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Karl Polanyi and the writing of *The Great Transformation*

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Abstract. Karl Polanyi's 1944 book, *The Great Transformation*, has been recognized as central for the field of economic sociology, but it has not been subject to the same theoretical scrutiny as other classic works in the field. This is a particular problem in that there are central tensions and complexities in Polanyi's argument. This article suggests that these tensions can be understood as a consequence of Polanyi's changing theoretical orientation. The basic outline of the book was developed in England in the late 1930s when Polanyi was working within a specific type of Marxist framework. However, as he was writing the book, he developed several new concepts, including fictitious commodities and the embedded economy, that led in new directions. Because circumstances did not give him the time to revise his manuscript, the book is marked by a tension between these different moments in his own theoretical development. The result is that Polanyi glimpses the concept of the always embedded market economy, but he does not name it or elaborate it.

After years of relative obscurity, Karl Polanyi's 1944 book, *The Great Transformation*¹ (hereafter abbreviated as *GT*), is increasingly recognized as one of the major works of twentieth-century social science. It is an indispensable reference in current debates about globalization and it has achieved the status of a canonical work for economic sociology and international political economy. Even in the field of economics that long ignored Polanyi's powerful critique of market self-regulation, his ideas have gained renewed consideration and respect.²

Now that Polanyi's masterpiece has begun to gain the attention it deserves, it is vitally important that Polanyi's text be subjected to the kind of close, critical scrutiny that scholars normally direct at classical works. This is particularly important because Polanyi advances complex and sometimes contradictory arguments from which readers can easily derive sharply contradictory interpretations. Although there have been a number of important secondary writings on the *GT*,³ there has been little effort to date to place the arguments of the book in the context of Polanyi's development as a theorist.⁴

The focus of the present article is on a reading of the *GT* that centers on an analysis of Karl Polanyi's shifting relation to the Marxist tradition. He developed the outline for the book while he was still in England in the latter part of the 1930s. In his English years, Polanyi had his second encounter with Marxism in which he developed his own Hegelianized Marxist position that had distinct commonalities to arguments developed by Lukacs in *History and Class Consciousness*.⁵ However, as Polanyi began writing the book in the United States in 1941, his theoretical framework shifted.⁶ But since Polanyi composed the manuscript across a period in which his thinking was changing, the resulting manuscript was left with a number of contradictions and conflicts. Since circumstances did not allow for a major rewrite of the text, the author did not have the opportunity to resolve some of these tensions. In short, some of the key tensions in the work can be explained by Polanyi's shifting relationship to certain Marxist formulations.

It is this shifting relationship that explains one of the core paradoxes of Polanyi's contribution. Polanyi glimpsed the idea of the always embedded market economy, but he was not able to give that idea a name or develop it theoretically because it represented too great a divergence from his initial theoretical starting point. And yet, I argue, it is the idea of the always embedded market economy that provides the most powerful and enduring way to make sense of Polanyi's core arguments in *The Great Transformation*.

This is not simply an exercise in the history of theory. Polanyi's ideas, particularly the concept of embeddedness, loom large in contemporary scholarship and are the subject of increasingly intense debate.⁷ For scholars to build on these ideas in a durable way, it is important to develop a theoretically consistent and coherent interpretation of his text. This means, above all, understanding the precise ways in which his analysis of capitalism is similar to, and different from, other formulations. The goal of this article is to contribute to that understanding.

Polanyi's second encounter with Marxism

As a young man in pre-World War I Budapest, Polanyi rejected the Marxism of the Second International. As Block and Somers write:

In particular, Polanyi passionately rejected the Second International's belief in the inevitability of progress as a consequence of predetermined stages of human development. Central to him and others of his generation was the idea that progress could only come through conscious human action based on moral principles.⁸

Moreover, Polanyi also kept his distance from the Marxism of the Third International with its emphasis on revolutionary action. But the story does not end there. Polanyi had a second encounter with Marxism.⁹ The precise timing of the encounter is unclear, but there are clear traces of it in both Polanyi's published writings and in materials that are available in the Polanyi archive at Concordia University in Montreal. One key moment of this second encounter was Polanyi's reading of Marx's *Economic and Philosophical Manuscripts* that were first published in German in 1932.¹⁰ These were the "early" or "Paris" manuscripts that the young Marx had written in 1844 elaborating his theory of species being and alienation. When these texts were finally translated into English and French in the 1950s, they generated an intense debate about the relationship between the "young Marx" of the *Manuscripts* and the "mature Marx" of *Capital*. Althusser's famous contribution to that debate was the claim that there was not continuity in Marx's thought, but rather that Marx experienced an epistemological break between his earlier humanism and his mature anti-humanism.¹¹

Ironically, Polanyi's reading of Marx was almost the opposite of Althusser's; for Polanyi, the humanism of the young Marx was the missing key to the mature Marx. In an essay published in 1938, Polanyi wrote:

The early works of Marx were often regarded as a mere preparation for *Capital*, and these writings on philosophy were therefore discounted. The idea was current that Marx had a philosophical period before he branched off into economics, an interest which he put behind him as soon as he came to years of discretion. This notion is entirely erroneous. The philosophical presuppositions, without which *Capital* could not have been written, are the actual content of the early writings of Marx. His works up to 1847 were not "wild oats" of which he afterwards repented. During the forties, he laid the general human basis for all his work.¹²

Polanyi read Marx's early writings against the backdrop of the Great Depression and the rise of fascism. The collapse of global capitalism and the fascist threat had a radicalizing impact on Polanyi as he struggled to find a way to defend democratic and humanistic values. As with other radicalized intellectuals, Polanyi came to see a proletarian revo-

lution as the only viable alternative to fascism. Yet Polanyi was not ready to join any of the existing Leninist parties; he worked instead in England with a succession of radical Christian groups that allowed him to elaborate his own interpretation of Marx.

Polanyi's position can be understood in relation to the tradition of Western Marxism. In the 1970s and after, scholars in Europe and North America assembled this tradition that consisted of heterodox left-wing intellectuals of the 1920s, 1930s, and 1940s who rescued Marxism from the mechanical thinking of the Second and Third Internationals.¹³ The key figures of this tradition were Continental European thinkers including Georg Lukacs, Karl Korsch, Antonio Gramsci, Walter Benjamin, and the writers of the Frankfurt School. More recently, Michael Denning has argued that there were important figures in the 1930s in the United States who belong to this tradition, including Kenneth Burke, Sidney Hook, and the Caribbean theorist C. L. R. James.¹⁴ Polanyi's work in England in the 1930s fits squarely into this expanded tradition of Western Marxism.¹⁵ Writing in 1934, Polanyi stated his viewpoint starkly:

Mankind has come to an impasse. Fascism resolves it at the cost of a moral and material retrogression. Socialism is the way out by an advance towards a Functional Democracy. A great initiative is needed. Failure or success depends upon the recognition of the central truth that it is *not by following their own immediate material interests* that the working class can prove their capacity for leadership, but by adapting their own interests to the interests of the indifferent masses in order to be able to lead society as a whole. The fullest understanding of the nature of the present crisis is of paramount importance. If a revision of Marxism is necessary for this purpose, the task should neither be shirked nor delayed. [emphasis added]¹⁶

In brief, Polanyi shared with many others the idea that democracy and capitalism had reached a deadlock in the crisis of the 1930s, but he was equally insistent that it was not enough for the working class to make a revolution in its own name. In a manner quite similar to Gramsci, Polanyi insisted that the working class had to win leadership of society by representing the interests of society as a whole.¹⁷

Indeed, the secret of success lies rather in the measure in which the groups are able to represent – by including in their own – the interests of others than themselves. To achieve this inclusion they will, in effect, often have to adapt their own interests to those of the wider groups which they aspire to lead.¹⁸

In other words, the working class must forge a “historical bloc” of diverse social groups around a counterhegemonic vision of how socialism can make full use of society’s productive forces. Implicit in this line of argument is the belief that if the English working class were to focus only on the militant pursuit of its own class interest, the backlash would strengthen the political right in England and lead to some form of English fascism.

