Requirements for Transformative Change: Contributions from Karl Polanyi

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Requisitos para el cambio transformativo: contribuciones de Karl Polanyi

Resumen. Una pregunta clave que surge de la pandemia de coronavirus es qué se requiere para hacer de esta fase temporal un camino hacia el cambio transformador. O, como sucedió en gran medida después de la crisis financiera de 2008, ¿volverá la sociedad a una economía dominada por el crecimiento y cargada de carbono basada en una ética del individualismo radical y el consumismo desenfrenado, informada por recetas neoliberales? Este artículo se basa en el trabajo de Karl Polanyi (1886-1964) para ofrecer un marco teórico alternativo para guiar el cambio social transformador en la era del cambio climático. Comienza por identificar una característica clave del equilibrio entre la estructura y la agencia en la sociedad contemporánea, a saber, un optimismo tecnológico y propone un marco alternativo a través de la economía política. La segunda sección identifica los dos marcos teóricos clave que informaron las configuraciones dominantes de la economía política desde la Segunda Guerra Mundial: un marco socialdemócrata y un marco neoliberal. Se argumenta que ahora es necesario un nuevo marco. La tercera y más larga sección dibuja una gama de contribuciones conceptuales de Polanyi para ofrecer una teoría distintivamente diferente a la que ofrece el neoliberalismo. Estos incluyen: sociedad de mercado; diferentes significados de economía; mercancías ficticias; formas de integración; doble movimiento; descubrimiento de la sociedad; la persona humana y la libertad; y el poder de la tecnología. La sección final saca conclusiones.

Palabras clave: Neoliberalismo; Polanyi; Teoría crítica; Cambio climático; Sociedad de mercado.
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Abstract. A key question that emerges from the coronavirus pandemic is what is required to make of this temporary phase a pathway to transformative change. Or, as largely happened following the 2008 financial crisis, will society return to a carbon-heavy, growth-dominated economy based on an ethic of radical individualism and rampant consumerism, informed by neoliberal prescriptions. This article draws on the work of Karl Polanyi (1886-1964) to offer an alternative theoretical framework to guide transformative social change in the era of climate change. It begins by identifying a key feature of the structure-agency balance in contemporary society, namely a techno-optimism and the case made for an alternative framing through the lens of political economy. The second section identifies the two key theoretical frames which informed the dominant political economy configurations since the second World War – a social democratic frame and a neoliberal frame. The argument is made that a new frame is now necessary. The third and longest section draws a range of conceptual contributions from Polanyi to offer a distinctively different theory to that offered by neoliberalism. These include market society; different meanings of economy; fictitious commodities; forms of integration; double movement; discovery of society; the human person and freedom; and the power of technology. The final section draws conclusions.

Keywords: Neoliberalism; Polanyi; Critical theory; Climate change; Market society.
JEL codes:
Powerful shocks like pandemics, wars or financial crashes have an impact on society, but the nature of that impact depends on the theories people hold about history, society, the balance of power – in a word, ideology – which varies from place to place.  

- Thomas Piketty

1. Introduction

The coronavirus pandemic has generated much discussion about whether it will contribute to a change of direction for our societies and economies (Sustainability editorial, 2020; Holo, 2020). The discussion is often framed by the requirement to transition to a post-carbon society and the contribution that the pandemic has made to putting societies on a pathway towards the swift reduction of greenhouse gas (GHG) emissions and giving space for a flourishing of bio-diversity. However, it is clear that the pandemic is a temporary phase in economic and social activities. A key question that emerges, therefore, is what is required to make of this temporary phase a pathway to a more equitable, just and sustainable future. Or, as largely happened following the 2008 financial crisis, will the return to some new version of normality include returning to a carbon-heavy, growth-dominated economy based on an ethic of radical individualism and rampant consumerism, informed by neoliberal policy orientations. Though the financial crash discredited mainstream economics, Holmes wrote that ‘without any new paradigm to take its place, neoclassical economics lived on, if only in “zombie” form’ (Holmes, 2018: 139).

Following the observation by Thomas Piketty with which this article opens, the focus in answering the question just posed is on ‘the theories people hold about history, society, the balance of power – in a word, ideology’. The article begins by arguing that Piketty’s mention of ‘balance of power’ draws attention to a key feature of the structure-agency balance in contemporary society, namely a techno-optimism. The implications of this for social and political agency are briefly mentioned and the case made for framing the balance of power through the lens of political economy. The second section identifies the two key theoretical frames which informed the dominant political economy configurations since the second World War – a social democratic frame and a neoliberal frame. The argument is made that a new frame is now necessary and this article draws on the oeuvre of Karl Polanyi to offer an alternative frame. The third and longest section draws a range of conceptual contributions from Polanyi to offer a distinctly different theory about ‘history, society and the balance of power’ to the neoliberalism informed by Hayek’s theoretical frames. The final section draws conclusions.

2. After the pandemic: From techno-optimism to political economy

The deep hold of technological solutions to some of the great challenges of our times is a marked feature of today’s dominant neoliberal paradigm. In addressing the challenge of climate change, Anderson has written that ‘the growing dominance of abstract and quantitative scenarios generated by ever more complex and black box modelling has increasingly sidelined the thorny issues exposed by an understanding of political economy’ (Anderson, 2018: viii). The French philosopher of the socio-anthropology of technology Alain

