-and using protective legislation, restrictive associations, and other instruments of intervention as its methods” (GT, 138–139).

Ironically, because the successive victories of these countermovements effectively impaired the self-regulating markets and the unimpeded supremacy of markets over people, even deeper economic disorders and even stronger movements for protection inexorably followed. Behind the backs of all concerned, these clashing processes—all similar to the contradictions of Speenhamland—gradually undermined the basis of nineteenth century stability, leading to World War I and the seemingly sudden collapse of civilization. Sadly, the 1920s and 1930s only ushered in another period of stalemate, during which a new order struggled to be born.

While he does not mention it directly, Polanyi’s argument draws on Keynes’s critique of classical economics. Because the classical economic tradition is founded on the theory of the self-regulating market, it obviates any problem of insufficient demand; shifts in factor prices, including the price of labor, will always restore equilibrium and high levels of investment. But as Keynes (1925) insisted, working class organization significantly diminished the flexibility of wages, so that the equilibrating mechanism no longer worked. Without that mechanism, investments were likely to be withheld, and the problem of inadequate demand became chronic. As a result, the progressive strengthening of the working class from the 1830s to the 1920s served to diminish the curative powers of periodic economic crises, leading to progressively more serious economic downturns. In the end, these culminated in the Great Depression of the 1930s. Polanyi, like Keynes, criticizes those who deny that social legislation and trade unions have interfered with the mobility of labor and the flexibility of wages, insisting that such a position implies “that those institutions have entirely failed in their purpose, which was exactly that of interfering with the laws of supply and demand in respect to human labor, and removing it from the orbit of the market” (GT, 186).

Polanyi's discussions of the protection of land and money are parallel to his discussion of labor. Drawing on the historical experience of Germany, he argues that the major mechanisms for protecting the land were agricultural tariffs that aided the peasantry by slowing competitive food imports. This, too, hampered the equilibrating mechanisms of the self-regulating market, while also enhancing the political position of those traditional social groups—the old landed classes, the church, and the army—that supported agricultural protection. Precisely because the protection of the land was a general social interest, these groups were given a mission that allowed them to preserve their influence, enabling them later to be available to provide reactionary solutions when the collapse of liberal society occurred.

Whereas the protection of labor and land were associated primarily with social groups critical of unfettered markets, the movement for the protection of money was a concern among all social groups and classes. Monetary protection took the form of the growing importance of national central banking as a mechanism to protect nations from the vagaries of the world market. The gold standard was the lynchpin of the self-regulating market because it was intended to ensure equilibrium in international payments. When a nation was spending more than it was earning, gold would flow out and the money supply and the level of economic activity would diminish. This, in turn, would lead through price and demand effects to higher exports and lower imports, and a restoration of balance.

The problem was that, as the nineteenth century wore on, there was a decline in the willingness of all groups in society to accept the periodic economic downturns and resulting crises of the credit system that were imposed by this mechanism. Workers agitated against unemployment, capitalists against a fragile banking system, and farmers against falling prices. The result was a series of gradual measures to insulate the national economy from the world market. The growing resort to trade protectionism from the 1870s on also falls into this category, but Polanyi's emphasis is on those measures that tended to decrease the impact of gold

movements on the domestic supply of money. The growth and elaboration of central banking created a variety of means by which the impact of international forces was lessened. Polanyi insisted: “Central banking reduced the automatism of the gold standard to a mere pretense. It meant a centrally managed currency; manipulation was substituted for the self-regulating mechanism of supplying credit, even though the device was not always deliberate and conscious” (GT, 204).

This protection of money had two important consequences. First, dampening the automatism of the gold standard reduced the gold standard’s capacity to operate as an equilibrating mechanism. Another key link in the theory and practice of market self-regulation was impaired, so the fragility of the market system increased. Second, the creation of central banking tended to solidify the nation as a cohesive unit whose economic interests were in conflict with those of other nations. The effort to protect the national market from the world market led directly to efforts to manipulate the global market in one nation’s favor. “The import tariffs of one country hampered the exports of another and forced it to seek for markets in politically unprotected regions” (GT, 226). The result was economic imperialism as the European nations rushed, in the last part of the nineteenth century, to secure control over Africa and Asia as a means of exporting domestic economic strains. The more serious the economic pressures on each nation, the more intense the inter-imperialist rivalries. Hence, in Polanyi’s view, imperialism is the international protectionist institution par excellence, in both its attempt to combat market strains and in its destructive impact.

World War I was the result of these intensifying international conflicts. Throughout the second half of the nineteenth century, high finance—the international banking community—had served successfully as a peace interest. Whenever the European powers moved close to a general war, the bankers mobilized to mediate the conflict, since such a war would endanger their position and profits. However, as the inter-imperialist conflicts grew more intense, the

effectiveness of this peace interest diminished. Furthermore, the freezing of Europe into two hostile alliances meant that it was no longer possible to avoid war through a system of shifting alliances. Polanyi suggests that the actual timing of World War I was contingent on a variety of factors, but its ultimate occurrence was an expression of the contradictions of nineteenth century civilization.