Polanyi linked this broad theoretical framework to the concrete facts of English history in a number of the Workers Educational Association lecture courses that he delivered in the second half of the 1930s.¹⁹ For example, in the 1937–1938 academic year, Polanyi gave a course at the Heathfield site on “English Economic, Social, and Industrial History from the 16th Century.” Polanyi’s surviving lecture notes for the course allow us to trace the Marxist influences on his formulations. When he arrives at the Industrial Revolution in lecture nineteen, for example, he writes:

Industrial capitalism is the latest and most important form of capitalism. When we loosely talk of capitalism, we usually mean industrial capitalism. It means the use of capital in industrial production and the creation of capital by means of industrial production; therefore also the existence of a class of capitalists whose interests are identified with those of industrial development.²⁰

A few pages later, he poses a critical question:

The Industrial Revolution presents us with a problem: The productive forces of the country increased enormously, yet the state and condition of the people was miserable. How to account for this?

The answer is that: The Industrial Revolution was a Social Revolution creating a new civilization with problems and a character of its own.²¹

The next few lectures trace out the horrors of this period – the Satanic Mills, child labor, the dismantling of the earlier legal regime regulating labor, and the Poor Laws. We find here much of the analysis of the Speenhamland period that appears in the *GT*. From 1795 to 1834 in England, poor relief was thought to have been provided to able bodied workers through a system of aid-in-wages that came to be called Speenhamland after the town in which the new policy had been enunciated. Speenhamland policies allegedly produced disastrous consequences for the morale and living standards of rural workers.²² Polanyi’s analysis of the Old Poor Law in the lectures culminates as follows:

The worst effects were on the rural population. It [Speenhamland] completed the work done by the enclosures and the engrossing of farms. Destitution and idleness broke the last link that bound the countryman to the land. It drove him, demoralized, and indifferent to the total loss of his independence to the labor market of the city.... But unemployment meant parish relief with its worst consequences. A considerable part of the nation was thus enslaved and humiliated. This was the price paid for the peace of mind of the ruling classes.²³

Examining the turn

The Marxism of Polanyi's writings of the 1930s revolves around the clash between productive forces and social relations. It can be read as an extended elaboration on the famous passage in Marx's 1859 "Preface to the Contribution to the Critique of Political Economy," where Marx explicitly links some of his youthful writings to his mature version of historical materialism. Marx wrote:

At a certain stage of their development, the material productive forces of society come in conflict with the existing relations of production, or – what is but a legal expression for the same thing – with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into fetters. Then begins an epoch of social revolution.²⁴

But in the writing of the *GT*, there are few explicit references to this perspective. Terms such as "productive forces" and "ruling classes" are completely absent, and even "capitalism" is used very sparingly in the *GT*. Most of Polanyi's references to capitalism in the book occur when he is discussing other sources that use that term. In constructing his own argument, he carefully employs the term "market society" instead of capitalism. Some analysts have suggested that this shift in language was simply tactical because of the political complexities of using a Marxist vocabulary.²⁵ My argument, on the contrary, is that the shift of language is symptomatic of a theoretical shift that distanced Polanyi from the forces versus relations framework.

The point is that there are both continuities and discontinuities between Polanyi's thinking in the 1930s and what he writes in the *GT*. This is not an issue of Polanyi's political intentions, or his loyalty or disloyalty to particular values.²⁶ It is a given that Polanyi was continuing to think and write in this period in conscious dialogue with both Marxism and the broader socialist tradition. However, some of the specific concepts that he develops while writing the *GT* are in tension

with his own earlier Marxist formulations and, as he elaborates their implications, the text develops internal tensions between more deterministic formulations and more open-ended formulations.

The first of these disruptive formulations is Polanyi's idea of fictitious commodities – the concept that he uses to describe the role of land, labor, and money in economic theory.²⁷ Polanyi's term sounds like Marx, who spoke of “the fetishism of commodities” and the existence of “fictive capital,” but Polanyi actually takes pains in a footnote to say that Marx's analysis of commodity fetishism “has nothing in common with the fictitious commodities mentioned in the text.”²⁸ Polanyi's argument is that land, labor, and money are not true commodities because true commodities are things that are produced for sale on a market. Yet, the theory of market self-regulation rests on the pretense that the supply and demand for these fictitious commodities will be effectively equilibrated by the price mechanism just as if they were true commodities. But as Polanyi insists:

in regard to labor, land, and money such a postulate cannot be upheld. To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society.²⁹

Polanyi goes on to insist that to avoid the demolition of society, the supply and demand for these fictitious commodities in actual market societies must be managed through the political process. His formulation is quite distinct from Marx's analysis of the contradictions of capitalism. Marx sets up an analytic model of a fully functioning capitalist economy and then argues that the resulting system is subject to intense contradictions that can be expected to manifest themselves in periodic crises. Marx analyzes a pure version of capitalism and finds it prone to crises, while Polanyi insists that there can be no pure version of market society because land, labor, and money are not true commodities. In Marx, the contradictions come at the end of the analysis; for Polanyi, the system is built on top of a lie that means that it can never work in the way that its proponents claim that it works.

Obviously, Polanyi was reflecting on decades of historical developments that had unfolded since Marx had written. Polanyi had the distinct advantage of observing the dramatic increases in the state's role in managing market economies and he was working out a theoretical framework that placed the state's role close to the center of analysis.

Hence, the idea of fictitious commodities can easily be seen as a way of deepening Marx's critique of capitalism.

But the theoretical tension increases because Polanyi goes on to use the idea of fictitious commodities to develop his second disruptive concept – the idea of the embedded economy. This is a point on which Polanyi's argument has often been misunderstood; he has been interpreted to be making the argument that before the rise of market society, economies were always embedded in social relations, but with the rise of market societies, the situation is reversed – and the market becomes dominant. A similar argument had been made explicitly by Lukacs, who argued that historical materialism as a method of analysis is specific to capitalist societies because in those societies the economy has become the determinant factor.³⁰ In earlier societies, since the economy was not autonomous, analysts must employ a method that is sensitive to the power of culture and other practices.

But what Polanyi actually said is somewhat different. He argues that market liberals wanted to embed society in the autonomous economy, but their project *could not* succeed. As he writes at the beginning of his first chapter:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.³¹

Moreover, in the first sentence, Polanyi is using “utopia” to mean not a good society but an impossible society. The logic is that precisely because land, labor, and money are fictitious commodities, completely subordinating them to the market mechanism would destroy society. Even in market societies, ways have to be found to embed labor, land, and money in social relations.

With this concept of embeddedness, Polanyi is challenging a core presumption of both market liberals and Marxists. Both of these traditions are built on the idea that there is an analytically autonomous economy that is subject to its own internal logic. Polanyi's point is that since actually existing market economies are dependent upon the state to manage the supply and demand for the fictitious commodities, there can be no analytically autonomous economy. Furthermore, it makes no sense to speak of the logic of the market or the logic of the economy,

because pretending that land, labor, and money are true commodities is both irrational and socially dangerous.

Some writing in the Marxist tradition have welcomed Polanyi's powerful critique of the irrationality and ideological nature of market liberalism,³² but his arguments also pose a serious challenge to some Marxist formulations. One way to see the challenge is to return to classic Marxist accounts of the difference between feudalism and capitalism. These accounts emphasize that feudalism is characterized by the use of extra-economic coercion to extract surplus labor from agricultural producers.³³ In contrast, in capitalism, surplus is extracted from the laboring classes through the purely economic mechanism of the wage contract. To be sure, this economic extraction is understood to depend upon the coercive power of the state in enforcing contracts and in "disorganizing" political challenges from the working class. Yet, the state's role does not constitute extra-economic coercion; it is simply a means to institutionalize the purely economic coercion of the capitalist market. The state is in the background; the most important relationship is between worker and capitalist at the point of production.