2 Spinney (2020).
Gras reminds us that a technical object is always part of a technical system rather than being simply a set of neutral tools. As Gras puts it: ‘This new Anthropocentric society that relies on the power of heat in machines is nothing but a thermo-industrial civilization’, involving ‘a real upheaval in the representation of the relationship of humans with the world around them’ (Gras, 2017: 13). He writes that ‘we are locking ourselves into an electronic world’ which is both functional to the needs of neoliberalism but also creating a world of surveillance of the private sphere ‘in a more insidious way than an old-style totalitarian regime would have been able to do’ (ibid. 26). Lest we think this something of an exaggeration, Bridle reminds us that our lives are utterly enmeshed in technological systems that shape how we act and think: ‘Our technologies are complicit in the greatest challenges we face today: an out-of-control economic system that immiserates many and continues to widen the gap between rich and poor; the collapse of political and societal consensus across the globe resulting in increasing nationalisms, social divisions, ethnic conflicts and shadow wars; and a warming climate, which existentially threatens us all’ (Bridle, 2018: 2). Challenging this ‘balance of power’ requires a much wider frame that is best supplied by political economy. While political economy is, as Hettne puts it ‘compatible with widely different ideological and theoretical perspectives or paradigms’ and ‘was always an ideological battlefield’, he adds that there is a consensus about what conventionally constitutes its fundamental concern, ‘namely the interaction of state and market’ (Hettne, 1995: 2). In clarifying what political economy approach is useful to analysing the requirements for transformative change, the distinction of Robert W. Cox is fundamental. He sees a methodological difference between political science and economics on the one hand and political economy on the other. The two former disciplines ‘take off from some rather fixed assumptions about the framework or parameters within which actions take place – the institutional framework of politics, or the concept of the market.’ Working within these assumptions, they can offer precise answers to specific questions. This he calls ‘problem-solving theory’. Political economy, by contrast, ‘is concerned with the historically constituted frameworks or structures within which political and economic activity takes place’, standing back from the apparent fixity of the present to ask how the existing structures came into being and how they may be changing. This he calls ‘critical theory’ (Cox, 1995: 32).

Among the most pioneering contributors to the field of critical political economy mentioned by both Hettne and Cox is Karl Polanyi (1886-1964).

3. Towards paradigm change: From Hayek to Polanyi

Transformative change requires stepping back from the apparent fixity of the present to allow more innovative responses to the great structural challenges of our time to emerge. This is what happened as the second World War was drawing to a close; guided by the theories of Keynes structures were put in place for a managed global economic and financial system through the Bretton Woods institutions while a new compact between capital and labour at national level was given institutional form, most coherently in those countries in which social democratic parties became hegemonic (Ruggie, 1982). This laid the foundation for the trente années glorieuses as they came to be known in Europe or, in the United States, the New Deal. This took its fundamental orientation from the theories of John Maynard Keynes since he provided the understanding of how the state should correct market failures to ensure full employment, the ‘common sense’ of the era (Rogers, 2014: 32-40). This common sense was displaced with the advent of the neoliberal restructuring following the Chilean coup d’état in 1973 when the economy was handed over to the control of the Chicago
boys, young Chilean graduates of the economics department of the University of Chicago with which the Pontifical Catholic University of Chile (the PUC) had an exchange programme since the 1950s. When Margaret Thatcher came to power in the United Kingdom in 1979 and Ronald Reagan reached the White House in 1981, the same economic liberalism came to dominate policy in these countries. This found its orientation in the very different theoretical claims of Friedrich Hayek who feared state involvement as an infringement of individual liberties and saw state interference in the functioning of the economy as harmful to society (ibid.: 40-47). His The Road to Serfdom, first published in 1944 when Hayek was a professor at the London School of Economics (LSE), had been read by Thatcher at the age of 18 and remained a fundamental inspiration of her political philosophy.

This change of economic model involved a paradigm change. Paradigm can be defined as a structured frame of reference underlying and informing dominant theories at particular times in history. The term is used to refer to different models of political economy or, political paradigms informing particular policies (for example Mitchell’s use of the term paradigm in considering different energy policies (Mitchell, 2008)). Kuhn used it in a wider sense to refer to the theoretical assumptions underlying scientific discoveries (Kuhn, 1962). Paradigms are ‘the sources of systems’, Donella H. Meadows, one of the authors of the influential book Limits to Growth, reminds us (Donella et al., 1972). They are thus harder to change than anything else about systems. So how do you change paradigms, she asks, and offers this answer: ‘In a nutshell, you keep pointing at the anomalies and failures in the old paradigm, you keep speaking louder and with assurance from the new one’ (Donella, 1999: 18). Yet, as neoliberalism collapses, no clear orientation has yet emerged to offer a broad theoretical grounding in a new understanding of the roles of the state, the private market and civil society, and how they interrelate. What is needed is, as Piketty puts it, an alternative theory about history, society and the balance of power, a theory that has the potential to guide policies and actions adequate to responding to the great challenges of our time, climate change in particular. The remainder of this article outlines some essential contributions to such a theoretical orientation drawn from the work of Karl Polanyi. For, as his daughter has written: ‘Polanyi invites us to step outside the box of formal models of market transitions to explore the real needs of real people and the variety of institutional arrangements that can satisfy them’ (Polanyi Levitt, 2012: 14).

Block and Somers call this his ‘new public philosophy’ (Block and Somers, 2014: 236), challenging the narrowness, individualism and anti-statist stance of classical political and economic liberalism, all of them implicated as causes of today’s global crisis. ‘Nothing obscures our social vision as effectively as the economistic prejudice,’ wrote Polanyi and overcoming this prejudice is therefore an essential precondition for developing a new paradigm (Polanyi, 2001: 166). As Polanyi elaborated:

*We find ourselves stultified by the legacy of a market-economy which bequeathed us oversimplified views of the function and role of the economic system in society. If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition (Polanyi, 1968: 60).*

Central to this more realistic vision is Polanyi’s recognition of ‘social interdependence as the foundation of humanity’ and the knowledge ‘that freedom and rights must be deliberately built on that foundation’ so that ‘new freedoms will develop by accommodating ourselves to the constraints imposed on us by our complex interdependencies’ (Block and
Such a recognition was brought forcefully home to many by the Covid-19 crisis.\textsuperscript{3}

