

THE GREAT INVOLUTION: RUSSIA'S RESPONSE TO THE MARKET¹

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What is Russia and where is it going? As we approach the ninth year after the Fall, we are faced with Russia's unprecedented economic decline, year in year out. The story is grim whether measured by gross domestic product, capital investment, industrial and agricultural output, inflation, budget deficits, international debt, educational levels, or health and mortality. Just when economists anticipate the end of the decline, the economy lunges into a new crisis and spirals down further. This is puzzling first because economists considered the Soviet economy such a disaster that any turn to the market could only herald improvement. The headlong plunge downwards is doubly puzzling when Russia's (and Ukraine's) desolation is compared to the more impressive performance of such East European countries as Poland, Czech Republic and Hungary and, of course, to the spectacular growth of the Chinese economy. It is puzzling for a third reason, one would have expected the standard of living to have plummeted even further than it has. Somehow Russian people have managed to sustain a day to day existence despite the cataclysm depicted in official figures.

The last time Russia faced market failure was in 1927 and 1928. Then the response of the party, eight years after the beginning of NEP, was a turn to despotic collectivization and central planning. Far from following any doctrinaire Marxism, this was a leap into uncharted waters without any tangible precedent in the world. The question we must now ask is what will be the political and economic outcome of Russia's catastrophic eight years of market failure. Will Russia again embark on some new and original experiment and at what cost? Or will it reinvent the past, relaunching communism as some fear? Or will it borrow from overseas, from the dictatorship of Pinochet, as some so ardently desire? We can anticipate the likelihood of these scenarios by looking at the cast of characters lining up for President, or the weakness of Russia's democracy, or its pusillanimous rule of law, or the criminalization of the economy, or the litany of exceptional factors that political scientists have drawn up to explain the disillusion of the epoch.

However, as sociologists we have a different tradition to follow, one that has grappled with Russian peculiarities by placing them in the grandest comparative historical framework. Leaving aside Marxist historians, from Trotsky to Deutscher and Carr, and institutional economists such as Gershenkron and Schumpeter, Russia played a central role in the classics of Barrington Moore and Reinhard Bendix as well as in the

¹ I'd like to thank Fred Block and Erik Wright for their comments on earlier versions of this paper.

more constricted works on totalitarianism. Indeed, the Soviet Union's ghostly presence haunted virtually all postwar American sociology. If it has been the lynch pin of twentieth century sociology, can Russia's centrality be sustained into the next century? And if so on what terms?

In this essay I venture the argument that, in recovering Russia for social science (and vice versa), sociology's comparative advantage lies in its concentration on the social – the essential factor overlooked by economic and political analyses. Because it has not drawn attention to itself by explosions or mass mobilization, because it has seemingly withdrawn into itself, it has been overlooked as a passive factor in Russia's fate. But, as I shall argue, this retreat of society, what I shall call involution, is of universal significance when we compare the Russian transition to a market economy with other such historic transitions. I will draw on Karl Polanyi's *The Great Transformation* to suggest a framework within which to consider these Russian peculiarities.

Taking Polanyi to Russia

Many commentators have drawn from Karl Polanyi's majestic account of the "market transition" in England and more broadly Europe and America when trying to come to grips with parallel events in the postcommunist world. His ideas have been used to underline the centrality of politics in the transition to the market economy (Woodruff). As Alec Nove put it, there is no market road to a market economy. Polanyi's focus on society and its institutions has been deployed by evolutionary economists to caution against shock therapy and too rapid transition (Murrell). Based as it is on moral vision and historical creativity, Polanyi's grand sweep from the Industrial Revolution to the Second World War has been used to debunk teleological accounts of the transition (Stark, Bryant). With this in mind many have adopted Polanyi's notion of "transformation," casting aside any fixed determinism, implied in the concept of transition. His denunciation of nineteenth century market utopianism have sparked analogous indictments of contemporary market panaceas (Glasman), that some have dubbed market Stalinism (Kagarlitsky). Last but not least his diagnosis of the impact of the global economic crisis of the 1930s, occasioned by the collapse of the global market and the withdrawal from the gold standard has a profoundly contemporary ring. In short, Karl Polanyi's *The Great Transformation* has offered a fund of critical evaluation of the ascendancy of neoliberalism in the policies of postcommunist governments, especially the Russian one.

Commentators have taken from Polanyi as they would from the shelves of a lavish supermarket, picking out what strikes their fancy while ignoring the whole. They have taken from his work as they would tear away at the tasty parts of a roast chicken. They take a wing, a thigh or a breast but I have found no one prepared to digest the whole, to take over Polanyi's imagination and not just his inspiration, and transplant it as an integral perspective onto foreign soil. Nor is this surprising. It is much easier to borrow an idea from here or there than a foolhardy transplantation of the whole thing. As Edward Said has warned, making theories travel is always a hazardous venture, often resulting in ossification, barren reductionism and loss of critical power. The danger is all

the greater when the journey is from West to East and across centuries. Still, I'm drawn to the challenge.

It is important to insist, however, on one proviso at the outset. It is beyond the scope of this paper and the abilities of its author to evaluate the accuracy of Polanyi's interpretations of English and European history. Nevertheless, in attending to the peculiarities of Russia's response to the market, we will inevitably raise questions about Polanyi's understanding of the English response, and in deploying Polanyi's framework we will bring forth its lacunae, anomalies and internal contradictions. Still, my purpose is not the reconstruction of *The Great Transformation*. The proof of this theoretical pudding lies in bringing contemporary Russia under a broader framework and the new glimpses it offers into Russia's distinctive character and possibilities.

First, and most important, Polanyi presents us with methodological tools to take on our journey. In tracing the collapse of 19th. century civilization to "the utopian endeavor of economic liberalism to set up a self-regulating market system" (p.29) and in plotting the divergent outcomes in Germany, Russia, Great Britain and United States during the first half of the 20th., Polanyi presents us with the following methodological prescription. "...to detach the poignant national histories of the period from the social transformation that was in progress... The true scope of these social movements [fascism and socialism] can be gauged only if, for good or evil, their transcendent character is recognized and viewed as detached from the national interests enlisted in their service" (p.29). What was the transcendent character of fascism and socialism, the lens through which multifarious national histories can be traced? Can we make out a general framework that can be lifted out of its particular historical context? Can we recompose this underlying process at a sufficiently high level of generality as to shed light on the "market utopianism," one hundred and fifty years after the initial experiment. I think so.

Rather than reduce *The Great Transformation* to a single process, as is customarily done, I have broken it down into five sequential but connected processes. I refer to these as five moments, leaving open the question of directionality and historical determinism.

- ◆ *Moment I -- Genesis*. The first moment refers to the origins of the self-regulating market. It was not the product of some inevitable evolutionary process programmed into history, but the outcome of deliberate political intervention, whether in the sphere of trade (mercantilism), regulation of labor (Poor Relief), or the distribution of land (Enclosure Acts).
- ◆ *Moment II -- Market Utopianism*. The second moment is the severe reaction against remnants of an earlier redistributive economy, the birth of the liberal creed, a blind fanatical belief in the virtues of the self-regulating market. Whatever its immediate human costs, the political economists inaugurated the new order as the only system that could vouchsafe continuous improvement.