It should be emphasized that this formulation was central to Marx's and Engels's belief that state power in capitalist society was ultimately an expression of the class power of the bourgeoisie. Once that class power was effectively broken by a revolution that "expropriated the Expropriators," they could confidently predict "the withering away of the state" since there would no longer be any need for institutionalized coercion. Over the last three or four decades, particularly in response to the failures of state socialism, some working within the Marxist tradition have incorporated the Weberian view that the core of state power – the monopoly over the legitimate use of force and the power to tax – is autonomous from class power.³⁴ But this revisionist analysis is in conflict with the way that Marx and Engels defined the dividing line between the economic and the political.

Significantly, Polanyi in the *GT* explicitly embraces the Weberian view; he argues that power and compulsion are inevitable in a complex society – "No society is possible in which power and compulsion are absent, nor a world in which force has no function. It was an illusion to assume a society shaped by man's will and wish alone."³⁵ Polanyi also insists that mechanisms can be found to subject the coercive power of the state to democratic control.³⁶ But the key point is that Polanyi's

analysis of state power and his view of the relationship between politics and the economy form a coherent whole. He is arguing that market society – not just at its moment of formation, but continuously – depends upon extra-economic coercion. Or even more fundamentally, he is suggesting that Classical Marxism tends to exaggerate the contrast between feudalism and capitalism. In both types of society, the processes of extracting surplus from the direct producers involve a complex mix of political, cultural, and economic practices. In neither of these types of society is there an analytically separate economic realm.³⁷

Ambiguities in the text

The argument to this point is that as Polanyi wrote the *GT*, he developed concepts such as the fictitious commodities and the embedded economy that distanced him from the Marxist conceptual framework that had been the initial organizing framework for the book. It is common for authors to revisit and revise their conceptual premises in the actual act of writing, but Polanyi's immediate circumstances limited his ability to reconcile the conflicts created by his own intellectual development. As Polanyi states in the author's acknowledgments, the "book was written in America during the Second World War. But it was begun and finished in England..."³⁸ Polanyi had been granted a two-year fellowship from the Rockefeller Foundation to write the book while in residence at Bennington College from fall of 1941 through the spring of 1943.³⁹ Without this time released from his demanding duties as a Lecturer with the Workers' Educational Association – the extramural outreach arm of the Universities of Oxford and London, it is highly unlikely that the book would have been written at all.

But in addition to the deadline posed by the end of the fellowship period, Polanyi imposed upon himself a second and even more stringent deadline. One of Polanyi's central goals with the book was to influence the debates over the nature of the post-World War II settlement, so he was acutely aware of the need to get the book to press before the end of hostilities. In a letter to Robert MacIver written in October, 1946, Polanyi wrote: "In spite of deficiencies of presentation – *war conditions forced me to rush it to conclusion* – the book has not been overlooked ..." [Emphasis added].⁴⁰ Polanyi sent the text of the book to the American publisher before sailing to England in June 1943, so that the book could be published in New York in 1944.⁴¹ He simply

did not have the time to carry out a major revision of the text to make it more theoretically consistent; the book that we have contains traces both of Polanyi's initial position and the theoretical innovations that changed his theoretical position. But once we recognize that the book was written across this theoretical shift, it becomes easier to make sense of its deepest theoretical puzzles.

The problem of determinism

In the *GT*, there are two great historical turning points. The first is the passage of the New Poor Law in 1834 that represents the triumph of market society because it effectively transforms labor into a commodity. The second turning point is the crisis of the self-regulating market system that begins in the last decades of the nineteenth century and is completed with the collapse of the world economy in the 1930s. Polanyi describes both of these turning points as occurring with the force of inevitability; they are points at which history *had to* turn. And yet, in both cases, the necessity of the historical change is in conflict with Polanyi's theoretical argument about the nature of economic organization. In terms of the theoretical argument, critical changes in the economy should be contingent; the result of a convergence of a variety of specific factors.

In terms of the New Poor Law, there is a further contradiction. On the one side, Polanyi argues that labor had to be turned into a commodity. He writes: "The mechanism of the market was asserting itself and clamoring for its completion: human labor had to be made a commodity."⁴² And yet only a few pages before we were told distinctly that labor could never really be commodified; it is only a fictitious commodity. The first argument is that the Old Poor Law that blocked the full commodification of labor had caused a social disaster and simply had to be repealed. But the second argument is that the full commodification of labor would mean the destruction of society and so steps had to be taken immediately to protect people from exposure to market forces. In short, how can the adoption of a mistaken and disastrous policy take on the quality of inevitability?

Polanyi's Speenhamland story is analyzed separately below, but the same tension between a deterministic argument and Polanyi's theoretical argument appears in Polanyi's account of how the system of market self-regulation comes into crisis in the last years of the nineteenth

century. Polanyi is quite explicit in challenging the views of von Mises and Lippman, who argued that a “collectivist conspiracy” crippled market society.⁴³ They argued that starting in the 1870s and 1880s, various forms of quasi-socialist legislation interfered with the mechanisms of market self-regulation. Without the gradual and piecemeal adjustments required by self-regulating markets, the system became prone to much deeper crises, including ultimately the depression of the 1930s. In one of his most eloquent passages, Polanyi insists that there was no collectivist conspiracy; there was instead a spontaneous effort in a wide variety of different societies to protect farmers, workers, and businesses from the corrosive impact of the market.⁴⁴ The difficulty was not with these protective measures, but with the intolerable costs that market self-regulation imposed on vast numbers of people.

Yet in seeking to refute von Mises and Lippman, Polanyi seems to embrace a key aspect of their argument – that the various protective measures did impair the ability of the market system to work effectively. His chapter 17 is entitled: “Self-Regulation Impaired” and it begins:

In the half century 1879–1929, Western societies developed into closely-knit units, in which powerful disruptive strains were latent. The more immediate source of this development was the impaired self-regulation of market economy. Since society was made to conform to the needs of the market mechanism, imperfections in the functioning of that mechanism created cumulative strains in the body social.⁴⁵

And the next chapter includes this passage that could have been written by one of his ideological opponents:

Protectionism helped to transform competitive markets into monopolistic ones. Less and less could markets be described as autonomous and automatic mechanisms of competing atoms. More and more were individuals replaced by associations, men and capital united to noncompeting groups. Economic adjustment became slow and difficult. The self-regulation of markets was gravely hampered. Eventually, unadjusted price and cost structures prolonged depressions, unadjusted equipment retarded the liquidation of unprofitable investments, unadjusted price and income levels caused social tension.⁴⁶

These problems of adjustment set the stage for the inevitable collapse of market society in the 1930s. Polanyi writes of the period after World War I, “By inherent necessity the root problems of market society reappeared: interventionism and currency. They became the center of

politics in the twenties”⁴⁷ The roots of the final crisis were laid by what Polanyi saw as a heroic but deeply misguided effort to restore the system’s capacity for self-regulation. He comments:

Economic liberalism made a supreme bid to restore the self-regulation of the system by eliminating all interventionist policies which interfered with the freedom of markets for land, labor, and money. It undertook no less than to solve, in an emergency, the secular problem involved in three fundamental principles of free trade, a free labor market, and a freely functioning gold standard. It became, in effect the spearhead of a heroic attempt to restore world trade, remove all avoidable hindrances to the mobility of labor, and reconstruct stable exchanges.⁴⁸

But as in earlier moments, this utopian project could not be realized; the result was the collapse of the global economy and its direct political consequence – the rise of fascism. “If ever there was a political movement that responded to the needs of an objective situation and was not a result of fortuitous causes it was fascism.”⁴⁹

This argument about an inevitable crisis of market society has deep Marxist echoes. The attempt to universalize the commodity form sets in motion a powerful counter-tendency, just as Marx argued that capitalism produced its own gravediggers in the form of the proletariat. The conflict between tendency and counter-tendency creates deepening tensions and conflicts until a final crisis leads to a radical break with the logic of market society. But here again, this argument is in tension with Polanyi’s insistence on the necessity of embeddedness and the inevitability of hybrid forms. If a purely self-regulating market system is an impossibility, how could it be that the lack of purity inevitably produces a crisis?

