Karl Polanyi
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Karl Polanyi

The Limits of the Market

Gareth Dale

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This book is a critical introduction to the work of Karl Polanyi. It provides an exposition of his key texts and presents a range of criticisms of his principal theses. Its origins lie in my interest in Polanyi’s method. He meshes concepts from a variety of sociological and political-economic traditions to produce his own distinctive approach, but which ones was he appropriating and to what uses was he putting them? As I engaged more intensively with his works that sense of puzzlement began to recede. In its place there arose an admiration for the depth, breadth and originality of his intellectual engagement, albeit coupled with a greater awareness of its shortcomings in a number of areas, both empirical and theoretical. This book, then, is written from a broadly sympathetic yet critical standpoint.

During the first stages of my research it was at once apparent that no full-length general introduction to Polanyi’s work yet existed. There is one useful and well-researched monograph, Ron Stanfield’s *The Economic Thought of Karl Polanyi* (1986), but as the title indicates its focus is upon economic thought, and this, although indubitably the centre of Polanyi’s attention, was not his sole concern. Rather than giving a critical exposition of Polanyi’s ideas, moreover, Stanfield tends to bend them towards his own neo-Veblenian framework. In addition, his book has by now become dated. In the intervening decades a profusion of new primary materials and secondary literature has been published, the world has turned, and Polanyi has gained new and wider audiences. Apart from Stanfield’s, the only other monographs that even partially
occupy the terrain of this book are Allen Sievers’ *Critique of Karl Polanyi’s New Economics* (1949) and Gregory Baum’s *Karl Polanyi on Ethics and Economics* (1996), but neither is similar in purpose or character to this book. The former is a polemical critique, not a critical introduction, and anteceded the publication of all but one of its subject’s own books. The latter is an extended essay containing Polanyian meditations on theology and ethics.

In *Karl Polanyi: The Limits of the Market* I aspire to a comprehensive treatment of Polanyi’s work, but for reasons of space have omitted a number of topics. These I discuss elsewhere. They include, first and foremost, his political and intellectual formation in Hungary1 and his biography (the subject of my next book).2 They also include certain aspects of the ‘embeddedness’ theorem3 and of the research propaedeutic to the writing of *The Great Transformation* (in particular with respect to his understanding of ‘regulated capitalism’ and of the contradictions between democracy and capitalism),4 as well as his sometimes ambivalent and controversial comments on welfare states, the Bretton Woods system and the social democratic tradition.5

In addition to Polanyi’s published works, interviews with his daughter Kari Polanyi-Levitt, and the secondary literature – of which a trio of volumes from the early 1990s, edited by Polanyi-Levitt (1990), by Marguerite Mendell and Daniel Salée (1991) and by Kenneth McRobbie (1994), are the most valuable – I have relied heavily upon texts archived at the Karl Polanyi Institute of Political Economy at Concordia University. It is thanks above all to my research there that I came to recognize the inadequacies of prevailing interpretations of Polanyi’s oeuvre, given that they rely for the most part upon such a limited range of his published (and mainly English-language) works. In what follows, citations that begin with numerals in the form ‘1-11’ are of folders and files in the Polanyi archive. Wherever possible I have included the dates of documents, and where I have made repeated use of a major text from the archive I have included it in the references. Translations from German sources, published and unpublished, are my own.

Karl Polanyi was an institutionalist, and it is perhaps fitting that, when turning to thank those who have helped this book on its way, I begin with an institution. The archive of the Karl Polanyi Institute was, as already mentioned, the source of all of the unpublished materials cited as well as a good many published ones. Containing draft manuscripts, correspondence with colleagues and friends, outlines of projected books, notes, memorabilia, part of Polanyi’s
own library, and a cornucopia of other treasures, it is an indispensa-
able resource – and one, moreover, that is well organized and
welcoming. It is, then, to its co-founder, its administrator and its
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Abbreviations


To the memory of
Chris Harman
(1942–2009)
History has not been kind to Polanyi’s prognostications. Free market capitalism is a resilient and stable system in much of the world – particularly in English-speaking countries. The gold standard is gone, but has been replaced by floating exchange rates, set by market forces. Better monetary management has greatly reduced business cycle severity. The great puzzle of Polanyi’s book is thus its enduring allure, given the disconnect between his predictions and modern realities.

Gregory Clark, *New York Sun*, June 2008

Stock markets are in meltdown. Trade, investment, output and employment graphs all point south. Protectionist stirrings are in the air. The prescriptions of free market liberalism are revealed as recipes for chaos. The ‘smooth-tongued wizards’ of ‘the Market’ (Kipling) – of whom the just-quoted economics professor is a fine example – lost confidence in their spells. This was the outlook as I wrote these lines in early 2009. It was also the world of the early 1930s, over which the Hungarian economic journalist Karl Polanyi was casting his critical eye.