- ◆ *Moment III – Social Protection.* Once established the market engenders a reaction from society, seeking to defend itself not so much against falling material standards of living as against the destruction of an entire cultural and moral order. Although often finally expressed as political regulation, the defense against the commodification of land, labor and money is a more spontaneous, hidden, molecular process. “While laissez-faire economy was the product of deliberate state action, subsequent restrictions on laissez-faire started in a spontaneous way. Laissez faire was planned; planning was not.” (p.141).
- ◆ *Moment IV – Global Order.* The consequences of social protection against the market and especially against the commodification of money, can only be understood as part of a global order that has its own logic. Between 1879 and 1929 the international system that defined 19th. century civilization, possessing four distinctive elements -- liberal state, the self-regulating market, the balance of power between nation and the gold standard -- entered a crisis from which it would never recover.
- ◆ *Moment V – The Demise of Market Society.* The global crisis, crystallized in the withdrawal of countries from the gold standard, brings to a head society’s challenge to the self-regulating market. The crisis is resolved by resubordinating markets to state and society but in different ways (New Deal, fascism, communism and democratic socialism)², depending on the national configuration of classes.

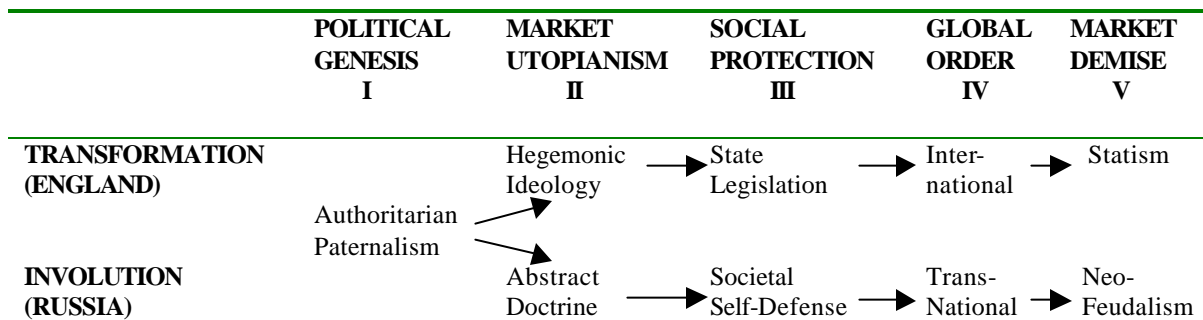
Without doing injustice to Polanyi I have reconstructed his argument to make apparent the parallels with the postsocialist transitions. Thus, the market was established to a lesser or greater extent as part of a deliberate policy. Already under state socialism³, as under mercantilism, it had a carefully regulated subsidiary presence. With state socialism’s demise it became the object of more drastic surgery. As a reaction to the administered economy, postcommunist governments adopted the ideology of the self-regulating market as panacea. All remnants of the communist order must be swept away and a thick line drawn between past and present. In the third moment society reacts to the destructiveness of the market. It is an unplanned molecular process in which different countries exhibit their own distinctive patterns -- from class mobilization to the reassertion of nationalism to headlong retreat. The fourth moment is a crisis in the global order that springs from neoliberal policies, that promote rapid transnational financial flows, leaving peripheral economies in turmoil. Finally, in the fifth moment, still in gestation but already visible, market principles are progressively subordinated to state and society.

² There is some ambiguity in Polanyi’s use of socialism. While he referred to the Soviet Union as “socialist,” it was clearly of a special type. More usually he defined socialism as “the tendency inherent [sic] in an industrial civilization to transcend the self-regulating market by consciously subordinating it to democratic society” (p.234). He often called this form “democratic socialism.” Here, as so often, his vision is similar to Gramsci’s who considers socialism as the “withering away” of the state, leaving civil society to its own democratic flowering.

³ I use “state socialism” as the analytical term to describe the Soviet Union and its satellites, keeping the label “communism” as a folk concept used by participants.

I label the different “phases” as “moments” to underline the ambiguous determinism that links one moment to the next. It would seem that each moment poses a major historical problem, a problem of its supercession. Different national political and economic contexts generate different solutions. Polanyi is interested in the originality of such solutions, and especially those that concern the demise of market society – fascism, social democracy and democratic socialism. In studying contemporary Russia we shall look for other solutions, configurations, responses that Polanyi did not contemplate. If society’s *solutions are indeterminate*, nonetheless there is still a certain overall *determinism in the sequence of problems* posed. If regulation gives rise to markets in the first place, these in turn stimulate further regulation in a continuing and, for Polanyi, ascending search for novel accommodations of market and society. Extending Polanyi’s logic to Russia we should not be surprised, therefore, either by a restoration of authoritarian politics or by the ascendancy of society, especially under the pressures of global economic crisis. Indeed, the harbingers of market demise are clear to see, both nationally and globally. Today, the self-regulating market attracts Polanyian criticism internally from nationalists and communists and externally from some of its erstwhile, most ardent advocates, from Jeffrey Sachs to George Soros.

The five moments, described above, provide the overall framework for interpreting and comparing specific historical trajectories. Thus, it is by the ostensibly far fetched comparison to England of the last century that I will elucidate the specificity of the postcommunist transformation in Russia. I will argue that both have a common point of origin in “authoritarian paternalism,” that this gave rise to ideologies of market fundamentalism but whereas in England ideology, backed by a rising industrial bourgeoisie, jump started a new market order, in Russia a similar doctrine was a thin camouflage for the interests of a parasitic “merchant” class of market intermediaries who squashed production in a process I call “involution”. These in turn engendered different responses to commodification: in England state and society developed a synergy to regulate the market whereas in Russia society had to fend for itself against the state which had more or less sided with the new merchants of exchange. Finally, I speculate on how the demise of market society takes place in very different global contexts and, therefore, with divergent political outcomes. The argument is presented schematically below.



In short, I will use both Polanyi's general framework and his specific analysis of England to situate Russia in a world historical context so as to elucidate both its origins and its possible futures. Beginning with what I believe to be the peculiarity of Russia's response to the market (involution as opposed to transformation), I then seek its antecedents (Moments I and II), proceeding to assess the contemporary situation (Moments III and IV), allowing me to project possible trajectories into the future (Moment V). Although each step of the argument proceeds from the comparison of Russian involution and English transformation, en route we will point to East European transitions to the market in analogy to Polanyi's comparisons of England with Western Europe and the United States.

Russia's Peculiarity: Economic Involution

On reconstructing Polanyi's argument the very phenomenon, "The Great Transformation," becomes ambiguous. Does "transformation" refer to the rise of the market order or its demise? Which of the five moments is at the core of his argument? While the exact referent of "transformation" remains unclear, Polanyi is very clear in taking for granted the consequences of the market, on the one side, "unheard-of material wealth" (p.3) and on the other side innovation in production, both the new fangled forces of production (machinery) and the new relations of production (factory system).⁴ It is precisely this *transformation of production*, whether we call it the accumulation of capital or the increase in factor productivity, that is so problematic in the Russian case.

