

## REVIEW ESSAYS

### Karl Polanyi in an Age of Uncertainty

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Although Karl Polanyi's masterwork, *The Great Transformation*, was originally published in 1944, it was not until the sharp turn toward the neoliberalism of Margaret Thatcher and Ronald Reagan in the late 1970s and early 1980s that his work and his ideas began to be widely discovered by sociologists and social scientists more generally.<sup>1</sup> Unlike the upsurge of Marxism in the 1960s, it was not attention to exploitation that provoked the turn toward Polanyi. Rather, it was the rise of a new worship of the market as the only legitimate organizing mechanism of society, an ideological zeal all the more perplexing for having been widely perceived—including by Polanyi himself—to have been defeated with the economic crises of the 1930s and the success of New Deal liberalism.

As efforts to "liberate" the market from "failed" Keynesian policies continued to spread virally, it is not surprising that Polanyi's *The Great Transformation* became so compelling to so many. Alone among the major theorists of modern capitalism, Polanyi put the market itself—not the mode of production or even capitalism per se—at the center of his analysis.<sup>2</sup> Even

*Karl Polanyi: A Life on the Left*, by **Gareth Dale**. New York: Columbia University Press, 2016. 381 pp. \$40.00 cloth. ISBN: 9780231176088.

*For a New West: Essays, 1919–1958*, by **Karl Polanyi**. Edited by Giorgio Resta and Mariavittoria Catanzariti. Malden, MA: Polity, 2014. 258 pp. \$24.95 paper. ISBN: 9780745684444.

more uniquely, in *The Great Transformation* (subsequently GT) the market is at once the thing to be explained (the explanandum) as well as the explanatory force (explanans) behind the political and economic conditions that gave rise in the nineteenth century to the first market society and its subsequent demise in the twentieth.

Two recent events have provoked yet another spike of interest in Polanyi's work. The first was Bernie Sanders's unexpected success as the first self-declared "democratic socialist" to come close to winning the presidential nomination of a major party. In "Karl Polanyi for President," an online article in *Dissent*, Patrick Iber and Mike Konczal argue that Sanders and his supporters were not Marxists but Polanyians, even if they were unfamiliar with the Hungarian social theorist. Their suggestion was remarkably perceptive. For while Polanyi called himself a "lifelong socialist" and a champion of the working class, his socialism was attuned to the moral and social predations inflicted on humanity and the natural world by the relentless

<sup>1</sup> The exception to this was among anthropologists, who throughout the 1960s engaged in a heated debate over whether Polanyi's institutionalist and "substantivist" conception of the economy should displace that of the prevailing "formalist" definition (see Dale 2010, pp. 122–35).

<sup>2</sup> It was this that motivated some Marxist intellectuals in the 1970s to dismiss Polanyi as a "circulationist" for his focus on the market rather than capitalist relations of production.

marketization of society. Most importantly, his aspirational solutions were thoroughly democratic, as we know from his definition of socialism as “the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society” (GT, p. 242). Like Bernie Sanders’ socialism, Polanyi’s put the emphasis on achieving *economic democracy*, not simply administrative correction of market inequalities. Clearly, these are ideas that resonate with many of those who voted for Sanders against the more traditional Democratic candidate.

Sanders’s affinity with Polanyi is just one of the reasons for his remarkable relevance for this moment. The other is the increasing support for far-right political movements across Europe and America, including increasingly authoritarian regimes in Hungary and Poland, the triumph of Brexit in 2016, and Donald Trump’s ascendance to the U.S. presidency. One of Polanyi’s most compelling concepts in *The Great Transformation* is that of the “double movement,” which he uses to capture the oppositional dynamic between the forces that galvanized the rise and expansion of market society and the “countermovements” that sprang up almost simultaneously in response. These are most commonly associated with working-class and other progressive movements aiming to resist and beat back the injuries inflicted by the commodification of humans and nature into labor and property. But Polanyi argues that reactionary and virulently anti-democratic movements are just as likely to be the response to uncontrolled market expansion. Indeed, the tragedy recounted in *The Great Transformation* is that the afflictions imposed by the early-twentieth-century global economy’s self-regulating market regime were directly responsible for the rise of populist, nationalist, and authoritarian social movements in the 1920s and 1930s. This is the surprising thesis that Polanyi lays down in Part One of GT: “In order to comprehend German fascism, we must revert to Ricardian England” (p. 32).

Polanyi would not be at all shocked that once again the pursuit of a wildly wrong-headed global project of self-regulating free markets has generated commanding

countermovements driven by extreme nationalist rhetoric, ethnic and immigrant hostility, class resentment toward elites, and contempt for democratic institutions. Polanyi’s analysis of the double movement provides invaluable guidance, and a much-needed warning alarm, to understand why democratic governance is once again an endangered species around the world.

There is, however, nothing pendular or inevitable about Polanyi’s analysis of the double movement; it is a historical argument about the nineteenth and the first half of the twentieth century, not a teleological one. This is because Polanyi is, above all, a theorist of discontinuity. He provides us with a historical narrative marked by radical turns and fundamental breaks in patterns of social organization. It is an unusual theoretical emphasis rooted in his own experience growing up in the Austro-Hungarian Empire, where his own, his family’s, and his nation’s trajectory was fundamentally changed by the outbreak of the First World War. The first words in *The Great Transformation* are “Nineteenth-century civilization has collapsed,” which references the outbreak of war in 1914. Polanyi was in his late twenties at that time, and much of his lifework centered on making sense of World War I and the roiling disruptions it provoked.