\section*{4. Principles for a new paradigm: Polanyian contributions}

Paradigm change begins to happen when the conclusions of empirical observation and scientific research challenge important parts of the accepted frame of reference that underpins the dominant political economy model. At least three sources of challenge to the neoliberal model have accumulated over recent decades: the ecological calling into question the underlying mechanism of economic growth as the driver of social progress, the financial calling into question the nature of the financial system and its relationship to the wider functioning of the economy, and the social calling into question the relationship of economy to social equity and wellbeing. These are exactly the dimensions that Fraser finds identified in Polanyi’s work: ‘Polanyi identifies three contradictions of capitalism: the ecological, the social, and the financial, each of which underpins a dimension of crisis. Each contradiction pertains to a necessary condition of production, which the capitalist economy simultaneously needs and tends to erode’ (Fraser, 2018: 70). This is what makes his analysis so compelling and so contemporary. He recognised a set of fundamental contradictions within capitalism between the economy and wider contexts on which it depends. As Fraser put it:

For Polanyi, … capitalism’s inherent tendency to structural crisis is not internal to its economy. It consists, rather, in a set of inter-realm contradictions between the capitalist economy and its natural and social surroundings. In a nutshell: society and nature supply indispensable preconditions for the economy’s functioning; yet the latter systematically consumes and degrades them, eventually jeopardising its own operations. What grounds capitalism’s propensity for crisis for Polanyi, then, is the inherent tendency of the ‘self-regulating market’ to destabilize its own conditions of possibility – through the process he calls fictitious commodification (ibid.: 69).

A central insight of Polanyi’s, one that distinguishes him from Marx,\textsuperscript{4} is the destructive impact of commodification on both society and nature. As we are being alerted with ever growing alarm to the destructive impact on our ecosystem of the ways many of us live and consume, this central insight of Polanyi takes on added significance. Referring to Polanyi’s warnings about the danger of commodifying land and nature, Block and Somers write: ‘Today, the scale at which nature is being commodified has expanded to such a degree that planetary annihilation through radical climate change seems almost inevitable’ (Block and Somers, 2014: 112). More widely, as Rendueles puts it: ‘The present situation offers significant analogies with the political polarization, institutional instability and collective hatred that Polanyi experienced first-hand’ (Rendueles, 2017: 146).

Polanyi’s central theoretical focus grounds these issues in the relationship between economy and society, challenging many assumptions that form the bedrock of economic

\textsuperscript{3} The words of academic David Thunder on the impacts of the pandemic echo this: ‘[I]t casts a penetrating light over aspects of our shared humanity that had receded from view in recent decades, in particular our profound vulnerability to each others’ behaviour and choices’. See Thunder (2020).

\textsuperscript{4} For Polanyi commodification arises from the attempt to make central features of our social and natural world into commodities to be bought and sold in the economy; for Marx on the other hand, the central contradiction within the capitalist system arises from the appropriation by those who own the means of production of the value created by the workers. See Dale (2016: 49).
thinking for at least two centuries. Thus he took issue with the view that economic activity derives from some natural propensity of the human person to ‘barter, truck and exchange one thing for another’ to use Adam Smith’s words. From this was derived the view that markets had always played a central role in societies’ efforts to provide themselves with sufficient material resources for livelihood, a view Polanyi fundamentally challenged. He wrote that ‘previously to our time no economy has ever existed that, even in principle, was controlled by markets’ and, despite claims to the contrary, ‘gain and profit made on exchange never before played an important part in human economy.’ The belief that they had ‘was later to yield the concept of the Economic Man’. He concluded: ‘In retrospect it can be said that no misreading of the past ever proved more prophetic of the future’ (Polanyi, 2001: 45-6).

The following are the key conceptual foundations for Polanyi’s radically different view of the relationship of economy and society, drawing out their implications for politics, for political economy, for ontology and for freedom.

4.1. **Market society**

What is arguably the central argument of Polanyi’s classic work *The Great Transformation*, is that the British industrial revolution introduced a novel system whereby society was made to obey the self-governing mechanisms of the market. What was created therefore was a market system which ‘must be allowed to function without outside interference’; in contrast to Adam Smith’s view that this expressed a natural human tendency, Polanyi saw it as a ‘utopian experiment’ whereby the state imposed the market mechanism on society. In other words, there is nothing natural about the creation of a market system; instead, it has been ‘the outcome of a conscious and often violent intervention on the part of government which imposed the market organization on society for non-economic ends’ (ibid.: 258) and required ‘an enormous increase in continuous, centrally organized and controlled interventionism’ to keep the free market operating (ibid.: 146). This proved to be a catastrophe for society, especially for workers and for nature as it ‘produced the typical strains and stresses which ultimately destroyed that society’, he argued (ibid.: 257). He gave the term ‘market society’ to the system that resulted, namely a society run according to the needs of the economy, rather than an economy that serves social needs. This entirely new relationship between economy and society that emerged meant that ‘instead of economy being embedded in social relations, social relations are embedded in the economic system’ (ibid.: 60), which ‘required that the individual respect economic law even if it happened to destroy him’ (ibid.: 89). It called it ‘a sociological enormity’ (Polanyi: 1968: 68). Within market society the economy is therefore equated with the market system but Polanyi regarded this as ‘a comparatively modern institution of specific structure, which is easy neither to establish nor to keep going’ (Polanyi, 2018a: 264). This led him to clarify different meanings of economy.

4.2. **Economy**

Polanyi distinguishes two different meanings of the term ‘economic’, the substantive and the formal which for him have nothing in common. The substantive meaning relates to human livelihood, namely the person’s ‘interchange with his natural and social environment, insofar as this results in supplying him with the means of material want-satisfaction’ (Polanyi, 1968: 139). The formal meaning, which dominates mainstream economics, derives from the relationship between ends and means and ‘implies a set of rules referring to choice between the alternative uses of insufficient means’. He went on: ‘The laws of the one are those of the mind; the laws of the other are those of nature. The two meanings could not be further apart’
The difficulty for Polanyi lay in the fact that all considerations of satisfying people’s material needs (the substantive meaning of economics) have been reduced to a formal decision-making method presupposing constant scarcity and relying on the mechanism of prices to balance supply and demand. In other words, the formal meaning reduces all economic thinking to a situation which requires a market system (see Aldred, 2019). But this is far too restrictive as it fails to appreciate that the human economy, in the substantive sense of the ways in which people satisfy their material needs, ‘is embedded and enmeshed in institutions, economic and non-economic’: ‘For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines’ (Polanyi, 1968: 148).