Because the war was not understood as the final crisis of the self-regulating market, every effort was made to reestablish the key institutions of nineteenth century civilization in the post-World War I world. In particular, a doomed effort was made to restore the gold standard despite the reality that the war had swept away its main bulwark—Britain's international hegemony. Polanyi notes, however, that this restoration was not simply the work of the political right, but that leftists from the Bolsheviks to the Social Democrats were also unable to imagine a world without the gold standard.

This restoration in a context where the gold standard could not possibly work resulted in a fundamental conflict between parliamentary democracy and markets. The working class, through electoral politics, sought to further protect itself from the market through the passage of various forms of social legislation. But this social spending came into conflict with the needs of each economy to maintain its international competitiveness and its capacity to respond to international market pressures. The result was a period of intense stalemate. The working class lacked the strength and perhaps the imagination to push for a genuine alternative; all it could do was weaken the system by pressing for an extension of protection. The employers were unable to effectively resist these pressures within parliamentary rule, but this meant that they were also unable to make the market system work.

This period of paralysis gave way to the stock market crash and the world depression. In the midst of the depression, fascist movements provided a real although barbaric solution to the contradictions of market society. The solution “can be described as a reform of market economy

achieved at the price of the extirpation of all democratic institutions, both in the industrial and in the political realm” (GT, 245). Fascism also broke with the gold standard system by substituting political controls for the market in managing international economic transactions. For Polanyi, the power and dynamism of fascist movements was not a function of their capacity to recruit supporters but rather a result of their ability to provide a solution to the impasse of liberal capitalism. Writing of Hitler’s accession to power, Polanyi argued that “to imagine that it was the strength of the movement which created situations such as these, and not to see that it was the situation that gave birth in this case to the movement, is to miss the outstanding lesson of the last decades” (GT, 247). While Polanyi recognizes that fascism took different forms in different societies, he insists that it was ultimately an international movement that was rooted in the structure of the world economy.

Those nations that did not become Fascist responded to the pressures of the 1930s in one of two other ways. Polanyi saw the New Deal as representing another paradigmatic solution to the impasse of market society, one that retained democracy but instituted a number of measures to insulate the national economy from the world market, such as Roosevelt’s decision to abandon the gold standard. While Polanyi is not explicit on this point, his view of the New Deal rests on the assumption that the reform measures of the 1930s represented the beginning of a transition to social arrangements under which the market would again be subordinated to social relations (see also Berman 2006). In short, rather than seeing the New Deal leading to a reinvigorated market society, he views it as the beginning of a transition to socialism. The other paradigmatic response to the crisis of the 1930s was that of the Soviet Union, with Stalin’s decision to build “socialism in one country”—a decision that Polanyi links to the crisis of the world economy.

For Polanyi, it was self-evident that these diverse responses to the crisis of market society could not coexist for long without war. Hence, World War II was a direct outcome of the

breakdown of market society. Unless this lesson was fully understood, Polanyi believed that the post-World War II period would be as disastrous as the interwar period.

<A>Polanyi's Underlying Concepts

To fully understand Polanyi's contribution, it is necessary to go beyond this brief summary of the major arguments of GT to grasp the conceptual framework upon which Polanyi constructs his specific historical analyses. The foundation on which all his concepts rests is the idea of holism, an analytic commitment to societal interdependence as the necessary context for grasping particular social dynamics.⁹ As with Marc Bloch's notion of "totalizing history" (Bloch 1961; Febvre 1973), Polanyi seeks to demonstrate the structural and cultural relationships among all parts of the social whole, while rejecting the genetic determinacy of any one aspect. In this orientation, Polanyi saw himself continuing the tradition of Aristotle: "In terms, then, of our modern speech Aristotle's approach to human affairs was sociological. In mapping out a field of study he would relate all questions of institutional origins and function to the totality of society" (Polanyi 1968 [1957], 96).


Polanyi's intellectual commitment to holism is evident in his specific views of the relationship between the social and the economic, the nature of market society, the role of social classes, and the position of the state in society. Polanyi's entire critique of market society rests on his belief in the dominance of the social. He considers the process of analyzing people's interests in terms of a distinction between material and ideal concerns to be fundamentally misguided. For Polanyi, all human behavior is socially shaped and defined; whether a person is trying to make money or achieve inner peace, the source of the action is a set of socially created definitions that make one or the other goal appear either dangerous or desirable. Religion, for example, is considered an ideal interest, whereas hunger a material one. But Polanyi recounts anthropological findings that in a culture where fish are sacred objects rather than food, more

than one tribe has been found to have starved to death on the banks of a river overflowing with fish (GT, 165–166).

