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AFTERWORD: RESOLVING POLANYI'S PARADOX

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Over the last 30 years Karl Polanyi's The Great Transformation, first published in 1944, has become a canonical text in several inter-related social sciences – sociology, geography, anthropology, international political economy, as well as making in-roads into political science and economics. Undoubtedly, part of its appeal lies in the resonance of his theories with our times which have been marked by the deregulation of markets and their extension into new realms. Polanyi argued that the rise of market fundamentalism had devastating consequences for society, leading to protective countermovements that could be of a progressive or reactionary character. From the perspective of today's market fundamentalism, Polanyi's countermovement effectively frames, on the one hand, the democratic social movements of 2011, including the Arab Spring, Occupy, and Indignados, and, on the other hand, the more recent advance of illiberal democracies, often veering toward dictatorships, in Turkey, Poland, Hungary, the Philippines, Brazil, Italy, Israel and Egypt. It also frames an understanding of such popular movements behind Brexit, Trumpism, the Five Star Movement, and the Yellow Vests as a reaction to an expanding market that commodifies, denigrates and excludes. It is the obvious appeal of Polanyi's argument that now leads commentators to evaluate his writings critically and with renewed intensity, searching for answers to crises of a global scale.

CRITIQUES OF POLANYI

The most common criticism of *The Great Transformation* is Polanyi's failure to anticipate another round of market fundamentalism beginning in the 1970s that has continued virtually unabated for nearly 50 years. Attributing colonial atrocities, two world wars, and the rise of fascism to the repercussions of a market

fundamentalism, Polanyi believed that humanity would never be so irrational and irresponsible as to take another plunge toward a market utopia. Yet this is precisely what happened. I call this "Polanyi's Paradox" – a mistaken idealistic response to a materialist diagnosis. He failed to recognize the mighty economic forces driving marketization.

This calls for a twenty-first-century reconstruction of *The Great Transformation* very much as *The Great Transformation* can itself be seen as a twentieth-century reconstruction of *The Communist Manifesto*. Polanyi's reconstruction of Marx and Engels' treatise moved the centre of gravity from production to exchange, from exploitation to commodification, from struggle against capital to countermovement against the market. Just as Marx and Engels saw competitive capitalism as the end of all capitalism and thus failed to see the rise of organized capitalism, Polanyi saw the rise of organized capitalism and the possibility of socialism but failed to anticipate the renewal of market fundamentalism.

Grappling with Polanyi's Paradox has led to an impressive array of criticisms, levelled against *The Great Transformation*. Thus, the chapters of this book interrogate Polanyi's overdrawn binary division between substantivist and formal economics; the idea of fictitious commodities; an inadequate and contradictory theory of the state; an elusive agent of social change with too little attention to class struggle; a misleading theory of money together with a misconception of the origins and mechanisms of the gold standard; a too thin conceptualization of fascism and democracy.

The authors would not have bothered to undertake such trenchant criticisms did they not think that there is much to redeem from Polanyi's writings. But what exactly is there to redeem? Why should we read *The Great Transformation* today? How can we use the criticisms to develop a historically informed reconstruction of *The Great Transformation*, leading to new visions of the past, present and the future?

In this afterword I try to reconstruct Polanyi's framework by elaborating two tensions running through these chapters and through Polanyi's writings. The first tension is between market and society in which the former threatens to destroy the latter through the commodification of so-called fictitious commodities – land, labour and money. In Polanyi's view these entities were never intended to be commodified. In their commodification they undermine human livelihood, human capacities and human agency, commodification disembeds land, labour and money from their necessary social supports. Society, then, springs back in self-defence.

The second tension is between capitalism and democracy. Here, too, the tension is between the economic and the extra-economic, between the interests of capitalists in accumulation and the interests of workers in democracy. Polanyi claims that the unstable equilibrium between capitalism and democracy results either in the democratic transformation of capitalism (socialism) or the capitalist dissolution of democracy (fascism).

