

Untangling *The Great Transformation*:
A Tale of Market and Society

by

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Introduction

How I Came Upon *The Great Transformation*, and Why I Ended Up Writing About It

This thesis is essentially a critical and highly in-depth book review of Karl Polanyi's 1944 classic *The Great Transformation: The Political and Economic Origins of Our Time*¹ (henceforth TGT). My concluding assessment of its historical analysis, internal coherence, and contemporary value is quite negative. So why did I spend so much time writing about it?

It is somewhat by happenstance that I first came across TGT itself. I was beginning to do background reading for my thesis at the beginning of last summer, and Professor Don Moon recommended the book to me. I read TGT in pieces over the next couple months, found it complex and penetrating but likely too general for my ultimate purposes, and assumed it would eventually wind up as a brief entry in my bibliography. But through the fall and into the spring, I kept returning to the book. I simply could not drive it far from my mind.

Reflecting on the time that has passed since I picked up TGT, it has become apparent that there are several reasons for why I became so firmly ensconced in its grasp. That is, there is an explanation as to why I stuck with a single book for so long and ended up writing a thesis about it, even though my ultimate evaluation of its worth is rather dismal.

First, the book tells a very interesting story that has vast scope, and is concerned with very large ideas. The central narrative of the book presumes to definitively link the rise of fascism in Europe during the interwar period to the free

¹ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1944, 1957, 2001).

market economy, and ranges in discussion from the economy of ancient China, to British intellectual history, to an in-depth analysis of the gold standard. Through this scope, the book variously grapples with ideas ranging from the role of ideology in political economy to the impact of globalization on state sovereignty. The story, while unconvincing in the final analysis, is fascinating, and seems to speak to a variety of scholarly fields.

Second, it is a highly complex book, the analysis of which works at several different intellectual levels, and which simultaneously makes historical, moral, and theoretical claims. It has taken me quite some time to simply untangle how all these different levels interact throughout the book. It then took me more time to evaluate the extent to which these claims work. I ultimately think that they mostly do not.

Third, after decades of obscurity, the book has fairly recently reemerged on the intellectual scene, in impressive fashion. Several scholars, particularly Fred Block, a sociologist at UCLA, have been consistently promoting it over the last few decades, and many more are appropriating the ideas and concepts of the book to analyze modern phenomena. My contribution to this nexus of Polanyian thought may be harsh, but hopefully will still be valuable in its honesty.

And finally, regarding my own personal sentiments towards the book, Polanyi is asking a question that I am personally very concerned with. That question regards the relationship between society and the market, and as a proceeding inquiry, the role of government in sustaining a healthy relationship between the two.

But more importantly, Polanyi provides an answer that is also close to my own intellectual heart: that the untrammelled market can have disastrous social

consequences for human beings irrespective of cyclical economic fluctuation, and that strong governance is necessary for society to protect itself against these effects. If my criticisms of the specifics of this answer constitute the majority of this thesis, it was my accord with the sentiment of this answer that drove me to stick with the book for so long.

The Historical Setting and Intellectual Context

In 1944, World War II was coming to an end, and intellectuals and policymakers across the globe were beginning to consider the possible nature and form of post-war political economy in the Western world. Besides the institutional changes to political governance and economic organization that had occurred during the war, such thinkers would have also reflected on the Great Depression and the appearance of European fascism during the interwar period. Because the Depression had likely removed all doubt in the minds of such individuals that the market was capable of drastically malfunctioning, the central question to be answered was the extent to which governments should be encouraged to interfere in the marketplace.

This is not to suggest that the market, or economic theory grounding the market, was being abandoned. The US, Britain, and the other Allies aside from the socialist Soviet Union were fighting a war to preserve liberal democracy from the threat of fascism, and the right of the individual to basic economic liberty remained an unquestioned tenet of such liberal democratic governance. Basic economic liberty would at the very least have to include the ability to produce, sell, and buy goods in the market, even if certain types of goods and transactions might come to be restricted or regulated.

Rather, the question was the degree to which governments could and should intervene in the market, to restrain its excesses and to ensure that some measure of equity accompanied its productive efficiencies. Then, and now, there remain two basic approaches to that question.

The first method inquires as to how the market can malfunction in the technical or economic sense, and how government might intervene to readjust or reset the basic levels of supply and demand. John Maynard Keynes wrote about this question in his 1936 classic *The General Theory of Employment, Interest, and Money*, and his thought has influenced economic planning ever since.

The second approach is concerned with how the market affects the social relations, structures, and norms that surround and sustain the individual human beings that interact economically to constitute the market. The market encourages atomistic, self-interested behavior, which can cause spectacular innovation and technological progress, but can also lead to phenomena like income inequality that can greatly strain the social stability of a society or state. Today, it is well recognized that the action of the market can come into tension with surrounding social relations that constitute society. But this was not always so, particularly before the Great Depression and World War II.

