RECLAIMING KARL POLANYI, SOCIALIST INTELLECTUAL

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Abstract
The crisis of neoliberal globalization has led many scholars back to Karl Polanyi in their search for alternatives to the present malaise. The dominant reading appropriates the concepts of embeddedness and the double movement in support of a system of regulated, welfare-state capitalism. This article contends, however, that the concepts of embeddedness and the double movement point not towards the need to regulate capitalist markets, but towards the radical supersession of capitalism itself.

The past three decades have witnessed a rebirth of interest in the works of Karl Polanyi in the field of political economy. I first encountered Polanyi as an anthropologist for his contribution to the formalist-substantivist debate of the 1960s and 1970s. Upon returning to graduate school in political economy, I was pleasantly surprised by the burgeoning interest in Polanyi and the widespread appropriation of his novel conceptual apparatus across the social sciences. The meteoric rise of the concept of embeddedness, however, struck me as curious given its ancillary place within the hierarchy of concepts that Polanyi developed. Indeed, the more I read, the more I wondered if this upsurge of interest in Polanyi had led to a commensurate advance in our understanding of his complex and eclectic body of work. Polanyi has been variously interpreted as a radical socialist, a social democrat, and even a liberal, but within the field of political economy a dominant reading presents Polanyi as a theorist of regulated, welfare-state capitalism, as a political and intellectual antidote to neoliberal orthodoxy.

This dominant reading, however, was the outcome not of a vigorous debate but rather its absence. Unfortunately, what Dale characterizes as the debate between the “hard” and “soft” readings of Polanyi has hardly been a debate at all: purveyors of the “soft” or social-democratic reading
not only dominate the literature, they have systematically failed to engage with their critics.\(^3\) The objective of this paper is to stimulate debate in two ways. First, I challenge the contention that Polanyi’s analytical framework and principal concepts provide the foundations for a theory of regulated or “embedded” capitalism, whether at the national or international level, that serves as a counter to neoliberalism. I contend that the dominant reading of Polanyi in fact misunderstands the central thrust of the substantivist approach to human economies that he pioneered and misappropriates the concepts designed to advance this end. Second, I endeavour to fashion an alternative interpretation of Polanyi that provides for a re-evaluation of his potential contribution to the study of human welfare in contemporary societies. Far from advocating an embedded or regulated form of capitalism, the theoretical and historical arguments of Polanyi make the case for the radical supersession of capitalism itself.

**Limits of the Dominant Reading** The dominant reading of Polanyi presents the “Polanyi problem” as one “of reconciling free markets with stable social and political life.”\(^4\) The riddle to the reconciliation of markets and socioeconomic stability, suggests Dani Rodrik, is resolved in Polanyi’s concept of embeddedness: “Polanyi’s enduring insight is that markets are sustainable only insofar as they are embedded in social and political institutions. These institutions serve three functions without which markets cannot survive: they regulate, stabilize, and legitimate market outcomes.”\(^5\) According to this reading, Polanyi was a theorist of embedded capitalism: on the one hand a critic of neoclassical economics and *laissez-faire* capitalism, and on the other a promoter of state regulation of capitalist markets and intellectual ancestor of the postwar order.

The dominant interpretation relies heavily upon two of Polanyi’s most famous concepts: embeddedness and the double movement. Embeddedness is understood within this reading as commensurate to what Polanyi meant by protectionism: the restriction of the capitalist market via social and state regulations. The double movement is in turn conceptualized as the historical push and pull between regulation and deregulation (understood as synonyms for embeddedness and disembeddedness) between movements
to constrain and liberate capitalist markets, what Dale aptly describes as the “pendular tradition.” Polanyi is thus characterized as an author who “favours a social-democratic resolution” by means of the “growth of welfare citizenship.” We are told that Polanyi was “cautiously optimistic” about state regulation of capitalist markets: “Polanyi’s optimism stemmed from an historical analysis which demonstrated that the socially and politically disruptive effects of excessive market deregulation had, in the past, been contained…”

The longer narrative is of history “as a series of ‘double movements’ whereby market expansion creates societal counter-reactions.” As the broader story goes, the nineteenth-century rise of the market society under the aegis of the gold standard resulted in excessive market deregulation and the eventual collapse of the utopian project in the Great Depression and World War II. Rebalancing was achieved during the “Golden Age” decades after 1945, when the self-regulating market was replaced by the Keynesian welfare state in which the market was re-embedded in society as part of the broader compromise of embedded liberalism. The rise of neoliberalism since the 1970s and 1980s, however, has progressively disembedded the market from societal control as finance and production were reconstituted at the global level, leading numerous authors to herald a second “great transformation,” as the pendulum of the double movement swung back towards liberalism. The hardship imposed by neoliberalism, in turn, has brought about its own countermovement to reassert societal control: “A Polanyian analysis would suggest that the new liberal global financial order has ushered in a world of social instability and upheaval which, in turn, will begin to induce social ‘counter movements’ that will successfully place global financial markets under a degree of social control.”