It has long been known that Polanyi’s historical and theoretical insights grew out of his experiences in Budapest and Vienna. But his complicated life in five different countries and three languages has long deterred the appearance of a full-scale biography. Now, however, Gareth Dale, a senior lecturer in Politics and International Relations at Brunel University in London and the author of many articles and a previous monograph (2010) on Polanyi’s theory, has been able to access both German and Hungarian sources to produce a superb biography, *Karl Polanyi: A Life on the Left*. Dale follows Polanyi’s life from Budapest to Vienna to England to the United States and finally to retirement in Canada. The book is a penetrating and revealing account that reconstructs the social and political milieu in which Polanyi developed his ideas, and it explicates and provides context for the

contradictory currents in his thinking about politics, economics, and social theory.

Complementing Dale's biography is the recent publication of *For a New West*, edited by Giorio Resta and Mariavittoria Cazanariti with a preface by Polanyi's daughter, Kari Polanyi Levitt. *For a New West* (hereafter FNW) collects twenty previously unavailable Polanyi essays written between 1919 and 1958, drawn from the archives of the Karl Polanyi Institute at Concordia University, Montreal. The essays are arranged thematically, concluding with a final section called "Crisis and Transformation" that includes lecture notes from his time teaching at Columbia University in the 1950s. Together, these two new books provide a fresh angle of vision onto Polanyi—the man and his mind—and bring to light numerous themes and theoretical explorations that will be new and intriguing to those only familiar with GT.

Born in Vienna in 1886, Polanyi grew up in Hungary, where he was an active member of a political generation seeking to reform and modernize Hungarian society. He was a founder and leader of the Galileo Circle, a student group that included Lukács and Mannheim, which sought to bring enlightenment to Hungary and whose work included a major initiative in worker education. Polanyi was trained as a lawyer, but he had little interest in practicing law and turned instead to politics and journalism. He was a leader of the Radical Bourgeois Party, founded in 1914, that sought a political alliance with Hungary's social democrats to create a governing coalition. World War I shattered his hopes for reform, and he enlisted in the Austro-Hungarian army out of duty and some degree of despair. With a counter-revolutionary authoritarian regime on the horizon, Polanyi left for Vienna in 1919, where he was eventually hired to be a journalist for the leading financial paper. It was there that he had a front-row seat on the emergent global economic crisis and the rise of fascism from the early 1920s to 1933, when he left Vienna for England.

Three Viennese encounters formed the backdrop to Polanyi's intellectual development and political commitments. The first, undoubtedly by far the most significant,

was his meeting and marriage to the great love and partner of his life, Ilona Duczyńska. She was always the activist conscience to Polanyi's intellectualism. Throughout their life together, she kept them both focused on Hungarian politics, a devotion only fully realized with several returns to Budapest in the years before Karl's death. One of the great attractions of Dale's biography is just how much insight he provides—through letters between them, Polanyi's correspondence to friends and family, as well as his daughter's recollections—into this extraordinary relationship.<sup>3</sup>

Ilona was deeply involved with "Red Vienna," the first successful and prolonged experiment in municipal socialism that lasted from 1919 until 1934, which was undoubtedly Polanyi's second most influential Viennese encounter.<sup>4</sup> Vienna's social democrats created unemployment insurance, rent control, and public housing, and they expanded investments in childcare and education, provided free health services, and invested in spas and health facilities to improve physical fitness. Polanyi wrote of this experiment that:

1918 initiated a . . . moral and intellectual rise in the condition of a highly developed industrial working class which, protected by the Vienna system, withstood the degrading effects of grave economic dislocation (the Great Depression) and achieved a level never reached before by the masses of the people in any industrial society (GT, p. 299).

It was this experience that fueled Polanyi's lifelong view that a socialism led by the working class represents a real historical possibility.

<sup>3</sup> Dale benefitted from many hours of interviews with Kari Polanyi Levitt, still very active as an economist emerita at McGill University as well as an influential interpreter of her father's work. See Polanyi Levitt (2013).

<sup>4</sup> Duczyńska later published a book (1978) on the 1934 Civil War provoked by the fascist attack on the socialist municipality.

Polanyi's third formative encounter was with the two giants of Austrian economic liberalism, Ludwig von Mises and his student, Friedrich Hayek, who were developing their extreme free-market ideas in direct opposition to the socialist advances of Red Vienna. At the time, most theorists on the left treated these thinkers as little more than apologists for the bourgeoisie, an obvious designation since von Mises was literally the staff economist of the Vienna Chamber of Commerce. Polanyi, however, recognized the need to take their ideas seriously, and it was a choice that guaranteed his continuing relevance as Hayek would go on to found the Mont Pelerin Society and become enormously influential in the era of Reagan and Thatcher.

Polanyi was already a critic of the Bolshevik model of centralized state socialism when he arrived in Vienna. But once there, he gravitated toward the ideas of guild socialism developed by G. D. H. Cole that envisioned a combination of parliamentary democracy with trade union syndicates that would exercise decentralized control over industry. Polanyi embraced Cole's "functionalist theory of institutions," which conceives of society as composed of individuals who affiliate themselves with multiple institutions (trade unions, cooperatives, municipal councils, family, etc.), each of which is defined by its distinct function to society (production, consumption, civic life, intimate family relations). Societal dysfunction, Polanyi believed, came about when some institutions sought to interfere illegitimately in the functions of another. It was this approach that opened the way to Polanyi's early formulation of the thesis that society as a whole was put at risk when the market illegitimately expanded beyond the economy to "marketize" other societal sites and functions.

