



## Karl Polanyi, the Market and Socialism

by [Arnault Skornicki](#) [22-10-2009]

Is society sentenced to endure the law of the market? The publication of a number of essays by economist Karl Polanyi hitherto unpublished in French gives us the opportunity to re-discover democratic socialism as championed by the author of *The Great Transformation*. His thinking on political power's capacity to organise economic exchanges still applies.

Review of: Karl Polanyi, *Essais*. Paris Seuil, 2008, 589p. 29 €. Published by Michèle Cangiani and Jérôme Maucourant, translated by Françoise Laroche and Laurence Collaud, with a postface by Alain Caillé and Jean-Louis Laville.

Today, Karl Polanyi's legacy in domains as far-ranging as anthropology, (Marshall Sahlins, Louis Dumont), the history of ancient Greece (Moses Finley) or socio-economics (Mark Granovetter) comes into its own. Such a social sciences trend as MAUSS (Mouvement anti-utilitariste en sciences sociales / Anti-Utilitarian Movement in the Social Sciences) to which the authors of the postface, Alain Caillé and Jean-Louis Laville belong claim his mantle. It is no less true that his audience in France has long been at a disadvantage due to the delays and dearth in translations of this great Hungarian thinker's prolific output. This thick volume, heralded a few years ago by Jérôme Maucourant in a small, luminous monograph entitled *Avez-vous lu Polanyi?* (La Dispute, 2005), puts paid once and for all to this deplorable state of affairs.

Through a major (German and English) translation effort, the publishers were able to gather articles, some more famous than others (including unpublished papers) written before and after *The Great Transformation* (1944). These have not been organised in chronological order or theme but according to type: academic research, newspaper articles, political tracts – a range the more dizzying for arising from the diversity of vantage points that plot a rocky progress (Vienna between the wars, the UK, an American career). The three subdivisions frequently intersect but the publishers' choice has the merit to bring out the scope and the multiplicity of Polanyi's work: scholarly texts on economic history, which bear as much on anthropology as on political economy (1st part), at the height of the European crisis, political analyses some for programmatic others for journalistic consumption (2nd part); "positive" conceptions of Polynian socialism (3rd part).

### Karl Polanyi (1886-1964)

Hungarian born, the economist emigrated to the United Kingdom in the thirties then to the United States. His book *The Great Transformation*, published in 1944 has become a classic text of economic history. In it, Polanyi submits that the market, far from being a natural and timeless entity, is a historical construct born in the 19th Century. The notion of "disembeddedness" helps to understand how markets came into being as autonomous institutions divorced from social and political restraints. He read the rise of fascism between the wars in the light of the crisis of the market society from which he also evolved his democratic and decentralised brand of socialism.

### "Our obsolete market mentality"

Thus will be found the famous disquisitions on "economy as an instituted process", on Aristotle or on the economy of ancient societies, some of which were available in his famed *Trade and Markets in the Early Empires* (1957); but also texts on currency, the Marxist method and economic determinism. The diversity of the historical papers can be mustered around Polynian thought's main thread: The self-regulating market is a produce of recent history and cannot serve as suitable reading grid for ancient, feudal or primitive economies; it is the exception and the others are the rule. Such a reversal in the perspective has a great future in displacing our representation of economy, even though some historical reservations have been expressed on Polanyi's theses since. It remains that the thesis of the self-regulating market as institutionalised process makes it possible to understand that market economy "disembedded" itself belatedly from the social institutions that held it in a subsidiary place in society. This autonomisation of the economic sphere turns out not to be the restoration of a "spontaneous order", nor even a necessary outcome of history, but a cultural and political phenomenon: There is no "neo-liberalism" that were not vested and encouraged by the State machine, anymore than a calculating and profit-driven *homo oeconomicus* that were not the product of a new political culture appeared in the 18th Century in opposition to economical systems embedded in other value systems (e.g. religion, honour etc.).