But is this an adequate reading of Polanyi? Was the object of Polanyi’s critique “excessive market deregulation”? Are we witnessing another great transformation? I believe such interpretations to be based upon a highly selective reading of his work, and largely upon a particular reading of Polanyi’s masterpiece, The Great Transformation (TGT). Ruggie, for instance, writes: “Karl Polanyi’s magisterial work, The Great Transformation, was first published in 1944. In it, he developed a distinction between ‘embedded’ and ‘disem-
bedded’ economic orders.” But did Polanyi “develop” the concept of embeddedness in TGT? In fact, in it he mentions the term embedded only twice. Rather, one could argue that in order to understand embeddedness as Polanyi used it, one must place TGT in the context of Polanyi’s wider body of thought, a task to which I now turn.

Rebuilding the Polanyian Edifice: From Ethics to Economics and Back Again Two interrelated ethical questions characterized and shaped the work of Karl Polanyi throughout his life: the relationship between ethics and economic provisioning; and the relationship between ethics and freedom and the possibilities for human freedom in modern industrial societies, what Polanyi called “machine society.” Before we can elaborate the relationship between ethics, economics, and freedom, however, we must first clarify Polanyi’s definitions of human nature and ethics. For Polanyi, contrary to the image of the homo economicus of neoclassical economics, humans are fundamentally ethical and social beings, what he described as the basic “changelessness of man as a social being.” By ethics or ethical behaviour, moreover, Polanyi meant values and activities that serve to reproduce the social and ecological foundations of human communities, without which the individual has no meaning. It was his definitions of human nature and ethics that would shape how Polanyi viewed the relationship between ethics, economic provisioning, and freedom.

In precapitalist societies, the provisioning of material needs was organized by principles of integration—such as reciprocity or redistribution—that ensured that the economic process served not only to supply the material needs of individuals, but also to reproduce the bonds of the community. Although individual gain and markets existed, they were delimited and subordinated to the dominant integrative principles in a fashion that ensured the unity and stability of material provisioning and community reproduction. In capitalist society, however, the commodification of labour and land inverted the relationship between economy and community in an unprecedented manner, and the rise of self-gain and the market as the dominant principle and pattern of integration stripped human beings of their ethical
environment via the destruction of the social and ecological bonds of human communities.

The expansion of capitalist social relations, moreover, created a second and related ethical dilemma. Following Marx and Engels, Polanyi contended that the industrial—or machine—society constructed by capitalist modernity had instituted an “external” or “opaque” mode of social relations in which the relations between people came to be mediated by the impersonal mechanisms of machines, commodities, and prices. As a result, the ascension of self-gain and the market society not only initiated the destruction of the moral foundations of the community, it simultaneously impeded the ability of individuals to perceive the ethical ramifications of their actions and thus to behave ethically, that is to say in a manner that reproduces the social and ecological bonds of human communities. Industrial capitalism therefore simultaneously liberated individual consciousness while impeding its ethical realization.

The “Polanyi problem,” then, was not how to combine free markets with social stability, but how to guarantee and extend freedom in an industrial, machine society. Freedom for Polanyi was not simply the negative personal freedom to choose and do as one pleases, free from restriction, as in the classical liberal discourse. Rather, because the actions of individuals in industrial modernity were inseparable from and subordinate to the functioning of machine society, the “reality of society,” true freedom was the capacity of individuals to harness machine society and liberate themselves from the domination of impersonal forces and commodities, beyond questions of economic stability and distribution, in order to translate their personal freedom into a relational and collective freedom organized around the reproduction of social and ecological bonds. The challenge of how to channel machine society towards an expansion of human freedom, by which Polanyi meant the capacity of individuals to provision their material needs in an ethical manner that reproduces the social and ecological bonds that sustain human communities, invariably required the supersession of the capitalist principle of self-gain and its market pattern.

From this foundation in the relationship between ethics, economic provisioning, and freedom, Polanyi developed a critique of positive and value-free
social science, whether neoclassical economics or scientific socialism, both of which focused upon the external and material dimension of human life at the expense of the practical ethics that form the true “base” of any human community. For Polanyi, all social science contains objective and subjective components and is thus invariably normative, social, and ethical. In response, Polanyi sought to develop a methodology for the study of human economies that repudiated neoclassical economics and its individualist ontology, which he perceived as a historical perversion and aberration, and stressed the importance of ethical knowledge and stable human communities in the construction of free societies. The Polanyian critique of conventional economics and capitalist society, therefore, was driven primarily by the exclusion of ethics from the means-ends calculus of neoclassical economics and the destruction of the ethical foundations of human communities engendered by the capitalist principle of self-gain and its market pattern.