The proper distinction is not between different types of interests, but among different social arrangements that generate different belief systems and different institutional opportunities. In striking contrast to those theorists who begin from the individual actor in developing theories of “economic man” or “rational man,” Polanyi’s starting point is society, and for him any analysis of individuals in isolation from society is merely fanciful.

This focus on social arrangements and the way in which they generate different types of human behavior leads directly to Polanyi’s critique of what he saw as the economic determinism of both liberalism and orthodox Marxism. For Polanyi, nineteenth century society was unique in the way that economic imperatives had become dominant in shaping human life. In earlier societies, the economy—the arrangement for ensuring humanity’s livelihoods—was embedded in social relation, subordinated to religion, politics, and other social arrangements.¹⁰ In opposition to Adam Smith, Polanyi stressed that the orientation toward individual *economic* gains played only a minor role in these earlier societies. Only in the nineteenth century self-regulating market did economic self-interest become the dominant principle of social life, and both liberalism and Marxism made the ahistorical error of assuming that what was dominant in that society had been dominant throughout human history.

Polanyi called this mistake “the economistic fallacy”—a distortion in thought that paralleled the distortion of a society dominated by the market. His attack on this fallacy led him to his extensive study of nonmarket societies to substantiate his argument for the historical specificity of market society. Even to embark on such a project, however, Polanyi was forced to make a critical distinction between two different meanings of the word *economic*. The formal definition refers solely to the process of economizing scarce means to make the most efficient use of what is available for particular ends. The substantive definition is “an instituted process of interaction

between man and his environment” through which material needs are met. The point is that as long as analysts use the first definition, they will find in pre-capitalist societies the same basic dynamics that exist in market societies. Only with the second definition is it possible to escape the tendency to project what presently exists back into the past. The substantive definition of the economy necessarily serves to place the economic back in the context of the social whole: “The human economy, then, is embedded and enmeshed in institutions, economic and noneconomic. The inclusion of the noneconomic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labor.” (Polanyi, Arensberg, and Pearson 1957, 250).  As for the “natural economic” motivations ascribed to people by liberalism, Polanyi decries hunger and gain as no more economic than love or hate:

Single out whatever motive you please, and organize production in such a manner as to make that motive that individual’s incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political or aesthetic; let it be pride, prejudice, love, or envy, and man will appear as essentially religious, political, aesthetic, proud, prejudiced in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent “real” man. As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly (Polanyi 1968, 68).

Only in a market society could this economistic view of people prevail precisely because total marketization establishes a set of institutional mechanisms of production that make human survival depend on economic drives. If so-called economic motives were natural to humanity, Polanyi suggests, we would have to judge all early and primitive society as thoroughly unnatural.

Polanyi's belief in the dominance of the social also led him to the conclusion that a society that elevated economic motivation to absolute priority could not survive. For this reason, he insists that the nineteenth century self-regulating market was a utopian experiment that was destined to fail.¹¹ This is one of Polanyi's most important insights, and it provides the basis for his argument concerning the protectionist countermovement. Pure human greed, left to its own devices, would place no limit on competition, Polanyi argues, and the result would be a destruction of both society and environment. Workers would be exploited beyond the point where they could even reproduce themselves, food would be systematically adulterated to expand profit margins, and the environment would be devastated by pollution and the unrestricted use of resources. Moreover, even before these catastrophes, a society in which each individual pursued only his or her economic self-interest would be unable to maintain the shared meanings and understanding that are necessary for human group life. As with Durkheim's emphasis on the noncontractual basis of contract, Polanyi saw that market transactions depended on collective goods such as trust and regulation that could not possibly be provided by market processes. For this reason, the protectionist countermovement was a necessary response to the threatened destruction of society caused by the unregulated market.

The second concept that is shaped by Polanyi's holism is the notion of market society itself. For Polanyi, the distinction between the existence of markets in society and a market society is fundamental. The followers of the economistic fallacy consistently jump from the fact that markets existed in a particular society to the conclusion that the laws of supply and demand operated as they do in contemporary society. But Polanyi devoted much effort to showing that markets could operate on very different principles. In many precapitalist societies, prices were administratively set, so that supply and demand played a marginal role at best. Moreover, even when price-making markets existed, as during mercantilism, the systematic regulation of those markets meant that markets played a subordinate role in social life. Hence, market society was

created only in the nineteenth century when these restrictions were eliminated and land, labor, and money were treated as commodities. The issue is not the existence of markets, but the relationship of markets to the social whole. The category of market society is used only to describe that social whole in which the market principle extends to and organizes land, labor, and money and structures society around the fiction that these are true, not fictitious, commodities.