Repelled by revisionist interpretations of the industrial revolution as economic improvement rather than social calamity, Polanyi argues that such a cataclysmic event cannot be measured by income figures or population statistics. The industrial revolution was primarily a cultural not an economic phenomenon that within half a century turned "vast masses of the English countryside from settled folks into shiftless migrants." "Not economic exploitation, as often assumed, but the disintegration of the cultural environment of the victim is then the cause of the degradation... the lethal injury to the institutions in which his social existence is embedded" (p.157).

In focusing on the social consequences of the industrial revolution, Polanyi therefore takes for granted that market competition inspired the transformation of production, tremendous increases in productivity, the rapid development of new technologies, and the elaboration of an altogether new mode of production.⁵ This

⁴ Polanyi (pp.40-1) argues that machine production required the extension of the market, both the supply of materials and the demand for products. Market society, therefore, was the most fundamental feature of the industrial revolution. In effect, however, he only considered the market as a *necessary* condition for economic transformation. He did not ask whether it was a *sufficient* condition, which is the question posed by peripheral underdevelopment.

⁵ As Polanyi will later argue, this economic development allowed England and the United States to avoid the fascist solution to the crisis of the market that overtook the less developed countries of Germany, Austria, and Italy (pp.230, 234).

coincidence, however, is precisely what is most problematic in the Russian transition which distinguishes itself by the way *exchange promotes the contraction rather than expansion of output, the conservation rather than transformation of forms of production*. Briefly, we may say that into the redistributive vacuum created by the collapse of the administered economy swarmed a host of intermediators, from traders to bankers, from networkers to mafia, from transporters to exporters. It was in the realm of exchange that profits could be made but always at the expense of production. Never to return, assets poured out of enterprises and collective farms to be trucked, bartered and exchanged, where possible for foreign money, deposited in foreign bank accounts. Little flowed back into production because those self-same transaction costs put up such high barriers to making profits. This is what I call *economic involution*, a situation in which exchange strangulates production, an economy that gobbles up its own foundations.⁶ The destruction of production by exchange, establishes a very different set of parameters for the reaction to the market,⁷ to which we now turn.

In his formulation the English reaction to the market we find Polanyi's most original contribution to economic sociology. What is unique to the 19th. century market society, Polanyi claims, is the attempt to commodify labor (the activity of human life), land (nature) and money (exchange). These are what he calls fictitious commodities because none were intended to be bought and sold. Indeed, commodification falsifies their original character – labor is dehumanized, land is defiled and businesses are liquidated. It is now, in self-protection against the market that classes are forged from the spontaneously created entity we call *society*. Labor organizes itself into trade unions and cooperatives, struggles to limit the length of the working day and for the right to a voice in political life. In other words, it forms itself into a class. At the same time the preexisting feudal classes defend themselves against the commodification of land, the separation of land from community, the wanton destruction of the environment. Finally, the regulation of monetary systems protects the bourgeoisie against wild fluctuations in the relative prices of inputs and outputs. If this is the English response, how does it compare to the Russian response to the commodification of labor, land, and money?

Just as the 1834 Poor Law Reform Act brought down Speenhamland, the last barrier to the self-regulating market, so the shock therapy launched January 2nd., 1992

⁶ I borrow the concept of involution from Geertz's (1963) study of the history of Javanese agriculture. He defines involution as "the overdriving of an established form in such a way that it becomes rigid through over elaboration of detail" (p.63). Agrarian involution is the result of super-imposing a capital intensive export crop (sugar cane) on an indigenous, labor-intensive subsistence crop (rice paddy). It has three features: the intensification of production, the elaboration of preexisting forms of production and an egalitarian sharing of burdens. I have adapted the concept to the Russian context, ridding it of its static implications. See Burawoy (1996a, 1996b, 1997).

⁷ Of course, any dynamic economy necessarily involves destruction of the obsolete but it also involves the rise of new forms of production in what Schumpeter called waves of creative destruction. The Russian reformers programmed an obsessive destruction of everything associated with communism, claiming this to be a necessary precondition for the market to autonomously work its magic. They did not attend to the institutional conditions for nurturing capitalist production, that markets cannot operate in an institutional vacuum.

was designed to bring the Soviet planned economy to an abrupt end. Price liberalization was followed first by voucher privatization and then by stabilization. Labor, property and money were, in principle, all commodified within the space of three years. I say in principle advisedly since, as in England so in Russia, a new society, that, following Manuel Castells, we might call a *network society*, has been formed as a defense against commodification. Instead of going out of business, enterprises have moved out of the monetary circuit (where their bank accounts were frozen) and into the realm of barter. An enterprise manager searches for other enterprises that might be interested in its output and that have in turn something that a third enterprise might want, an enterprise that itself produces something that might be useful to the first. The longer and more tortuous the barter chain the more likely it will be confined to a single region, and the more likely it will be organized by intermediaries that specialize in barter. Some enterprises have begun to issue their own currency, essentially IOUs, known as veksel, that they exchange for needed supplies. These veksel then circulate at discounted rates, entailing an economy of debt exchange. Intermediaries again specialize in the purchase of enterprise debts which they can realize through elaborate exchange networks. Transaction costs mount, especially if enterprises have to hire intermediaries for the purpose, but they are more or less impervious to movements of global currencies and exchange rates. Barter chains are an exchange of trust as much as of things and for that reason are usually geographically confined, leading to regional economic autarchy.

Some goods have higher fungibility, liquidity, than others depending on how wide and inelastic is their demand. Thus, square meters of apartment is a popular currency in some regional economic circles. Oil or gas, for example, have an even higher liquidity since they can be exchanged beyond regional borders. Still the money economy cannot be completely circumvented. Local taxes can be paid in kind but federal taxes have to be paid in rubles.⁸ Workers are reluctant to accept their wages in kind and given the choice will always prefer cash. So managers go out on desperate missions to obtain "living money" by selling their products, their supplies, their fixed capital or even debts owed to them. The closer are their products to the realm of monetary exchange -- consumer trade or banking -- the better their chances.

The barter economy is Russian industry's defense against the vagaries of a domestic currency precariously hitched to international exchange rates. What about the commodification of labor power? Just as enterprises have refused to liquidate their loss-making businesses, preferring to operate in a debt and barter economy, so workers have refused to leave their jobs even though they are often not paid, or paid late, or paid in kind. Alternative employment opportunities are scarce but more than that the workplace continues to perform several functions. It is a place where labor market information circulates, where work on the side is distributed, where desired products can be obtained in exchange for unpaid wages, where facilities (machinery etc.) can be used for their own independent production, where meals are taken, or where things are simply stolen (materials, etc.). Employment continues to be grounds for public assistance, especially

⁸ Even this is changing. Since the federal government no longer has the funds to carry out its commitments it offers a creditor enterprise the chance to cancel the (federal) tax debts of other enterprises who then supply the first enterprise with the equivalent in goods and services.

pensions. In short, the workplace becomes less a place of work, and more a place of exchange and consumption.