The foremost philosophical influence in the development of the ethical and society-centred study of the economy was Aristotle and his classic Politics. Much like Polanyi, Aristotle engaged the economy from an explicitly normative and societal perspective, rejecting the ontological primacy of the individual: “For the whole must be prior to the part. If the body is put to death as a whole, there will no longer be hand or foot except in name…for everything is defined by its capacity and function.” Aristotle was concerned with the question of how the economy contributes to the wider social reproduction of the community: “Wherever Aristotle touched on a question of the economy he aimed at developing its relationship to the society as a whole. The frame of reference was the community as such which exists at different levels within all functioning human groups.” The community, in this view, was the material and psychological basis of the economy, and its individuals were defined not by their intrinsic properties or propensities but by their interdependent and reciprocal relations within the community: “Whoever is incapable of associating, or has no need to because of self-sufficiency…is either a beast or a god.”

From this starting point, Aristotle drew the distinction between oikonomia, the art of household management, and chrematistics, or the art of acquisi-
tion, which Polanyi described as “probably the most prophetic pointer ever made in the realm of the social sciences.”21 *Chrematistics* is of two kinds, depending on its relationship to the household, and provides the axis for the differentiation between natural and unnatural exchange.22 Aristotle defined natural exchange as that which is an extension of the householding function i.e., whose purpose is to reproduce the group. Unnatural exchange, on the other hand, was defined as exchange-for-gain *per se*, or the acquisition of exchange value for its own sake, which was destructive and undesirable because it was unlimited and thus inimical to the principles of social solidarity and reproduction upon which the community was built.

Aristotle’s discussion of the economy provided the inspiration for the substantivist epistemology and the critical delineation drawn by Polanyi between the two antithetical components of the compound definition of the economic, the formal and the substantive: “The two root meanings of ‘economic,’ the substantive and the formal, have nothing in common. The latter derives from logic, the former from fact.”23 The formal definition is derived from neoclassical economics and comprehends the economy as the choice between scarce means and alternative ends. The substantivist definition, on the other hand, makes no such particularistic assumptions: it begins “from man’s patent dependence for his livelihood upon nature and his fellows,” and defines the economy as “the institutionalized interaction between man and his environment, which results in the continuous supply of want-satisfying material means.”24

According to Polanyi, the conflation of the formal and substantive components is the crux of the economistic fallacy, or the habit of “equating the human economy in general with its market form.”25 The formal definition is fallacious because it presupposes the existence of a historically unique form of social integration, the self-regulating market. The substantivist epistemology, on the other hand, focuses on the economy as an instituted process that seeks to provision the material requirements of the community. For Polanyi, “two concepts stand out, that of ‘process’ and its ‘institutedness.’”26 The economic process refers to the interaction of humans and their environment by means of locational (change of place) and appropriative (change of hands) movements of the material requirements of the
community. This basic definition:

Contains no more than the bare bones of the processes of production and transportation, as well as of the appropriative changes. In the absence of any indication of societal conditions from which the motives of the individuals spring, there would be little, if anything, to sustain the interdependence of the movements and their recurrence on which the unity and the stability of the process depends.\(^{27}\)

The economic process itself, therefore, has no motive or meaning beyond the institutional context that integrates economy into society, or the institutedness of the economic process.

The central analytical focus for Polanyi, therefore, was not embeddedness but rather the institutedness of the economic process of social provision, towards which end he identified four integrative principles and their corresponding institutional patterns: reciprocity (symmetry); redistribution (centricity); householding (autarky); and exchange, or self-gain (market).\(^ {28}\)

For a particular principle to integrate economy and society, its corresponding pattern must “institute” the economic process:

Only in a symmetrically organized environment will reciprocative attitudes result in economic institutions of any importance; only where centers have been established beforehand can the cooperative attitude of individuals produce a redistributive economy; and only in the presence of markets instituted to that purpose will the bartering attitude of individuals result in prices that integrate the economic activities of the community.\(^ {29}\)

Although it is important to note that reciprocity, redistribution, and householding are not precapitalist principles that disappeared in the nineteenth century, and that multiple principles and institutional patterns may co-exist, one is always dominant: “Dominance of a form of integration is here identified with the degree to which it comprises land and labor in society.”\(^ {30}\)