These two approaches are obviously intertwined, but still distinct. TGT is primarily concerned with this latter issue, of society and the market. As will be demonstrated, Polanyi certainly provides his own thoughts on the role of government in moderating the tension between society and market, but he is fundamentally interested in attempting to explicate exactly how the market can have intrinsic

tendencies to negatively impact society and social cohesion. It is his view of this process that his normative ideas of political governance are built upon. I now turn to the book itself.

The Author and the Book

Karl Polanyi, a Hungarian anthropologist and economic historian, was deeply immersed in these sort of grand questions while working on a fellowship at Bennington College in America from 1941 to 1943, and was committed to making his own contribution to the intellectual framework that would formulate post-war political economy. And indeed he would, finishing his magnum opus, TGT, in 1944. TGT was one of a number of works published in the interwar and World War II years that had aspirations to provide a definitive answer to the debates of government, society and the market, the authors of which included Joseph Schumpeter and F. E. Hayek.²

Polanyi's answer was particularly idiosyncratic. Fascism, he argued, had in fact been a direct result of the free market, as it represented a deeply-rooted social rebellion against severe social and economic destitution caused by the market. In Polanyi's view, fascism was the most pathological result of this rebellion, as wide swaths of society seemingly came to conclude that democracy was entirely inadequate for restraining market excesses, and that fascism was the only solution to the economic problems caused by the Depression. Polanyi did not in any way condone fascism or the results that fascist governments produced, but argued

² Respectively, *Capitalism, Socialism, and Democracy* (1942) and *The Road to Serfdom* (1944).

passionately that the rebellion itself was justified because the market had constituted “a dislocation which attacked the fabric of society”.³

Unfortunately, the book did not have nearly the impact upon either intellectual debates or policy formation that Polanyi had hoped it would, and faded into obscurity for several decades after the end of the war. The work was generally well-received amongst anthropologists and sociologists, but made no significant insights into mainstream micro or macroeconomic theory in such a way that might have been applicable to policy.

Additionally, the fact that in the book Polanyi was strongly pro-socialist did not endear the work to American or Western European politicians and policymakers, who were busy reconstructing the foundations of free international trade while relations with the socialist Soviet Union were becoming increasingly hostile. Polanyi returned to anthropology, and taught at Columbia University. His work after the war would advance and modify some of the ideas presented in TGT, but he did not significantly revise or alter the book itself before his death in 1964.

The Resurgence of TGT

Nearly seven decades on since it was first published, TGT has been steadily rising in prominence since the mid-1980s. Polanyi had remained quite influential within the field of anthropology throughout his career, but it was with a pair of articles published respectively by John Ruggie in 1982⁴ and Mark Granovetter in

³ This is an evocative phrase that I think captures Polanyi’s moral critique of market. I will continue to refer back to it throughout the thesis to remind us of Polanyi’s fundamental intent. Polanyi 1944, 136.

⁴ John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order”, *International Organization*, Vol. 36 No. 2, International Regimes (Spring 1982), 379–415.

1985⁵ that Polanyi's ideas reemerged in discussions of economic theory and political economy. Since these articles, numerous studies have incorporated the ideas introduced in the book, and scholarly estimation of Polanyi's thought generally and TGT specifically have continued to grow.⁶

In the foreword and introduction to the 2001 edition of the book, Joseph Stiglitz states that “economic science and economic history have come to recognize the validity of [Polanyi's] key contentions”, and Fred Block argues that “[TGT] is indispensable for understanding the dilemmas facing global society at the beginning of the twenty first-century”. Gareth Dale has pointed out in a recently-published intellectual history of Polanyi that the multi-disciplinary nature of TGT has made it

⁵ For those reading this thesis who are familiar with economic sociology and the genealogy of the concept of ‘embeddedness’, I am aware that Granovetter has since argued that his article has little to do substantively with Polanyi's ideas, even though he references TGT in the opening of this article. This genealogy, stemming from confusion over Granovetter's relationship to Polanyi's notion of embeddedness, is long and convoluted, and I will avoid most of it in this thesis because contemporary economic sociologists tend to acknowledge Polanyi and then ignore the content of his thought. In addition, as Greta Krippner points out, Polanyi only explicitly uses the term embeddedness a few times in TGT. Krippner refers to Bernard Barber, who first wrote about this fact in 1995, although he actually missed one instance of usage of the term in TGT. Polanyi used the term three times—to refer to the ‘market society’ (60), long-range barter in pre-nineteenth century societies (64), and the impact of the market on social relations (135)—Barber missed the last usage, as did Krippner. Bernard Barber, “All Economies are “Embedded”: The Career of a Concept, and Beyond”, *Social Research*, Vol. 62, No. 2 The Power of Metaphor (Summer 1995), 387–413. Greta R. Krippner, “The Elusive Market: Embeddedness and the Paradigm of Economic Sociology”, *Theory and Society*, Vol. 30, No. 6 (December 2000), 775–810. 779. Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness”, *American Journal of Sociology* 91 (3).