My hypothesis is that in *The Great Transformation* as well as in reality, the first tension, between market and society, is propelled by a first wave of marketization in the nineteenth century, whereas the second tension, between democracy and capitalism, is propelled by a second wave of marketization in the twentieth century. Each wave, therefore, gives rise to different countermovements – crystallizing around localized social movements in the nineteenth century and around the state in the twentieth century. The question we have to ask, then, is how these two sets of tensions play themselves out in the present third wave of marketization that begins in the 1970s, calling for a reaction of a global character. Human fate depends not only on the possibility of such a global reaction but also on the form it might take, whether authoritarian or democratic. Polanyi was concerned with the alternatives of fascism and socialism on a national scale, we have to be concerned about them on a global scale.

FIRST-WAVE MARKETIZATION: MARKETS VS SOCIETY

Like so many classics written by independent scholars, The Great Transformation has its idiosyncratic side. It often leaves readers scratching their heads about the intricate logic of his argument. Thus, Polanyi devotes an inordinate space to Speenhamland, the obscure English system of parish wage supplements that brought wages up to a minimum level, first introduced in 1795. It blocked the development of a national labour market. Polanyi claims that Speenhamland was eventually abolished under the influence of political economists who saw this as encouraging indolence. Wage labourers have to be forced to work hard under the economic whip of the market, which happens with the abolition of local relief and the passing of the New Poor Law of 1834. Unregulated commodification of labour power, with the hated workhouse as support of last resort, leads to a spontaneous reaction from society that assumes diverse forms - the movement for the reduction of the working day, cooperatives, community self-organization, and eventually trade unions and parties. There is a double movement: the rise of the market and the reaction of society. Let us examine each in turn.

Christopher Holmes and David Yarrow argue that the political economists (particularly, Ricardo and Malthus), whom Polanyi saw as condemning the labour protection of Speenhamland, did not originate the idea of market fundamentalism. Polanyi relied on them too heavily in his account of the rise of the market in nineteenth-century England. Holmes and Yarrow find Polanyi's reliance on the economists as responsible for his overdrawn distinction between the "formalist" (disembedded) description of the market economy and the "substantivist" (embedded) pre-industrial economy, based on redistribution, reciprocity and household. This divide between substantivist and formalist economies does not map onto market and pre-market society. Even the most disembedded of market economies still rely on such non-market production as domestic labour. They conclude that the market did not emerge spontaneously from the brain of the political economists, ideas do not drive the market economy. Even so, economic *theory* does have its "performative" effects by conceptually reducing all economic activities to the market, excluding, for example, the unpaid household labour essential for a modern economy. Economic theory creates a national accounting system that distorts the calculation of such indices as GDP, leading to faulty claims and misguided policies.

Hüseyin Özel takes a similar approach, but justifies Polanyi's focus on economic theory as an immanent critique of neoclassical economics, showing that a textbook market economy does not take into account the dehumanizing consequences of commodifying labour, land and money. Neoclassical economics becomes, therefore, an ideology in the Marxian sense, simultaneously expressing but also hiding the underlying features of capitalism. Just as Marx's analysis of commodity fetishism reveals underlying relations of exploitation, Polanyi's use of fictitious commodities highlights the destructive objectification of human relations.

Polanyi has much to offer on the consequences of marketization, but what drives the expansion of the market? In casting out Marxian theories of accumulation and history, Polanyi is left only with the force of ideas, paradoxical for someone so concerned with the material consequences of marketization. The obvious driver of marketization is the emergent capitalist class. As Sandra Halperin makes clear, for Polanyi class is only a significant actor if it organizes itself in defence of society. By this criterion the struggles of the working class and sometimes of the landed classes can become effective agents of history, but the manufacturing class is ruled out as a significant force as it is in the business of destroying society. Halperin makes a cogent argument that class forces were behind both the expansion and the opposition to the deepening market.

The only way to reconcile Halperin and Polanyi, is to argue that the capitalist class becomes effective when it becomes *hegemonic*, when it advances its own interests as the interests of all, which would require the regulation of commodification. Broadly speaking, one can argue with Antonio Gramsci, the great Italian theorist of hegemony, that the English capitalist class went through his three stages: economic-corporate (sectional interests, in particular, commerce vs manufacture), economic class (as against landed classes) and, by the last quarter of the nineteenth century, it reaches a political or hegemonic level which the capitalist class takes into account material interests in civil society. But note, this is still different from Polanyi for whom society is prior to class whereas for Gramsci class is prior to society.