It is not logical for Polanyi to claim both that a system of self-regulating markets was impossible and that any effort to constrain or limit market self-regulation was doomed to produce a systemic crisis. Fortunately, Polanyi suggests a way out of this set of contradictions; it is that the crisis that unfolds in the period from 1879–1929 occurs at a more specific institutional level than suggested either by Marxism or by von Mises and Lippman. The problem lies not with the broad effort to combine market self-regulation with various forms of protectionism, but rather with the misguided effort to establish and maintain the international gold standard. The implicit counterfactual that he suggests is that if international statesmen after the First World War had decided to discard the gold standard, they could have escaped the crisis

of the 1930s. It is the gold standard mechanism that is in contradiction with the various measures taken within nations to buffer their people from market forces. The gold standard is the institutionalization of the abstract logic of market self-regulation. When it is combined with multiple practices that interfere with market logic, the result is deeply contradictory and will inevitably produce a crisis.

The problem, however, was that “Belief in the gold standard was the faith of the age.”⁵⁰ He goes on to argue that proponents of all political ideologies shared the belief in the necessity of basing currencies on gold.

It would be hard to find any divergence between utterances of Hoover and Lenin, Churchill and Mussolini, on this point. Indeed, the essentiality of the gold standard to the functioning of the international economic system of the time was the one and only tenet common to men of all nations and all classes, religious dominations, and social philosophies.⁵¹

But it is clear from the context that Polanyi considers this shared tenet to be tragically mistaken.

In analyzing Polanyi’s argument here, we have the advantage of another half century of historical development; the Bretton Woods period, in particular, has taught us that the gold standard was only one of a variety of international monetary regimes that are consistent with a global market system.⁵² But when Polanyi was writing, it was far more difficult to disentangle the gold standard from the global market. Even so, he was able to identify the gold standard as one of the specific institutional pillars of nineteenth-century civilization.⁵³ This description of the gold standard as a distinct institutional pillar means that Polanyi had assembled all the elements of the more specific and contingent analysis of the crisis of the 1930s. The core of this argument is that the crisis was rooted not in the fact that self-regulation was impaired; the impairing of market self-regulation was inevitable. The problem was that the various forms of protection practiced by nations coexisted with an international gold standard that rested on the principle of market self-regulation. It was this incompatibility between what was occurring *within* nations and what was occurring *between* nations that created disaster.

This argument has particular relevance for our current situation because it is widely recognized that the expansion of international capital mobility over the last twenty years has recreated some of the constraints

that were characteristic of the nineteenth-century gold standard.⁵⁴ Nations that offend the sensibilities of traders in the financial markets can find themselves subject to huge capital outflows and intense speculative pressures against their currencies. Once again, these arrangements are justified by their consistency with the principle of market self-regulation. However, within societies, governments – even in the most market-oriented polities – continue to play a central role in economic life by organizing the key fictitious commodities (land, labor, and money) and by engaging in a wide variety of protective measures. Hence, the same deep tensions between an international monetary system based on principles of market self-regulation and national policies based on quite different practices characterize our own historical period.

The Speenhamland problem

The last section suggests an alternative reading that addresses the problem of determinism in Polanyi's account of the final crisis of market society, but the difficulties are even more daunting when it comes to explicating Polanyi's analysis of the initial emergence of market society. When Polanyi asserts the inevitability of the New Poor Law, he echoes the Marxist account of the bourgeois revolution. The nascent capitalist forms have emerged within the womb of the old society, but the existing property relations are holding them back creating a period of stalemate and crisis. But the determinant role of the economic means that sooner or later the productive forces will break out and transform the existing political system. In this sense, the coming of the New Poor Law is for Polanyi playing a role similar to successful bourgeois revolution: "In 1834 industrial capitalism was ready to be started, and Poor Law Reform was ushered in."⁵⁵ And yet the theoretical argument about fictitious commodities and embeddedness has a different logic; the commodity form can never truly complete itself – labor has to remain embedded in social relations because it is a fictitious commodity. Hence, even at its peak, market society is a hybrid, the attempted commodification of labor is combined with policies that embed and protect the working population. Yet if hybridity is the norm, the echoes of the Marxist argument that the market system had to complete itself cannot be sustained.

This raises two more intertwined questions. Why did Polanyi, a supporter of governmental action to shape economic activity, produce

such an eloquent condemnation of the unintended consequences of the Speenhamland intervention on the living situation of the poor? Why did Polanyi devote so much space in the early part of the book to the relatively obscure Speenhamland story that seems only indirectly linked to his broader argument? Even though Polanyi's analysis of the impact of Speenhamland was initially written as part of an attack on market liberalism, his analysis was appropriated in the 1970s by an influential American conservative to make a case against the U.S. system of welfare provision.⁵⁶ Martin Anderson in his 1978 book, *Welfare*, literally reprints Polanyi's entire chapter 7 on Speenhamland as part of his demonstration that overly generous welfare programs produce perverse consequences.⁵⁷ To be sure, scholars have no control over the purposes to which their analyses will be used, but this kind of dramatic appropriation makes it more urgent to understand Polanyi's argument.

In assessing Polanyi's discussion of Speenhamland, our focus here is not on the historical accuracy of his account. This requires a much longer discussion to review the vast literature on the Old Poor Law. But it can be said that although there is much that is useful and accurate in Polanyi's analysis of the transition from the Old Poor Law to the New, one of his central arguments does not stand up well against historical evidence. This is the assertion that a widely diffused system of aid in support of wages, the famous bread scale, played a powerful role in depressing rural wages and productivity. A large body of scholarship shows that the use of the bread scale was not widespread enough in rural England to have had the dramatic consequences that Polanyi attributes to it.⁵⁸

The focus here is on the role that Speenhamland plays in Polanyi's larger argument. We saw earlier that Polanyi's discussion of Speenhamland appears in his lectures from the 1930s as part of an analysis of the Industrial Revolution as a Social Revolution. Speenhamland was a desperate effort by the rural gentry to hold back the clock, to stop the advance of capitalism. But because the inevitable cannot really be averted, the gentry's initiative had catastrophic consequences for the rural poor. Hence, the significance of the 1834 turning point is that it represents the real birth of both industrial capitalism and of the modern working class. In lecture notes from Bennington in 1941, Polanyi includes among the long term effects of the New Poor Law: The working class was constituted as a social class deriving its independent existence from its earnings.⁵⁹

But there is also a second story that helps to explain Polanyi's Speenhamland argument that was deeply rooted in his own biography. Coming to England from Vienna and Budapest, Polanyi was deeply puzzled by the lack of political consciousness of the English working class. In the *GT*, he sketches out a brief comparative sociology of working-class formation in which he notes that the Continental working classes had helped the bourgeoisie to fight the battle against feudalism:

But whether the working class won or lost, its experience was enhanced, and its aims raised to a political level. This was what was meant by becoming class conscious. Marxian ideologies crystallized the outlook of the urban worker, who had been taught by circumstances to use his industrial and political strength as a weapon of high policy.⁶⁰

In contrast, in England “the middle classes ... were strong enough to vindicate their rights alone” and the British worker learned to leave “national politics to his ‘betters.’”⁶¹ This passage continues an analysis of English working class consciousness that Polanyi had elaborated in 1938:

The worker himself, a safeguarded member of a community which promised to protect him economically, morally, and politically, was prepared to accept a hierarchic class society in which he had a recognized status. Thus the Trade Union came to mean everything to him, and he would make great sacrifices for it. This largely accounts for the outlook and aims of the British worker, and for approval of a class society. It may lead to catastrophe for the British working class is not prepared to take charge, and build, if necessary, a new society.⁶²

Polanyi went on to attribute the inability of British workers to move beyond trade union consciousness to the impact of the Industrial Revolution.