Polanyi's engagement with guild socialism formed the intellectual backdrop for his 1922 article in the journal that had earlier been edited by Max Weber, *Archiv für Sozialwissenschaft und Sozialpolitik*.<sup>5</sup> The piece

was part of the "socialist calculation debate" that centered on von Mises's argument that socialism would be recklessly inefficient because the absence of the price mechanism meant that there would be no way to use resources efficiently. Hayek went on to elaborate von Mises's argument by emphasizing the market's ability to produce a spontaneous order out of the disaggregated economic knowledge in the minds of individual actors.

Polanyi shared von Mises's skepticism about central planning, but he was not willing to accept von Mises's conclusion. Instead, he created one of the earliest sketches of a market socialist solution. In Polanyi's model, there would be prices, but, rather than relying on the free market, they would be negotiated between consumer cooperatives and producer cooperatives. This approach met several of Polanyi's key criteria for a socialist society. It enlarged the purpose of economic transactions from that of maximizing profits to broader social ends. Market prices only reflected the priority of profit-maximization; they gave no information about the social effects or the ethical implications of economic transactions. A process in which social groups consciously negotiated prices opened the possibility for "overview," by which Polanyi means people becoming aware of and accountable for the wider consequences of their individual actions, exactly the opposite of the market morality that justifies private selfishness in the name of greater public prosperity.

With Hitler's ascension to power in 1933, Polanyi left for England. From that vantage point, he saw that von Mises and Hayek's extreme free-market ideology was used to justify the violent repression of Vienna's working-class movement, which paved the way for the fascist triumph. In *The Great Transformation*, he insists that their endorsement of austerity policies weakened and delegitimized democratic institutions, leading many to embrace authoritarian politics as the only way to protect themselves from the deep uncertainties generated by unconstrained market forces. To be sure, both Hayek and von Mises expressed their own dismay with the violence and

<sup>5</sup> This text is finally available in English thanks to heroic work by translators Johanna Bockman, Ariane Fischer, and David Woodruff. See Polanyi (2016) and the preface by Bockman (2016).

repression of fascism, but for Polanyi their disavowals were hollow.

In England, Polanyi eventually found employment with the Workers' Educational Association, teaching night school courses that often involved a great deal of commuting. These were difficult years, and he was repeatedly unsuccessful in obtaining a university appointment. Polanyi did find political comradeship with a group of Christian socialists with whom he edited a 1935 book, *Christianity and the Social Revolution*. His essay in the volume on "The Essence of Fascism" anticipates some of the analysis of *The Great Transformation*.

While Polanyi had reached safety in England, he was ultimately a beneficiary of the Rockefeller Foundation's efforts to support European refugee intellectuals that had begun in 1933. Polanyi's fellowship provided funding for a residency at Bennington College in Vermont, and it was there that he wrote *The Great Transformation*. Dale's biography spends less time on *The Great Transformation*, perhaps because wartime paper shortages reduced the size of the archive from that period. So his book sheds little new light on how Polanyi developed some of his more indelible and influential ideas and concepts, such as embeddedness, fictitious commodities, double movement, Speenhamland, even market utopianism. However, Dale goes into considerable detail in analyzing Polanyi's intellectual and political trajectory after the Second World War.

Polanyi returned to England in 1943, but there was still no regular academic appointment for him. So in 1947, he began a visiting appointment in the Economics Department at Columbia University. But his wife was unable to join him because of McCarthyite policies that barred immigrants who had belonged to a communist party. She settled outside of Toronto, and Polanyi spent years commuting back and forth to New York City. In these post-war years, his scholarly attention turned to ancient and pre-modern economies, but he did envision a never-written book that would have returned to the theme of "freedom in a complex society"—the title he gave the final chapter

of *The Great Transformation*. Polanyi's last passionate initiative was the launch of a journal, *Co-Existence*, which first appeared in the year of his death (1964). The purpose of this "cherished project" (Dale, p. 278) was to promote conversation and dialogue across the divide created by the Cold War.

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As strong as Dale's biography is in situating Polanyi in relation to the major events of the twentieth century and in delineating the complex threads of Polanyi's body of work, he is ultimately unsympathetic to Polanyi's politics. Dale's venture into the present-day implications of Polanyi's work is confined to an Epilogue with the subtitle "A Lost World of Socialism," where he at first applauds Polanyi's powerful and prescient diagnosis of classical liberal political economy, stressing how the analysis of the commodification of labor and nature is remarkably apropos for our understanding of contemporary neoliberalism. But he goes on to dismiss what he calls Polanyi's "antiquated, even foreign, to twenty-first-century ears" (p. 282) political prescriptions, elaborating a withering commentary on the "lost world" of Polanyi's "reform-socialism" embodied in such depleted projects as Britain's Labour Party and the Austrian Social Democrats. While acknowledging that Polanyi's version of reformist socialism was more radical than that espoused by most social democratic parties, Dale excoriates both as being unable to do anything more than temporarily put a more human face on an oppressive and irrational system of global capitalism.