In the Gramscian scheme the orchestration of hegemony is conducted by the state in its relation to civil society. What does Polanyi have to say about the state? Maria Markantonatau and Gareth Dale point to Polanyi's very different conceptions of the state – the utopian vision associated with guild socialism, the realist turn of the twentieth century, but also the liberal state and its ambiguous relation to the market. Reading Polanyi's account of the nineteenth century, it would seem that the state spontaneously represents the interests of society – there is an identification of state and society. In Polanyi's view the state is not a contradictory entity recognizing, organizing and taking into account multiple class interests. To the contrary Polanyi offers us a Hegelian or Durkheimian view of the state as an expression of a largely homogeneous society.

Invoking Gramsci raises an ambiguity with regard to the countermovement as so many of the struggles against the market – from cooperatives to trade unions, from the factory movement to Owenism – are not necessarily struggles against capitalism, and were successfully absorbed into the emerging hegemonic order. Thus, Polanyi's "counter-movement" diverges from Gramsci's "counter-hegemony", the one organized the market and the other against capitalism. Although the former *might* be part of a Gramscian war of position, a prefigurative movement for socialism, it is not necessarily anti-capitalist. If Polanyi's account of the relationship between state and society is undeveloped, Gramsci's account of the relation between market and society is equally undeveloped.

There are other sources of ambiguity in Polanyi's countermovement, as the (de)commodification of one fictitious commodity may affect the (de)commodification of another. Take money. Fixing the relation of a currency to some metallic commodity has the effect of commodifying money but the fluctuating price of the metal can radiate disturbances through the rest of the economy, thereby putting pressure on businesses, fearful of profit turning to loss, to intensify the commodification of labour. As Kurtuluş Gemici argues, the commodification of money has a destructive effect *within* the economy in contrast to the commodification of land and labour that are examined for their consequences outside the market system.

Samuel Knafo goes further. He argues that Polanyi has a thin and abstract account of the gold standard, projecting its operation in the interwar period of the twentieth century onto the nineteenth century. If in the twentieth century the gold standard was intended to stabilize the international financial order, it would also impose such restrictions on national economies that lead countries to exit from that order. But, actually, that belies the history of the gold standard. In the nineteenth century the gold standard was designed to bring order to national economies, opposing banks that created their own local paper currency. The commodification of money, by attaching it to the gold standard, allowed central banks to displace local currencies with a single national currency. It was only as central banks in different countries adopted singular currencies linked to the gold standard that the interwar system emerged to eventually sow the seeds of its own destruction. Thus, the gold standard originated in the nineteenth century with the state orchestrating the decommodification of money, to advance a national market economy. Knafo is effectively calling into question the very meaning of the double movement, suggesting we need to simply focus on the institutional foundations of the market.

Do we have to abandon the idea of the double movement, the dynamic part of Polanyi's theory, in favour of the more sociological proposition of the always embedded market? To hold on to the double movement as it applies to the nineteenth century, on the one hand, requires the restoration of Marx's account of *capital accumulation* as driving commodification. But the destructive powers of commodification are held in check by a state that is compelled to recognize the plurality of interests in society, in particular the interests of the working class. On the other hand, and here we depart from Marx, the interests of those workers congeal around the *experience of commodification*, that is around the sale of labour power, rather than exploitation that Marx himself claimed is mystified. What happens to this argument when we take it into the twentieth century?

SECOND-WAVE MARKETIZATION: CAPITALISM VS DEMOCRACY

Marking the expansion of civil society and the advance of democracy toward the end of the nineteenth century, Polanyi's analysis shifts its focus. His account of the dialectics of market and society, gives way to the tension, even the irreconcilability of capitalism and democracy, expressed as the antagonism of capital and labour. Now Polanyi leaves the singular focus on the UK and moves toward different national compromises between capitalism and democracy.

Gareth Dale and Mathieu Desan dissect Polanyi's writings of the 1920s and 1930s, before he wrote *The Great Transformation*, pointing to fascism as the negative resolution of the incompatibility of capitalism and democracy and socialism as a positive resolution. They show how Polanyi's interest in the origins of fascism focuses largely on the hostility of capitalist class toward democracy, a hostility that had its origins in the nineteenth century. Polanyi misses, they claim, the popular basis of fascism. In particular, the analysis of the lived experience of commodification disappears from Polanyi's account. As regards the socialist resolution, they show how Polanyi was influenced by the ideas of guild socialism, the Austro-Marxists and the Viennese municipal socialism that advanced through the 1920s. Crucially, for Polanyi, fascism arises from capitalism and its crises rather than from socialism's failure to deliver on its promises.