For Polanyi, a warped view of society and of the human individual results from ‘equating the human economy in general with its market form’, namely with what he calls ‘the supply-demand-price mechanism’ (Polanyi, 2018a: 264). He explicitly identifies two central features of ‘our practical philosophy … overwhelmingly shaped by this spectacular episode’: firstly ‘the heresy’ that human motives can be distinguished as being either ‘material’ or ‘ideal’ and that the former are the incentives on which everyday life is organised and, secondly, that the institutions of society are determined by the economic system. He accuses both liberals and Marxists of sharing these views (Polanyi, 1968: 60-1). For Polanyi, however, elevating the market to such a determinative place in human life is severely to restrict our understanding of the human person and of society. Yet, such an ‘economistic outlook’ has become so generalised as to constitute ‘a philosophy of everyday life comprising criteria of common sense behaviour, of reasonable risks, and of a workable morality’, indeed ‘the seeds of a whole culture – with all its possibilities and limitations’ (Polanyi, 2018a: 267). He wrote: ‘It was almost impossible to avoid the erroneous conclusion that, as “economic” man was “real” man, so the economic system was “really” society’. This social philosophy, therefore, has reduced society to ‘an agglomeration of human atoms behaving according to the rules of a definite kind of rationality’, namely an economic rationality based on the calculation of how scarce means can be employed to achieve self-interested ends. Polanyi regarded such an economic rationality as highly defective since it avoids philosophical questions about ends, and moral questions about what means should be chosen; indeed he wrote that such rationality is ‘the antithesis of the aesthetic, the ethical, or the philosophical’. Furthermore, in elevating the needs of the individual to be primary while ignoring the complex ways in which individuals are embedded in social networks, such an economic rationalism eclipsed an earlier political rationalism and was ‘totally blind to the sphere of state, nation and power’ so that justice, law and freedom, as values institutionalised in society, ‘wore thin’. Furthermore, none of the social disciplines could escape the influence of this economic rationality and were unwittingly turned into ‘strongholds of economistic modes of thought’ (Polanyi, 2018a: 267-74). Indeed, Polanyi described the separation of economics and politics as ‘this outstanding characteristic of market society’ since it allowed economists treat of economic issues divorced from considerations of political power or social consequences (Polanyi, 2001: 204).

A second great fallacy he identified was that the economy determined society since his anthropological studies of societies prior to early nineteenth century Britain convinced him that the opposite was true, namely that the economy was always embedded in social relations. In previous societies, markets were isolated institutions in which goods were traded and which

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5 This analysis of Polanyi’s is echoed in Sandel (2013). Surprisingly, however, Sandel seems unaware of Polanyi’s work.
were hedged around by laws and customs. What happened in nineteenth century Britain for the first time was that these isolated markets became transmuted into a self-regulating system in which ‘order in the production and distribution of goods is ensured by prices alone’ (ibid.: 72). The second element of this new market system is that not only are goods traded but that labour, land and capital are also treated as if they are commodities to be bought and sold in the market, though for Polanyi ‘no more thoroughly effective fiction was ever devised’. By setting prices for labour (wages) and for the use of land (rent), ‘the commodity fiction handed over the fate of man [sic] and of nature to the play of an automaton running in its own groves and governed by its laws’. As a result, an ‘economic sphere’ sharply delimited from other social institutions came into being which had the effect of making the rest of society dependent on that sphere and the market system became determinative for the life of society. What emerged is an economic society, ‘to a degree previously never even approximated’ (Polanyi, 1968: 62-3).

4.3. **Fictitious commodities**

Central to the creation of market society therefore was the treatment of land, labour and money as if they were commodities allocated a price to be bought and sold in the marketplace. As understood by Polanyi, commodification involves a transformation of society based on a change in the motive of action: ‘for the motive of subsistence that of gain must be substituted’. Private gain over sufficiency for all, therefore, lies at the heart of commodification. The introduction of money into all spheres of life is the means:

> All transactions are turned into money transactions, and these in turn require that a medium of exchange be introduced into every articulation of industrial life. All incomes must derive from the sale of something or other, and whatever the actual source of a person’s income, it must be regarded as resulting from sale. No less is implied in the simple term ‘market system’ (Polanyi, 2001: 44).

The central contradiction for Polanyi is that while the industrial economy needs to treat land, labour and money as commodities, ‘they are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them’ (emphasis in original). Labour is only another name for a human activity that goes with life itself, land is another name for nature which is not produced by people; and money is merely a token of exchange and not produced at all but comes into being through banking and state finance. Therefore, ‘the commodity description of land, labour and money is entirely fictitious’. And, allowing the market mechanism to be the sole director of human beings, of their natural environment and even of the amount and use of purchasing power ‘would result in the demolition of society’. The devastating effects he described as ‘awful beyond description’. ‘Human society would have been annihilated but for protective counter-moves which blunted the action of this self-destructive mechanism’ (Polanyi, 2018b: 311). Thus the double movement was born, namely the self-protective response by forces within society to protect themselves from the destruction being wrought by market forces (see Section 4.5). This sets up two competing organising principles for society