Dale's perspective on Polanyi is that his politics were "bifocal"—through one lens the depth of his critique of market society implied the necessity of radical, even revolutionary social transformation (a "bursting of the shackles imposed by a society that is structured on the commodification of land and labor"); but through the other his "realism" limited his actual political strategy to "providing the market economy with a warmer and more cohesive social integument" (p. 283). It is a dualistic take on Polanyi, with an admiring reading of his

diagnostic theory offset by an unsympathetic perspective on his politics: Polanyi's intellectual work was stellar; his politics were naïve and small-minded. At the end of the day, Dale laments, Polanyi's "Bolshevik soul" was always contained and constrained by the "Fabian muzzle" of his social democratic predilections.

Dale charges Polanyi with failing to recognize that the protective institutions he valorized as triumphant victories of progressive countermovements against the market's commodification of human existence—welfare policies, public goods, state intervention, even trade unionism—were in fact what made it possible for the worst kind of predatory capitalism to survive. This failure to reckon with social democracy's willingness to discard its strong socialist principles in return for a seat at the corporatist table means, according to Dale, that while GT is usually read as an "anti-capitalist manifesto," in reality it more closely hews to a "social democratic bedtime story: a provider of sweet dreams that help chastened idealists to rise in the morning, to get to work on the countermovement . . . reinterpreted as a mission to improve, upholster and repair the cogs of the market machine" (p. 286).

One does not have to be a card-carrying member of the Polanyi club to find in this an impossible bind. On the one hand, if social democracy entails a commitment to alleviate suffering through public goods, robust unions, and social welfare measures, this is a crime to which Polanyi would eagerly confess. On the other hand, to find in GT nothing more than a "mission to improve, upholster and repair the cogs of the market machine" is an assertion for which Dale's richly documented biography provides no support.

Dale insists that social democracy has a foundational belief in the "neutrality" of the state; without this stipulation, there could be no justification for its strategic path to reform by means of increasing parliamentary representation. Dale avows that Polanyi's theory shares this Fabian belief in the sociological neutrality of the state coupled with an illusory trust in the "political neutrality" of the underlying political system of representative democracy. But it

is exceedingly hard to reconcile this reading with one of Polanyi's signature contributions to modern political economy: the state is not only critical to the successful rise and triumph of market capitalism; it is equally critical in the work of making and remaking the economic foundations of market societies.

Recall that Polanyi's core thesis is that there is no such thing as a free market; there never has been, nor can there ever be. Indeed he calls the very idea of an economy independent of government and political institutions a "stark utopia." Polanyi's economic history reveals that the emergence of national markets was in no way the result of the gradual and spontaneous emancipation of the economic sphere from governmental control. On the contrary, the market has been the outcome of a conscious and often violent intervention on the part of government, which imposed market organization on society for noneconomic ends. Thus he famously writes that "The road to the free market was opened *and kept open* by an enormous increase in continuous, centrally organized and controlled interventionism" (GT, 146 emphasis added).

Free-market doctrine characterizes its mission as liberating the economy from government "interference," but Polanyi challenges the very idea that capitalist markets and governments are separate and autonomous entities in the first place. Government action is not some kind of "interference" in the autonomous sphere of economic activity; there simply is no economy without government rules, institutions, and, above all, the political power at the heart of the market. Indeed, all of the key inputs into the economy—land, labor, and money—are only created and sustained through continuous government action. The employment system, the supplies of money and credit, and the buying and selling of property—even defining what counts as ownership in the first place—are all organized and maintained through the exercise of government rules, regulations, and coercive powers. By demonstrating how it is free-market advocates who peddle the myth that freedom depends on an economy unfettered by the yoke of governmental power, Polanyi helps explain the right wing's otherwise

puzzlingly tenacious appeal. It offers an ideal of a world free of “coercive” constraints on economic activities while it fiercely represses the fact that power and coercion are the unacknowledged features of all market participation.

This is what makes all the more puzzling Dale’s broader charge that Polanyi’s “framework is ill-suited to exploring ‘power dynamics’” (p. 285). For if there is one thing that profoundly strikes most readers of GT, it is Polanyi’s unapologetic argument that “power and coercion” are always central to modern economies. He definitively lays bare the deception behind the self-serving claim on the part of economic liberals that markets are superior mechanisms of efficiency as well as of morality and freedom because they operate in a space free of power, coercion, and domination. In *For a New West’s* earliest essay, published in German in 1919, Polanyi explains capitalist exploitation as resulting from the state-supported monopoly on land that drives people to seek employment in cities: “The army of cheap workers driven by hunger from the country into the cities is everywhere the root cause of capitalist industry, which is itself merely the fruit of the prevailing submissive form of labor, of the monopoly on land” (p. 168). And in some of the most memorable words of GT, Polanyi emphasizes how much pitiless coercion was exercised by the state in forcing workers into the “dark Satanic mills” of the Industrial Revolution:

To separate labor from other activities of life and to subject it to the laws of the market was to *annihilate all organic forms of existence* and to replace them by a different type of organization, an atomistic and individualistic one. Such a scheme of destruction was best served by the application of the principle of freedom of contract. In practice this meant that the noncontractual organizations of kinship, neighborhood, profession, and creed were to be liquidated [by the state] since they claimed the allegiance of the individual and thus restrained his freedom. To represent this principle as one of [government] noninterference, as economic

liberals were wont to do, was merely the expression of *an ingrained prejudice in favor of a definite kind of interference*, namely, such as *would destroy non-contractual relations* between individuals and prevent their spontaneous reformation (GT p. 171, emphases added).