The concept of market society also has a spatial dimension for Polanyi. Analysis of particular societies has to take place within the broadest relevant context—in this case, the global economy. Indeed, Polanyi was among the first to recognize that the international sphere was of critical importance for understanding developments within particular nations. But he approaches the international dimension as more than simply a world market in which nations compete. He recognizes that on the international level, just as on the national level, market society requires an institutional order to function. Unregulated and unstructured international economic competition would lead to a continuing state of war. Thus, analysis of globalization requires a focus on the international economic regime that sets the rules within which competition takes place. The gold standard system that plays a central role in the unfolding of his story was such an international regime.

The third important aspect of Polanyi's holism is his unique view of the role of social classes in history. Polanyi uses the standard sociological and Marxist class categories such as bourgeoisie and working class, but he does not accept the practice of treating conflict between these classes as the central engine of history. Instead, the development of society as a whole provides social classes with opportunities, and their capacity to respond to these opportunities depends on proposing solutions that are in the interests of society as a whole. Thus he organizes his argument not around the story of classes themselves, but around the three social substances—land, labor, and money—that classes sought to protect as part of the countermovement against the market. Moreover, because he rejects the view that individuals are motivated solely by self-

interest, Polanyi considers no mistake to be greater than to define classes as aggregates of economic interests. On the contrary, classes are social constructions; they represent collective responses to changes in the organization of society. In particular, Polanyi insists that reducing the working class to its economic situation and interest distorts the entire history of its political development.

Polanyi's critique of the economistic fallacy originates from his argument that cultural disaster is even more significant than economic exploitation. Addressing the liberal defenders of the Industrial Revolution who use economic statistics indicating improvement in the standard of living to dispel charges of exploitation, Polanyi characterizes their position: "For how could there be social catastrophe where there was undoubtedly economic improvement?" (GT, 164).

Here, setting the stage for an entire generation of social historians yet to come—E. P. Thompson (1963) **I** was the most important¹²— Polanyi uses anthropological evidence to demonstrate that social calamities are primarily cultural, not economic, phenomena, and as such cannot be measured by income figures or population statistics. Cultural catastrophes involving broad strata of common people are infrequent occurrences, and the cataclysm of the Industrial Revolution was an exceptional landslide in history, one that within less than half a century transformed vast masses of the inhabitants of the English countryside from settled folk into something resembling unprotected market commodities bought and sold on the market. If the infrequency of so dramatic an event makes it difficult to grasp, Polanyi makes it easier by drawing an analogy between the imposition of market society and the impact of colonialism on peoples of the Third World. He argues that, in both situations, "not economic exploitation, as often assumed, but the disintegration of the cultural environment of the victim is then the cause of the degradation" (GT, 164 and appendix 12, 300–303).

For this reason, Polanyi sees classes as social and cultural, not economic institutions, constituted primarily to redress the cultural devastation created by market society. Polanyi

viewed the goals for which individuals will strive as culturally determined over and above crude economic necessity, and the entire counter-movement for protection is primarily a cultural and social phenomenon, and only secondarily an economic one. For this reason, it represented not just a different class interest from that of the market, but a fundamentally different *principle* from the economic one. In this struggle for greater protection from the market, working people found unlikely allies and was effective precisely because it was able to represent the general needs of society against the market. This lengthy quotation conveys Polanyi's views on this issue:

Once we are rid of the obsession that only sectional, never general, interest can become effective, as well as of the twin prejudice of restricting the interests of human groups to their monetary income, the breadth and comprehensiveness of the protectionist movement lose their mystery. While monetary interests are necessarily voiced solely by the persons to whom they pertain, other interests have a wider constituency. They affect individuals in innumerable ways as neighbors, professional persons, consumers, pedestrians, commuters, sportsmen, hikers, gardeners, patients, mothers, or lovers—and are accordingly capable of representation by almost any type of territorial or functional association such as churches, townships, fraternal lodges, clubs, trade unions, or most commonly, political parties based on broad principles of adherence. An all too narrow conception of interests must in effect lead to a warped vision of social and political history, and no purely monetary definition of interests can leave room for that vital need for social protection, the representation of which commonly falls to the persons in charge of the general interests of the community—under modern conditions, the government of the day. Precisely because not the economic but the social interests of different cross sections of the population were threatened by the market, persons belonging to various economic strata unconsciously joined forces to meet the danger (GT 154–155).

In sum, social classes play a key historical role, but it is not a role that can be understood in terms of economic self-interest (see Somers 1992, 1994, 1996, 1997). Finally, Polanyi's theory of the state also reflects his commitment to holism. As one would expect from his view of social classes, he rejects the Marxist tendency to explain state policies in terms of economic interests. Instead, he inclines toward a view of a "universal" state that acts to preserve society by transcending particular conflicts in favor of the needs of society. However, there is more to Polanyi's view than this; paradoxically, the very success of the protectionist countermovement led directly to disaster. State action was not able to produce the idealized outcome that one expects from such a universal conception of the state.