The fate of wage laborers is, therefore, largely governed by their proximity to the line of monetary exchange. Sales clerks are better off than machine operators who are better off than teachers. Still teachers have bargaining power and their strikes have been effective. This strategy of voice is much rarer, however, than the strategy of exit. Here the unit of analysis is the household, distributing labor to maximize income from multiple jobs and organizing subsistence production of basic food products, primarily potatoes but also tomatoes, cucumbers, cabbages. Roughly half of Russian families have a dacha, where in addition to growing food, they may keep animals, tended by unemployed pensioners. In short, self-protection against the commodification of labor power entails the intensification of the domestic economy, multiplying sources of income and goods in kind, leading to longer hours of work, especially for the household.

No less than the commodification of money and labor, the commodification of land has met with resistance. Here, indeed, the Duma, the Russian legislature, has managed to rebuff market initiatives of the executive and the urgings of the World Bank. While collective farms have been privatized to their membership, the land cannot be sold to outsiders, only to insiders. This, of course, does not prevent members taking over the land that is their due and becoming independent farmers. Some have done this but with striking lack of success. Most have rented their land back to the collective farm and continue to contribute their labor as employees. While a few collective and state farms have managed to survive, most have collapsed as productive centers in the face of pressures from all sides -- rising cost of inputs, declining consumer purchasing power, cheap imported food, and labor exodus. The result has been a massive fall in output of grains but an increasing output from private production, especially vegetables, fruit and poultry. Again we see the same involutory tendency toward subsistence and petty commodity production (Kitching).

Society's self-protection against the commodification of labor, land and money should not be romanticized. It comes at enormous cost. If Stalinism accomplished the historic task of entry into the modern world of industrialism, albeit with breathless brutality, we are now witnessing more than deindustrialization but an historic reversal to preindustrialism impelled by blood sucking exchange. Arguably, when the owl of minerva does its accounting this *primitive disaccumulation* will turn out to have been no less destructive than the original *primitive accumulation*. Whether calculated in terms of human life and sickness or in economic terms of infrastructure, investment and output, an entire future has been sacrificed on the altar of market utopianism. This is the human meaning of economic involution.

Authoritarian Paternalism: Speenhamland vs. Communism

So from where cometh the difference? How is it that the market stimulated "transformation" in the one case and "involution" in the other? How is it that the market promoted an aggressive, burgeoning society in the one case but a retreat into its

protective shell in the other?⁹ We shall use Polanyi's broadest framework to examine in turn the role of legacies, ideologies, state and the global order.

The obvious answer to the conundrum posed by the England-Russia comparison of market transition is that communism destroyed Russian society. When the authoritarian roof was lifted there was nothing to spring back into action against the invading market. Prison had so deflated and demoralized the prisoner, that when finally released she had lost all enthusiasm for living and dropped back into a defensive posture, ritually reenacting the life she had lost. Polanyi, however, makes this argument difficult to sustain for the simple reason that he finds analogous authoritarian antecedents to market society in England. Almost one third of *The Great Transformation* is devoted to Polanyi's claim that the origins of market utopianism and social protection lie in the communist-like "reactionary paternalism" of the Speenhamland welfare system, introduced in 1795 and only repealed with the Poor Law Reform Act of 1834. Polanyi spares no language in condemning Speenhamland as an abomination, the source of popular demoralization, a crime against humanity, lacerating the laboring class and leading to the worst form of dependent pauperism. In its hands "the right to live" became a "sickness unto death" (p.101). The torrent of abuse so often reserved for communism Polanyi directs at Speenhamland while communism, as we shall see, itself strangely escapes his venom. What was this Speenhamland System and how did it give rise to the blind utopianism of the self-regulating market and subsequently to the reaction of society? We need to turn our attention temporarily away from Russia and toward England.

The repeal in 1795 of the Elizabethan Act of Settlement of 1662 which had bound the poor and destitute to their parish would have created a national labor market had it not been for the simultaneous introduction of the Speenhamland. This was a system of poor relief that subsidized wages, by bringing them up to a minimum level, based on the price of bread. With wages guaranteed employers had every interest in paying workers only the barest minimum and turning them over to the parish for the rest. The system was demoralizing for workers because they had no incentive to contribute labor, their life giving force, since their income did not depend upon it. As the drain on the resources of the parish increased so the "aid in wages," and the minimum they could sustain fell further and further below subsistence. Far from abolishing indigence, dependency, pauperism and work shirking, Speenhamland made it universal. If the intent was to protect workers from the labor market, in reality it drew every shred of independence from the sinews of the working class, further hobbled by the Combination Acts. Speenhamland killed the working class.

Although Polanyi does not draw the parallel, exactly the same has been said of communism.¹⁰ In totalitarian theory the Soviet order guaranteed workers their livelihood

⁹ Of course, there is a problem comparing the relatively short period of 8 years with the longer period of say that Polanyi deals with. It is, indeed, always possible that Russia will recover but all the long term prognoses based on investment (productive and infrastructural) as well as institutional growth suggest the opposite, that Russia is firmly entrenched in a pattern of involution.

irrespective of their contribution, and thereby encouraged sloth and boon dogging. Paternalism led to dependency on the state, bringing everyone down to the level of the poorest. It created a jealous, numbing egalitarianism that stifled all initiative. Trade union and party conspired with management to substitute dictatorship for democratic participation. Like Speenhamland, communism claimed to represent the interests of the working class but in fact spelled its death or so the totalitarian narrative claims.¹¹

If the parallels between Speenhamland and Soviet totalitarianism run deep, then one is arrested by Polanyi's epitaph, "The abolishment of Speenhamland was the true birthday of the modern working class, whose immediate self-interest destined them to become the protectors of society against the intrinsic dangers of the machine civilization" (p.101). How is it possible for a demoralized, lethargic, imprisoned working class to suddenly spring to life in defense against the onslaught of the market? And why did this take place in England in the middle of the 19th. century but not in Russia at the end of twentieth century?¹²

I will leave England to the historians. Suffice to say that Polanyi exaggerated Speenhamland's trampling underfoot the working class and at the same time underestimated the resilience of the traditions of the "free born Englishman" transmitted in working class custom and practice (Thompson; Block and Somers, forthcoming). What can be said of Polanyi can also be said of the totalitarian view of communism. Moshe Lewin and his school of social historians have shown that the Soviet regime did not destroy society, but instead promoted a type of network society that not only enabled individuals to survive but filled the functional gaps created by the administered economy. No less than the markets, planning required a world of informal relations to make it work. But this rudimentary society was janus faced: on the one hand it existed in a certain compromised partnership with the Soviet order (blat, Ledeneva) and on the other hand it laid the basis for all manner of forms of resistance to despotic party rule.

¹⁰ Maurice Glasman (1994) makes this point explicitly with respect to Poland. But so extreme is his condemnation of "communism" and the social atomism it entailed that he has no explanation for the rise of Solidarity, for him the apotheosis of social resistance. In following Polanyi so closely, he enters the same cul de sac -- in denouncing what he abhors he finds himself unable to account for what he cherishes.

¹¹ In drawing parallels between Speenhamland and communism I am only referring to the distribution of labor and its rewards. For Polanyi Speenhamland represented the last wind of resistance to the self-regulating market since the other factors of production had already been commodified. Communism or better state socialism represented the decommodification of all factors of production and not just labor which, as I shall argue, has significant implications for working class formation.