⁶ As a sampling, J. R. Stanfield, “Karl Polanyi and Contemporary Economic Thought”, *Review of Social Economy*, Vol. 47, N. 3 (Fall 1989), 266-279. Santhi Hejeebu and Deidre McCloskey, “The Reproving of Karl Polanyi” *Critical Review* 13/3-4 (1999): 285-314. Matthew Watson, “Headlong into the Polanyian Dilemma: The Impact of Middle-Class Moral Panic on the British Government's Response to the Sub-Prime Crisis”, *The British Journal of Politics and International Relations*, Vol. 11, Issue 3, August 2009, 422-437. James Caporaso, "Polanyi in Brussels: Supranational Institutions and the Transnational Embedding of Markets", *International Organization*, 63 (4), 2009, p. 593.

accessible to fields as diverse as heterodox economic theory, Habermasian philosophy, and the varieties of capitalism school of sociology.⁷

But if Polanyi's ideas in TGT seem applicable to a variety of academic fields and intellectual perspectives, his arguments grounding these ideas must undergo due criticism if one is to ascertain the ultimate value of the book to such disparate subjects. Indeed, precisely because TGT has undergone such an ascent in prominence in recent decades, Block also argued in 2003 that "it is vitally important that Polanyi's text be subjected to the kind of close, critical scrutiny that scholars normally direct at classical works", before undertaking a useful analysis of the actual writing process of TGT.⁸

Earlier in this introduction, I asserted that the arguments of TGT simultaneously work at the historical, moral, and theoretical levels. Most scholars who have previously reviewed TGT, including some in the footnotes above, have focused their criticism on the historical analysis of the book, along with some limited critiques of the theoretical components. Indeed, two of the initial reviewers of TGT

⁷ Gareth Dale, *Karl Polanyi: the Limits of The Market* (Cambridge: Polity Press, 2010). Introduction. Dale provides a comprehensive and thorough account of Polanyi's thought as it developed throughout the different stages of his academic career. While Dale devotes a specific section to TGT that admirably reviews many of the flaws and criticisms of the work, he ultimately does not question the validity or coherence of the book's, which I do. I will argue that Dale does not push some criticisms far enough, and misses other problems altogether.

⁸ Block argues that the main source of confusion over Polanyi's conception of embeddedness stems from Polanyi's personal intellectual shift from standard Marxism to his own formulation of socialism while writing TGT. Polanyi's thought was in a state of flux, as he began TGT in Britain and finished it in America, and was subject to different intellectual influences in each environment. Block's point is thus interesting, but not particularly relevant to my thesis because I am criticizing TGT much more harshly than he did. Fred Block, "Karl Polanyi and the Writing of *The Great Transformation* (Theory and Society 32: 275–306, 2003).

leveled harsh critiques against some identified historical problems and the generality that characterizes much of the book.⁹

My contribution to this ongoing debate as to the contemporary value of TGT is that I question all three of these analytical thrusts in the thesis. I thus plan to be able to comment authoritatively on the coherence and value of the book. But I do focus particularly on the moral and theoretical claims of the book, as these have survived largely intact up through today. As a final point before I proceed to the chapter structure of the thesis is that except for my final chapter, I will mostly base my critiques of these claims on the grounds of TGT itself. That is, I will not rely on external material, but will rather consider the internal coherency of Polanyi's thought.

The Structure of the Thesis

In the **first chapter**, I review the historical narrative of TGT and relevant criticisms of this narrative that have proceeded this thesis. The narrative is sweeping and rather complex, and will require most of the chapter to lay out fully, but important for contextualizing my proceeding critiques of the book.

I then consider Polanyi's primary historical claim of the book, that the fascist governments that arose during the interwar period constituted a sweeping, society-wide popular reaction against the effects of the market. This claim has not been thoroughly criticized by past analyses of the book, and I argue that Polanyi does not convincingly support this claim.

⁹ J. H. Hexter, "The Great Transformation by Karl Polanyi", *The American Historical Review*, Vol. 50, No. 3 (April 1945) 501-504. A. M. Sievers, *Has Market Society Collapsed? A Critique of Karl Polanyi's New Economics* (New York: Columbia University Press, 1949). Both authors still conclude that TGT is a brilliant work of social science. I will return to Hexter's review in the first chapter.

It would be possible to simply criticize the generality of the argumentation supporting this claim, and I do point out some historiographical issues with the argument. By ‘historiographical’, I mean historical oversights and problems with facts. But more importantly, Polanyi does not adequately explain why fascism arose instead of socialism. This point is significant because Polanyi’s central argument is that the malfunctioning market was the determining factor of interwar governance, and that liberal democratic government was delegitimized because it was unable to restrain the market. Both socialism and fascism, in Polanyi’s view, act to restrain the market, but he neglects to make an argument as to why the former was restricted to the Soviet Union, and the latter spread across several major European countries.

This critique is also significant because the final prescriptive chapter of TGT lays out Polanyi’s normative vision for future political governance, which is apparently socialist in nature. I will argue, however, that Polanyi again does not adequately differentiate between the ideologies of socialism and fascism in terms of democracy, human freedom, and the market.