This added complexity rests on the insight that the self-regulating market created a peculiar situation in which development was caught in the contradictory conflict of two sets of "general" interests. On the one hand, the working classes, landed classes, and others who pushed for social protection were acting on behalf of social organization and natural resources, and the state was responsive to their pressures. On the other hand, the very market they were exposing, as oppressive as it may have been, was now the material foundation of the society; survival of the new civilization—shaped and organized by market principles—depended on the survival of the market. Market interests had also become general interests and the state had little choice but to respond to these interests as well.

Thereby, the politicians acted in the interests of society as a whole when they passed protective legislation, and yet the same was true when they passed pro-market laws; the state clearly did not "belong" to either market or society. It was, rather, necessarily both universal, representing society against the market, while also serving as a market-driven government. The state, in short, crystallized the nineteenth century's fundamental struggle between market and society.

Polanyi analyzes political and governmental actions in terms of society as a whole, rather than of some particular interests. He is not theorizing here about government efforts to secure legitimacy from the subjective perceptions of the citizenry. Polanyi is instead explaining how an ever-expanding market so endangers basic social relationships and institutions that the state is impelled to do whatever it takes to stabilize economy and society.

Polanyi's view of the state fundamentally conflicts with market fundamentalism's appropriation of classical liberal political theory. While political liberalism developed in opposition to a tyrannical English government and retained a fundamental suspicion toward political power, Polanyi viewed politics and the exercise of power as constitutive of all human societies that strive for both freedom and social justice. The distinctiveness of Polanyi's approach is clearest in his treatment of the ancient irrigation empires of Babylonia and Assyria. While historiography assimilated these societies to the category of "tyrannical administrative bureaucracy," Polanyi's view is very different. He argues that these empires prospered because the state sanctioned gainless transactions regulated by the king and the rule of law. The spread of such transactions "multiplie[d] manyfold the productivity of labor in a flood-controlled agriculture." Polanyi continues: "The absence, or at least the very subordinate role, of markets did not imply ponderous administrative methods tightly held in the hands of a central bureaucracy. On the contrary, gainless transactions and regulated dispositions, as legitimized by law, opened up, as we have seen, a sphere of personal freedom formerly unknown in the economic life of man." (Polanyi 1977, 74). It is difficult to imagine a view of politics, the state, and social justice that is further at odds with market fundamentalist approaches.

<A>Polanyi's Methodological Contributions

Polanyi's holistic approach to historical analysis represents his most significant contribution to historical and comparative analysis. The formulations we discussed in the previous section

comprise a significant legacy to contemporary scholarship. Yet there are also other methodological principles that can be extracted from Polanyi's writings that bear on the vexed questions of historical and comparative analysis. The discussion that follows will touch on three of these: the centrality of institutional analysis, the role of metaphor, and the management of multiple levels of analysis. In addition, the discussion will touch upon one key weakness in Polanyi's approach: the limitations of his analyses of nonmarket societies.

Polanyi's primary task was to develop a method that avoided the assumption that all societies operated on the same economic principles. He thus focused his analysis at the level of societal and political institutions. He saw this as the best way to avoid the conscious or unconscious introductions of theories of motivation that could lead the analyst to findings that simply confirmed his or her initial biases. For example, many theorists had approached primitive societies with the question of how these people economized scarce resources, but for Polanyi this question assumed a motivation that might not be there. Polanyi's contrasting approach would be to ask what the institutional arrangements are by which this *particular* society ensures its own livelihood. His focus on institutions also allows Polanyi to distinguish among different subtypes of institutions. Hence, just because markets existed in a particular society does not imply a full-blown market society, making markets-in-society altogether unlike market society. Instead he carefully differentiates among the different kinds of markets, showing how some were price making while others operated within a system of administered prices. Similarly, Polanyi shows that money fulfills different functions in diverse societies.

It must also be acknowledged that, despite Polanyi's commitment to holism, an exclusive concentration on concrete institutions has its limits. Polanyi also needed to develop concepts that embraced societies as a whole without reintroducing the biases of motivational analysis. For this reason, he developed his classification of the different societal arrangements by which human economies organize themselves—reciprocity, redistribution, and exchange (GT, ch.4, and

Polanyi 1977, 35–43). Each of these is an institutionalized pattern of relationships by which individual social units are linked together to form a social whole. Different patterns always coexist within the same society, but there is usually a dominant one. Furthermore, Polanyi remarks: “It would be a mistake rigidly to identify the dominance of exchange with the nineteenth century economy of the West. More than once in the course of human history have markets played a significant part in integrating the economy, although never on a territorial scale, nor with a comprehensiveness even faintly comparable to that of the nineteenth-century West” (Polanyi 1977, 43).