Polanyi returns to the question of capitalism and democracy towards the end of *The Great Transformation*. The argument is spelled out by Paula Valderrama as follows: in the nineteenth century when democracy was still embryonic, excluding the working class, it was deployed by capitalism in opposition to the old order. But with universal suffrage that spawned political parties and civil society, democracy could not be sustained and the tension was resolved through authoritarian means, either fascism or communism. Socialism as the extension of democracy to the whole society, including the economy, is presented as a utopian project, but one essential to Polanyi's vision of a possible future as well as a reference point to evaluate political orders.

Valderrama spells out the meaning of socialism as the realization of democratic freedoms, her interpretation of Polanvi's conclusion to The Great Transformation. Democratic freedom in a complex society is the very antithesis of the economists' market freedom. For Polanyi freedom can only be realized under socialism – a collective self-determination defined by individuals assuming responsibility for the social consequences of their action. This requires a transparency of those consequences, a transparency made impossible by the "invisible hand" of the market economy. Under socialism the unintended consequences of market action must be contained within democratically set boundaries. Above all socialism must set limits on the commodification of fictitious commodities, although Polanyi makes no mention of them in that last chapter. Beyond the market, democracy must reduce the power of unreflexive institutions, that is, those institutions that are not transparent to themselves. With socialism social relations turn from reified relations to human relations that are collectively controlled. This is, of course, the essence of Marx's understanding of communism.

In reality the countermovement to second-wave marketization in advanced capitalism did not end up with socialism or fascism but a compromise between capitalism and democracy that took the form of electoral politics, founded on the substantial concessions extracted from capital, concessions that don't touch the essential but are nonetheless meaningful to contesting political parties and their constituencies. As Markantonatou and Dale argue capitalism proved to be unexpectedly flexible in adapting to democratic regimes. Recognizing the way markets, such as the European Monetary Union, impose limits on the realization of social demands, they also ask whether democracy, such as it is, can last.

In his *Capital in the Twenty-First Century*, Thomas Piketty, argues that for advanced capitalist countries the era of diminishing inequalities was a blip of no more than half a century, and beginning in the 1970s we see a return to

late-nineteenth-century patterns of unrestrained accumulation. We can project this view of capitalism onto the political terrain – the three waves of capitalism correspond to three phases in the relation between capitalism and democracy: in the first wave democracy is underdeveloped and limited in its constraining power; in the second wave, various forms of social democracy manage to redistribute wealth, making democracy a meaningful terrain of politics; in the third wave of capitalism inequality deepens, democracy becomes ineffectual in constraining accumulation, electoral politics loses credibility and enters a crisis and politics increasingly moves onto an extra-parliamentary terrain. How can Polanyi's notion of countermovement shed light on this politics of third-wave marketization?

THIRD-WAVE MARKETIZATION: POLANYI'S PARADOX

We must now return to Polanyi's Paradox – why did Polanyi not anticipate another round of market fundamentalism? Quite simply, he failed to take into account the imperative of capital accumulation. In rejecting Marxism's teleology Polanyi rejected accumulation as the driving force behind the expansion of markets. As David Harvey has underlined, accumulation through the deepening and extension of commodification cannot be confined to the genesis of capitalism. It is a perpetual feature of all capitalism, generating successive periods of commodification that can be distinguished in terms of the creation and articulation of fictitious commodities.

Focused, as he was, on the "origins of our time" – in particular, the rise of fascism – Polanyi saw a long arc of marketization, beginning at the end of the eighteenth century, leading to the reaction against the market, culminating in the ascendancy of state regulation. We have argued there were actually two periods. In the first period the tension between marketization and society prevails, which emphasizes social movement reactions to commodification. In this period Polanyi is unclear as to the driving forces behind marketization. In the second period, the driving imperative of capitalism overwhelms democracy, resulting in fascism, or alternatively, democracy reacts to overwhelm capitalism, resulting in some form of socialism. In between are a variety of social democratic resolutions.