The four forms of integration were divided into two broad historical alternatives for how the economic process is organized: societies in which the economic process is instituted in such a way that embeds the economy in noneconomic motives and institutions and reproduces the social and
ecological bonds of the community; and societies in which the economic process is instituted in such a way as to disembod economy from society, whereby the integration of economy and society is dominated by the economic principle self-gain and its market pattern. For Polanyi, the latter, what he called the market society, was historically unique because, for the first time in human history, the economic process was instituted so as to disembod—or, as Polanyi unfortunately preferred, “separate”—economy from society: “Neither under tribal nor under feudal nor under mercantile conditions was there, as we saw, a separate economic system in society. Nineteenth-century society, in which economic activity was isolated and imputed to a distinctive economic motive, was a singular departure.”

Capitalism was for Polanyi, therefore, “the case of ‘separateness’ established in the nineteenth century,” to which he contrasted “the less familiar alternative of ‘embeddedness.”

In opposition to market societies in which the economic process is instituted so as to disembod or “separate” the economy from societal control, Polanyi defined embeddedness as a society in which:

The production and distribution of material goods was embedded in social relations of a noneconomic kind. No institutionally separate economic system—no network of economic institutions—could be said to exist. Neither labor nor the disposal of objects nor their distribution was carried on for economic motives i.e., for the sake of gain or payment or for fear of otherwise going hungry as an individual. If we take economic system to mean the aggregate of behavior traits inspired by the individual motive of hunger and gain, there was no economic system in existence at all. If, however, as we should, we take that term to comprise the behavior traits relating to the production and distribution of material goods—the only meaning relevant to economic history—then we find that while there was, of course, an economic system in being, it was not institutionally separate. In effect, it was simply a by-product of the working of other, noneconomic [motives and] institutions.

When the economic process is embedded in society, the principle of self-gain does not motivate the production and distribution of the material needs, and economic provisioning reproduces the social and ecological
foundations of the community. While markets and exchange existed in precapitalist societies, for instance, they were censured and subordinated to noneconomic motives: “The agora was historically not primarily a market place, but a site for meetings...and material welfare was but slightly influenced by its working,” so that “the far-reaching consequences of the agora were, therefore, in the social and political field.” 34 Embeddedness and disembeddedness are not opposing directions on the protectionism-liberalism continuum, but rather antithetical ways of instituting the economic process in society, in a manner that either reproduces or destroys the ethical foundations of the community.

From his platform of substantive economics and the forms of integration analysis, Polanyi levelled a moral critique of the market society, based upon Aristotle’s concept of unnatural exchange, in which the principle of self-gain and the institutional pattern of price-making markets come to regulate society. Unlike reciprocity, redistribution, and householding, the principle of self-gain, if it becomes the dominant integrative mechanism in a society via institutional patterns that compel individuals to participate in the market for their reproduction, will necessarily produce socially disastrous results. The destructiveness of the market society, however, was not rooted in inequality or the functioning of price-making markets. On the contrary, the destructiveness of market society was to be found in its evisceration of the interrelatedness of the basic elements of human society, in the social disintegration and ecological destruction visited upon human communities. Polanyi’s critique of and objection to the market society, therefore, was not economic, but moral.

Polanyi explained the unique destructiveness of the principle of self-gain and its market pattern through the concept of fictitious commodities. In order for the market society to come into being, labour, land, and money must be transformed into commodities whose primary function is to be bought and sold in price-clearing markets: “A market economy can exist only in a market society” because a “market economy must comprise all elements of industry, including labor, land, and money.” 35 In his discussion of fictitious commodities, it is clear that although Polanyi often used the term “separate” to describe the market economy, he did not mean ontological
separateness. Consistent with his ontological holism, Polanyi was clear that in a market society, economy and society remain deeply integrated:

As regards society…the working of the economic system here not only ‘influences’ the rest of society but actually determines it—as in a triangle the sides do not merely influence but determine the angle…State and government, marriage and the rearing of children, the organization of science and education or religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very esthetics of private life—everything had either to comply with the utilitarian pattern or at least not interfere with the working of the market mechanism.36

The key distinction and historical uniqueness of the market society can be found in the dominant direction of influence: “Instead of economy being embedded in social relations, social relations are embedded in the economic system.”37

What makes the market society so destructive is that labour, land, and money are not genuine but rather fictitious commodities because they are not produced for sale: “But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them…The commodity description of labor, land, and money is entirely fictitious.”38 On the contrary, the reproductive roles and value of labour, land, and money extend necessarily beyond the realm of market exchange into the realm of the reproduction of society itself. By treating fictitious commodities in abstraction from their wider reproductive needs and services to the community and society, the market society undermines the social networks of labour, the reproductive cycles of nature, and the stability of monetary values and the productive organization, and thus threatens human societies in their entirety: “The ‘challenge’ is to society as a whole.”39

The “stark utopia” of the commodity fictions in turn incited the protectionist response of what Polanyi called the “double movement.” The dominant reading of the double movement is that of the struggle between regulation (embeddedness) and deregulation (disembeddedness), to liberate and constrain markets. In the words of Schrank and Whitford, the double
movement represents “the ebb and flow of laissez-faire and social protection—that is, the pendular swing at the heart of Polanyi’s Great Transformation—as the principal source of dynamism in capitalist society.”