In the **second chapter**, I consider Polanyi’s theoretical conception of how the market works, and why it negatively impacts society. Polanyi’s key contention in this section is that for the market to function properly, it must commodify three entities—meaning the market treats such entities by their exchange value, not use value—that cannot be truly commodified. These entities are labor, land, and money, and Polanyi labels them “fictitious commodities”.

Because these entities are not equivalent to ‘real’ produced commodities like manufactured goods, and have social utility independent of exchange value, Polanyi

argues the individuals that constitute these entities will rebel against the market commodification process. The concept of the fictitious commodities gets to the heart of Polanyi's moral critique of the market, because Polanyi sees the worst effects of the market as primarily social, not economic. Certainly, social and economic processes of the market are intertwined, but Polanyi's point is the market inherently devalues social relations because the theory of the market only accounts for the economic productivity of an individual. I will expand this point in the chapter.

I argue that there are two problems with Polanyi's idea of the fictitious commodities that have been unaccounted for by scholars in the past. First, while I think that conceptualizing labor as a fictitious commodity provides valuable insight into why and how the market can devalue and destabilize existing social relations, this perspective does not inquire into the actual nature of those relations. The problem is that if one is to attempt to predict or even describe specific reactions in opposition to the market, one must first understand the nature and value of the social structures that are being undermined to the individuals existing within them.

And second, land and money may be distinct from 'real' produced commodities, but these entities are also qualitatively different from the human beings who constitute labor. Combining them with labor under a single analytical concept dilutes Polanyi's moral critique of the impact of the market on individuals, and also contributes to the problems of the 'double movement' concept.

In the **third chapter**, I analyze Polanyi's concept of the double movement, which is the most famous theoretical idea of TGT. The double movement is comprised of two competing "principles" in society, which are locked in conflict over

the market. The “market principle” represents those who support the market mode of economy, and the “protectionist principle” is constituted by individuals whose livelihood is undermined by the market, and who thus oppose it.

In Polanyi’s view, the double movement is the driving force behind the decisive historical action of the nineteenth century, and its coherence and analytical usefulness is thus critical to the overall value of TGT. The historical evidence that Polanyi relies on to demonstrate the existence of the movement is oversimplified and highly generalized, but rather than simply pointing to historiographical issues, I critique the internal coherence and analytical value of the concept itself.

I argue that Polanyi is consistently unclear throughout TGT as to whether the movement is supposed to work through democratic or authoritarian methods. In addition, I contend that the concept ultimately fails to distinguish between opposition to the negative impact of the market on social relations, and political competition between interest groups for economic gain.

I then posit that the problems with the double movement are largely due to the previously-identified issues with the fictitious commodities concept, because the double movement is constructed upon the theory of the fictitious commodities. Finally, I conclude the chapter with a brief review of my criticisms of TGT to that point, and whether I think there is any value to Polanyi’s ideas. I argue that while I think there is little analytical value to the concepts that I have criticized, in terms of being able to predict or specifically described human action, I still agree with Polanyi’s basic argumentative thrust underlying TGT that the commodifying force of the market can have serious negative effects on society.

I then proceed to my **final chapter**, in which I break form by turning to Charles Sellers' 1991 work *The Market Revolution: Jacksonian America, 1815–1846*¹⁰ to see whether Polanyi's thrust concerning the effects of the market on society holds in a different historical and methodological context. Sellers' work is concerned with describing the origins and effects of the market in early nineteenth century America, and instead of relying on weighty concepts like those in TGT, he undertakes a close and detailed historical analysis of these origins and effects.

I argue that it is clear through Sellers' analysis that he also generally sees the market as destabilizing and undermining existing social and economic livelihoods, and the broad lines of his arguments parallel those of Polanyi. But by referring to specific parts of this analysis, I also contend that Sellers' account of the market in America illustrates nuances to this process that Polanyi's theories miss, and incorporate these analytical examples into the fictitious commodities concept to sharpen and clarify this idea.

Concluding Remarks

I wish to make one final point before diving into the thesis. The intent of this thesis is essentially the polar opposite of that of TGT, in the sense that it is not a grand work and does not attempt to describe the fundamentals of the relationship between society and the market. Rather, I merely attempt to untangle the ideas and thoughts of a book, that while important and increasingly influential today, represents a single contribution to the canon of economic thought. I thus do not claim to push

¹⁰ Charles Sellers, *The Market Revolution: Jacksonian America, 1815–1846* (Oxford: Oxford University Press, 1991).

the debate of society and the market in some startlingly new or incisively creative direction, as Polanyi attempts to do in TGT.

But while I hope that I might have the opportunity to attempt such an endeavor in the future, and will certainly rely heavily on what I have learned through this experience to carry out such a task, I do think that the type of work I conduct in this thesis is valuable. In the territory of a work like TGT, we are dealing with large questions and weighty answers. These answers, and the theoretical ideas that accompany them, must be subjected to proper scrutiny if they are to be useful in the future. Conducting such a critical look with the goal of honestly contributing to current debates is thus the fundamental intent of this thesis.