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6 The word ‘subsistence’ as commonly used today has undertones of having barely enough to survive but Polanyi may be using it in an earlier sense, as used for example in writings of Locke. This views a subsistence economy as one in which people use only enough to meet their needs, thereby keeping population, economy and material resources in greater balance than in a growth economy like ours (see Holmes, 2018: 50-54). A similar understanding of the need for balance between the economy and finite resources is again receiving attention today. See Dietz and O’Neill (2013).
– the principle of economic liberalism using laissez-faire and free trade as its methods versus
the principle of social protection aiming to conserve human beings, nature and productive
organisations through the actions of those immediately affected by the market mechanism.
Polanyi mentions means such as protective legislation, restrictive associations and other
‘instruments of intervention’. Yet, he emphasised the fundamental tension that lies at the
heart of the contending principles and the forces promoting them – the attempts to
decommodify land, labour and money through protective measures undermined the efficient
workings of the market mechanism and therefore were resisted by those who benefited from
it. Polanyi identified three sources of instability between the free market economy and efforts
at social protection. The first was that any restrictions on the freedom of the price mechanism
introduced rigidity and endangered growth. Endangering growth has remained a common
criticism of socialist policies down to the present day. The second divide, that between
liberalising tendencies at international level and national efforts to protect workers and the
environment, has emerged as a major tension related to globalisation in our day. Indeed, it is
central to the famous trilemma of Harvard professor Dani Rodrik on the impossibility of
maintaining national sovereignty, democratic policies and economic hyperglobalisation. Only
two can be achieved at any one time (Rodrik, 2012). Thirdly is the tension between
parliamentary efforts at social protection and business efforts to maintain as much freedom
of manoeuvre as possible (Dale, 2010: 62-3).

However, as critics have pointed out, what Polanyi means by ‘the process of
decommodification that a socialist transition would entail remained nebulous’ (Dale, 2016:
53). Dale clarifies that Polanyi did not equate decommodification either with re-embedding
the market in society or, indeed, with socialism. For example, Polanyi sees the extension
of international trade in the 1870s and 1880s as being accompanied by ‘protectionist institutions
designed to check the all-round action of the market’ such as social legislation and customs
tariffs (Polanyi, 2001: 223). Similarly, he viewed the rise of central banking in the same period
as ‘essentially a device developed for the purpose of offering protection without which the
market would have destroyed its own children, the business enterprises of all kinds’ (ibid.: 201).
Clearly this was not socialism, nor does it securely ensure the re-embedding of the
market in society since Polanyi traced the ways in which these protective measures failed to
avoid ‘a complete disorganisation of business and consequent mass unemployment’ (ibid.: 204).
Yet, in more general terms, Polanyi was correct in seeing the trend towards what
afterwards came to be called ‘embedded liberalism’, namely the reconciliation of market
efficiency with the values of social community (Ruggie, 1982). However, by the 1980s it
became clear that business interests were beginning again to disembend liberalism. Blyth
recognised that by the 1990s ‘a new neoliberal institutional order had been established in
many advanced capitalist states with remarkable similarities to the regime discredited in the
1930s’ so that Polanyi ‘had been put into reverse gear’ (Blyth, 2002: 6). It therefore remains
unclear what would constitute decommodification for Polanyi. More than any clarity on how
to transition to a society in which again the market was embedded, Polanyi’s contribution was
to identify three mechanisms through which the economy had been embedded in society.
These offer a wider understanding of the market-society relationship that remains very
relevant for our times.

4.4. Forms of integration

In his research into the economy-society relationship in societies prior to the British
industrial revolution, Polanyi identified three mechanisms whereby the economy was
embedded to serve social needs: reciprocity (free exchange within communities), redistribution (a central power redistributing goods) and exchange (within locally based markets). These exist side by side and on different levels in different economic sectors so that it is often impossible to select one as being dominant. He wrote that ‘these forms offer a means of describing the economic process in comparatively simple terms, introducing a measure of order into its endless variations’ (Polanyi, 1968: 149). These are different ways in which the exchange of goods and services took place, each requiring different cultural networks and institutional forms. Reciprocity required strong community relationships to exist within a group: ‘This was true both of the more permanent communities such as families, tribes, or city states as of those less permanent ones that may be comprised in, and subordinate to, the former’, wrote Polanyi. But it can also exist at least in transitory form, in voluntary or semi-voluntary groupings such as the military, vocational, religious or social groups which ‘would form symmetrical groups the members of which practice some sort of mutuality’ (ibid.: 152). Redistribution requires some measure of central power to collect into and distribute from a centre. It occurs ‘for many reasons, on all civilizational levels, from the primitive hunting tribe to the vast storage systems of ancient Egypt, Sumeria, Babylonia, or Peru.’ It can also take place in smaller groups, such as the Greek estate, the Roman familia or the medieval manor. He writes that in non-market societies, these two forms usually occur together. The third form, exchange, requires a system of price-making markets through which the exchange takes place. Polanyi distinguishes this form of market exchange from the operation of the market mechanism:

Higgling-haggling has been rightly recognised as being of the essence of bargaining behaviour. In order for exchange to be integrative the behaviour of the partners must be oriented on producing a price that is as favourable to each partner as he can make it. Such a behaviour contrasts sharply with that of exchange at a set price (ibid.: 152-8).

This form of market exchange, as old as settled human societies, continues to flourish in the bustling markets of towns and cities throughout the developing world, and is beginning to reappear in developed countries in farmers’ markets or craft fairs, though perhaps with less ‘higgling-haggling’ over price. These are markets characterised by human interaction and relationship rather than the impersonal exchange that became dominant in more commodified markets. As Dale summarises, the locus of reciprocity is the community, the locus of redistribution is the state, and the locus of exchange is the market (Dale, 2010: 115). However, these ideal forms are found in very different and intermixed forms in actual practice.