The distinction between economy's substantive and material sense (exchanges between man and his social and natural environment) and its formal and logical sense (cost-benefits calculations in scarcity situations), analogous to the institutionalist approach thus enables us to re-position economy in broader structures than that of the free-price market: "Although market institutions, therefore, are exchange institutions, market and exchange are not coterminous" (p.74). For instance, Polanyi sets up a judicious ideal-typical opposition between the *factor* (merchant motivated by the status society and the authorities assign to him) and the *mercator* (profit-driven merchant), that is two socio-historically determined forms of interest (See Chapter 6). Trade is a broader activity than commerce (which is but one of its form), distinction that enables Polanyi to refer to the paradox of market-less trading (such as in Hammourabi), and the plural forms of trading: through gift (reciprocity), management (redistribution), markets (exchange in a free-price system).

This collection also offers its French readership insights on the genesis and understanding of *The Great Transformation's* controversial theses. It is however on Polanyi's social and political philosophy, deliberately overlooked by the publishers in their introduction, that the book proves the most valuable.

### Capitalism, socialism, democracy... and fascism

Between the wars the "Young" Polanyi, proves to be a militant intellectual-journalist, with a prolific output in matters economical and diplomatic (which will bear heavily on the genesis of *The Great Transformation*) first in Vienna then in the UK, from 1933. In this respect the series of political and philosophical articles (notably those written for *New Britain*) and dedicated to fascism and socialism does not pertain to a separate field in Polanyi's thought but to the very crucible of his work: "In order to comprehend German fascism, we must revert to Ricardian England", he averred in a provocative aphorism. Taxation and the crisis of market society would meet the conditions for this singular mass movement to come into being. A *Mitteleuropean*, Polanyi saw at close quarters the rise of fascist movements in Germany and especially in Austria where "Austrofascism" prevailed in 1933 when Dolfuss seized power [1].

The Polynian analysis of this historical phenomenon diverges from Marxist analyses by its refusal to reduce fascism to the causes that brought it about (bourgeois reaction, moral crisis or resistance to liberal morality). It is founded in a detailed reading of fascist theoretical literature: Alfred Rosenberg, Ludwig Klages, and especially the Viennese philosopher Othmar Spann whose corporatist project, a blend of romantic-revolutionary yearnings and radical anti-individualism, Polanyi sees as the wellspring of Austrian fascism and the 1934 Constitution. But he also connects it to the historical process such ideas reflect, namely a totalitarian solution to the crisis of market society. Fascism was not merely the bourgeoisie's medium to perpetuate its power or just a reactionary or conservative trend, but a movement relying on the masses to bring them to let go of their own power (p.360). Thus fascism is defined as a revolutionary movement against democracy, not only as an institutional system, but also in its culture and praxis. Its fundamental principle, shared by all its national variations, remains a fierce anti-individualism. The market society project, which was a suitable match for 19th Century bourgeoisie's liberal, democrat aspirations, has become with *The Great Transformation*, incompatible with democracy: there is therefore no mutual implication between democracy and the market.

Polanyi is not that very far from the most recent approaches to fascism proposed by Emilio Gentile, or George Mosse, who defines it as an "anti-bourgeois bourgeois revolution", echoed by the Polynian observation "Fascism constitutes the very type of revolutionary solution that would leave capitalism unscathed" (p.427) [2]. The fact that fascism may ensure some job security and a measure of planning is precisely what makes it dangerous rather than "socialist" because such a "reform" supposes the absolute centralisation of power in the hands of a small group. Of course, these analyses are not flawless: Polanyi takes little account of the major role played by World War I in the genesis of the fascist movements, allows the problem of the fascist state to play second fiddle to its "corporatism" to which he turns a quasi exclusive attention.

However, stressing the latter leads Polanyi to set forth an original thesis on the nature of fascist power. For not only does fascism not contradict capitalism but it borrows from it its authoritarian exercise of power in trade and industry. "Far from extending democratic power to industry, fascism has done its best to extend industrial autocratic power to the State" (p. 439). The state becomes the absolute property of a clique of private interests relying on a pyramid of corporations with which it maintains relationships of vassalage while denying the individuals "personality": "this fascist endeavour aims to *turn economic life into the State itself*" (p.440), an economic life founded in big business and masses of dispossessed workers.