Polanyi was a child of late nineteenth-century liberalism. It was a civilization that, his friend G. D. H. Cole recalled, seemed to rest upon strong foundations, in contrast to the inter-war order, which ‘threatens to tumble at any moment in ruins about our ears’.1 Over the course of the turbulent 1930s Polanyi grappled with the causes of the crisis, developing a distinctive position that was presented in his masterwork, *The Great Transformation* (hereafter, TGT). It was a crisis, he argued, that should not be construed as occurring in
disconnected stages – world war, Great Depression, world war – for these were all symptoms of a deeper malaise, a civilizational breakdown, no less. Tracing the genesis of the collapse, he located its origin in the rise of free market capitalism; in this sense liberal civilization had sown the seeds of its own destruction. Market society had generated two sorts of pathologies that could not be remedied by its own mechanisms. One may be described as ‘social diremp- tion’, by which I refer to the separation of state and market that, in the age of universal suffrage, becomes converted into an irreconcilable antagonism between political democracy and business oligarchy. The other may be dubbed ‘ethical fragmentation’. Liberalism had created an ethically impoverished society, thanks to its creation of an environment in which human beings can only act effectively if they are rational egotists – the *Homo oeconomicus* model of man.

It is a critical diagnosis but the prognosis is not gloomy. Economic liberalism, Polanyi shows, was a utopian experiment and as such was bound to founder. Unlike any previous economic system the market economy, as it emerged in nineteenth-century Britain, stood out in that its functioning depended upon the commodification of land, labour and money. Turning such crucial components of the substance of life and nature over to the calculus of purchase and sale produced such corrosive tendencies that spontaneous reactions of ‘social protection’ were inevitable. Polanyi traces the ‘disruptive strains’ that ensue, which culminated in fascism and two world wars – during the last of which he wrote TGT. Yet despite being written at this darkest of times there is an implicit optimism: that a ‘protective’ society will win through in the end.

**Karl Polanyi for the neoliberal age**

For many years it has been apparent that Polanyi’s ideas resonate. They speak to the condition of neoliberal globalization in an idiom that for the most part sounds remarkably familiar today – as in his proposition, within a discussion of the nineteenth-century world economy, that ‘with free trade the new and tremendous hazards of planetary interdependence sprang into being’.² There is no shortage of literature that draws on his work to warn that ‘market fundamentalism’, in the words of his compatriot and fellow émigré George Soros, poses an existential threat to the ‘open society’,³ or, in the more urgent idiom of William Greider, that so long as neoliberal dogma reigns unchallenged the ‘manic logic’ of globalization
Introduction

‘will continue to hurtle forward, fatefully out of control’. The notion of a countermovement by society in response to the effects of the unregulated market system, one recent contribution avers,

is an inspired perspective to focus on globalisation, its discontents and the counter-movements it generates. . . . Neo-liberal globalisation – as Polanyi showed so eloquently for a previous wave – dissolves social bonds and society resists.

Neoliberals and the far right apart, Polanyi attracts interest from all points of the political compass, with particular appeal to critics of globalization (for whom he has become ‘a kind of patron saint’, in the words of a senior fellow at the Cato Institute). ‘It often seems as if Polanyi is speaking directly to present-day issues’, remarks Joseph Stiglitz in the Foreword to the most recent edition of TGT, adding that Polanyi’s arguments and concerns are consonant in particular ‘with the issues raised by the rioters and marchers who took to the streets in Seattle and Prague in 1999 and 2000 to oppose the international financial institutions’. Those arguments include first and foremost a radical critique of the neoliberal utopia. ‘To allow the market mechanism to be sole director of the fate of human beings and their natural environment’, Polanyi blazes,

would result in the demolition of society. For the alleged commodity ‘labour power’ cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this peculiar commodity. . . . Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation. . . . Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed.

On some ‘alterglobalization’ protests placards insisting ‘We live in a Society, not an Economy’ have appeared – a message that Polanyi would have endorsed wholeheartedly. The various segments of the alterglobalization (a.k.a. ‘global justice’) movement may identify different structures as the underlying evil (globalization, capitalism or industrialism) but they unite in opposition to neoliberalism, the updated edition of Polanyi’s nemesis, which was the classical liberalism of Ricardo, Spencer and Hayek. More speculatively, I would venture that Polanyi’s ‘double movement’ thesis,