It is difficult to reconcile these words with Dale’s assertion that Polanyi “paid little heed to the ways in which states had themselves become systematically geared to the interests and imperatives of capital accumulation: they enforce contracts . . . they regulate the regeneration . . . and circulation of the labor force; they tailor the attributes of the workforce to the needs of business” and that “*one searches in vain* in Polanyi’s oeuvre for a recognition that the bodies that organize the political affairs of capitalist society are in any meaningful sense ‘capitalist states’” (pp. 284–85). Polanyi’s demonstrable emphasis on the constitutive role of political power in creating and maintaining a market society seem clearly to rebut Dale’s view of his work being “ill-suited” to exploring “power dynamics” and with it the argument that Polanyi analyzed the state as an “impartial arena” for the “general interest.”

There is yet another way in which Polanyi’s analysis points away from superficial reforms. Much of the social democratic agenda has centered on tax and benefit policies that redistribute income to overcome market inequalities. But attention is increasingly being paid to “predistribution”—government policies that influence the levels of inequality produced within markets, such as the government-orchestrated consolidation in the financial services industry, as well as its lax regulatory policies towards that sector, and the passivity of government officials in the face of huge increases in executive compensation at large corporations.<sup>6</sup>

<sup>6</sup> The predistribution concept is usually attributed to Hacker (2011). Baker (2016) does not use the term, but for well over a decade he has strenuously argued for the neglected import of public policy in shaping market processes.

Even as astute a critic of inequality as Thomas Piketty posits a primary market-driven distribution of (pre-tax) income that can then be ameliorated by redistributive tax and transfer policies (such as a global wealth tax) that benefit lower-income households. But this approach leaves intact the fiction that what goes on in the primary market is the result of natural pre-political market forces. As long as that fiction exists, redistributive policies can be portrayed as violating people's moral claim to the rewards of their market-based efforts.

Polanyi, by contrast, anticipates the current interest in predistribution. He argues that it is not nature but the invisible power and coercion of government that accounts for the disproportionate rewards going to a small sector of the population. It is then a Polanyian argument to point to the redistributive government-driven war on unions launched by Reagan and Thatcher as setting the stage for the rapid increase in the share of income and wealth going to the top 1 percent that Piketty and his colleagues have documented. But what best exemplifies Polanyi's argument about predistribution is his most famous thesis: that in its work of commodifying land, labor, and capital into "fictitious commodities," it is not nature but the state that drives the engine of the capitalist economy.

Finally, in the face of today's increasing tendencies toward authoritarianism combined with decades of neoliberal assault on the institutions of constitutional democracy, it seems odd that in his assessment of Polanyi's political relevance, Dale spends no time in the Epilogue discussing his enduring belief and political argument for the subversive and emancipatory power of public democracy. We have already referenced Polanyi's unique conception of socialism as one that depends not on overturning relations of production but on a society dominated by the powers of a democratic public. In both his early writings on the subject and in *GT*, Polanyi argues that from its very origins, market liberalism found in democratic popular governance a threat to its own survival. From the brutal suppression in 1848 of Chartism, England's first mass working-class movement for universal

suffrage, to the later use of the gold standard to quash nation-centered popular reforms, economic liberals never hesitated to violate their anti-statist ideology by using state repression. In "The Essence of Fascism," Polanyi poses two starkly opposing choices facing Europe: "the extension of the democratic principle from politics to economics, or the abolition of the Democratic 'political sphere' altogether" (Polanyi 1935, p. 392). In *The Great Transformation*, he argues that "the victory of fascism was made practically unavoidable by the [economic] liberals' obstruction of any reform involving planning, regulation, or control" (p. 265).

In his lecture notes from Columbia, written in the 1950s, Polanyi concludes that the "fascist revolutions sprang" from the stark alternatives faced by "the captains of industry" "between an integration of society through political power, on a democratic basis, or, if democracy proved too weak, an integration on an authoritarian basis, in a totalitarian society, at the price of the sacrifice of democracy" (FNW, pp. 218–19). He ends this lecture on a guarded note, one that we would do well to consider today: "The American system is . . . not faced with this tragic dilemma. But if loss of freedom should be avoided, it will have to take two steps at the same time: accept the need for integration [of polity and economy] and achieve it through democratic means" (FNW p. 219). Reading Dale together with many of the essays in *For a New West*, one is struck by the longevity and strength of Polanyi's conviction that an unconstrained free-market economy continuously puts society at risk of losing freedom altogether, and that it is only democracy itself that stands between that market and the loss of freedom.

While his book is a great achievement, Dale's Epilogue leaves the reader confused about the real meaning of Polanyi's work. On the one hand, in his last sentence he allows that Polanyi's "utopian" guiding vision of a "nonmarket utopia" (one that is noncommodified and humanized) has left a "legacy" that can inspire collective action to try to change the world (p. 288). But



only a few lines earlier, he suggests that those who are still drawn to Polanyi's politics are victims of a "left melancholia" that "rebukes the powerful but, unable to successfully reach out to rebellious spirits among the dispossessed, instead dissipates the energies of dissent in cynical, self-pitying, or fatalistic fashion" (p. 288).

This last seems disturbingly shortsighted. Polanyi's work does inspire political activists around the world today who are seeking an alternative to global neoliberalism. These activists recognize that an insurrectionary transformation of the globe is an outmoded nineteenth-century project that went dangerously off the rails in the twentieth century. Polanyi's work points instead to a democratically driven and multi-level strategy of transformation. One level is a reform of the rules governing global trade and finance that currently impose constraints on nations, rules similar to those of the gold standard. But there must be simultaneously mobilization at the local and the national level to resist the market and to build new institutions of democracy through which citizens can begin to exercise greater control over economic processes. To be sure, initiatives along these lines have not yet had a breakthrough success, and promising efforts such as those in Brazil recently suffered a catastrophic political defeat. Still, this political strategy holds far more promise than the approach of those who are still waiting to reenact the storming of the Winter Palace.