Although this schema is on a different level of analysis than specific economic institutions, its referent is still an institutional issue—how different societies integrate their economic subunits. While it appears to have certain affinities with what some call functionalism (analysis of how different societies all satisfy certain universal needs [see, e.g., Parsons 1966]),¹ there are more differences than similarities. Polanyi does not produce a catalog of “functional requisites” for human societies; rather he limits his list to those institutional arrangements necessary for the “livelihood of man” and those necessary for some degree of coordination among subunits. In both cases, the answers that Polanyi found could be expressed in terms of specific institutional arrangements rather than abstract functions.

Polanyi’s method is to compare the different means by which different societies manage similar problems. This allows him to demonstrate the hidden links between seemingly diverse phenomena. Redistribution, reciprocity, and exchange are all comparable responses to the problem of how societies configure their different institutions. From this point of view, even fascism, the New Deal, and socialism are but different national responses to the same problems brought on by the collapse of the world market. In a sense, Polanyi’s procedure anticipates such later classics as that of Barrington Moore (1966) and Alexander Gerschenkron (1962), both of which compare by asking how different societies manage a particular problem, such as how to

generate the savings necessary for industrialization. Polanyi's institutional focus allows him to distinguish arrangements that appear to be the same while comparing those that do not at first glance seem to be comparable.

A second important aspect of Polanyi's method is his use of metaphor. The most spectacular aspect of GT is its effort to explain the rise of fascism in terms of how classical political economy and industrialism emerged more than one hundred years earlier. This connection is expressed in terms of a metaphor of organic misdevelopment: the ultimate collapse of market society followed from fundamental strains that were inherent in market society from the beginning. The acorn was flawed, and that is why the seemingly mighty oak of nineteenth century society crashed so dramatically and so suddenly. To be sure, when Polanyi expresses this idea in his own language—the collapse occurred because society had to save itself from the market—there is more than a hint of reification. The abstract entity, society, appears to have a life of its own, which acts against another abstract entity, the market. Measured against the standards of contemporary scholarship, in which hypostasizing entities and resorting to theories of organic development or misdevelopment are often seen as cardinal sins, Polanyi's argument appears at first glance to be seriously flawed.

Yet such a view misses what is most powerful and useful in Polanyi's argument: the way he moves back and forth between metaphor and metatheory, and a series of concrete causal arguments. In analyzing large-scale historical change, using metaphors such as those of organic development or misdevelopment is indispensable. The indispensability does not rest on the fact that development is immanent in history, but that the effort to make sense of large-scale historical change requires frameworks that are able to link together a variety of concrete processes. For such frameworks to be intelligible, they must rest on analogies with familiar organic or mechanical processes.¹³

While the effort to rid historical analysis of metaphors is shortsighted, there is an important truth in the debunking of metaphor. Quite simply, the metaphor can only operate as a heuristic; it cannot be used to carry the argument. Absent specific causal explanations, analysts cannot rely on assertions such as that evolution or systems maintenance requires certain outcomes. Specific causal mechanisms must be invoked to explain each step in the process. In short, analysis must operate on two levels. The first is the level of metaphor and hypostasization, providing a summary of the major historical dynamics that are being analyzed. The second is a set of causal arguments based on institutional mechanisms and class forces, explaining the various processes of institutional transformation. One measure of a piece of historical analysis is the skill with which the analyst moves between these levels, and in this respect Polanyi is exemplary. The metaphoric structure gives the book its power, but Polanyi does not rest on the metaphor for explanation. As the following passage indicates, Polanyi was acutely aware of the need to fill in the metaphor with a set of concrete historical arguments: “A civilization was being disrupted by the blind action of soulless institutions the only purpose of which was the automatic increase of material welfare. But how did the inevitable actually happen? How was it translated into the political events which are the core of history? Into this final phase of the fall of market economy the conflict of class forces entered decisively” (GT, 219).

Polanyi fills out his analysis of the protectionist countermovement with a discussion of historical actors and the specific dynamics that their actions set in motion. He can be faulted, of course, on the accuracy of some of his historical arguments, as well as for an occasional lack of clarity when he fails to emphasize which are the most important processes. He does not, however, allow the metaphor to substitute for history.

The third important dimension of Polanyi’s method is his approach to managing multiple levels of analysis. Because he recognizes the centrality of the world economy, he brings to bear the global level while simultaneously incorporating both the political level of state activities, as

well as the conflicts among classes and other social groups. These three levels of analysis—global, national, and local societal groups—became the subject of much discussion after the publication of Immanuel Wallerstein's *The Modern World-System* (1974).¹⁴ This was not purely coincidental, as Wallerstein acknowledges Polanyi to be one of the major inspirations for his world-system theory.