The Industrial Revolution in England was incomparably more harmful than in other countries. Only here were the horrors of licensed child-labour and systemic pauperisation part of working-class history. With the memory of such unspeakable conditions, the British working-class justly feel that they have progressed a long way.... *The horrors of that time still haunt the workers*; and this has a distinct bearing on the gradualism which is characteristic of the British working class.⁶³ [Emphasis added]

And again, in the *GT*, Polanyi echoes this argument in explaining the political consciousness of Continental workers:

The Continental laborer had not passed through the degrading pauperization of Speenhamland nor was there any parallel in his experience to the scorching fires of the New Poor Law. From the status of a villein he changed – or rather rose – to that of factory worker, and very soon to that of an enfranchised and unionized worker. Thus he escaped the cultural catastrophe which followed in the wake of the Industrial Revolution in England.⁶⁴

Polanyi's point seems very clear; the trauma of Speenhamland had a long-term impact on the consciousness of the English working class. Because state policies played a central role in destroying the established way of life of the rural working class, it was logical that as the memory of these events was passed along from generation to generation, so, also, was a profound distrust of the state. In fact, in chapter 8, Polanyi says explicitly: "The hatred of public relief, the distrust of state action, the insistence on respectability and self-reliance, remained for generations characteristic of the British worker."⁶⁵ In short, historical experience had inoculated the English working class against political socialism because that doctrine required viewing the state as a potentially benign force.

The language of trauma, then, suggests an explanation for why Polanyi devotes so much of the early part of the book to retelling the story of Speenhamland and the New Poor Law. His hopes for the post-World War II world required that the English working class finally face up to the historic task of building a new society.⁶⁶ He correctly anticipated that a Labour Government would come to power after the War and its prospects depended on a willingness to abandon that historic distrust of state action.⁶⁷ Hence, it does not seem farfetched that Polanyi was writing in something approaching a psychoanalytic mode; he sought to describe the historical trauma in loving and graphic detail precisely so that its impact on actual human beings could finally be transcended. If the memories of a partially repressed trauma can be brought to the surface and validated, then finally the patient might be able to escape the trauma's hold on his or her actions.

This particular political agenda might well have overwhelmed some of Polanyi's other concerns in developing the Speenhamland argument. One of these other concerns is clearly stated in the book's endnote on "Speenhamland and Vienna."⁶⁸ Here, Polanyi says explicitly that he was first drawn to the study of Speenhamland by developments in Austria after World War I. Free market economists had denounced Vienna's system of unemployment insurance and subsidized rents as another "maladministration of the Poor Law," another "allowance

system” which needed the iron broom of the classical economists. Polanyi writes:

What we wish to stress here is the enormous difference in the cultural and moral effects of the two types of intervention: the attempt of Speenhamland to prevent the coming of market economy and the experiment of Vienna trying to transcend such an economy altogether.⁶⁹

Polanyi was trying to combat the generalized use of the Speenhamland story as a cautionary tale against any interference in the market. It is for this reason that he elaborates the story with a great deal of institutional detail.⁷⁰ He stresses, for example, that the depressing effect of the bread scale on wage levels was contingent on the Combination Acts that outlawed any trade-union activity. For purposes of challenging the market liberals, Polanyi was showing that the negative impact of Speenhamland depended on a range of specific circumstances; it was illegitimate to see perverse consequences flowing from any interference with the market. But while this aspect of Polanyi’s purpose emphasizes contingency, some of his other purposes (including the more Marxist analysis of the transition to market society and the narrative that emphasizes the magnitude of the trauma suffered by the English working class) invoke the language of inevitability.

A discussion of Polanyi on Speenhamland would not be complete without addressing his most fundamental reason for analyzing the period from 1795–1834: its huge impact on the development of classical economic thought.⁷¹ The key idea is that Malthus and Ricardo developed the foundational ideas of classical economics by generalizing from the rather peculiar conditions of the Speenhamland period. It was those conditions that led Ricardo to formulate the “iron law of wages,” the claim that over the long-term, wage levels could never rise above subsistence. Ricardo’s formulation was dependent, in turn, on Malthus’s alleged discovery that while food supply grows only arithmetically, human population grows geometrically. What they both built into their theories was a model of beast-like individuals who responded to increasing income with increased procreation and who could only reliably be expected to work by the threat of starvation.

Polanyi calls this way of analyzing human motivations “naturalism,” and he sees it as corrupting the tradition of economics from the beginning. Although he recognizes that economists abandoned Ricardo’s pessimistic formulations relatively quickly, they did not abandon his assumptions about modeling individual behavior. These mistaken as-

sumptions become the ongoing foundation for imagining that labor can be treated as simply another commodity whose price will be effectively equilibrated by the price mechanism. In short, the whole elaborate vision of market self-regulation is based on a failure to recognize humans as social beings who respond to a range of different motivations. And the roots of this error lie in the Speenhamland period.

This strand of Polanyi's argument represents an extremely important and fruitful contribution to the sociology of knowledge.⁷² Furthermore, this argument holds up even if Polanyi's specific claims about the impact of Speenhamland policies on wages do not. Malthus and Ricardo were writing in a transitional period, but they developed some of the core methodologies of the emergent discipline of economics.⁷³

The ambiguities of embeddedness and disembeddedness

It was argued earlier that Polanyi is very clear that efforts by market liberals to disembed the economy from society must fail, but there are still deep ambiguities in his discussion of embeddedness in the *GT*. The fact that he has often been read as arguing that the economy has been effectively disembedded in market societies is an indication that there are contradictory arguments loose in the text.⁷⁴ We can make sense of these ambiguities by untangling Polanyi's shifting theoretical formulations as he was writing the book. Polanyi begins the book with a statement of the impossibility of creating a self-regulating market system:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.⁷⁵

The passage continues:

Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way. It was this dilemma which forced the development of the market system into a definite groove and finally disrupted the social organization based upon it.⁷⁶

This passage suggests that the initial architecture of Polanyi's argument follows a logic that is parallel to Marx's analyses of the contradictions of capitalism. An initial tendency – the effort to create a self-regulating economy – produces a counter-tendency – the effort to protect society

from the market. But impairing the market's ability to regulate itself produces growing crises and ultimately the collapse of nineteenth-century civilization.

In this initial formulation, Polanyi does not introduce the concept of embeddedness. It appears later as Polanyi is attempting to contrast the project of market liberalism with the history of previous social orders in which economic activity had been embedded. He argues specifically that: "... all economic systems known to us up to the end of feudalism in Western Europe were organized either on the principles of reciprocity or redistribution, or householding, or some combination of the three."⁷⁷ He goes on to say:

In this framework, the orderly production and distribution of goods was secured through a great variety of individual motives disciplined by general principles of behavior. Among these motives gain was not prominent. Custom and law, magic and religion co-operated in inducing the individual to comply with rules of behavior which, eventually, ensured his functioning in the economic system.⁷⁸

With this initial formulation, the task of constructing a market society appears to be one of disembedding the economy because the pursuit of individual gain is suddenly elevated to be the fundamental organizing principle of economic life. But as Polanyi starts to elaborate his argument, he gives the concept of embeddedness a new and unanticipated meaning. As I argued earlier, the contradiction unfolds because land, labor, and money are not true commodities, so a protective counter-movement spontaneously arises to "protect society from the market." Part II of the book is called "Self-Protection of Society," and in these chapters, Polanyi elaborates a thick description of the diversity of means by which "protection" restructures economic life in ways that limit and constrain the pursuit of gain. In the initial architecture of the argument, this account is meant only to set up the idea that protection impairs market self-regulation, so as to put in motion the contradictions that produce both the First World War and the Great Depression.