Chapter 1: Fascism, Socialism and ‘The Great Transformation’

Introduction

The intent of TGT, as laid out by Polanyi in the opening chapter, “The Hundred Years’ Peace”, is to unearth the origins and causes of the rise of fascism in Western Europe during the interwar period of the twentieth century. The phrase ‘the great transformation’ itself refers to the shift from liberal democratic to fascist governance that occurred during this time period. Polanyi thought that the market—meaning both actual markets and the classical economic theory grounding such markets—was the decisive factor operating through the nineteenth century that eventually led to the rise of fascism.

In conjunction, Polanyi saw the market in the nineteenth century as representing a drastic break from the structure of economic organization characteristic of most pre-nineteenth century societies. In such societies, Polanyi argues, economic relations are significantly influenced by and often subordinate to social relationships and political structures; the term he uses to describe the socioeconomic situation is ‘embeddedness’, or that the economy is ‘embedded’ in society. In Polanyi’s view, however, the market organizing system tends to do the opposite- ‘disembed’ the economy from society, or subordinate social and political structures to the imperatives of the market.

The purpose of this chapter is to critically examine the historical narrative and analysis of TGT, which I divide into four sections: pre-nineteenth century societies, Britain from 1800 to 1850, Western Europe from 1850 to 1914, and the interwar period. I will devote particular attention to the interwar period because this

section of TGT has been less thoroughly criticized than the sections on pre-nineteenth century societies and Britain from 1800 to 1850, and the third chapter will consider the events covered from 1850 to 1914 in conjunction with the theory of the ‘double movement’.

Following this history review, I will briefly appraise past scholarly criticisms of the TGT’s historical analysis, which generally focus on the first two sections of the book that I identified above. I will then argue against Polanyi’s primary thesis of the book, which is that the market system led deterministically to the rise of fascism. Given that in Polanyi’s analysis the malfunctioning market is the determining factor of the fall of liberal democratic governance, I contend that Polanyi does not convincingly explain why fascism arose instead of socialism. Polanyi asserts that both systems of governance subordinate the market to society, but fails to thoroughly explicate why socialism remained restricted to the Soviet Union instead of competing with fascism for the attentions of economically-prostrated European societies.

Polanyi’s Conception of Pre-Nineteenth Century Societies

Following several introductory chapters, Polanyi begins TGT with an historical analysis of the economic, political and social relations of various pre-nineteenth century societies around the world.¹¹ The intent of this section is to demonstrate why Polanyi considers the market to essentially be a nineteenth-century phenomenon, and to show how economic relations in such societies were greatly influenced by social relationships and political structures in the community. This argument lays out the origins of Polanyi’s theories of embeddedness, which generally

¹¹ Polanyi refers to societies in China, India, Babylon, Greece, and Rome, among others, pointing to various practices to demonstrate arguments about such relations. Ibid 48-62.

contend that economic production and distribution are subsumed within and to an extent directed by social and political relationships. There are few important events in the section, as Polanyi argues that markets became central to economic life only in the first half of the nineteenth century in Britain. But it is important to understand Polanyi's arguments in favor of the influence of social and political relations upon the economy, as these ideas form the foundation of TGT.

Polanyi thought that the organization of economic production, distribution and consumption in most societies prior to the nineteenth century was always strongly influenced by social and political relationships otherwise unrelated to a community's material livelihood.¹² This means that individual economic production— be it crops, animals or crafts— typically went to serve consumption needs that were determined socially or politically. Social needs included sustenance of the family, community and tribe; particularly communal and tribal needs would be identified and provided for by figures of political authority, such as tribal leaders or kings.¹³ The intertwining of economic production with social and political goals signified for Polanyi that the

¹² “The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only insofar as they serve this end. Neither the process of production nor that of distribution is linked to specific economic interests attached to the possession of goods; but every single step in that process is geared to a number of social interests which eventually ensure that the required step be taken. These interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case the economic system will be run on non-economic motives.” Ibid 48.

¹³ Polanyi labels these distributive systems as reciprocity, house holding and redistribution. Reciprocity refers to economic distribution based on kinship and familial ties, as family members provide for each other with little regard to material self-improvement. Householding, an Aristotelian concept, is closely tied to reciprocity, and comprises production for household use and general subsistence. And by redistribution, Polanyi describes the political act of appropriating produced economic goods and the subsequent distribution amongst a community by a political leader, such as a tribal head or town squire. Ibid 45-58.

economic sphere of a society was strongly embedded in established familial, cultural and social relationships. Given these influences upon production and distribution, Polanyi also argued that the idea of individual economic gain was almost completely absent from such economic systems.

Polanyi contended that the concept of economic production for individual gain was foreign to and often taboo for pre-market societies, largely because such a goal could be seen as counterproductive to the survival of a particular tribal community as a whole.¹⁴ Obviously, societies and individual political leaders might seek to enhance their own material wealth through political means, but Polanyi would contend that this method of political self-aggrandizement was qualitatively distinct from that of pure economic gain. Polanyi seems to view the mercantile theory of economy as providing a social transition point through which individual economic gain became more socially acceptable in centuries prior to the nineteenth century, but otherwise leaves this transition generally unspecified.