There are nonetheless many important differences between Polanyi's formulations and those of Wallerstein, two of which are particularly relevant here. First, Wallerstein tends to define the global level of analysis primarily in terms of a world market in which nations compete. He pays far less attention than does Polanyi to the institutional arrangements, such as the gold standard system, by which the world market is organized. This omission makes it harder for Wallerstein to integrate international politics into his analysis of the world market, since the strength or weakness of international economic regimes is closely linked to the balance of political and military power among states. Second, as a number of his critics have noted, Wallerstein tends to collapse the three different levels of analysis into one; at times both class relations and state action are seen as determined by the dynamics of the world system (for such criticisms, see Skocpol 1977; Gourevitch 1978). On the other hand, some of Wallerstein's critics make the opposite error—they tend to collapse both world economy and state action into economic class relations, which are seen as determining (Brenner 1977). Polanyi, in contrast, makes a significant effort to grasp the interrelations among the three levels without collapsing any one in another.

He does this by using an implicit concept of opportunity structures. His historical argument suggests that particular moments in the organization of the international economic regime provide unique opportunities for states to act. At these times, it is the degree of latitude open to the state that in turn shapes the spectrum of possible actions for societal struggles. One example is found in his analysis of the 1920s. The restoration of the gold standard after World War I

closed off opportunities for creative response by national governments. They had little choice but to obey the rules of the game, but this obedience ensured the frustration of working class goals, resulting in political stalemate. The situation changed dramatically with the coming of the world depression in the 1930s. The failure of the gold standard mechanism created a more open international opportunity structure, which Hitler was quick to use to his advantage. Polanyi writes: “Germany at first reaped the advantages of those who kill that which is doomed to die. Her start lasted as long as the liquidation of the outworn system of the nineteenth century permitted her to keep in the lead” (GT, 246).

Germany, as well as Japan and Italy, gained advantage from breaking with the nineteenth century rules of the game before the rest of the world had come to understand their obsolescence. Precisely this opportunity to experiment with economic autarchy and an aggressive foreign policy gave fascist movements their power. While Polanyi insists that the fascist impulse was international, it is logical that it should have fully achieved state power in those dissatisfied powers that had the most reason to oppose the existing international rules of the game.

Hence, the three levels of analysis are linked by two different opportunity structures. First, there is a global opportunity structure that shapes what is possible for particular governments. This set of constraints, in turn, creates a national opportunity structure that influences how social groups or class forces can be most effective in influencing state policy. This implicit framework leaves unresolved the critical question of whether the opportunity structures are completely determining or if it were possible, for example, in a period such as the 1920s for a more imaginative working-class movement to have created new opportunities. Still, this framework suggests a method by which the three levels of analysis can be managed without losing a sense of the analytic autonomy of each level.

In fact, the opportunity structure argument is also helpful for understanding what motivated Polanyi to write GT, as well as in accounting for the failure of his aspirations. GT was intended

to be a primer for the British workers whom Polanyi had taught when he was a worker educator in the 1930s. He believed that the end of the war would once again create an open international opportunity structure and that Britain could be particularly influential in responding to that new structure. This in turn would give the working class the opportunity to push Britain toward democratic socialism and to break with the gold standard. Polanyi correctly perceived that such a move by Britain would have a major impact on the European continent and through much of Africa and Asia. At the same time, Polanyi assumed that the U.S. would continue on its New Deal course.

This was where Polanyi was wrong. With the end of World War II came an almost immediate intensification of the Cold War and the abandonment of the domestic reform project that Franklin Roosevelt had launched. The U.S.'s superior military and economic strength in turn constrained the international opportunity structure and served to block any impulses toward socialism or alternative international economic arrangements in Britain and other European countries (Block 1977). Polanyi quickly recognized the changing reality, and in his essay "Our Obsolete Market Mentality," published in 1947, he pleaded for a shift in American policy away from the restoration of a self-regulating world economy.

While there is much to Polanyi's method that is still of great use, it is also important to note one central weakness. Although Polanyi is able to understand important aspects of nonmarket societies by contrasting them with market societies, his concepts have little analytic power for understanding the dynamic processes within nonmarket societies. The contrast is particularly striking because the conflict between self-regulating markets and social protection makes his analysis of market society especially attuned to processes of change. One is struck, by contrast, that his study of premodern Dahomey provides little analysis of internal change processes beyond descriptive references to the centralization of political-military power by particular families (Polanyi 1966).] To be sure, his intellectual project lay elsewhere; he was more

concerned to show that a society like Dahomey was able to contain and control the destructive impact of international trade than to explain its own internal dynamics. But this theoretical weakness in the face of nonmarket societies also meant that he had little effective grasp on the internal dynamics of societies like the Soviet Union. Once a society decided to resubmerge the market in social relations, Polanyi had little to say other than to insist on the moral and social imperatives of democracy and the retention of individual freedom.