For Polanyi, however, the double movement represented not a self-correcting mechanism but an “existential contradiction between the requirements of a capitalist market economy for unlimited expansion and the requirements of people to live in mutually supportive relations in society.” Contrary to the pendular metaphor of many neo-Polanyians, the double movement consisted instead of four stages: the commodification of labour and land; the protectionist countermovement; disruptive strains and crisis; and the socialist or fascist resolution. The end result of the double movement thus was not the embedding and stabilization of market society, a contradiction in terms for Polanyi, but the subordination of self-gain and markets to the “reality of society.”

The final level of the Polanyian edifice returns us to its ethical foundations and the principles that govern the material provisioning of society. The “Polanyi problem” was not how best to regulate capitalism, but how to channel machine society towards ethical ends that preserved and enhanced human freedom and reproduced the social and ecological foundations of human communities. The answer to this problem was framed in terms of the “reality of society” that was the expression of the disintegration of the social and ecological bonds of human communities provoked by capitalism and its construction of the machine society. According to Polanyi, “The discarding of the market utopia brings us face to face with the reality of society. It is the dividing line between liberalism on the one hand, and fascism and socialism on the other.” While liberalism promoted specific ideals that Polanyi believed must be safeguarded, such as freedom of speech and conscience, it ultimately reduced freedom to “an appurtenance of privilege” and “gave a false direction to our ideals” because it divorced freedom from ethics and the reproduction of the community. Fascism and socialism, on the other hand, were both rooted in the “reality of society,” but differed on the valuation of human freedom: “While the fascist resigns himself to relinquishing freedom and glorifies power which is the reality of society, the socialist resigns himself to that reality and upholds the claim to freedom, in spite of it.”
With liberalism in discredit, the central question was whether the reality of society would take the form of capitalism or democracy, by which Polanyi meant fascism or socialism: “Either capitalism or democracy must go. Fascism is the solution of the deadlock which leaves capitalism untouched. The other solution is socialism. Capitalism goes, democracy remains.”\textsuperscript{46} For Polanyi, socialism did not mean the “actually existing socialism” of the Soviet Union, but rather a democratic society committed to the enhancement of human freedom and the reproduction of stable communities. The external or opaque mode of social relations of machine society would be rendered transparent via direct and democratic forms of economic organization that would subordinate self-gain and its institutional pattern of the market to noneconomic motives and institutions and harness machine society via the embedding of the economic process within the reproductive needs of the community.\textsuperscript{47}

The dominant interpretation of Polanyi goes astray because it decontextualizes his ideas and concepts, abstracting them from their ethical, ontological, and epistemological apparatuses. Whereas Polanyi began his analysis from the relationship between ethics, economic provisioning, and freedom, the dominant reading of Polanyi is founded upon the ontological separation of society and economy and the problematic of how to embed the market economy in society. As a result, the economy is defined as a discrete sphere of human activity, governed by the pursuit of rational self-gain via exchange, thus conflating economy and market. As Krippner observes, lurking behind contemporary uses of Polanyi is the assumption that there indeed exists an autonomous economic sphere regulated by a “hard core” of economic behaviour that needs to be embedded within social relations.\textsuperscript{48} But this is precisely—and ironically—the very ahistorical approach Polanyi sought to expose, what he called the economic fallacy, or the habit of “equating the human economy in general with its market form.”\textsuperscript{49}

By disconnecting the concept of embeddedness from its ethical and ontological framework, many of Polanyi’s followers misunderstand not only his theoretical approach, but also his principal concepts and their historically-political implications. When Polanyi discussed embeddedness, he meant
not the restriction of the capitalist economy but its supersession. Regulation and embeddedness are not synonymous, but represent opposing structural relationships between market and economy and economy and society. Embeddedness and disembeddedness are not gradational poles within which to examine “varieties of capitalism”; disembeddedness is capitalism (or the market society). When Polanyi discussed the need to embed the economy, he was referring to the subjugation of the economic process to democratic control by society:

Within the nations we are witnessing a development under which the economic system ceases to lay down the law to society and the primacy of society over that system is secured. This may happen in a great variety of ways...But the outcome is common to them all: the market system will...not comprise labour, land and money.\textsuperscript{51}

The double movement, in turn, represents not the pendular sway of liberal and protectionist forces, struggling alternatively to expand or contain the market economy, but the dialectical movement of the disembedded economy provoked by capitalist modernity, whose evolution resulted in the stark choice necessitated by the “reality of society”: fascism or socialism.