But what actually happens in these chapters is that Polanyi demonstrates persuasively that through the whole history of market society, the strength of protection effectively embeds the economy. He suggests that functioning market societies must maintain some threshold level of embeddedness or else risk social and economic disaster. Polanyi shows that those advancing protection were not only the opponents of

market society, but also its strongest adherents. In tracing out English history, he states explicitly:

Thus even those who wished most ardently to free the state from all unnecessary duties, and whose whole philosophy demand the restriction of state activities, could not but entrust the self-same state with the new powers, organs, and instruments required for the establishment of *laissez-faire*.⁷⁹

A few pages later, he writes:

It is highly significant that ... consistent liberals from Lloyd George and Theodore Roosevelt to Thurman Arnold and Walter Lippman subordinated *laissez-faire* to the demand for free competitive market; they pressed for regulation and restrictions, for penal laws and compulsion, arguing as any "collectivist" would that the freedom of contract was being "abused" by trade unions, or corporations, whichever it was.⁸⁰

In short, the construction of competitive markets requires ongoing state action. Part of what Polanyi is describing here is the construction of Durkheim's "noncontractual bases of contract," the set of legal rules and institutions required to formalize property rights and contractual obligations.⁸¹ But Polanyi's argument goes well beyond this because he also shows how establishing labor, land, and money as fictitious commodities required new institutional structures. For labor, state initiatives to embed the economy include the administrative apparatus of the New Poor Law, Factory Acts that limited the exploitation of labor, the infrastructure of public health designed to protect the population from disease, and the development of an educational system to provide needed skills. For land, the minimum conditions that Polanyi emphasizes include assuring a stable food supply at reasonable prices that, in turn, involves protecting the farming population from dramatic income fluctuations that might drive them off the land. With money, much of the infrastructure of embeddedness did not emerge until the last quarter of the nineteenth century with the rise of central banks that stabilized the banking system and smoothed the growth of the money supply.

These ongoing efforts to embed the market are often met with resistance and by the opposing pressures of the movement for *laissez-faire*. He sees market society as being shaped in an ongoing way by this double movement. And although he emphasizes the irrationality and danger of the initiatives by market liberals, he also understands the extraordinary intensity with which they are capable of pursuing their agenda in certain historical periods. In fact, one of his important

political arguments is that the resurgent market liberalism of the 1920s bears considerable responsibility for the rise of fascism. Writing of the 1920s, he argues:

The stubbornness with which economic liberals, for a critical decade, had, in the service of deflationary policies, supported authoritarian interventionism, merely resulted in a decisive weakening of the democratic forces which might otherwise have averted the fascist catastrophe.⁸²

However, the critical point is that in these chapters in which Polanyi elaborates the multiple forms of protection, he discovers the concept of the always embedded economy – that market societies must construct elaborate rules and institutional structures to limit the individual pursuit of gain or risk degenerating into a Hobbesian war of all against all. In order to have the benefits of increased efficiency that are supposed to flow from market competition, these societies must first limit the pursuit of gain by assuring that not everything is for sale to the highest bidder. They must also act to channel the energies of those economic actors motivated largely by gain into a narrow range of legitimate activities. In summary, the economy has to be embedded in law, politics, and morality.⁸³

And yet, Polanyi is not able explicitly to give a name to his critical discovery; he returns instead to the original architecture of his argument in which this embedding of the market economy impairs the process of market self-regulation. But even by the logic of his own argument, there can never be a self-regulating market system, so the idea of impairing its functioning is an absurdity. It is the equivalent of complaining that one's perpetual motion machine was damaged when it was inspected by skeptical scientists. It is here that one can clearly see the tension between the two arguments in Polanyi's text. On the one side, the embedding of the market economy is normal and necessary for it to achieve any degree of functionality. On the other side is the argument that the protective counter-movement critically weakens the ability of market self-regulation to function so as to produce crises of growing intensity.

As argued earlier, Polanyi does offer a second line of argument that reconciles the normality of embeddedness with the breakdown of the world economy. This is the argument that emphasizes the specific incompatibility of the gold standard with the inevitable and necessary national initiatives to embed economies within protective frameworks. But within the architecture of the book, this argument is definitely

subordinated to the idea that the protective counter-movement impairs the functioning of market self-regulation.

In summary, I am suggesting that Polanyi discovers the idea of the always embedded market economy, but he is not able to name his discovery. He provides us with some extremely important suggestions about how to carry out an analysis of the always embedded market economy, but he does not give us that systematic account. However, Polanyi lived for another two decades after sending the *GT* to the publisher; the obvious question is why he did not give his new discovery a more systematic formulation in his later work.

Part of the answer has to do with the intensification of the Cold War in the immediate years after World War II. Many of Polanyi's hopes for the post-war world were dashed by the intensifying conflict between the Soviet Union and the United States. His 1947 essay, "Our Obsolete Market Mentality," was one of his last public efforts in this period to influence the flow of events as he realized that his views were increasingly marginal and irrelevant.⁸⁴ Polanyi responded to the intolerant turn in American politics and academic life by shifting his intellectual energies toward the analysis of primitive and archaic economies rather than deepening his arguments about market economies. Moreover, it also seems likely that the highly polarized (capitalism versus socialism) discourse of the Cold War period reinforced Polanyi's tendency to think in these binary categories.

Another possible answer is that Polanyi's briefly glimpsed vision of the always embedded market economy was linked to the specific political moment formed by the real political achievements of Roosevelt's New Deal and the anticipated achievements of England's Labour Government. During that brief moment, it appeared that market societies could be fundamentally reshaped by deeply democratic reforms. The historical possibilities were not obviously limited by the existing property arrangements. But when that moment passed, it seemed once again that the only real historical possibilities were either capitalism or socialism and the idea of the always embedded market economy appeared superfluous.

Conclusion

Over the last two decades, a number of scholars have contributed to an increasingly influential literature on the “varieties of capitalism.”⁸⁵ The core argument of this school is that since market institutions must be embedded, there is no single form of capitalism but multiple varieties characterized by different institutional configurations. Not surprisingly, virtually all of the scholars working in this tradition draw explicitly on the work of Karl Polanyi since what they are doing is elaborating his untheorized vision of the always embedded market economy. Hence, the effort of this article to make sense of the internal tensions of Polanyi’s text has important implications for how the varieties of capitalism perspective can be strengthened.

The first point centers on the concept of capitalism itself. My view is that Polanyi deliberately used the term “market society” instead of “capitalism” as a way of distancing himself from the associations that came from the Marxist use of the term. I suggest that one reason that scholars of the “varieties of capitalism” school have had so little impact thus far on policy debates is because they have failed to follow Polanyi’s example. The term “capitalism” – particularly since its triumphal appropriation by the global bourgeoisie and its journalistic defenders – carries with it the implicit claim that economies organized around the pursuit of profit have a unified essence and *should have* similar institutional arrangements.⁸⁶ “Varieties of capitalism” is therefore either an oxymoron or a description of temporary differences that will inevitably disappear as capitalist institutions realize their essential nature. In brief, the language that these analysts are using undercuts the powerful argument they are making.

Second, economic sociologists and other scholars need to elaborate and develop the critical concept of the always embedded market economy. This is the means to advance Polanyi’s theoretical project because it directly challenges the economic essentialism of both market liberals and Marxists that has come to dominate our society’s common sense. Economic essentialism posits that there is an analytically autonomous economic sphere that has a logic and a rationality of its own. The dominance of this way of thinking is reflected in public policy debates that usually revolve around what steps are or are not consistent with that underlying economic rationality. The concept of the always embedded economy, in contrast, begins with the premise that any favorable economic dynamic has to be understood as flowing from the

interaction among self-interested agents, the actions of the state, and forms of social regulation.

The always embedded concept makes it very hard to gloss over or hide the state's fundamental role in shaping actually existing economies. Because the state establishes the noncontractual bases of contract and is centrally involved in constructing the markets for the fictitious commodities of land, labor, and money, it becomes impossible to imagine how the economy would run if only the state would cease its unnecessary meddling. Moreover, Polanyi also lays the basis for understanding that tax policies, technology policies, competition policies, and trade policies are not incidentals, but fundamental to structuring how different market societies operate.