If, in the first period, it is not clear what drives marketization, in the second period it is not clear what drives the diverse countermovements, that is what combination of forces give rise to one political regime rather than another. Very different from the response to first-wave marketization, Polanyi gives little attention to popular reactions to marketization, and there is no mention of fictitious commodities. In analysing third-wave marketization, we need to see how the market-society tension comes together with the capitalism-democracy tension. For much of the period after the Second World War, at least in advanced capitalist countries, some form of democracy prevailed. To be sure it was not the radical democracy Polanyi proposed, but a liberal democracy based on elections and party politics. It channelled substantial popular participation into electoral politics, attracted by the significant material concessions that could be distributed among different capitalist and non-capitalist groups – concessions that depended, in part, on the balance of power within the legislature and between the legislature and the executive. Which party ruled mattered for material as well as ideological reasons, even if it didn't touch the essential, that is the capitalist order. Success in democratic competition could advantage the dominated classes, in terms of benefits, conditions of work and job security, at the expense of capital. You might say with Seymour Martin Lipset that electoral politics was a peaceful form of class struggle.

However, beginning with the recession of the 1970s, capital took the offensive against workers. Increasingly, the class compromise at the basis of democracy, was turned against workers who now made concessions to capital in the hope of holding onto their jobs. The great recession of 2008 and its denouement created a legitimation crisis not so much for capitalism but for the steering capacity of democracy. The compromise between capitalism and democracy eroded in favour of capital, democracy lost its credibility, and the dominated classes increasingly turned to extra-parliamentary struggles.

How should we think of those struggles? Marxian struggles are about exploitation, about the dependence of capital upon labour and the leverage or structural power this gives to the working class. The third wave of marketization has effectively destroyed labour's leverage power. On the one hand, global labour markets have supplied labour from foreign lands or capital has simply moved abroad. On the other hand, states have undermined protections of labour whether in the workplace or in the labour market. Labour is on the back foot as it moves from a proletariat to a precariat, manifested, for example, in the dramatic decline of strikes. At this point Polanyi comes into his own as we turn from Marxian-type struggles around exploitation to Polanyian-type struggles around commodification of labour, land and money.

With regard to labour, it means that the focus is on struggles against the commodification of labour, against subjecting "labour power" to unregulated exchange, leading to struggles for living wage, for social benefits and pensions, for basic income, but also the search for alternative and supplemental means of livelihood, for example, in the gig economy. This is very different from the struggles against capital in the era of the countermovement to second-wave marketization – the most radical forms of which attempted to expropriate the capitalist

class, as for example in the Swedish Meidner-Hedborg Plan for wage-earner funds and even more remote from the struggles around state socialism.

From the commodification of labour power we can turn to the commodification of land, whose effects we see all around us in the rising prices of real estate and soaring rents, increasing the cost of living that has far outstripped incomes. Here the resulting struggles are against eviction and for rent control, and, more rarely, for public housing. We see processes of land commodification in the Special Economic Zones of India as well as in the urbanization of rural China that have given rise to their own forms of collective resistance.

The commodification of land only exacerbates the desperation that stems from the commodification of labour power. The bottom begins to fall out of the middle class that gradually (and sometimes precipitously) descends into the working class, thereby enlarging the precariat at the bottom of society. At all levels survival turns on borrowing. So finance capital, the making of money from money, made possible by the commodification of money, deepens the indebtedness of the dominated classes through micro-financing, sub-prime mortgages, and credit cards. All of which results in an intricate mutual re-enforcing of the destructive effects of the commodification of land, labour and money. The study of the articulation of modes of production meets its complement in the study of the articulation of the commodification of fictitious commodities.

I am suggesting that with third-wave marketization, the focus on fictitious commodities comes into its own as an experience of dispossession. Polanyi played down the role of violence even in his discussion of the English enclosure movement, but violence is part and parcel of commodification. What is important is not simply the *existence* of an object that is bought and sold, but the process of producing something that is bought and sold, a commodity. The process of commodification, a process of dis-embedding, can be very violent, as in the expulsion of peasants from their land, which simultaneously turns land and labour into commodities.