Not surprisingly, given this basic theoretical and conceptual disconnect, many of those who claim to follow Polanyi have missed the central historical message of TGT: that the protective response did not alleviate the contradictions of the market society, but rather refracted them onto the international terrain, thus creating the conditions for a catastrophic and global collapse.\textsuperscript{52} After all, TGT contains two chapters, entitled “Self-Regulation Impaired” and “Disruptive Strains,” in which Polanyi explicitly argues that the “impaired self-regulation was an effect of protectionism,” and he details how the protectionist response to the sociocultural crisis unleashed by the market society resulted in “cumulative strains in the social body,” such as unemployment, class struggle, exchange pressures, and the collapse of the gold standard, interimperialist rivalry, and two world wars.\textsuperscript{53}

Finally, the political conclusions to be drawn from this reading of Polanyi are quite distinct from the dominant portrayal. The logic of the Polanyian edifice does not point towards a form of embedded or welfare-state
capitalism. In fact, it makes the exact opposite claim: that such regulations are bound to fail in the midst of the contradictions inherent in the subsumption of society to the pursuit of self-gain.\textsuperscript{54} It is not economic crises that produce social and cultural turmoil for Polanyi, but the other way around. What Polanyi was criticizing was not unregulated capitalist markets but the market society, the term Polanyi most frequently used to describe capitalism, whereby the institutionalized economic process is constituted in opposition to and in subordination of society via the commodification of labour and land. The logical conclusion of the Polanyi edifice is that unless protectionism results in the removal of labour, land, and money from the market, it will necessarily end in crisis.

**Conclusion: The Limitations and Possibilities of the Polanyian Framework**

This paper seeks to challenge the dominant reading of Polanyi as a theorist of embedded capitalism and the corresponding interpretations of his two most famous concepts, embeddedness and the double movement. I argue that far from providing the theoretical and conceptual foundations for a regulated or embedded capitalism, Polanyi’s intellectual edifice and chief analytical concepts point towards the opposite: the destructiveness and unsustainability of the market society and the historical necessity of re-embedding the economic process in such a way as to reproduce stable human communities, the only way that Polanyi thought freedom could be secured in a machine society. If one accepts the validity of the interpretation of Polanyi provided here, the question then becomes what can Polanyi and his conceptual toolkit offer to a socialist political economy? Before we can answer this question, however, we must first examine several key limitations of the approach Polanyi developed.

The first limitation is that the basic framework provided by Polanyi is inherently static. Indeed, the central objective of the forms of integration analysis was to examine “the way in which the economy acquires unity and stability.”\textsuperscript{55} While an analysis of the differential institutedness of economy and society across capitalist nations would seem to provide an intriguing entry point, Polanyi himself provides few insights into the means by which this differential institutedness takes place. Moreover, the emphasis upon
unity and stability means authors seeking to deploy the concept of insti-
tutedness will have to resort to either an alternate social theory to explain
dynamic transformation or *ad hoc* explanations, as Polanyi himself did in
his analysis of the transition from mercantilism to capitalism in TGT.

The second and related limitation is that Polanyi never adequately
theorized the rival abstraction he puts forward in response to the abstract
individual of neoclassical economics: society. What are the social relations
that constitute society? What are the dynamic forces, tensions, or contra-
dictions that drive social change? Here Polanyi’s deficient conceptualization
of capitalism, not to mention his far too generous appraisal of the internal
functioning of the price-making market, is most glaring. While Sievers
overstates his case, he is correct to point out that Polanyi’s inadequate
sociology results in a tendency towards the reification of society, and indeed
TGT is littered with usages of society-as-subject. Polanyi’s undersocial-
ized view of society rested upon his postulation of a changeless human
nature, which led him to assume an incompatibility between market society
and “human nature,” and posit the re-embedding of the economy as a socio-
logical necessity.