Polanyi’s categories generated very active debates at the time they were published since they challenged core assumptions in economic history, which equated the existence of money, markets and trade in past historical epochs with the self-regulating market of our time. While some of the empirical details of Polanyi’s work have been found faulty, ‘he appears to have been more right than he thought about the larger picture’. Over and above debates about the technical nature of forms of integration, is the alternative analysis of the role of the economy in social life that he offers, an alternative now finding expression in such concepts as the social economy or the economy of care that inform and inspire numerous schemes and

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7 One contemporary example are ecovillages. See Kirby (in press) for a specific example.
8 Dale’s conclusion about a key debate on the economy in ancient Greece in which Polanyi was involved. See Dale, 2016: 201.
projects all around the world. These can be seen as the seedbeds of a new political economy model emerging. Writing in *The Livelihood of Man* (1977), which was published posthumously, Polanyi describes the essence of this alternative in terms of the integrating role the economy can play when embedded in social values and networks rather than dominating them:

The solidarity of the tribe was cemented by an organisation of the economy that acted to neutralise the disruptive effect of hunger and gain while exploiting to the full the socialising forces inherent in a common economic destiny. The social relations in which the economy was embedded sheltered the disposal over land and labour from the corrosive effects of antagonistic emotions. Thus the integration of man [sic] and nature into the economy was largely left to the working of the basic organisation of society, which took care almost incidentally of the economic needs of the group, such as they were (Polanyi, 2018c: 298).

4.5. *Double movement*

If disembedding the economy from society results in devastating effects on society, then the central task facing us is to reembed the economy in society. This constitutes the double movement, seen by Polanyi as a fundamental dynamic of social change. Since the 1970s society has experienced yet again the violent intervention by government imposing the market organisation on society for noneconomic ends, ends which have much more to do with private profit-making than with social wellbeing. It is not surprising therefore that the double movement is one of Polanyi’s insights that has most attracted the attention of both activists and analysts to his writings in recent times. Its manifestations have come to be seen from the anti-globalisation protests of the late 1990s to the emergence of the new populism in the 2010s. These are seen as acts of spontaneous resistance, society reacting against the damage inflicted on human beings and on nature, seeking to protect itself through pressing for greater state interventions to regulate the market or through building counterpower such as social movements and trade unions to resist market power.

Yet, the double movement can be channelled by right-wing authoritarian forces as much as by progressive democratic ones. Particularly since the 2008 financial crisis, the ability of the new populist right to capture swaths of public opinion challenges any belief in a progressive path toward overcoming market society. Indeed, as Polanyi recognised, the double movement during the inter-war period also resulted in the rise of fascism which seemed to offer stability and protection to those whose livelihoods were destroyed. This undermines any easy conclusion that what Polanyi sought was simply taming capitalism’s excesses, as social democrats tend to read him. For example, one common reading has been to claim Polanyi as a champion of the US New Deal or the European welfare state. Block and Somers argue that ‘Polanyi’s vision depends on the possibility of a political-economic compromise by which businesses would continue to earn profits, but they would accept regulatory restraints, taxation, and the steady expansion of social welfare institutions’ (Block and Somers, 2014: 221). This essentially tames Polanyi, vitiating his critique of its powerful novelty and transformative potential. Furthermore, it reads the double movement as the continuing dynamic of market-state relations rather than as a pendulum to be overcome in

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9 See ‘Part III: From Commodification to Decommodification’ in Kirby (forthcoming). This contains chapters on the fictitious commodities of land, labour and money with numerous references to contemporary examples of decommodifying processes.

10 Note that glimpses of such socialising forces active in the economy, as mentioned by Polanyi, were seen in many places throughout the world during the coronavirus pandemic as local groups came together to provide meals and other services for people in need, motivated not by any personal gain but rather ‘to neutralise the disruptive effect of hunger’ and loneliness.
the transition beyond it. As Bockman puts it: ‘This socialism is not the extension of regulations into the market as in the New Deal and the welfare state, but rather a movement through which the economy and the polity themselves are made social. ... Polanyi seeks to recognise and expand the social, a relational domain. Society itself creates markets and democracy simultaneously’ (emphasis in original) (Bockman, 2018: 204). This expresses well the novelty of Polanyi: it is the self-organisations of society that fashion both state and market ensuring they serve social needs. It is his essential difference from both Keynes and Hayek: it is neither the state’s role to hold the market in check as in Keynes, nor the market’s role to throw off the constraining hand of the state as in Hayek. It is a totally new vision of the power and potential of society. It forces a deeper consideration of Polanyi’s core commitment to an alternative future beyond capitalism. One way in which this finds expression in the context of climate change is the trajectory of a Great Transition.11

4.6. Discovery of society

For too long, progressives have limited themselves to focusing on how to use state power to regulate the economy rather than focusing on the economy itself and how to transform it, embedding it again at the service of society. Polanyi aspired ‘to take the social decisions made behind our backs into our own hands – not into the hands of any sort of state power’ (Polanyi, 2018b: 311). Polanyi’s inspiration, in Dale’s words his ‘lifelong idol’, was Robert Owen (1771-1858), the English entrepreneur best known for his transformation of the New Lanark cotton mills in Scotland into a co-operative community.12 What impressed Polanyi, and indeed Marx also, was that Owen was pioneering a new form of cooperative socialism, not reliant on either state or market. Polanyi summed up the essential feature of Owen’s socialism as follows: ‘His socialism, one might say, was based on a reform of human consciousness to be reached through the recognition of the reality of society’ (Polanyi, 2001: 133). For Polanyi, the heart of society is community. Yet, while the term community is widely used in everyday discourse, he sees this as ‘community in name only’ as long as society is divided into classes. Instead of community, we have its denial:

Malnutrition for some amidst the affluence of others, unforced idleness for some amidst the voluntary idleness of the leisured few, lack of opportunity for education and training for some alongside the monopoly of an expensive class education for others, become equivalent to deliberate wrong-doing and crime. It is on account of this denial of community that our society is in process of being destroyed (Polanyi, 2018d: 149).