¹² Polanyi writes eloquently about the dilemma: "If Speenhamland had prevented the emergence of a working class, now the laboring poor were being formed into such a class by the pressure of an unfeeling mechanism. If under Speenhamland the people had been take care of as none too precious beasts deserve to be, now they were expected to take care of themselves, with all the odds against them. If Speenhamland meant the snug misery of degradation, now the laboring man was homeless in society. If Speenhamland had overworked the values of neighborhood, family, and rural surroundings, now man was detached from home and kin, torn from his roots and all meaningful environment. In short, if Speenhamland meant the rot of immobility, now the peril was that of death through exposure" (p.83).

Indeed, one is struck time and again by the way state socialism spawned a demanding, even revolutionary working class, that bubbled to the surface in 1953 in Germany, 1956 in Hungary, in 1968 in Czechoslovakia, in 1980 in Poland and in 1989 and 1991 in Russia. Indeed, the Polish Solidarity movement represents the prototype of Polanyi's democratic socialism, the collective self-organization of society against the state.

Turning to Russia we discover in the tumultuous coal miners' strikes of 1989 and 1991 the dynamite that brought down the Soviet order. We have studied the trajectory of the miners in the Pechora Basin of Northern Russia, the inheritors of the gulag, subject to the most oppressive Soviet rule (Burawoy and Krotov, 1993 and 1995). Still it was from there that the most militant and radical demands issued for the abrogation of the party state, election of officials, the recognition of independent trade unions, the installation of markets and the control of their own surplus production as well as improvement of working conditions. This was no introverted working class movement but an expansive, courageous assault on the Soviet order. It was echoed in the coal fields of the Kuzbass (Siberia) and Donbass (Ukraine).

It would be easy to proclaim the miners' collective organization as a liminal reaction to a totalitarian order, the rebellious anti-structure to the coercive structure. In this view their social marginality made the miners exceptional rather than representative of the Soviet working class. Yet this was no flash in the pan, but had all the marks of sustained organization, bringing into relief the distinctive anatomy of the Soviet working class in general. I follow Konrad and Szelenyi in their appropriation of Polanyi's conception of the redistributive order according to which state socialism is divided between two classes, one of which organizes the collective appropriation and redistribution of goods and services (planners or teleological redistributors) and the other produces those goods and services (direct producers or simply working class). Such a bare faced appropriation of surplus requires ideological legitimation by omniscient technicians and party ideologists who "know" the collective needs of the population.

This order had two implications for the formation of the working class. First, the planned economy became a shortage economy (Kornai) which in turn created the workplace as a center of spontaneous and more or less autonomous communal activity. It was only at the spontaneous initiative of the working class that socialism could work at all. Second, the ideology of justice, egalitarianism and efficiency that was deployed to legitimate socialism, enacted in compulsory rituals on the shop floor engendered an imminent critique of existing socialism as failing to live up to these proclaimed ideals. In other words, state socialism provided both the ideology and the social resources for the formation of a working class. The regime had to use a combination of force and individualizing market-like incentives to contain the monster it had unleashed.

In the end, therefore, the parallels between Speenhamland and state socialism are spurious. Speenhamland was the last preventive act against the invading market society, whereas state socialism was an integral redistributive order of its own. If Polanyi is correct Speenhamland dissipated the energies of the working class, while state socialism

galvanized those energies into novel strategies of survival and sometimes unintentionally channeled them into collective eruptions against the order itself. But then it becomes a puzzle as to why this resilient working class failed to flex its muscles under postsocialism. To cast some light on this matter we turn to the next moment in Polanyi's argument – the ideological moment.

Market Utopianism: Hegemonic Ideology vs. Abstract Doctrine

Speenhamland and Communism may have been different, nonetheless they can both be regarded as bulwarks against the market, bulwarks that inspired market utopianism. According to Polanyi the blind utopianism of the 19th. century political economists was inspired by their hostility to Speenhamland regulation and its obstruction of a national labor market. In the same fashion, although perhaps even more deeply, neoliberalism and its associated market fundamentalism was formed in reaction to the past, to the supposed waste, inefficiency and restraints of the administered economy. Both the political economists of the 19th. century and their latter day epigones, the neoliberals, demanded that a thick line be drawn to separate past from present. The liberal creeds of the first half of the 19th. century and the second half of the 20th. century share an idiom of reaction and transcendence while marginalizing legacy and constraint. They both called on the Nirvana Principle, arguing that the administered economy was such an enormous disaster that its replacement with the freedoms of market society could only be a historic triumph, heralding unprecedented growth. But why did this turn out to be successful in the first case but not in the second?

A subterranean theme runs through Polanyi, namely the power of ideas to redirect history. Block and Somers write: "Central to him and others of his generation was the idea that progress could only come through conscious human action based on moral principles" (p.50). They offer a telling quote from Polanyi's tribute to poet Andre Ady, "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.'" This neatly avoids the question as to when ideals take precedence over material interests! In 19th. century England the effectiveness of market utopianism rests on the rise of a new manufacturing class, a bourgeoisie, that first defends its narrow corporate interests against the landed classes but then in the second half of the century lifts itself into a hegemonic phase in which its interests are presented as the interests of all, especially of the working class (Bendix). In the final analysis the dynamics of capital accumulation did allow the English bourgeoisie to extend material concessions to its subordinate classes, and thereby enlisting them in a hegemonic project.¹³

¹³ I am borrowing from Gramsci's analysis of the three levels of class formation: first, embryonic corporate consciousness; second, economic class; and third, political or hegemonic class. Gramsci is driven by the question of the conditions under which a hegemonic class will arise and why indeed it did not arise in Italy and how this gave rise to fascism. Gramsci's comparative perspectives throw into relief Polanyi's analysis and what it presumes, permitting an appreciation of the peculiarities of Russia today.

In Russia society has not soared to embrace loftier ideals but has dug itself into its own self-made trenches. The past weighs heavily on the present. Here ideology has not transcended material interests. To be sure shock therapy, the liberalization of prices, the dissolution of state property, floating exchange rates were part of a reactive market utopianism, a reaction against the restraints and inefficiencies of communism. At the same time, however, neoliberalism became a thin veil manipulated by a cynical political class that had previously directed the planned economy – a class that, one may say, has merely changed its ideological clothes. At the same time, the working class developed its own allergy to market utopianism based on a skepticism toward all ideologies that appeal to universal interests.