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For decades after *The Great Transformation* was published, Polanyi's powerful critique of free-market ideas seemed superfluous because the triumph of Keynesian ideas in economics had established a new orthodoxy that governments must take responsibility to move national economies towards full employment. But Keynesianism came under fierce attack in the 1970s, and the free-market ideas of von Mises and Hayek helped Margaret Thatcher and Ronald Reagan unleash a new historical epoch of market liberalism. Polanyi's critique of the Austrian economists' exaltation of the

self-regulating market suddenly became relevant again. In fact, virtually all of Polanyi's arguments about the negative consequences for democracy and humanity of this market-liberal project have been vindicated over the past four decades. Large increases in income and wealth inequality meant that millions of working-class people in Europe and the United States experienced higher levels of economic insecurity and reduced opportunities for their children.

The global financial crisis that began with the Wall Street debacle in the fall of 2008 clearly followed similar lines to Polanyi's analysis of the U.S. stock market crash in 1929 and the coming of the Great Depression. When market forces are given almost unlimited freedom to expand the supply of credit, the result is an asset price boom followed by a disastrous economic collapse. As David Woodruff (2016) has recently demonstrated, there are also deep parallels to the 1930s in how the post-crisis politics played out in Europe since 2010. In both periods, bankers and their allies blackmailed governments into abandoning any project of social and economic reform before rescuing them from the possibility of a systematic collapse. This drama played out most spectacularly in the case of Greece, which has suffered almost a decade of uninterrupted austerity.

Polanyi's arguments are prescient in three more subtle respects. First, Polanyi insists that the market-liberal project of rolling back the state would never succeed. So while Reagan, Thatcher, and their imitators successfully cut back some social welfare programs and gutted various regulations that protected the public from bad behavior by businesses, there has not been any actual contraction in the size and scope of governmental activity. In the United States, the era of market liberalism coincided with the vast expansion of the population of mostly black and brown people subjected to the control of the state through the criminal justice system. Moreover, recent decades have also seen the vast expansion of the state's surveillance of telephonic and electronic communications that was exposed most recently by Edward Snowden. And, of

course, the scope and dollar value of the Federal Reserve Bank's activities in rescuing both the U.S. and global economies in 2008 and 2009 breaks any previous record for what a single government agency ever attempted to do.

Second, Polanyi recognizes the contradictory nature of the market-liberal project. Adherents of the project have a vision of the good society in which the role of government is kept to an absolute minimum, and they insist that this is normatively desirable because government is inherently coercive. And yet, to move society toward a system of self-regulating markets, they rely on governmental coercion to remove protective legislation and to impose market-driven austerity. This disjuncture between means and ends dooms market liberalism to theoretical incoherence; its anti-government ideology is selectively aimed only at those government interventions that ensure a greater degree of social equality.

This incoherence is most visible in the recent discourse on intellectual property rights. On the one side, market liberals insist that there is no place for government in seeking to shape the future direction of economic activity. They publicly insist that government is all thumbs and state agencies should just pursue a classical *laissez-faire* approach. On the other side, market liberals insist that governments must enforce property rights, and this includes developing a unified global regime in which those who first develop a new technology are able to have their intellectual property protected across the globe. But as Dean Baker (2016) demonstrates so ably, they simply ignore the reality that this requires that government patent offices that are chronically understaffed make hugely important decisions about which inventions meet the threshold for patent protection and which do not. They cannot escape the reality that we are depending on an "all-thumbs" government agency to pick the winners who deserve to have their claim to intellectual property protected.

This incoherence is also demonstrated by the radically different ways that market liberalism has been deployed in different societies. As a series of studies has shown, governments that have pledged allegiance

to market liberalism have not embraced a uniform set of policy prescriptions; rather, there is considerable variation in what the slogans mean for policy choices in different political contexts. The economic geographer Jamie Peck, in his book *Constructions of Neoliberal Reason* (2010), shows how the actual prescriptions offered by market liberals change continuously as they move from Vienna to Chicago and from there to national capitals around the world.

Finally, Polanyi sees that this theoretical incoherence also provides a powerful defense against any empirical test of market-liberal ideas. Precisely because the radical disappearance of government from the economy is unachievable, market liberals are always able to explain away policy failures as being the result of too much lingering power and influence of the state. So when "shock therapy" sent the economies of the former Soviet bloc into an extended downturn in the 1990s, market liberals argued that the problem was that timid governments retreated too quickly from harsh austerity measures, short-circuiting the powerful recovery that would otherwise have occurred had they been a bit more persistent. This helps us understand the remarkable resilience of neoliberalism in the face of the 2008 global financial crisis that should have been a deathblow.

One sees something similar in the market-liberal response to the global financial crisis that began on Wall Street in 2008. Critics blamed extremely lax regulatory policies that failed to reign in giant banks and allowed them to engage in a totally irresponsible increase in the riskiness of their loan portfolios and of the mortgage bonds that they had marketed around the world. Market liberals responded by trying to shift the blame to the government-sponsored enterprises Fannie Mae and Freddie Mac. Their argument was that the active role of these quasi-public entities in supporting the goal of higher rates of home ownership meant that distorted signals were sent to private banks and mortgage lenders. In short, had the housing market been completely privatized, the crisis would never have occurred. And in an even more stunning act of intellectual alchemy, they used

the spike in public debt brought on by the bank bailouts to argue that it was too much government debt that put the economy at risk.