He writes that ‘community for community’s sake is a poisonous beverage’ since it fails to acknowledge that the reality of community is impeded by our present market system which ‘acts like an invisible boundary isolating all individuals in their day to day activities’. Achieving community, therefore, requires ‘a transformation of society through a change in the economic system’ by abolishing the private ownership of the means of production. Instead ‘the means

11 When the New Economics Foundation published a report on how to redesign the economy to address systemic challenges by 2050 it called it The Great Transition ‘as a deliberate echo’ of Karl Polanyi’s The Great Transformation, since his work offers ‘a balance between the market and the non-market; the private and the public; the individual and the community’. See NEF, 2009. The German Advisory Council on Global Change (WBGU) an advisory body to the German Chancellor, also explicitly describes its work on climate change as the Great Transformation ‘not least with reference to Karl Polanyi’s Great Transformation to describe an all-encompassing transition’. See WBGU: 2011.

of production must be owned by the community’ so that the people as a whole have responsibility for the productive system rather than this responsibility being limited to its private owners while the rest of society looks on virtually powerless. People as a whole must participate in ‘the massive economic adjustments needed to make an international community possible today. The ultimate reason for the helpless drift of the world towards destruction is the denial of community within the nations expressed in the retention of the capitalist system’ (ibid., passim).

4.7. The human person and freedom

Assuming the needs of society therefore constitutes Polanyi’s understanding of freedom. He agreed with Marx that under capitalism workers depend on the means of production which are owned by others and so ‘they work under external command’ which is degrading. ‘Being separated from his product, the worker is in a sense separated from himself,’ writes Polanyi (Polanyi, 2018b: 300). For Marx this is the essence of the lack of freedom under capitalism; however, Polanyi goes much further, broadening the concept of social freedom to include the totality of social relations, the individual freely assuming a responsibility for society:

Being free therefore no longer means, as in the typical ideology of the bourgeois, to be free of duty and responsibility but rather to be free through duty and responsibility. ... [I]t is thus not a form of releasing oneself from society but the fundamental form of social connectedness, not the point at which solidarity with others ceases but the point at which we take on the responsibility of social being, which cannot be shifted onto others (emphasis in original) (ibid.: 304).

A concern for social freedom was at the heart of Polanyi’s analysis of the imposition of the market on society and the double movement of reaction to check this. In part, this echoes the early writings of Marx with its emphasis on human alienation as the condition of capitalist society, separating people from one another as well as from their own essential nature or being. Polanyi writes that Marx’s historic greatness lies in seeing beyond his contemporaries who expressed outrage at the injustice of capitalism since he ‘understood that capitalist society is not just unjust but also un-free’ (ibid.: 316). Recognising why Polanyi singled out human motivation and economic determinism as the two great fallacies of the market mentality helps illustrate how, in his view, they serve to restrict a more adequate understanding of why capitalism restricts human freedom. Under the market mechanism, a distinction is made the economic motives of hunger and gain and more ideal motives, such as honour and status. Therefore, ‘fear of starvation with the worker, lure of profit with the employer, would keep the vast establishment running’. As a result, these so-called ‘economic motives’ came to occupy a predominant position as ‘the individual was made to act on them under pain of being trodden under foot by the juggernaut market’. Indeed, his study of early societies convinced Polanyi that ‘the productive or economic system was usually arranged in such a fashion as not to threaten any individual with starvation’, giving the person a secure place in society. For this reason, he regarded them as more humane societies than is modern market society (Polanyi, 1968: 62-7). Though capitalism is based on motives of starvation or gain, for Polanyi ‘in actual fact, man [sic] was never as selfish as the theory demanded’ (ibid.: 69). He wrote that elevating starvation and gain to predominant motives ‘is at the root of the “sickness of an acquisitive society” that Tawney warned of. And Robert Owen’s genius was at its best when, a century before, he described the profit motive as “a principle entirely

13 Contemporary research is providing further evidence for this: see Bregman (2020).
unfavourable to individual and public happiness’” (ibid.: 72). Polanyi’s understanding of freedom as social freedom, and the conditions that impede it, therefore directly challenges and expands Hayek’s reduction of freedom to individual choice, an understanding that has done great damage to the contemporary world.

4.8. The machine age

Polanyi’s focus on freedom and the conditions for human flourishing led him, later in life, to warn of the dangers of technology, or as he liked to call it ‘the machine age’. ‘Industrial technology is showing itself wholly capable of generating suicidal tendencies that strike at the roots of liberty and life itself,’ he wrote (Polanyi, 2018e: 258). While Polanyi acknowledged the progress that technology had brought, he feared that technological civilisation was turning ‘society itself inside out’ as it takes its ‘forms and objectives from the needs of the machine’. He focused on the threat to human wellbeing posed by making people subordinate to technological rhythms: ‘the fragmentation of man, the standardization of effort, the supremacy of mechanism over organism and of organization over spontaneity’. Perhaps more important, however, was his linking of the factory system to the market mechanism so that technology came to form part of a system which ‘revealed its incapacity to satisfy the requirements of a stable society’: ‘Millions experienced recurrent unemployment and the employed suffered permanent uncertainty of tenure’ (ibid: 257). The only answer was to ‘recognise the reality of society and ground our institutional freedoms upon it’ (Polanyi, 2018f: 322).

In our time, a similar concern is raised by writers such as Paul Mason who warns about the dangers of ‘machine control’; however, he elevates the threat beyond what Polanyi feared. While industrial civilisation gave machines ‘temporary and limited autonomy’, the ‘dangers of algorithmic control’ pose the challenge ‘to place the new technology of intelligent machines under human control, and programme them to achieve human values’ (Mason, 2019: xi-xiii). Pope Francis also has written that ‘many problems of today’s world stem from the tendency, at times unconscious, to make the method and aims of science and technology an epistemological paradigm which shapes the lives of individuals and the workings of society. … We have to accept that technological products are not neutral, for they create a framework which ends up conditioning lifestyles and shaping social possibilities along the lines dictated by the interests of certain powerful groups. Decisions which may seem purely instrumental are in reality decisions about the kind of society we want to build’ (Pope Francis, 2015: par. 107). As Wendy Liu, a writer on the politics of technology, puts it, what will make the difference is politics, prising technology ‘from the clutches of capital’ (Shenker, 2019: 239).