There is a new class in Russia, but it is not a bourgeoisie lodged in self-expanding production but a parasitical class ensconced in networks of exchange. The New Russians range from the mafia that regulate economic transactions to the bankers and financiers who speculate in government credit and bonds, to the merchants who regulate imports and exports, to the oligarchs who control the appropriation and distribution of raw materials, to the moguls who own and monitor mass media. The New Russians do not generate new resources, they do not add value, they live off the rapidly diminishing and impoverished productive classes.¹⁴

If Bolshevism was originally an imaginative adaptation of Western Marxism, engineered by brilliant intellectuals, an all pervasive ideology that orchestrated every sphere of life, Russian neoliberalism is an abstract doctrine bereft of originality, imported from the West together with its wooden architects, ignorant of Soviet circumstances. There were few attempts at local adaptation. Russian intellectuals, themselves weakened by an oppressive regime, made little effort to galvanize a following for their liberal ideas. The regime crumbled from above by the exhaustion of its own ideology rather than a defeat by another. It latched onto neoliberalism ready made in the West. It, therefore, never stood a chance of establishing roots in Russia. The new class of oligarchs have replaced the empty rhetoric of Marxism-Leninism with the massive transfer of Western consumer culture with its leading products, its soap operas, its violent and pornographic videos, all escaping into a world of trivia and irrelevance, and once more leaving society to fend for itself.

We can return to the question we posed at the end of the last section: why the Soviet basis of working class self-organization has not mushroomed into a vibrant, aggressive civil society. The answer is two fold: on the one hand there is no longer any ideology against which to react nor one around which to organize collective forces, only the seductive, surface imagery of consumer capitalism. Neoliberalism upholds the narrow interests of an imitative, intermediating, marauding merchant class. Its propaganda and advertising cannot lay claim to a hegemonic ideology that might enlist the support of other classes. On the other hand, the basis of societal self-organization in the workplace

¹⁴ One is reminded of Fanon's description of the African "national bourgeoisie" as an appendage of international capital, parasitical, imitative and intermediating.

and the work collective has been largely destroyed even as the population hangs on to its remnants as the last bastion of social self-defense (Ashwin, Clark et al.).

In the final analysis a hegemonic ideology was effective in England in the 19th century because the leading class, the bourgeoisie depended directly on the working class, giving the latter substantial leverage in struggles over working conditions, welfare, trade union organization. In Russia the merchants of exchange remain at a distance from production, they are not directly involved in the productive powers of the working class. Their everyday lives do not require the spontaneous cooperation of direct producers and therefore the working class loses its powers of leverage.¹⁵ The dominant class does not need to forge compromises with the residues of the Soviet working class. If the merchant class cannot appeal to society, what about the state? Does the state have interests and capacities apart from the dominant class?

Social Protection: Legislation vs. Self-Defense

We have already seen that Russian society adopts a defensive war of position, retreating into itself. It is a society that becomes self-absorbed and remote from the state, that seeks to keep the state at bay rather than make it the object of political struggle. Like a tortoise withdrawing behind its shell, it is a resilient society drawing on its own resources. From this perspective, what is *peculiar about the English case*, and the European one more generally, is that there society defended itself against the market *through the agency of the state*.

For Polanyi the dovetail of society and state was not, however, a remarkable coincidence but a general principle of history.¹⁶ For Polanyi, that is, the *raison d'être* of the state is to defend the general interest, in particular the accommodation of the principles of economic liberalism and social protection. Thus, he traces the development of the administrative apparatus of the state in the nineteenth century. Long before Foucault, he marveled at Bentham's designs for cheap and efficient government that would collect "statistics and information, to foster science and experiment, as well as to supply the innumerable instruments of final realization in the field of government" (p.139). Polanyi summarizes thusly, "The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism" (p.140). At the same time that the state administers the external conditions of the market, it also protects society against the market. Factory legislation and social laws were designed to protect labor power, land laws and agrarian tariffs were enacted to protect natural resources and the environment, and central banking and the regulation of the monetary system were required to shelter businesses from the caprice of

¹⁵ Thanks to Erik Wright for insisting on the different class relations of merchant and industrial capital and the significance of leverage as a necessary condition for effective working class mobilization.

¹⁶ "An all too narrow conception of interest 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 interest of community—under modern conditions, the governments of the day" (p.154).

money markets (p.132). In short, the state embodies, and for Polanyi seemingly necessarily so, the double movement toward market and social protection.¹⁷

We must follow Polanyi's logic one step further and ask how is it that the state is able to operate in such a prescient, far sighted manner. To Polanyi's credit he does not hypostatize the state as some *deus ex machina* that magically balances all forces in pursuit of a mystical universal interest. Rather he argues that classes, and here he has a rather conventional view of what they were (peasants and landed classes, workers and capitalists), were responsible for transmitting the general interest to the state. Here (chapter 13) he embarks on what he imagines to be a sharp critique of Marxism, arguing that classes are more determined by the needs of society than society is propelled by the economic interests of classes. In other words, classes are effective insofar as they are able to represent their interests as the general interest.¹⁸ "Indeed, no policy of a narrow class interest can safeguard even that interest well—a rule which allows of but few exceptions. Unless the alternative to the social setup is a plunge into utter destruction, no crudely selfish class can maintain itself in the lead" (p.156).

Polanyi assumes that society will produce classes that will represent the general interest to the state and that the state in its turn will organize its policies and interventions in accordance with those general interests. But what happens when society does not generate such far sighted classes -- classes that have the capacity, the desire and the imagination to represent their interest as the general interest? What happens when the state is captured by short sighted classes who mercilessly pursue their own narrow economic interests? Does society simply dissolve?

If the state does not represent the general interest can society survive against the market? Seemingly Polanyi would say no, society would simply dissolve. Yet the colonial and postcolonial world is full of such cases, especially and proto-typically Russia. There the state is seemingly incapable of defending society against the invading market. The executive of the state has become not the vehicle of social protection but an instrument of market fundamentalism, of a narrow class of oligarchs who own and

¹⁷ Block and Somers note the parallels between the way Polanyi sees the state as driven by two opposing principles that have to be reconciled and Marxist theories of the state that also recognize two such principles, accumulation and legitimation. It is ironic that 1970s Marxism saw these contradictory functions of the state as prefiguring the end of capitalism while in practice they were reconciled, whereas for Polanyi the principles were reconcilable although in practice they turned out to be so conflictual as bring down an entire civilization!

¹⁸ In practice his analysis closely follows Gramsci's account of classes as political formations. When Polanyi argues that classes are effective politically only when they represent a general interest, he is merely adopting Gramsci's notion of hegemonic class. There is a crucial difference, however. By general or common interest Gramsci understands something that is ideologically constructed on a material basis whereas Polanyi thinks it corresponds to something real manufactured from a metaphysical foundation! If Polanyi's class analysis would have benefited from Gramsci's discussion of hegemony, Gramsci's analysis would have been enriched by Polanyi's account of the rise of society. Gramsci simply marks the historical appearance and tremendous importance of civil society but he has no comprehension of its origins, which is precisely Polanyi's strength.

control the most profitable industries (gas and oil) who also control the major banks and media channels. Far from protecting labor the state watches impassively as jobs disappear and real wages plummet, waiting for the economic upsurge that never comes. It fails to assure the miserly wages to even those who still have a job or the miniscule pensions for those who have worked all their lives. It has made no effort to stimulate domestic agriculture but instead opened the floodgates of cheap foreign food, thereby killing collective farms and the food processing industry. At the same time, it has been an effective transmission belt of international finance, subjecting the economy to devastating fluctuations in exchange rates, financial speculation and rampant inflation. The attempts of the much maligned Duma to halt the incessant market onslaught have only partially lessened the hammer blow of Presidential decrees. If ever there was a state that was the tool of a financial industrial oligarchy, then it is surely the Russian state of today!