At the theoretical level then, society is treated as a black box, and social
transformation is the result not of internal dynamics but of external variables:
“The ultimate cause [of social change] is set by external forces.” As a result,
the state and social actors are afforded key roles in the historical narrative
of TGT, but they are both conceptualized in logical and analytical subor-
dination to the duelling abstractions of the double movement: the
self-regulating market and society. TGT thus suffers from an explanatory
circularity whereby social and political outcomes reveal the “will” of society.
Because society is undertheorized, Polanyi exaggerates the unstructured
nature of social protection: “At innumerable disconnected points, it [the
countermovement] set in without any traceable links between the interests
directly affected or any ideological conformity between them.” At the
theoretical level, we are left with an inadequate framework from which to
examine power dynamics and imbalances and a tendency to treat the state
as an impartial arena for the double movement.

The theoretical weaknesses of the Polanyian framework, however, do not
render his work of no use in the critique of capitalist society and the search for alternatives. Rather, I would contend that his utility is primarily heuristic, or what Randles described as “Polanyi-inspired.” While a more systematic treatment of the subject is beyond the scope of this paper, I will nevertheless try to sketch out several preliminary reflections. First, the most significant contribution of Polanyi to contemporary debates is arguably in the conceptualization of welfare. The substantivist framework reformulates conventional understandings of welfare by placing both the economy and the market in their proper historical places. In contemporary usages, welfare is often associated with individualistic notions of work, income, and consumption. The principle of self-gain, which originates in the separation of production from reproduction that drives the market society, is in turn buttressed by the ideal—or ideology—of individual self-sufficiency. Accordingly, each person is expected to meet his or her individual welfare needs by means of labour and consumption markets. As Polanyi observed, “Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales.” In a market society, therefore, welfare is in many ways shorthand for market income, whether the latter serves to inform indices of national development and poverty, define program access (social assistance, tax benefits), or orient program objectives (education and training). Indeed, the public support for the welfare state itself is in no small part conditioned by the impacts—real or perceived—of its financial requirements and institutional arrangements on productivity and income generated by the capitalist market.

The substantivist program, however, reverses the conceptual isolation of the economy and its conflation with markets. Rather than conceive of the economy exclusively in its market form, as an abstract and universal phenomenon to which society must adjust, Polanyi begins from the viewpoint of society and its reproduction, and defines the economy as the provisioning of society, not the pursuit of self-gain via the relation of scarce means to unlimited ends. As such, individuals are motivated not solely by the drive for income and consumption through exchange markets, but also by the reproduction of the social and material requirements of the community within which the individual is realized. Such a society-centred definition
of the economy, moreover, need not be antithetical to individual freedom—a topic about which Polanyi was greatly concerned—unless we accept uncritically the classical liberal definition of freedom. According to Polanyi, however, freedom should be defined relationally, as the ability to realize oneself in a manner that forms and reproduces ethical patterns of institutional and social integration.

With the substantivist definition of the economy and its relational definition of individual freedom, the concept of fictitious commodities permits us to sketch out the ways in which welfare can be redefined from a society-centred perspective. The ethical and relational understanding of human society that underpins the fictitious commodities analysis points to the centrality of reproduction in our social, ecological, and economic relations. From the Polanyian perspective, therefore, the narrow and utilitarian needs of labour (food, shelter, clothing, and training) are transformed into the broader needs of social beings within the relational definition of individual freedom (strong family and social networks, identity, equality); the environment sheds the instrumentalist label of “natural resource” and input, to be reconceived as throughput, while humans and their well-being are situated within wider biophysical flows and cycles; and the economy is no longer guided by and judged according to profit, wages, and productivity, but by its capacity to provide for strong families and communities, and the creation of meaningful and satisfying work.

The institutedness of the economy, the idea that the economic process is always and everywhere instituted by specific political and legal forms, places politics and the state squarely at the centre of a socialist analysis. Against the tendency to reduce the state to the role of theoretical afterthought—whether in the form of the neoliberal denigration of the state as impediment to the proper functioning of the market or the tendency of some Marxist writers to subordinate the state in theoretical and analytical terms to the economy—a Polanyian analysis would place the state at the centre of the critique of capitalist society. Far from irrelevant in the face of the globalization of financial and economic power, the state remains—perhaps more than ever—the central nervous system of contemporary capitalist societies, a fact supported by the role of the state not only in the
construction of the present cycle of globalization but also in the management of the recent financial crisis. After all, as Polanyi himself famously quipped, “Laissez-faire was planned.”

