
The Great Transformation. Its Relevance Continues

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The Great Transformation—Its Relevance Continues

KARL POLANYI, in *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1944) analyzes the history of the rise and fall of nineteenth century market society. In doing so, Polanyi adeptly illuminates the political economic "antecedents" and "consequences" of that market society. Where the primary cause of market society appears to be conscious State action in conjunction with business interests, the most significant result, in the twentieth century, is fascism with its inherently deadly dynamic. Polanyi explains the rise and fall of market society and in doing so foreshadows the fall of capitalism, as well. Polanyi seeks, and, at least implicitly, predicts the collapse of market systems which control society. For Polanyi, the market society must be replaced by a society with democratic control of both political and economic institutions. These institutions can no longer control society, but should instead be controlled by society. In the constant tension between democracy and capitalism in market societies, fascism would essentially dispose of democracy in order to support capitalism, whereas, at the other pole, socialism would sacrifice capitalism in order to strengthen democracy. According to this scheme, one of these must prevail at the expense of the other.

Polanyi demonstrates that the movement toward a market society was a conscious and planned phenomenon in which State action was the driving force. There was no natural evolution towards this occurrence. Polanyi employs the case study of Speenhamland in order to make this and other points. As Block and Somers make clear:

Speenhamland illustrates the nonevolutionary and discontinuous nature of market development. The rise of the labor market did not occur automatically—it had to be institutionalized by the political intervention of the Poor Law Reform. This emphasis on the role of the state in the unleashing of market forces is essential to Polanyi's argument about the historical novelty of the nineteenth century market economy and its concomitant ideological distortions.

The road to the free market was paved with continuous political manipulation. . . . The political mechanization surrounding the Speenhamland interlude—its institutionalization, its dynamics, and its final repeal—all serve to demonstrate the degree to which the ‘natural’ self-regulating market was politically constructed in its origins.¹

As opposed to the careful and deliberate construction of market society, “Polanyi argues that the counter-movement was spontaneous, unplanned, and came from all sectors of society in response to the devastating impact of the market” (57). This counter-movement of protectionism was a movement of general interest toward the goal of general welfare; it especially included workers, yet also incorporated capitalists. All sought some form of protection from the vagaries and perils of the self-regulating market. The protection gained by the counter-movement impeded the efficiency of the self-regulating market, which in turn created more severe economic conditions and another round of demands for protection. Indeed, throughout the nineteenth century, increasingly “workers agitated against unemployment, capitalists against a fragile banking system, and farmers against falling prices” (59). The market system was unstable and its instability generated fear and action. Polanyi demonstrates, historically and comparatively, that market encroachment and political repression immediately inspire resistance and rebellion.²

Social demands against economic uncertainty and market malaise placed heavy pressure on the State to react with political intervention. The ensuing State action would have to, at least nominally, provide some relief and protection. More importantly, the State would have to diffuse the present socio-economic crisis, perhaps ushering in an entirely new State form. Alan Wolfe, in *The Limits of Legitimacy: Political Contradictions of Contemporary Capitalism* (New York: The Free Press, 1977), discusses the use of new State forms as a means to disguise and ameliorate capitalist crises. Wolfe explains that in liberal (*i.e.* capitalist) democracies there exists a fundamental tension as evidenced by the amalgamated label used to describe them. Confronted with demands for increased democracy—that is, popular demands for participation, self-determination, meaning, and community—capitalism responds in a self-preserving manner. In its effort toward self-preservation, capitalism changes the nature of the State and effectively, albeit temporarily, postpones the (seemingly) inevitable annihilation of the forced marriage of capitalism and democracy.³ Wolfe, following James O’Connor (*The Fiscal Crisis of the State*, 1973) and Jürgen Habermas (*Legitimation Crisis*, 1975), outlines the political economic evolution of capitalist democracies in terms of the forms that States have taken in order to ensure the dominance of capitalism while simultaneously maintaining some degree of democracy. The legitimacy of both capitalism and democracy, however,

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have been ardently defended by the ruling classes. New State forms less take the place of old ones as much as they are built upon them. State forms, therefore, are increasingly eclectic, grasping at straws for the permanent solutions that will never be.⁴

Each State form, for Wolfe, is a temporarily expedient compromise of capitalism and democracy, while maintaining the supremacy of the former over the latter. Since the introduction of market society, according to Polanyi, the harsh reality of the supremacy of the market over society has been all too evident. Indeed, it is responsible for not only the continuing destruction of the individual, but also of civilization itself. The solution for Polanyi, as well as for Wolfe, is to turn market society on its head. But historical development is not teleological, according to Polanyi, and therefore progress is not inevitable. Progressive change is achieved through principled agency despite, rather than because of, structure. Rather than subordinating the will of the people to the market, the market must be subordinated by the people to its will. No longer to be the engine driving social life, the market must be transformed into a tool which works for the benefit of society. Polanyi warns that "if industrialism is not to extinguish the [human] race, it must be subordinated to the requirements of [human] nature. The true criticism of market society is not that it was based on economics—in a sense, every and any society must be based on it—but that its economy was based on self-interest. Such an organization of economic life is entirely unnatural" (249). For Polanyi, a more natural organization of economic life could (only) exist in socialist society. He explains that "socialism is, essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by

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consciously subordinating it to a democratic society. . . . From the point of view of the community as a whole, socialism is merely the continuation of that endeavor to make society a distinctly human relationship of persons" (234). However, this is still not enough. Economic liberation is only half of the solution; the other half is political liberation.