Polanyi was dealing with a specific history, the history of 19th. century England and more broadly Europe in which society did give birth to hegemonic classes. He could, therefore, depict the relationship between state and society as one of synergy and mutual representation. He, therefore, did not discriminate between social protection through legislative enactment and administrative decree and social protection through the autonomous self-protection of society through family, unions, cooperatives and so forth. *But, as we have seen, it is precisely this discrimination between state and society, between legislative protection and self-protection, that holds the secret of Russia's distinctive response to the market.* To take a leaf out of one of Gramsci's notebooks, "If in the West there was a correct balance between state and civil society, in the East civil society was primordial and gelatinous." This seems to be as true today at the turn of the twentieth century, as it was at the turn of the nineteenth. Only today the retreat of civil society in the face of the market takes place within a very different global context that makes all the difference for future possibilities.

Global Order: International vs. Transnational

In one respect Polanyi's vision of the future was gravely mistaken. He did not anticipate the renaissance of the liberal creed. Because the self-regulating market was a utopian experiment whose impossibility was demonstrated by the spontaneous resistance that sprung from every sinew of society, so Polanyi claimed, its death warrant had been signed. "In retrospect," he writes, "our age will be credited with having seen the end of the self-regulating market" (p.142). The 1920s saw the prestige of economic liberalism at its height, the 1930s became the decade of doubt while the 1940s made the defects amply clear so that the disastrous faith could be finally buried. How could Polanyi, so averse to any determinism, makes such a rash prediction! Was it simply a case of wishful thinking? If great men make great mistakes, then it is worth asking why Polanyi was so wrong, why if Speenhamland gave birth to the liberal creed, the end of communism has coincided with its rebirth.

The currency of ideologies depends either on their own novelty or on the new situations to which they are response. The ideology of the self-regulating market is not new and therefore its power must lie in the originality of the world we live in. Polanyi's

global order was centered around nations whose historic trajectories he studied. The nation state was the seed bed and crucible of new visions, of alternative futures. His global world was defined by the liberal state and the self-regulating market at the national level and by the balance of power between nations and the gold standard at the international level. Today, however, we are witnessing the birth of a new globalism, involving trans-national flows of capital, finance, technology, arms, people, ideas, indeed anything that can be commodified, flows that are regulated by supra-national agencies and associated with a post-national consciousness. In Manuel Castells' words a *space of flows* connecting the metropolises of the world is largely by-passing the majority of the population, firmly embedded in their *space of places*.¹⁹ If Polanyi's 19th. century was characterized by the national commodification of land, labor and money, today's emergent transnational order involves a global commodification of money, a local decommodification of land, and labor trapped within these two receding worlds, more intensely commodified in the one and increasingly decommodified in the other.

In this regard Russia, perhaps because its entry into global capitalism was so late, becomes a frightening portend of what's in store for much of the rest of the world. Russia is being sliced in two. On the one hand we have the picture of involution, of society withdrawing into itself and away from the state. On the other hand, we have the picture more familiar in the West, the one which features negotiations between Russian Government and the IMF, the losses of Western investors who bought government bonds, the danger to the international financial order of Russia's defaulting on debt repayment, the pathetic circus played out between a dying president and flailing legislature, the scandalous appropriations of the economy by a band of oligarchs, the billions of dollars siphoned out of the economy into Western banks. This is a picture in which global networks of power connect Moscow to the international system. Russia's regional capitals exploit what resources they have in order to latch on to this life line but in doing so they leave the vast majority with only themselves and their land to rely on. Russia is stretched between two receding galaxies – societal involution and international glitter – connected by the fibers of flexible exchange. The speed at which one galaxy moves forward in time determines the speed at which the other recedes to a bygone era.

We have to be careful, however, in comparing 19th. century England with end of 20th. century Russia, not to compound *systemic differences* of globalization with *positional differences* within globalization. The English bourgeoisie was able to sustain its hegemony at home by imperial adventures abroad that brought back untold riches from the periphery. It strode confidently across the world, plundering wherever it went. The Russian merchant class, on the other hand, is involved in the reverse process. It has no such hegemonic project vis-à-vis its own populations, but instead actively feeds Western economies with raw materials and its own population with imported consumer and capital goods, that destroy indigenous industry and agriculture. It operates from a

¹⁹ Manuel Castells trilogy, *The Information Age: Economy, Society, and Culture*, best captures the vision I am offering here. See, especially, his own treatment of Russia in Volume III and more recently his paper with Emma Kiselyova, "Russia and the Network Society: An Analytical Exploration."

platform that is rapidly constituting itself as a periphery in the world economy. The New Russians are a simulacrum of Fanon's postcolonial "national bourgeoisie"

Indeed, there are convergences to be pursued between postcolonialism and postsocialism. Polanyi himself returns again and again to the significance of colonialism to illustrate the cultural and social calamities that markets bring in their wake. Here too, as in the totalitarian portrait of the Soviet Union, one can easily exaggerate the destruction of society. While not denying the enormous dislocation it wrought, colonialism nonetheless often worked through preexisting tribal structures which were molded to its interests.²⁰ Whatever the disruption of indigenous society, colonialism's major economic function was to make way for the penetration of markets. Today, however, postcolonial societies face the reverse problem, namely the problem of the withdrawal of markets from the periphery. So effective was colonialism in incorporating the market that the battle now is to attract investment at any cost rather than defend against market invasion.

In Russia the move from market incorporation to market withdrawal has been telescoped into less than a decade. Russian society was first seduced by and then expelled from the global capitalism. The market tide flowed out as surely as it had flown in, once the ramparts of the administered economy had been pulled down. Shock therapy was market invasion of unprecedented rapidity. Foreign capital, foreign consumer goods flooded the newly monetized economy, awakening an appetite for market capitalism. But once the appetite was awakened the market became scarce. Involution straddles both periods. In the first period, involution was the result of the degeneration of the productive economy in the face of the expansion of exchange. A merchant class propagated its commercial interests by mobilizing the state behind the doctrine of neoliberalism. It stimulating the retreat of society, which now acted on its own behalf. In the second period, involution is the result of the recession of the market. The state, once the instrument of market invasion, is now supervised by supranational agencies, a bead threaded on a chain of transnational flows of finance, technology, information and labor and besieged by postnational consumer cultures. Like iron filings to a magnet, the Russian state is drawn into global markets and their attendant politics, leaving society to fend for itself.

In looking to the future it would be a mistake, therefore, to confine our attention to the global machinations of the Russian state, whether the presidential office, the government or the duma, or to its allied financial, media and natural resource oligarchy. The fate of Russia is equally in the hands of its involuted society, where our empirical analysis began and where it must also end.

²⁰ As Migdal has argued the problem of postcolonialism has not been the weakness of society in the face of overly strong states, but the ability of society to resist attachment to and regulation by the state.