The always embedded concept has a critical cultural or ideational element. As Polanyi makes clear, human beings are not born with Adam Smith's propensity to barter and trade. On the contrary, economic actors have to be constructed; they have to learn how to behave in market situations.⁸⁷ And here, the critical point is that different market societies are embedded in different complexes of ideas. Part of what Polanyi was trying to explain in the *GT* was how the ideas of market liberalism had sunk such deep roots into England, and by extension, the United States. But it was central to his argument that the ideas of the classical economists had played a far less central role in the construction of market societies on the European Continent. The same can also be said for the building of market societies in East Asia.⁸⁸ Although there have been intense efforts in recent years to export the Anglo-American ways of thinking about the economy to every corner of the world, it would be a mistake to imagine that these missionaries of economic correctness will be uniformly successful in their efforts. It is far more likely that we will see complex forms of syncretism that combine older and newer beliefs.

The third and final point is fundamentally a political point. The concept of the always embedded economy suggests that there are no inherent obstacles to restructuring market societies along more democratic and egalitarian lines. This is in contrast to those who insist that reforms of capitalism that interfere with the logic of capital accumulation are basically futile. Moreover, the always embedded analysis suggests that the multiple forms of dependence of business groups in market societies on state action provides a critical resource or lever for those seeking political change. Even those business interests who pro-

ness to believe in the most extreme forms of *laissez-faire* doctrine need the cooperation of the state and this often disguised dependence can be employed to renegotiate the legal underpinnings of market society.

Nevertheless, the always embedded perspective recognizes that gaining significant democratic or egalitarian reforms is never easy; business interests and their conservative allies have formidable resources with which to resist such changes. The point, however, is that these resources are contingent; they are not built into the essence of the social system. Hence, the rules of the international monetary regime, as with the nineteenth-century gold standard, often serve to reinforce the power of business interests, but these rules can also be changed (as they were during the Bretton Woods era) to make resistance, at least within developed countries, to egalitarian reforms more difficult. Similarly, prevailing common sense about the economy tends to reinforce the power of business, but public ideas can be changed as they were during the 1930s and, in some countries, during the 1960s.

I have tried to show in this paper that we can make systematic use of Polanyi's insights in the *GT* once we have "unpacked" the text and shown the tensions between Polanyi's original architecture for the book and the new ideas that he developed as he was writing. Most importantly, we can see that Polanyi glimpsed, but was not able to name or elaborate, the idea of the always embedded market economy. It is this concept which holds the promise of a new understanding of market societies that allows us to break free of an essentialized view of the economy.

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Swedberg, John Walton, and the *Theory and Society* Editors made valuable comments.

Notes

1. The book was published originally in the United States in 1944 and in England in 1945 as *The Origins of Our Time*. It was reissued as a paperback in 1957 and again in 2001. Page references are to the 2001 edition published by Beacon Press in Boston.
2. See Joseph Stiglitz's foreword, vii–xvii, in the 2001 edition of the *GT*, and Santhi Hejeebu and Deirdre McCloskey, 1999. "The Repeating of Karl Polanyi." *Critical Review* 13/3–4 (1999): 285–314.
3. A. M. Sievers, *Has Market Society Collapsed? A Critique of Karl Polanyi's New Economics* (New York: Columbia University Press, 1949); Fred Block and Margaret Somers, "Beyond the Economistic Fallacy: The Holistic Social Science of Karl Polanyi." in Theda Skocpol, editor, *Visions and Methods in Historical Sociology* (Cambridge: Cambridge University Press, 1984); 47–84; Margaret Somers, "Karl Polanyi's Intellectual Legacy," in Kari Polanyi Levitt, editor, *The Life and Work of Karl Polanyi* (Montreal: Black Rose, 1990); 152–160; Kari Polanyi-Levitt, "Origins and Significance of *The Great Transformation*," in Polanyi-Levitt, editor, *Life and Work*, 111–126; John Lie, "Embedding Polanyi's Market Society," *Sociological Perspectives* 34/2 (1991): 219–235; Kari Polanyi-Levitt, "Karl Polanyi as Socialist," in Kenneth McRobbie, editors, *Humanity, Society, and Commitment: On Karl Polanyi* (Montreal: Black Rose, 1994), 115–134; Fred Block, "Introduction," in Karl Polanyi, *The Great Transformation* (Boston: Beacon, 2001), xviii–xxxviii.
4. Polanyi lived from 1886 to 1964. For his biography, see Kari Polanyi-Levitt and Marguerite Mendell, "Karl Polanyi: His Life and Times," *Studies in Political Economy* 22 (Spring 1987): 7–39, and Kenneth McRobbie and Kari Polanyi Levitt, editors, *Karl Polanyi in Vienna: The Contemporary Significance of The Great Transformation* (Montreal: Black Rose, 2000).
5. Georg Lukacs, *History and Class Consciousness*, translated by Rodney Livingstone (Cambridge: MIT Press, 1971 [1923]).
6. I have been tempted to call this shift an "epistemological break," the term Althusser used for the transformation that Marx's thinking went through after the early writing in Louis Althusser, *For Marx* (translated by Ben Brewster, New York: Pantheon Books, 1969). However, the shift that I am describing is more subtle than what Althusser's term suggests.
7. See, for example, Greta Krippner, "The Elusive Market: Embeddedness and the Paradigm of Economic Sociology," *Theory and Society* 30 (2001): 775–810, and Michael Burawoy, "For a Sociological Marxism: The Complementary Convergence of Antonio Gramsci and Karl Polanyi," *Politics & Society* 31 (2003).
8. Block and Somers, "Economistic Fallacy," 50.
9. In personal correspondence, Kari Polanyi-Levitt has suggested that this was Polanyi's third encounter with Marxism, since his second occurred in Vienna when he confronted the arguments of the Austro-Marxists.
10. This is cited in *GT* as K. Marx, *Nationalökonomie und Philosophie* at the beginning of ch. 13.
11. Althusser, *For Marx*.

12. Karl Polanyi, "Notes of a Week's Study on the Early Writings of Karl Marx and summary of discussion on British Working Class Consciousness" Christian Left Group, *Bulletin* 2 (1938), 5, Karl Polanyi Archive, Concordia University, Montreal. Although this piece is not signed, the archivists have confirmed that Polanyi was the author, through an interview with Irene Grant who was a member of the group.
13. Dick Howard and Karl Klare, editors, *The Unknown Dimension: European Marxism since Lenin* (New York: Basic Books, 1972); Perry Anderson, *Considerations on Western Marxism* (London: New Left Books, 1976); Gareth Stedman Jones et al., editors, *Western Marxism: A Critical Reader* (London: New Left Books, 1977); Alvin Gouldner, *The Two Marxisms: Contradictions and Anomalies in the Development of Theory* (New York: Seabury Press, 1980).
14. Michael Denning, *The Cultural Front* (London: Verso, 1997).
15. Burawoy, in "Sociological Marxism" takes the further step of identifying Gramsci and Polanyi as the fathers of a fundamentally new variant of Western Marxism. As Burawoy indicates in his essay, there are some tensions between his reading of the *GT* and the one that is elaborated here.
16. Karl Polanyi, "Marxism Re-Stated," *New Britain*, July 4, 1934.
17. For more on the intellectual convergence between Gramsci and Polanyi, see Burawoy, "Sociological Marxism."
18. Polanyi, "Marxism Re-Stated."
19. On Polanyi's theory and practice of workers education, see Marguerite Mendell, "Karl Polanyi and Socialist Education," in Kenneth McRobbie, editor, *Humanity, Society, and Commitment: On Karl Polanyi* (Montreal: Black Rose, 1994), 25–42.
20. Karl Polanyi, "English Economic, Social, and Industrial History from the 16th Century," Lecture notes for a course at Heathfield W.E.A., Karl Polanyi Archive, Concordia University, Montreal, 94.
21. *Ibid.*
22. For a review of the Speenhamland story, see Fred Block and Margaret Somers, "In the Shadow of Speenhamland: Social Policy and the Old Poor Law," *Politics & Society* 31 (2003): still in press.
23. Polanyi, "English Economic, Social," 110.
24. Karl Marx, "Preface to the Contribution to the Critique of Political Economy." in Robert C. Tucker, editor, *The Marx-Engels Reader*, 2nd edition (New York: W.W. Norton, 1978), 3–6.
25. Rhoda Halperin, *Cultural Economies Past and Present* (Austin: University of Texas Press, 1994), ch. 2; Tim Strohshane, "The Second Contradiction of Capitalism and Karl Polanyi's *The Great Transformation*," *Capitalism, Nature, and Society* 8 (September 1997): 93–116.
26. Some of these complex issues are addressed in Gyorgi Litvan, "Democratic and Socialist Values in Karl Polanyi's Thought." in Marguerite Mendell and Daniel Salee, editors, *The Legacy of Karl Polanyi* (New York: St. Martin's, 1991), 251–271. In a letter to his old friend, Oszkar Jaszi in October 1950, Polanyi asserts that "I have not been interested in Marxism since the age of 22" (p. 265). While this claim is very much at odds with the argument being made here, the statement has to be understood in its historical context. It was written at the very peak of McCarthyism in the United States and to an old Hungarian friend with whom relations have become quite strained because of their differing views toward the Cold War.
27. The concept of fictitious commodities appears in Polanyi's notes for a lecture course called "Conflicting Philosophies in Modern Society," that he taught at the