<A>Conclusion

Polanyi is unequivocal about his central concern in GT—to explain the destruction of nineteenth century civilization and its giving way to fascism in the twentieth century. Against all alternatives, he insists that the disintegration was a result of the protective measures that “society adopted in order not to be, in its turn, annihilated by the action of the self-regulating market” (GT, 249). Polanyi thus looks to the conflictual dynamics of social and economic institutions to explain both the construction and subsequent destruction of market society.

Polanyi’s institutional focus also leads directly to his conviction that power and political governance are part of the elementary requirements of any organized social life. He does not avoid the implications of this position; for him, it is hopelessly wrongheaded to imagine that even an idealized socialism would solve the problems of politics and bureaucracy. Politics and the state cannot just wither away. The achievement of human freedom will require conscious action to restrain the necessary but dangerous exercise of political power: “The true answer to the threat of bureaucracy as a source of abuse of power is to create spheres of arbitrary freedom protected by unbreakable rules. For, however generously devolution of power is practiced, there will be strengthening of power at the center, and, therefore, danger to individual freedom” (GT, 255).

What was most important for Polanyi was that society must overcome the illusion that the difficult problems of human governance could be solved either through the end of scarcity or the self-regulating market. On the contrary, as he states in the final passage of GT: “As long as man is true to his task of creating more abundant freedom for all, he need not fear that either power or planning will turn against him and destroy the freedom he is building by their instrumentality. This is the meaning of freedom in a complex society; it gives us all the certainty we need” (GT, 268).

In a letter written “to the love of his early youth” in 1958, Polanyi, after mentioning his “martyrdom of isolation,” suggests that “one more decade—and I would stand vindicated in my lifetime” (1977, xx). In a way, the remark was prophetic in that 1968 was the year of the May events in France, of the Tet offensive in Vietnam, and of the most dramatic indications of crisis in the post-World War II international economic regime. Once again market society was under serious attack and its central institutions were in crisis. Although these events confirmed Polanyi’s diagnosis of the fragility of market society, it took several decades before Polanyi’s intellectual contribution began to receive the recognition that it deserves.

Notes

¹ A biography of Polanyi is being written by Berkeley Fleming at Mount Allison College in Canada, and Gareth Dale currently has one in the works.

² The biographical data are pieced together from Levitt (1964); Zeisel (1968); Congdon (1976); Duczynska (1977); and personal communications from G. Markus, Hans and Eva Zeisel, and G. Litvan. See also Cangiani (2009), Dale 2009, and Polanyi-Levitt 2013. Note that the chapter on the Polanyis in Drucker (1979), while vastly entertaining, is completely unreliable. For a critique of Drucker, see McRobbie 2006.

³ The process of publishing or republishing Polanyi's remaining writings is further advanced in other languages than in English. See particularly Cangiani, Polanyi-Levitt, and Thomasberger 2002, 2003, and 2005.

⁴ His wife wrote: "It is given to the best among men somewhere to let down the roots of a sacred hate in the course of their lives. This happened to Polanyi in England. At later stages, in the United States, it merely grew in intensity. His hatred was directed against market society and its effects, which divested man of his human shape." (Duczynska 1977, xiv).

⁵ In emphasizing the ways in which medieval towns were part and parcel of feudalism and not an oppositional force, Polanyi anticipated much future discussion of the transition from feudalism to capitalism. In particular, see Anderson (1974), Wallerstein (1974), and Merrington (1975).

However, it must also be acknowledged that Polanyi fails to provide a satisfactory account of the transition, as he touches only briefly on the interconnections among state policy, commercial interests, and changes in the organization of production.

⁶ In this section, we explicate Polanyi's analysis of the Speenhamland episode as he wrote it, but in Chapter 5 we subject it to an extended historical critique.

⁷ On this point, we think Polanyi was wrong, as we explain in Chapter 5.

⁸ For a revisionist interpretation of the New Poor Law as legislation constructed to maintain the traditional power of the landed classes, see Brundage (1974, 1979). For a parallel reinterpretation of the 1832 Reform Bill, see Moore (1976).

⁹ On holism as an explanatory strategy in the social sciences, see Diesing (1971).

¹⁰ Polanyi's views on this issue are stated most forcefully in *The Livelihood of Man* (1977, 5–56).

¹¹ For more on Polanyi's use of the concept of utopia, see Chapter 4.

¹² Both Thompson and Polanyi were influenced by John and Barbara Hammond (1970 [1911]).**[AU: date is 1911/1970 in biblio—which is correct?]**

¹³ Northrop Frye, in commenting on Spengler and Toynbee, remarks that “every historical overview of this kind ... is and has to be metaphorical” (1973, 11). See also Stinchcombe (1978).

¹⁴ Wallerstein's coworker in the 1970s, 1980s, and 1990s, Terence Hopkins, worked directly with Polanyi at Columbia.