The forms of integration, while analytically problematic because of their emphasis on unity and stability, also hold heuristic value. The tendency to focus theoretically and empirically on the process of capital accumulation in the analysis of contemporary society misses much of the intricacy that characterizes all complex societies. Although capitalist social relations may be ascendant in most of the world, they are by no means exclusive. On the contrary, a great variety of noncapitalist principles and institutional patterns co-exist within capitalist social formations. A more complete understanding of the functioning of contemporary society thus requires that such principles and institutional patterns be theorized dynamically and examined empirically in order to ascertain the nature and modalities of their interactions with market and nonmarket patterns in the reproduction of complex social formations. In addition to its potential to explain divergent economic trajectories and provide more nuanced historical narratives, such a project would advance the radical reorientation of the study of human economies towards a discipline that treats human behaviour as the practical problem to be explained, rather than a series of idealistic and a priori assumptions, and would thus contribute to the Polanyian attempt to construct an economics that situates the reproduction of human communities and societies at the centre of analysis. The investigation of the interactivity between integrative principles would also have political implications, in terms of comprehending the possibilities for the expansion of nonmarket-based patterns of integration i.e., reciprocity, redistribution, and householding.

The double movement can likewise be retrieved and used to reorient analyses of contemporary capitalist societies. The reconceptualization of liberalism and protectionism not as exclusive epochal categories but as the double movement of disembeddedness itself highlights the contradictory role of the welfare state in simultaneously stabilizing and undermining market society and allows for reinterpretations of the postwar era. According to Polanyi, protectionism in a market society will inevitably provoke crisis because it does not fundamentally challenge the commodity status of labour,
land, and money. Indeed, one could argue the reason that protectionism has proven historically vulnerable is because it has remained implanted within the principle of self-gain of the market mentality.\textsuperscript{67} Neither the welfare state nor its shaped competitiveness offspring questioned the commodity fictions nor the fundamental tenets of the market mentality: individualism, efficiency, and productivity. The welfare state has thus reinforced the market mentality and its institutional patterns while simultaneously shifting the balance of power away from the capitalist investors, the result of which was the crisis of the 1970s and the mounting neoliberal onslaught of the past four decades.\textsuperscript{68}

In fact, it can be contended that one of the reasons the welfare state has been so readily assailed on the grounds of its allegedly harmful economic impacts was precisely that it reinforced the dominant integrative principle of self-gain by means of its stabilization of labour markets and support for the expansion of commodity relations into nearly all aspects of social life. This is precisely where the Polanyian framework not only demonstrates the limits of the welfare state, but also provides the impetus for its supersession. What Polanyi’s framework emphasized was the necessity of transcending “our obsolete market mentality,” both in our philosophical conceptions of human welfare and in the construction of an alternative political rationality and program to that of the market society.\textsuperscript{69} The construction of a more humane and just future therefore requires the simultaneous advancement of integrative principles and institutional patterns conducive to the construction of an economy oriented towards human welfare in its widest possible sense, and, as such, the abolishment of the status of labour, land, and money as commodities to be bought and sold in the market.

None of this should be taken to mean, however, that Polanyi was advocating a centralized, command economy. Indeed, his writings on fascism and his disdain for Soviet communism led Polanyi to value liberal-democratic freedoms, which he sought not to reverse but to historicize, contextualize, and transcend. And Polanyi did consider a possible role for markets in a postcapitalist society. The critical distinction, however, was between markets and the market society, or, put another way, between an institutional pattern in which markets complement the reproductive activities of households and
communities, and an institutional pattern in which individuals are forced to compete in markets in order to meet their reproductive needs. The substantivist framework thus helps us to overcome the socialism/capitalism binary of the twentieth century and its dogmatic elevation of either states or markets, and places more fundamental philosophical and political questions front and centre: social ethics, the nature and content of individual freedom in a complex society, and the role of the economy in the provisioning of society. It is this ethical, ontological, and epistemological reorientation that is Polanyi’s greatest legacy, and it is in this context that we can begin to reconceptualize human welfare and envision an alternative to the social and ecological disintegration of our times.

Notes

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52. This does not mean, however, that Polanyi blamed protectionism for the malfunctioning of the market economy. While Polanyi did probably cede too much to the neoclassical theorists in order to make his ethical case, his willingness to do so stemmed from the fact that he rejected the notion of a self-regulating market as so unrealistic as not to warrant serious consideration: “But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill,” (see Polanyi, *The Great Transformation*, pp. 76–77, emphasis added).
53. Polanyi, *The Great Transformation*, p. 218. Part of the confusion can be traced to Polanyi’s optimistic evaluation of the New Deal in *The Great Transformation*, which he saw as being a first step towards the re-embedding of the economy, an appraisal he would subsequently recant (see H. Lacher, “Embedded Liberalism,” p. 345). Indeed, Polanyi saw the societies emerging out of the wreckage of World War II not as re-embedded, but as “in course of transition to a new form,” (see K. Polanyi, “Universal Capitalism or Regional Planning?” *London Quarterly of World Affairs* (1945), p. 86).
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