- University of London in 1937–1938, Karl Polanyi Archive, but it does not appear to carry the same meaning as in the *GT*.
28. Polanyi, *Transformation*, 76.
 29. *Ibid.*
 30. Lukacs, *History*, 223–255.
 31. Polanyi, *Transformation*, 3.
 32. See, for example, James O'Connor, *Natural Causes: Essays in Ecological Marxism* (New York: Guildford, 1998).
 33. Perry Anderson, *Lineages of the Absolutist State* (London: New Left Books, 1974); Michael Burawoy, *The Politics of Production: Factory Regimes Under Capitalism and Socialism* (London: Verso, 1985).
 34. See, for example, Fred Block, *Revising State Theory* (Philadelphia: Temple University Press, 1987), ch. 5, Mihaly Vajda, *The State and Socialism* (London: Allison & Busby, 1981), ch. 4. On the direct links between Polanyi and the Budapest school of which Vajda was a part, see Douglas M. Brown, *Towards a Radical Democracy: The Political Economy of the Budapest School* (London: Unwin Hyman, 1988).
 35. Polanyi, *Transformation*, 266.
 36. *Ibid.*, 262–265.
 37. The issue is complicated because Marxist formulations argue that the separation between the political and the economic in capitalism is simultaneously both real and illusory.
 38. *Ibid.*, xl.
 39. The best source on this period in Polanyi's life is Berkeley Fleming, "Three Years in Vermont: The Writing of Karl Polanyi's *The Great Transformation*," paper delivered at the Eighth International Karl Polanyi Conference, Mexico City, November 2001.
 40. Letter to Robert MacIver, October 12, 1946, Karl Polanyi Archive.
 41. A letter to Polanyi's publisher provides further testimony of the rushed nature of the book's completion. Polanyi proposes to "submit to you the Ms. in a fortnight or sooner, with some of the last chapters not quite finished" and the final chapter would be mailed from abroad. Letter to Gordon, May 7, 1943, Karl Polanyi Archive.
 42. Polanyi, *Transformation*, 107.
 43. *Ibid.*, 148.
 44. *Ibid.*, ch. 12.
 45. *Ibid.*, 210.
 46. *Ibid.*, 218.
 47. *Ibid.*, 239.
 48. *Ibid.*
 49. *Ibid.*, 245.
 50. *Ibid.*, 26.
 51. *Ibid.*
 52. Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 1996).
 53. Polanyi, *Transformation*, 3.
 54. William Greider, *One World Ready or Not: The Manic Logic of Global Capitalism* (New York: Simon and Schuster, 1997); Thomas Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Straus, Giroux, 1999).
 55. Polanyi, *Transformation*, 106.
 56. Fred Block and Margaret Somers, "In the Shadow of Speenhamland: Social Policy and the Old Poor Law," *Politics & Society* 31 (2003) still in press.

57. Martin Anderson, *Welfare: The Political Economy of Welfare Reform in the United States* (Stanford: Hoover Institution Press, 1978).
58. Block and Somers, "Shadow of Speenhamland."
59. Karl Polanyi, "History of the Labour-market in England (cont)," Bennington College Seminar Outline, May 9, 1941, Karl Polanyi Archive.
60. Polanyi, *Transformation*, 183.
61. *Ibid.*, 182–183.
62. Polanyi, "Notes of a Week's Study," 24.
63. *Ibid.*, 25.
64. Polanyi, *Transformation*, 184.
65. *Ibid.*, 105.
66. In this respect, Polanyi remained orthodox in the *GT*; he continued to see the working class as central to the project of social transformation.
67. The late Terence Hopkins, who had worked with Polanyi in the 1950s, characterized the *GT* as a "primer for the English working class" in his lectures in sociology at Columbia University. The suggestion is that one of Polanyi's principal audiences consisted of militants in the English labor movement.
68. Polanyi, *Transformation*, 298–299.
69. *Ibid.*, 298.
70. I am grateful to Margaret Somers for this point.
71. *Ibid.*, ch. 10.
72. See Albert O. Hirschman, *The Rhetoric of Reaction: Perversity, Futility, Jeopardy* (Cambridge: Harvard University Press, 1991); Margaret Somers and Fred Block, "From Poverty to Perversity: Markets, States, and Institutions over Two Centuries of Welfare Debate," unpublished manuscript.
73. Deborah Redman, *The Rise of Political Economy as a Science* (Cambridge: Harvard University Press, 1997).
74. Such a reading is offered by Barber in his valuable review of the embeddedness concept, Bernard Barber, "All Economies are 'Embedded': The Career of a Concept, and Beyond," *Social Research* 62/2 (Summer 1995): 387–414.
75. Polanyi, *Transformation*, 3.
76. *Ibid.*, 3–4.
77. *Ibid.*, 57.
78. *Ibid.*
79. *Ibid.*, 147.
80. *Ibid.*, 155.
81. Emile Durkheim, *The Division of Labor in Society* (1893, tr. 1939, reprint, New York: Free Press, 1964).
82. Polanyi, *Transformation*, 242.
83. This more vigorous concept of embeddedness avoids the dualism between markets and society that is effectively critiqued by Krippner, "Elusive Market."
84. Polanyi, "Our Obsolete Market Mentality," in George Dalton, editor, *Primitive, Archaic and Modern Economies: Essays of Karl Polanyi* (Boston: Beacon Press, 1968), 59–77. It was only after his retirement that he returned to issues of world politics by founding the journal *Coexistence*.
85. Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press); Suzanne Berger and Ronald Dore, editors, *National Diversity and Global Capitalism* (Ithaca: Cornell University Press, 1996); Colin Crouch and Wolfgang Streeck, editors, *Political Economy of Modern Capitalism: Mapping Convergence and Diversity* (London: Sage, 1997); J. Rogers Hollingsworth

- and Rober Boyer, eds., *Contemporary Capitalism: The Embeddedness of Institutions* (Cambridge: Cambridge University Press, 1997); Marco Orru, Nicole Biggart, and Gary Hamilton, *The Economic Organization of East Asian Capitalism* (Thousand Oaks, California: Sage, 1997); Peter Hall and David Soskice, editors, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).
86. For some discussion of the career of the concept of capitalism, see Fred Block, "Deconstructing Capitalism as a System," *Rethinking Marxism* 12/3 (2000): 83–97.
 87. Michel Callon, "Introduction." in Michel Callon, editor, *The Laws of the Markets* (Oxford:Blackwell, 1998), 1–57.
 88. Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990); Bai Gao, *Economic Ideology and Japanese Industrial Policy* (Cambridge: Cambridge University Press, 1997).