The final point to be made regarding this section is that not only did Polanyi see these non-economic relationships as having great influence upon production and distribution, he also argued that such relationships are valuable to the individuals of a particular society. This argument is obviously more controversial than simply positing the existence of such relationships: while one might contend that family members might happily or at least willingly donate food or goods to each other

¹⁴ If individual gain might threaten communal survival in any way, particularly by undermining relations of reciprocity, house holding, and redistribution, “such a situation must exert a continuous pressure on the individual to eliminate economic self-interest from his consciousness to the point of making him unable, in many cases (but by no means in all), even to comprehend the implications of his own actions in terms of such an interest”. Ibid 48-49.

without material compensation, it is much more difficult to make a similar argument regarding the relationship between king and subject. Indeed, throughout Polanyi's criticisms of the market in TGT, he rather uncritically assumes the desirability of maintaining existing social and political structures.¹⁵ But for our current purposes, it is sufficient to recognize that such structures and relationships did have considerable influence upon the economic production and distribution of pre-nineteenth century societies, and thus we may consider such economies to be 'embedded' to some extent.

Britain, 1800 to 1850: The New Poor Law and the Rise of the Market

The second section of TGT concerns a period of British history from 1800 to 1850 that Polanyi argues was the first time in human history in which the market formed the dominant mode of economic organization in a particular society. Polanyi contends that market relations were imposed upon British laborers and landowners by a merchant middle class that relied ideologically on liberal/classical economic theory emerging at the time and which was commercially concerned with free international trade. The key events of this section are the Reform Bill of 1832, the New Poor Law of 1834, and the Corn Law of 1846, which will all be discussed in detail.¹⁶ The

¹⁵ Dale notes that "[Polanyi] developed a sophisticated theory of the pathologies of market society but did not ask the same set of questions about redistribution. The underlying reason for this lies in Polanyi's lack of a concept of exploitation in particular and his neglect of conflict, competition and power relations in general." Dale 2010, 247.

¹⁶ Scholars of Polanyi would be taken aback at this point by my lack of discussion of Speenhamland, which refers to a set of poor relief policies enacted in Britain around 1795 and to which he devotes considerable space to in TGT. I have chosen to ignore Speenhamland for two reasons: Polanyi's account of the policies and public sentiment of the policies has been so greatly contested over the years that it is essentially an academic minefield; and it is not particularly important to my arguments. It is important to Polanyi because he argues that such policies caused great disincentives to work and the resulting backlash of British merchants is important to understanding the harshness of the New Poor

significance of this period is that it marks the alleged initiating point of the market in Western society. The additional importance of this section to TGT is that it illuminates why and how Polanyi thought market relations would work to undermine social bonds and debilitate individual livelihood.

First, it is important to explain Polanyi's conception of the economic origins of the market in Britain. Polanyi devotes significant attention to the development of classical economic theory, particularly by Adam Smith and David Ricardo, the specifics of which I will discuss in the next chapter. Polanyi's thoughts about the historical development of markets, however, are restricted to vague assertions about the need for a continuous supply of raw materials and consistent consumer demand—that can only be met by networks of complex markets—once a certain level of required industrial capitalization is reached in building new factories and machines.¹⁷ Indeed, even though free international trade seems critical to understanding Polanyi's arguments of why the market sprang into being in the 1830s, there is little discussion in TGT of the development of world trade prior to that which occurred during the mid-nineteenth century.

Although the economic origins of the market are left almost completely unexplained in TGT, Polanyi does make some insightful if generalized arguments about the importance of state action for providing the legal and administrative

Laws. But my most severe critiques of the TGT's history relate to Polanyi's account of the latter half of the nineteenth century, and thus I can generally pass over the implications of any flaws of his analysis to Speenhamland. Dale 2010, 84–5. Block 2003.

¹⁷ “Since elaborate machines are expensive, they do not pay unless large amounts of goods are produced... For the merchant this means that all factors involved must be on sale... Unless this condition is fulfilled, production with the help of specialized machines is too risky to be undertaken... But what he buys is raw materials and labor—nature and man. Machine production in a commercial society involves, in effect, no less a transformation than that of the natural and human substance of society into commodities.” Polanyi 1944, 42-44, 77-79.

foundations of markets. Referring to the growth of the function and power of the British central administration during the first half of the nineteenth century, Polanyi contends that “the road to the free market was opened and kept open by an enormous increase in continuous, centrally organized, and controlled interventionism”, which for him highlights another unnatural aspect of the market.¹⁸

Fortunately, Polanyi’s historiography of the key events listed above is considerably better grounded than his account of market origins. The most important of these events is the New Poor Law, which abolished most existing forms of poor relief in Britain and forced the urban poor to either seek employment or live in stigmatizing poor houses. The law is linked to the Reform Bill passed two years before, which expanded the electorate to include much of the commercial middle class, particularly merchants engaged in exports.¹⁹ This demographic stood to gain much from the abolition of poor relief, which by eliminating political price floors for wages greatly lowered the cost of labor for their factories. The 1846 Corn Law, which abolished tariffs on corn imports, was similarly desirable for industrial producers working in exports because it enabled laborers to better feed themselves at existing wage levels.²⁰ This confluence of laws is significant to Polanyi because he argued that

¹⁸ Polanyi continues to push the point, stating in regard to the growth of the British central administration that “and yet all the strongholds of governmental interference were erected with a view to the organizing of some simple freedom—such as that of land, labor, or municipal administration... The introduction of free markets, far from doing away with the need for control, regulation, and intervention, enormously increased their range.” Ibid 146-6.