Daniel Bell, in *The Cultural Contradictions of Capitalism* (New York: Basic Books, 1976), confesses that he is "a socialist in economics, [and] a liberal in politics". I believe that we can say the same for Polanyi.⁵ The subordination of the market to social needs is the first, but not the final, step for Polanyi in making society more whole. In order to strengthen more fully the social realm, which was clearly the most important for Polanyi, society must also vigorously en-

courage individual freedom. De-commodifying the fictitious commodities of labor (the objectification of people), land, and money are necessary preconditions for the emancipation of society from the shackles of the free market; yet also necessary for the success of such an endeavor is the continual expansion of human freedom. Indeed, Polanyi concludes *The Great Transformation* with this (modified) message:

As long as [we are] true to [our] task of creating more abundant freedom for all, [we] need not fear that either power or planning will turn against [us] and destroy the freedom [we are] building by [our] instrumentality. This is the meaning of freedom in a complex society; it gives us all the certainty that we need (258B).

Freedom for Polanyi is, in many ways, more than what either Rousseau or Marx had proposed. It is, in a sense, a combination of the best of both of them. Societal freedom lies in democratic socialism, not merely in enjoying freedom in only one realm, be it political or economic. There exists both political and economic minimums necessary for the total incorporation of all people into full citizenship and social participation. The lack of political and economic democracy is intricately related to the collapse of the Soviet Union (and the Eastern Bloc) and the contemporary crisis in the United States (and western Europe). The crises and decline of the so-called superpowers are rooted in the fact that they have not provided the requisite political or economic (or both) minimums to the populations within their respective jurisdictions. The superpowers require(d) their subjects to conform to rigid political and economic norms that are insufficient for individual and societal liberation. Polanyi believes that “the right to nonconformity . . . [is] the hallmark of a free society” (255). He therefore concludes from this that “every move towards integration in society should . . . be accompanied by an increase in freedom; moves towards planning should comprise the strengthening of the rights of the individual in society” (ibid). Polanyi’s strong belief in individual rights is the result of his Weberian understanding of the State as an inherently coercive force. Both liberalism and Marxism attempt to deny this role for the State. Therefore, Polanyi transcends these two ideologies.

Neither free market societies nor centrally planned ones attempt to provide true liberation in either of the political or economic spheres. In the international economic system, the “linchpin” of the gold standard has been replaced by other, more modern linchpins, including the U.S. dollar after World War II (when the U.S. became the only country with a stronger economy following the war) and the system of floating exchange rates after March 1973 (when the gold standard was abandoned). Currency exchange rates, not the gold exchange standard, now “provide the mechanism for transmitting political and economic

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pressures from one country to another.”⁶ Market society, therefore, has not yet fully collapsed. The chronic battle between capitalism and democracy continues unabated. While the capitalists thrive in their positions of power and impose their collective will on the people, the people survive and assert their will, the general will of the people, to achieve a better, more just society. The world must still await the realization of Polanyi’s vision of an international society free from both the tyranny of the market and the dictatorship of the political élite.⁷

DANIEL BROOK*

Notes

1. Fred Block and Margaret R. Somers, “Beyond the Economistic Fallacy: The Holistic Social Science of Karl Polanyi” in Theda Skocpol, ed., *Vision and Method in Historical Sociology* (Cambridge: Cambridge U Press, 1984), 56.

2. Cf. E. P. Thompson, “The Moral Economy of the English Crowd in the Eighteenth Century”, *Past and Present* 50 (1970–71); James C. Scott, *The Moral Economy of the Peasant* (New Haven: Yale University Press, 1976).

3. Polanyi reminds us that internationally “there was not a militant liberal who did not express his [or her] conviction that popular democracy was a danger to capitalism” (*The Great Transformation*, 226). All future page numbers in this essay will refer to *The Great Transformation* unless otherwise noted.

4. Wolfe has labeled the six major State forms, in order, as Accumulative, Harmonious, Expansionist, Franchise, Dual, and Transnational.

5. Bell also labeled himself “a conservative in culture”. Although this philosophical triad might possibly characterize Émile Durkheim, for example, it is uncertain whether or not this applies to Polanyi as well.

6. William M. Burke, “Monetary Exchange Rates Send Signal on Nations’ Policies, Power”, *San Francisco Chronicle*, 5 October 1992, sec. D.

7. A possible example of Polanyi’s vision may currently exist in the Indian state of Kerala where socialist economics is administered under the structure of democratic politics. See, e.g., Richard W. Franke and Barbara H. Chasin, *Kerala: Radical Reform as Development in an Indian State* (San Francisco: Institute for Food and Development Policy, 1989); and Chennat Gopalakrishnan, “Culture, Economic Development, and Quality of Life: A Speculative Comment on the Case of Kerala, India”, *American Journal of Economics and Sociology*, Vol. 47, No. 4 (October 1988), 455–57. John Maynard Keynes has said that “the political problem of [hu]mankind is to combine three things: Economic Efficiency, Social Justice, and Individual Liberty” (cited in Fred Block, “Capitalism Without Class Power”, *Politics & Society*, Vol. 20, No. 3 (Sept. 1992), 277). Kerala may offer some Polanyian solutions to this problem. Further study will be needed to bear this out.

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