5. Conclusions

The quote from Piketty with which this article opens emphasises the crucial role that theory plays in mediating the impact on society of disruptions and crises. And, as the aftermath of the 2008 financial crisis made very clear, crisis doesn’t in itself change theory, for that, much more is needed. Polanyi wrote that ‘nothing obscures our social vision as effectively as the economistic prejudice’ (Polanyi, 2001: 166) so that breaking the hold of this prejudice on our social imaginary seems a necessary first step. As Cox’s elaboration of critical theory puts it, we need to step back from the apparent fixity of the present to ask how it came into being and how it may be changing. Crises and pandemics open the way by undermining and weakening the apparent fixity of the present, and this is the moment we now find
ourselves in as the coronavirus pandemic has forced unimaginable actions by governments and restrains on personal liberties. Yet, the promise offered by this moment can just as well result in a more dystopian future as in a more progressive one. This underlines the importance of Polanyi’s contribution as he offers a distinctively different understanding of fundamental features of our social order, most especially the relationships that form the heart of the political economy configurations that shape the power structures and social outcomes in all societies. But not only does Polanyi turn on their heads long-established assumptions of how market and state interrelate, but he adds the crucial element missing in all political economy models up to now, namely the wider eco-system in which they are embedded and on which they depend. The future of human civilisation at this decisive moment of history depends on fashioning a political economy model that respects and nurtures a regenerative and flourishing relationship between society and the eco-system. The German Advisory Council on Climate Change likened the scale of transformation required to the Neolithic and Industrial Revolutions (WBGU, 2011: 5).

Economic prejudice can also be seen to have limited a full understanding of the transformative potential of Polanyi himself. For example, his double movement has often been interpreted as requiring relatively modest social democratic reforms. Much less attention has been paid to his ‘discovery of society’ and his focus on the power of community, or to his rich understanding of the need to nestle human society within a supportive eco-system. Behind these lie his conviction that we are not by nature acquisitive individuals seeking freedom through disregarding social responsibilities, but the very opposite, we are social beings whose flourishing depends on securely belonging to social networks where we find meaning and status. Nothing could be further from the cold individualism of Hayek. Similarly, the full significance of Polanyi’s identification of different forms of integrating the economy into society – reciprocity, redistribution and exchange – awaits exploration as it provides a theoretical framework through which the many new forms of achieving livelihood emerging throughout the world could find their theoretical home. For what a Polanyian framework alerts us to is that the new model is already in gestation in a variety of social innovations and innovative technologies proliferating on the margins of the market mechanism and challenging its power and control, standing as what Seyfang calls ‘a symbolic embodiment of alternatives’ (Seyfang 2011: 76). Furthermore, Mason argues that structural features of today’s economy and society open radical new possibilities:

The utopian socialist communities of the mid-nineteenth century failed because the economy, technology and the levels of human capital were not sufficiently developed. With info-tech, large parts of the utopian socialist project become possible: from cooperatives, to communes, to outbreaks of liberated behaviour that redefine human freedom (Mason, 2015: xxi).

The coronavirus presents further possibilities for such a transformative project.14 What has been missing up to now is a robust theoretical framework that outlines a radically different political economy model through which to invest with a transformative potential those many innovations and practices that otherwise seem marginal and of little significance, joining the dots as it were to reveal that an alternative economy and society is already being built in a myriad of initiatives, struggles and practices all over the world. The contours of this political economy model rest on the radically different understanding of the economy and of society

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14 See, for example, the cover story of The Guardian Weekly, 22nd May 2020: ‘Another green world: Can we use this crisis to save the planet?’
already outlined in this article. In relation to the state, Polanyi offers nothing more than hints of how he conceives of its nature and role. Indeed his theory of the state seems rather threadbare, and his work could be richly complemented by consideration of the ways in which the state can build social power, such as the Carnegie Trust project on the enabling state (Wallace, 2019). Another conception is that of the ‘eco-social state’ realigning social security functions of the state with patterns of social participation in work and in activities of reproductive value (Murphy and McGann, 2020). The central logic that informs the relationship of state, market and society in this alternative model is the need to combat and overcome the rule of capital over our personal and public lives, freeing society in all its richness from the straitjacket of the market mechanism and supporting the flourishing of society in a balance with the ecosystem. This opens up a rich research programme, both theoretical and empirical, identifying the elements of this new model already in gestation and laying out pathways (theoretical, policy-oriented, activist and political) towards strengthening and furthering it.

Humanity is moving into a time of fundamental social change. Yet, as novelist Amitav Ghosh puts it, ‘it is increasingly clear to me that the formal political structures of our time are incapable of confronting this crisis on their own’ (Ghosh, 2016: 159). Society will be forced to assume much greater responsibility as we face decades of the most fundamental re-orientation of our societies, our economies and our values if we are to move back within the safe carrying capacity of the planet. We must undertake this transition and, while we might speak of the end goal as a low or post-carbon society, we have very little idea of what kind of society this is going to be. We will be thrown back on ourselves, our imagination, our creativity and our networks of interdependency, in ways that we got a foretaste of during the coronavirus pandemic. Society will be rebuilt on a basis of strong local communities which will be the bulwark against collapse. In this situation, Polanyi provides essential elements of the values and orientation we need, awakening us to the fact that formal economics and the market mechanism have led us to this crisis point and we need now to set out on a new path to re-create an economy that strengthens the resources, capacity and resilience of local communities, rebuilding society from that base. In the final letter he wrote before he died, Polanyi expressed this life-long vision: ‘The heart of the socialist nation is the people, where collective existence is the enjoyment of a community culture. I myself have never lived in such a society’ (Polanyi Levitt, 1990: 262). Now the time is ripe to make it a reality.

References