¹⁹ Throughout this section in TGT, Polanyi alternately refers to this demographic as the ‘middle classes’, ‘businessmen’, and the ‘trading classes’. This ambiguity will be criticized later—for now, ‘merchants’ will suffice. Ibid 105, 158-160.

²⁰ The primary opposition was the landowning classes, which had benefited from the high corn prices supported by such tariffs.

taken together, these laws meant that economic organization in Britain had become more subject to market relations than any other society in human history.

According to Polanyi, the Poor Law represented a systematic attempt to establish a free labor market because eliminating the artificial price floor of poor relief would allow labor to find its true price on the market based on supply and demand; the Corn Law had a similar objective for agricultural produce.²¹ Polanyi also thought that through this process, British workers “commoditized” by the market, and their social and economic status was severely degraded. I will expand upon this point in the next chapter.

In conjunction with Britain’s existing participation in international trade, and adherence to the gold standard, these laws indicated for Polanyi that the market was undeniably the dominant form of economic organization at the time. These laws are additionally significant because Polanyi argued that their passage was structured along class lines: landowners and laborers were opposed respectively to the Corn and Poor laws, while the middle class merchants who had just obtained suffrage were the prime beneficiaries of both. Finally, the laws are important for apparently demonstrating Polanyi’s contention that the market theory propagated by classical economists was highly influential to such legislation, as he believes that the chief supporters of the laws relied ideologically upon such theory.²²

²¹ Polanyi’s specific conception of the market will be discussed in great detail following the history review of this chapter. For now, Polanyi’s point may be taken that previously the labor and agricultural sectors were not subject to free-market relations because price adjustments to supply and demand were impeded to an extent by politically-imposed subsidies and tariffs.

²² Polanyi spends considerable time discussing his conception of the influence that the great economic thinkers of the time wrought upon political debates. The most important of these thinkers for Polanyi were Ricardo and Malthus, as he sees Ricardo’s labor theory of value

This section is also important because it is through this analysis of the role of the British government in establishing a free labor market that Polanyi makes one of the most well-known assertions of TGT, that “laissez-faire was planned”.²³ What Polanyi means by this statement is that despite the fact that the point of the market— at least in the minds of the British intellectuals who Polanyi criticized— is its capability to coordinate economic production and distribution without political interference, the government is ironically often the key agent that acts to establish the market in a particular society. Indeed, in Polanyi’s view, this function goes beyond providing the basic legal foundations for the market, and also includes “an enormous increase in the administrative functions of the state” oriented towards repealing legislation and other existing factors that might restrict the market.²⁴

Although Polanyi argues that the state was critically important to establishing the market in Britain in the 1830s, his theoretical conception of the relationship between state and market is much more complicated. As will become apparent, Polanyi sees the state as subject to competing interests in society, which in his view were fundamentally in conflict over the extension of the market. In the next section of TGT, to which I now turn, Polanyi expands his viewpoint to Western Europe as a whole, and focuses on various forms of protectionism that he argues arose across Europe and the latter half of the nineteenth century.

Western Europe, 1850 to 1914: Protectionism and the ‘Double Movement’

and now this population theory predicting an eternal cycle of poverty as critical to the justification of the New Poor Law. Ibid 88, 131-2, 143-4.

²³ Ibid 147.

²⁴ Polanyi goes on to argue that “the road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism.” Ibid 145-6.

This section is arguably the most important part of TGT, because Polanyi considers most of the events and trends reviewed in the section as evidence of a wide-ranging and relatively effective societal rejection of the market. In turn, this rejection signals for Polanyi exactly how unnatural and debilitating the market is to human life. The key event of this section is the 1873 depression, and the trend referred to is the emergence of widespread forms of state protectionism— which generally fall into the categories of social legislation like unemployment compensation and workplace regulation, and tariffs on imports— across Europe particularly in the last quarter of the nineteenth century.

Unfortunately, the historical analysis found in the section is also the weakest of TGT, subject to gross generalizations and theoretical contradictions. This analysis as a whole is intended to demonstrate the mechanism of the protectionist side of the ‘double movement’, but as I will argue, it actually illuminates how unwieldy and analytically useless the double movement concept is. In this history review, I will focus on merely explicating the history described in this section of TGT—and existing flaws therein— in broad strokes rather than explaining the double movement concept in detail, as I will criticize it in the third chapter.