## Toward a free socialism

Through extending democracy to economy, Polanyi's "functional socialism" asserts itself as the very opposite of fascism, notwithstanding disturbing analogies on the issue of corporations, which the Hungarian academic bravely confronted. In his positive socialism, the producers of each branch would be democratically represented by corporations at regional then national level, as would the consumers. This brings Polanyi closer to solidarist socialism rejecting pre-emptively those who – like Hayeck – lump any corporatist system together with crypto-fascism. Polanyi's democratic socialism, parliamentary and decentralised, paradoxically grows out of a critical analysis of fascism. How is the primacy of the political over the economic ensured so as to avoid the fascist solution? 1) The corporation must represent the workers, not the owners; 2) Polanyi overhauls a tricameralism which enshrines the precedence of the political house over the economic house (elected through an indirect professional ballot) and the cultural house (elected by direct universal suffrage and responsible for not only culture but also education, health and even the *BBC*).

Polanyi rejected at a very early stage the opposition between the market and centralised administrative planning in which such liberals as Ludwig von Mises wanted to lock socialism. What distinguishes socialism from capitalism, is not the disappearance of any "commercial" exchange to the benefit of a price and production system driven by the state, but the subjugation of the market's blind "laws" by the reappropriation of the economy by the collective, which automatically supposes the abolition of the ownership of the means of production. This kind of democratic socialism thus implies a form of trading freed from the (self-regulating) market and free price system, "since purchase and sale occur, in a corporatist socialist economy, at the prices arrived at by agreement" (p. 285); remains to conceive of institutional modalities for the said agreement. The interest of Polanyi's socialist theories resides first in their (somewhat rosy-tainted) Christian dimension grafted on an early Marx and on the "alienation" concept also dear to his fellow countryman György Lukács. Christianity is understood here as an authentic individualism grounded in fraternity, in contrast with a liberal individualism that atomises communities and fascism, which denies the individual. In virtue of the "indissoluble bond between man and society", this rational individualism is at the core of the individual's personality in relationship to others and find its correct achievement in a socialism through which men would reclaim their essence confiscated from them by capitalism.

More interesting still is his analysis of a democratic praxis of socialism, requiring a refounded parliamentary order and a form of what was still called self-management. In this sense this democratic, parliamentary and decentralised socialism is not quite libertarian or anarchist either since Polanyi deems the State necessary and the idea of a self-regulated society Utopian. Rather, he leans towards AustroMarxism, the Fabian tradition and guild socialism he got to know well in the UK. That is why he puts much effort in setting up a kind of socialist public law with a view to finding the institutional policy suited to socialism. This institutional edifice would structure the socialisation of the means of production through assuming "factual power" and proposes not indeed to dissolve the supposedly "spontaneous market order" (Friedrich Hayeck's "catalaxy" – a term Polanyi uses ironically against him), but to organise it collectively. Clearly though he dissociates himself from Bolshevik communism, the Hungarian academic is not seeking a "third way" (as his jibes at the projects of collaboration between labour and capital amply demonstrates). From that angle, our reading of those *Essays*, whether written between the wars or in the post-war years, gives us a picture rather remote from that of the "radical social-democrat" Polanyi conveyed by Alain Caillé and Jean-Louis Laville in their postface.

At no point did Polanyi drop his critical guard. The necessity to instate "freedom in a complex society" seemed to him the more urgent in post war years since the evils of an uncontrolled technician society (Hiroshima) and of a blindly booming society (sighted in the context of J.K. Galbraith book *The Affluent Society*, published in 1958) worry the Austrian in his American exile. The current reconstitution of a market society on a global scale, at least as a regulating horizon and ideal, along with the shakiness in some of its players' faith since the latest wave of financial instability, makes the reading of these *Essays* where the liberal Utopia finds itself often enough pitched against social realities most thought-provoking. Its author's political imagination at a time when the thinkable and the possible are brought low, reminds us of the democratic dimension of many socialist trends: democracy must finally dare show its true colour; to that end all it needs do is become what it genuinely is – an authentic socialism.

Translated from french by Françoise Pinteaux-Jones

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## savoir plus

- ▶ The [Institut Karl Polanyi](#).
- ▶ The [review by Daniel Benamouzig](#) of Christian Laval, *L'homme économique. Essai sur les racines du libéralisme*, 2007.
- ▶ The [review by Pierre-Paul Zallo](#) of Lucien Karpik, *L'économie des singularités*, paru en 2007.

## Footnotes

[1] My thanks go to Renaud Baumert for his precious historical pointers.

[2] Reconstructed in the absence of the original text (to be found in *New Britain*, n° 57, 1934).