Fictitious commodities go beyond labour, money and land – and now we can say nature so as to include water and air as well as land. We can also think of the commodification of the body, whether its physiological organs or its sexualization. Tilman Reitz's essay takes us in another direction to various attempts at formulating *knowledge* as a fictitious commodity. He argues that the importance of the sale of knowledge has been exaggerated: the most that can be said is that there has been an increased classification of knowledge in readiness for commodification that has yet to occur in any major way. He doesn't take into consideration, however, the rise of what Shoshana Zuboff calls surveillance capitalism that constitutes everyone as producers of information that is expropriated, organized and sold. Here the process of commodification is actually not a violent process, but one in which all enthusiastically participate through digital technologies that record our every move, our every sentiment, our every taste. This is the prototype of symbolic violence – the simultaneous securing and obscuring of behavioural surplus – that results in massive commodification of information.

Another issue raised by third-wave marketization is the scale of commodification. The process of commodification may be local but the commodity can have a global character. Randall Germain addresses this question in his chapter where he argues that the state is at the fulcrum of the globalization of money and, indeed, of labour. While there are financial institutions such as the IMF and World Bank that regulate the global commodification of money, states are key to the facilitation or obstruction of a global labour market. Third-wave marketization, working through states, has proved to be very disruptive of populations, generating vast flows of refugees, creating a global reserve army of labour. Although the commodification of land is impelled by global forces, bought and sold on a global market, land itself is locally rooted. Moving from land to nature we see how capitalism is destructive of air and water as well as land with global consequences, such as climate change. Commodification only enters, however, with the calibration of emissions, so-called carbon trading that displaces or redistributes the destruction of the environment with its own inequities. Whether the commodification of waste actually reduces the amount of waste is doubtful.

If Polanyi's centring of commodification illuminates the dire threats to the planet as posed by third-wave marketization, one has to ask whether there is a comparable account of countermovements. With the wave of movements of 2011, most famously Occupy, Arab Spring and Indignados, there was a temporary renaissance of older movements – labour, environmental, feminist, indigenous and racial justice movements. These movements had a common character in their disparagement of liberal and illiberal democracies, and a broad scepticism toward the state. Unlike the anti-globalization movements of the 1990s, however, they had national objectives. They may have been anti-state but still national in scope. The movements spread from country to country but that did not make them global in orientation. They, therefore, could not tackle finance capital, climate change, the flow of refugees. We might say, therefore, that these movements were second-wave responses to third-wave marketization. That, in part, explains their short lives.

Just as it may be said that it was the failure of socialism that gave way to fascism in Germany and Italy, so perhaps it can also be said that it was the failure of left-wing populism of 2011–14 that contributed to the right-wing populism that followed – a right-wing populism that appears to be more enduring, manifested in popular support for a series of so-called illiberal democracies in such countries as Hungary, Poland, Russia, the Philippines, Brazil, Argentina, Turkey and Israel. The popularity of these regimes lies in targeting outsiders – whether they be immigrants, racial and ethnic minorities, women, or LGTBQ – who are held responsible for the ills experienced at the hands of third-wave marketization. If left-wing populism shirked leadership and rejected liberal democracy in favour of autonomous movements, right-wing populism rejects liberal democracy in favour of popular leaders and ideologies that disparage "outsiders". Right-wing and left-wing populism each dismisses the problems identified by the other as false problems, but they share the rejection of the state (and the politics associated with the state) as manipulated by ruling elites. Each populism sees the other as part of the problem, yet they are also expressions of common underlying tendencies.

Thus, I return to my essential point: to understand the countermovement to commodification, one has to appreciate the force driving commodification, namely the imperative of capital accumulation. Without appreciating that underlying imperative one cannot fully comprehend the countermovement – neither its shape nor its consequences. For Polanyi, ideas drove marketization, so, with human foresight, marketization could be contained or reversed. That, you might say, was Polanyi's mistaken determinism. He rejected Marx's determinism, but he substituted a determinism of his own – the inevitable defence of society against commodification.

We have inverted the Polanyian scheme: marketization is no longer a contingent outcome of history, but the inevitable product of capital accumulation. Furthermore, with marketization, liberal democracy no longer guarantees minimalist decommodification or material concessions, thereby making party politics irrelevant. In this alternative interpretation, what is contingent is not the market but the appearance of a countermovement. Polanyi may be correct that commodification forms the experience of capitalism, and it may even provide the basis of a countermovement, but there is no inevitability to that countermovement. Third-wave marketization may lead to fascism, to the renaissance of a deeper democracy, to some form of socialism, but it may also lead to no sustained countermovement at all, to a great involution.