The success of these strategies has been emphasized by Colin Crouch (2011) in his superbly titled book *The Strange Non-Death of Neoliberalism*. Ordinarily, one would expect that a disaster on the scale of the global financial crisis might totally delegitimize free-market ideas. But enforced austerity policies remain in place even though the theoretical justifications for them have been torn to shreds. Moreover, even while Trump and his European analogues loudly proclaim that their nationalism, protectionism, and hostility to bankers represent a definitive break with establishment policies and establishment ideologies, their actual practices promise to be very different. It is already apparent that the only campaign promises Trump intends to keep are the old Reaganite standbys of cutting regulations, government civilian spending, and taxes on the rich.

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Beyond his powerful critique of market liberalism, we also want to argue that sociologists, in particular, need to take Polanyi seriously as a social theorist precisely because the contemporary relevance of his work is not a historical accident. On the contrary, as we learn especially from some of the chapters in *For a New West* on social science methodologies, Polanyi constructs a unique theoretical framework that effectively weaves together the insights of the three canonical figures of classical sociology—Marx, Weber, and Durkheim.

As Dale develops in detail, Polanyi's relationship to Marx and Marxism is particularly complex; he had at least three formative encounters with Marxist thought. In Hungary before the First World War, he rejected the deterministic Marxism of the Second International. Then he had a serious engagement with the sometimes heretical formulations of the Austro-Marxists in the 1920s; and finally, he was strongly influenced by Marx's *Economic and Philosophic Manuscripts* during his time in England in the 1930s. From Marx, Polanyi draws his critique of political economy and his conviction

that it is possible to create a socialist society in which people enjoy greater freedom through democratic control over the economy. Nonetheless, in GT he decisively rejects Marx's scheme of stages of historical development, his hostility to markets, and his analysis of exploitation in production.

Polanyi's borrowings from Weber are extensive. The two share a belief that markets and market prices are extremely useful tools of economic organization. Polanyi also follows Weber in recognizing that state power rests on a monopoly of coercive force and that the need for such coercion is unlikely to disappear. Most importantly, Polanyi's economic history picks up where Weber leaves off; it focuses on the role of specific institutions such as the gold standard, locally organized poor relief, and enclosures in shaping broader patterns of economic change.

Polanyi's debts to Durkheim are somewhat more difficult to trace. He does not mention Durkheim in *The Great Transformation*, but he does cite Durkheim's nephew Marcel Mauss on *The Gift*. There are, however, references to Durkheim in unpublished essays from 1950. Perhaps most strikingly, Durkheim's discussion in *The Division of Labor* of the noncontractual bases of contract—without which capitalism could not survive—is one of the underlying through-lines of Polanyi's work. Indeed, it is this insight that informs what are perhaps the most recognized words of GT: "Our thesis is that the idea of a self-adjusting market implied a stark utopia. [It] could not exist for any length of time without annihilating the human and natural substance of society." For its very survival, in other words, the market economy was dependent on its nonmarket foundations, thus making impossible its full-blown realization, as, left to its own "self-regulation," it "would have physically destroyed man and transformed his surroundings into a wilderness" (p. 3). It was a theme he continued in embracing Durkheim's insight that markets do not organize themselves; the state is necessary to create the legal rules and the enforcement mechanisms that make it possible to manage the inevitable tensions generated by individuals and firms pursuing their self-interest.

Another strand of Durkheimian influence came to Polanyi through the next generation of anthropologists, whose work was crucial to his argument that reciprocity and redistribution, rather than the market, have been the organizing principles of many human economies. Polanyi references Malinowski, Firth, Radcliffe-Brown, and especially Thurnwald in developing his argument that the assumptions of market-oriented economics could not make sense of the elaborate institutions developed in these societies to organize what he later called "the livelihood of man."

Polanyi synthesizes the insights of these canonical theorists to create an institutionalist analysis that overcomes many of the dualisms that plagued classical theory. He refuses to choose between materialist and idealist explanations of historical change, for example, but seeks rather to understand how material factors and ideas interact in ways that provide human groups with both constraints and opportunities. Social institutions are the mechanisms that do this work by structuring the use of material resources, but these institutions are also justified and regulated by ideas.

Polanyi's deep institutionalism resulted from his encounter with anthropological research that persuaded him of the extraordinary plasticity of human beings. Polanyi writes,

Single out whatever motive you please, and organize production in such as a manner as to make that motive that individual's incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political or aesthetic; let it be pride, prejudice, love, or envy, and man will appear as essentially religious, political, esthetic, proud, prejudiced, engrossed in love or envy (Polanyi 1968, p. 68).

In remarkably poetic language, Polanyi is arguing that individuals are recruited and socialized into institutional structures that then provide them with the theories and rules for individual behavior.

This argument is also reflected in Polanyi's critique of Marxist class analysis. Class

conflict between a rising industrial proletariat and employers is an important element in Polanyi's historical narrative. But he also insists that there is nothing automatic about class interests shaping history. His view is that classes become powerful only when they embrace the broader needs of society and articulate ideas that resonate with other social groups. So, for example, at the end of the nineteenth century, the working class exerted power and influence because the need for protection from markets was a general need; and the working-class movement was able to articulate a powerful critique of unregulated markets that was drawn on by groups with very different short-term economic interests.