Market Demise: Statism vs. Feudalism

Looking back on a century of history, Polanyi traces the rise and fall of market society, from the repeal of Speenhamland and the introduction of Poor Law Reform in 1834 to the divergent attempts to subordinate the market to the state in the 1930s, most notably fascism, communism and the New Deal. Curiously, England moves away from the focus of attention in these denouements, appearing as a less flamboyant form of the New Deal (although had he been writing a few years alter Polanyi might have paid more attention to the rise of the Welfare State). Polanyi is more interested in the political fate of the market in semi-peripheral countries rather than the Anglo-American core.

In explaining these different trajectories Polanyi distinguishes between the specific reactions of different nations and the underlying processes that posed the crisis on a universal plane. The universal dilemma was created by the burgeoning resistance to the commodification of labor, land and money. Thus, liberal democracy, propelled by the strengthening working class, posed an ever deepening challenge to the economy's self-regulation. The defense of land and the communities it supported strengthened the reactionary powers behind fascism. Protectionist policies against the perturbations of international exchange rates, led to the breakdown of the gold standard, precipitating the economic crisis of the 1930s. The specific reactions of nations depended on their position within the global economy. The more backward European countries, most notably Germany, Austria and Italy, succumbed to fascist solutions, while England and the United States placed more centrally in the world economy could introduce state regulation without abandoning liberal democracy.

Again Polanyi emphasizes the novelty of the solutions, the power of ideology and moral vision rather than the legacies out of which those solutions grew. Of particular interest is his treatment of the USSR. For Polanyi there were two Russian revolutions. The first, the October Revolution, buried the past but it did not lead to socialism. "The Bolsheviks, though ardent socialists themselves, stubbornly refused to 'establish socialism in Russia'" (p.247). Socialist revolution would first have to occur in the industrialized West. Socialism in one county was a contradiction in terms. After 1924 the Bolsheviks were as ardent supporters of free trade and integration into world economy. It was only with market failures that in 1929, the second revolution took place, entering the then completely novel and uncharted waters of collectivization and planning.

... a socialist economy was established in Russia, representing an altogether new departure. Though the conditions under which this venture took place made it inapplicable to Western countries, the very existence of Soviet Russia proved an incisive influence. True, she had turned to socialism in the absence of industries, a literate population, and democratic traditions – all three of which according to Western ideas, were preconditions of socialism. These differences made her methods and solutions inapplicable elsewhere, but did not prevent socialism from becoming a world power. (p.234)

Yet again we note Polanyi's focus on new departures, visions of alternative futures, on reactions rather than legacies. While recognizing the dictatorial character of

the Soviet Regime, he refuses the conventional wisdom that Stalin(ism) was merely the deepening of Leninist legacies, themselves the inevitable and rotten fruit of Marx(ism).²¹ Like socialism, fascism was a reaction to “a market society that refused to function” (p.239). The essential difference between the two, according to Polanyi, was that fascism quelled democracy and constitutional liberties whereas socialism stormed the barricades of despotism. Thus, the fascist *movement* was not the cause but the outcome of fascist *situation* whose origins lay in the malfunctioning market. Indeed, Polanyi was remorseless in blaming the ideologues of market utopianism for fascism. Their uncompromising vision created the soil for extreme reactions against the market.

What relevance have these analyses for the future of Russia? Could market failure once more result in an authoritarian statism, a despotic order, as it did in the 1930s? As then so now, could 10 years of burying the past be followed by a revolution from above that would subordinate market and society to the state? Polanyi’s ingredients for authoritarian statism seem to be here: a market fundamentalism which seeks to destroy everything from the past, and an economic crisis of unprecedented proportions with roots in a cataclysmic failure of the global economy. The absence of a landed class with its own nationalist ideological vision suggests that fascism is an unlikely prospect but that does not rule out other forms of authoritarianism. Of critical importance, at least in Polanyi’s and conventional theories of such mobilized regimes, is the disintegration of society. But Russian society has not so much collapsed as turned inwards, retreated within a shell of localism. It has been separated from the forces dissolving it, protecting itself against the vagaries of the money economy and the labor market. It has disconnected itself from political movements, political parties, political ideologies. Far from being a mobilized society, ten years of steady decline has immobilized it, as it buries its head deeper and deeper in the shifting sands of provincialism. Fascists, communists or liberals may be elected to federal office but only with great difficulty will they be able to arouse the collective will of the people for any political or economic projects. The state has lost touch with a society that encloses itself more and more in a primitive world of subsistence and petty commodity production. Russian society of the 1990s is in a state of involution and not, as in the 1920s, recovering from the turmoil of revolution and civil war.

Today, one might conjecture, therefore, that Russia is not the soil for the penetration of an authoritarian regime. Such regimes are more likely to take root in countries such as Hungary, Poland or even the Czech Republic, not to speak of the former Yugoslavia, where state and society are in closer connection and where, therefore, market failure could bring right wing popular reaction to power. If Polanyi’s scenarios involve the *subordination of the market and society to the state*, the specificity of Russia today becomes the *reabsorption of the market into society*, while the state has been hooked into a global orbit, increasingly removed from processes of localization. But this

²¹ Here Polanyi is in the company of distinguished scholars such as Moshe Lewin, Stephen Cohen, and Isaac Deutscher. The field as a whole however, continues to be dominated by the totalitarian vision whose seeds were sown in the pages of *The Communist Manifesto* and merely nurtured first by Lenin and then Stalin. There was nothing original to either.

turn to societal regulation of the market is not Polanyi's democratic socialism, some self-governing New Lanark. It is administered by the old party nomenclatura, still controlling the branches of local government, in concert with the ubiquitous mafia. Neither democratic socialism nor social democracy, neither communism nor fascism, this is a move toward a novel neo-feudalism of local baronies of parcellized power.

The imagery of feudalism in the postsocialist transition was first explored by Humphrey and Verdery but now their metaphor has even more force, at least in Russia. The development of regional autonomy has its specific economic foundations. The development of barter relations and what are effectively local currencies grounds political autonomy and at the same time insulating the economy from national and international fluctuations. Even more significant is the retreat to subsistence and petty commodity production on the one side while at the same time keeping one foot active in the official employment sector. Participation in the official economy offers certain social guarantees, such as pensions, a limited amount of cash, insurance against sickness. These workers effectively support the state and its suzerainty as a form of rent in return for which they obtain a minimal security. Outside official employment they have to eke out an existence of their own, from the so-called work on the side, from their second jobs, from their dachas, from petty trade in the local markets. Long distance trade brings in luxury goods from foreign worlds but it does not dictate the dynamics of the local barter economy which is regulated by a shadow state of protection rackets.²²

Whereas for Polanyi the nation state was the fulcrum of politics, now it is increasingly supervened above and below by the global and the local. This creates openings for novel political reactions to the self-regulating market. If for Polanyi the authoritarian state (fascism, communism) and democratic socialism were alternative forms of subordinating the market, then today societies are increasingly internally divided between anemic democratic states reaching for global connections and global legitimacy and a regional neo-feudal society turned in on itself. In this sense Russia may yet, even more tragically and less ambiguously than in the twentieth century, become the benighted Other for the twenty first century.

March 28, 1999

²² One is reminded of the conditions described by Polanyi (chapter 5) prior to the 18th century when segregated markets were politically regulated and externally connected to local economies.