To be sure, there are few pieces in Polanyi's writings that attempt to articulate his unique perspective on how to do social science. Understanding his contribution requires work of theoretical reconstruction, and that work is still in its early stages. But sociology as a discipline would be enriched by a deeper engagement with Polanyi's institutionalist methodology that goes beyond a careful reading of *The Great Transformation*. The riches to be found in Polanyi's unpublished writings in *For a New West* now make that task easier.

The title essay, "For a New West," written in 1958, includes an intriguing use of the word "postindustrial" a year before Daniel Bell's first lecture on that subject in Austria (Bell 1976, p. 36). From the context, it suggests that, like Bell, Polanyi was using the term in reference to the systematic use of science and technology in production that was reflected at the time in discussions of factory automation. While automation in the late 1950s was relatively primitive, it was already slowing the growth of the industrial workforce. Although Polanyi firmly rejects technological determinism, he is alert to changes in production processes and the possibilities they create, a theme that figures prominently in *The Great Transformation's* discussion of the destabilizing effects of the rapid pace of change in the decades leading up to the industrial revolution.

An undated short piece, probably from the 1940s, "The Eclipse of Panic and the Prospects for Socialism," sheds some light

on a puzzle in *The Great Transformation*. Polanyi argues that when the protective countermovement was able to place limits on market processes, the consequence was that those markets were impaired and worked less effectively. But since he also argues that a self-regulating market system could not possibly work, it seems contradictory for him to argue that interference in something that was inherently unworkable could be dysfunctional. Unlike in GT, however, in this piece he makes a distinction between two types of intervention—those that are “haphazard” and those that are “comprehensive planned interventions, which combine social protection with economic advantages” (p. 208). The former types of intervention, he argues, “make the system work even less successfully than would otherwise have been the case.” The latter types of intervention, such as unemployment insurance in Vienna, would improve economic outcomes, but they are usually blocked by business interests.

This formulation helps make sense of some of the tensions in *The Great Transformation*, where he mentions three main types of protection against market forces—tariffs or trade protection, social insurance measures such as old age pensions and unemployment assistance, and regulatory initiatives governing trade practices and working conditions. Kurtulus Gemici (2015) has argued that Polanyi accepted some of the core formulations of marginalist economics, which would lead him to the view that a regime of free trade among developed economies would be consistent with the optimal use of resources. So he was likely coding the dramatic increase in trade protection that started around 1870 as an extremely significant “haphazard” intervention that impaired the dynamism and efficiency of the global economy. Since he praised the social welfare provisions of municipal socialism in Vienna, it seems likely that he coded Bismarckian and other pre-World War I efforts to provide workers with pensions and unemployment insurance as proto-socialist or fitting the comprehensive, planned type of intervention. Nevertheless, ambiguity remains over other regulatory initiatives that were usually haphazard in their design but nonetheless

protected people from dangerous externalities produced by market competition.

With canonical intellectuals, this project of studying their notebooks and unpublished writings can be extremely fruitful in helping to interpret their most important writings. It is a very encouraging sign that in the case of Karl Polanyi, thanks to these two new contributions, this critical work has begun in earnest. Of course, the fundamental task is not to clarify the author’s true meaning; that will always be subject to debate. It is rather to find ways to transform the author’s arguments into a powerful theoretical apparatus that makes sense of the social world we face.

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## New Sociology of Housing

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In 2013, Mary Pattillo proposed a new agenda for the sociology of housing, focused on the way that rights to housing are created, distributed, and enforced (Pattillo 2013). The books here take up her call. They focus, respectively, on private rental housing, subsidized affordable housing in mixed-income developments, and debt-financed home ownership. What they have in common is a focus on housing not only as a built environment, a location in space, or a habitation where we learn and enact cultural practices, but also as a set of positions in social relations. These are books about the social relations by which we house each other.

This new sociology of housing holds out the promise that it may help to solve some intellectual problems that have plagued the urban sociology of neighborhoods. For the last two decades, sociologists have pursued the measurement of neighborhood effects on individual life chances, and one of the findings of this research program is that the effects of neighborhood context on individuals are often weaker, more short lived, or more highly variable than we first expected. One reason may be that our relationships to the places we live are mediated by, and dependent on, housing relations that are themselves variable, and that often exert a substantial effect on our circumstances. We may be more deeply embedded in housing relations than we are in

*Integrating the Inner City: The Promise and Perils of Mixed-Income Public Housing Transformation*, by **Robert J. Chaskin** and **Mark L. Joseph**. Chicago: University of Chicago Press, 2015. 344 pp. \$40.00 cloth. ISBN: 9780226164397.

*Evicted: Poverty and Profit in the American City*, by **Matthew Desmond**. New York: Crown Publishers, 2016. 432 pp. \$28.00 cloth. ISBN: 9780553447439.

*No Place Like Home: Wealth, Community and the Politics of Homeownership*, by **Brian J. McCabe**. New York: Oxford University Press, 2016. 240 pp. \$24.95 paper. ISBN: 9780190270469.

particular neighborhoods. These books show that the mortgage lender or the landlord matters more than the neighbor in the lives of many Americans.

### Profiting from Eviction in the Low-Income Rental Market

Matthew Desmond's *Evicted: Poverty and Profit in the American City* argues that housing insecurity reproduces urban poverty. Eviction is more than just a symptom of poverty. It is a cause: "Losing a home sends