Transitioning from the protectionism of the late nineteenth century through World War I and to the interwar period, Polanyi argues that such protectionism began to cause major “disruptive strains” in the international economy. Because markets depend on flexible prices, Polanyi contends, inhibitions to such flexibility caused by protectionism meant that “economic adjustment became slow and difficult... Unadjusted price and cost structures prolonged depressions”, with the result of rising

international economic tension.²⁵ Additionally, Polanyi asserts that European states became increasingly imperialistic in pursuit of foreign markets in developing countries that were unimpeded by the protectionism that had come to characterize most European markets. In Polanyi's view, such protectionism could only occur if the demographics reacting against markets had access to governing political institutions that made policy, and he argues that individuals in such developing countries either did not or were obstructed by European gunboat diplomacy.

Polanyi devotes very little analysis to World War I, but seems to think that the war was caused by some confluence of imperialist and international economic tension. The reason why he does not say more is that whatever the disastrous vicissitudes of the war, he argues that the quick return to economic organization by markets in the 1920s demonstrates that the war did not fundamentally change prevailing economic theory or institutional structures. This point is certainly debatable, particularly if one were to examine the legacy of wartime economic structure and political decision-making. But because I will focus my criticism on the succeeding question of the origins of fascism, for now I accept Polanyi's point that Western governments did not undergo the shift to fascism until more than a decade after the end of World War I, and turn to discussing the final historical section of TGT, which concerns the late interwar period generally, and the rise of fascism in Western Europe in the 1930s specifically.

The Interwar Period and the Rise of Fascism

²⁵ Ibid. 226–7.

In this final section, Polanyi seeks to explain the rise of fascism by asserting that the combination of the gold standard and accompanying market ideology prevented liberal democratic governments from acting decisively to alleviate the effects of the Great Depression on their citizens. Polanyi contends that fascism was inevitable because it was essentially a fundamentalist attempt by society to reassert social and political control over the economic sphere, which had gone obviously and catastrophically haywire. As the primary thesis of TGT is that fascism was fundamentally the result of the debilitating effects of market relations upon society, this section is critical.

The key events of this section are the Great Depression and the rise of fascist movements and governments throughout Europe during the 1930s, and Polanyi is thematically concerned with the gold standard and how currency problems prolonged the Depression. Before considering the general analysis of the section, I will briefly explain the purpose and method of function of the gold standard. After explicating the mechanism of the standard, I will discuss Polanyi's analysis of the Great Depression and the linkage to fascism.

The Significance Of the Gold Standard

The gold standard worked as a currency convertibility mechanism, facilitating complex international trade by allowing the conversion of domestic currencies into gold bullion. These domestic currencies all had a set gold peg, which refers to the exact exchange rate at which such currencies converted into gold. When merchants sold their goods in a foreign country and wanted to spend their profits at home, they would convert their earned foreign currency into gold at a foreign bank, transport the

gold back to their own state, and reconvert the gold into domestic currency. The gold standard was thus central to physically establishing international trade markets, and remained so until the substitution of the dollar for gold following World War II.

The gold standard was also critical for providing the monetary foundations to liberal theory of the self-regulating market because in theory it would automatically adjust to restore trade imbalances. Gold is a commodity of essentially fixed supply, only increasing through incremental discoveries of new gold mines, which means that governments using gold pegs had no power to artificially expand the overall gold supply. Thus, to maintain the fixed gold peg, governments would have to deflate the domestic currency if gold left the country due to increased imports, and vice versa. This is so because if the gold supply declined, the domestic currency supply would have to decline as well or the fundamental exchange rate would be altered. Governments would never risk doing so for fear of undermining commercial confidence in their commitment to maintaining the system as a whole.

The automatically-adjusting aspect of the gold standard stems from market theory about the effects that these currency fluctuations would have on trade balances, which refers to the amount of goods that a state exports relative to the amount it imports. If a state imports more goods than it exports— a negative trade balance— gold would flow out of the country, and the central bank would be forced to restrict the money supply to deflate the domestic currency in accordance with the declining gold supply. The eventual macroeconomic effect of this currency restriction would be to lower overall prices across the economy of the state, which would lower the input costs to produced goods. And as these goods would thus become relatively

cheaper, they would become more competitive on the international market. In theory, exports in that state would then pick up, gold would flow back into the country, and prices would be restored to typical levels.²⁶ Therefore, monetary conditions could theoretically be self-regulating as gold flows would automatically adjust based on the fundamentals of supply and demand for international goods.

The flaw to this system that Polanyi focused on is that the domestic price deflation accompanying central bank- led adjustments to declines in the domestic gold supply meant that businesses would produce and invest less, and would lay off or decrease the wages of workers. Restricting the money supply would also restrict the supply of credit available to businesses, which would inevitably mean that some would go bankrupt, and others would have to reduce employee expenses. What these factors equated to was an overall dampening on the business cycle, which if severe could lead to a recession.

The other problem of the gold standard was that central banks had little leeway to expand the money supply and thus increase credit lines to businesses during actual recessions, because ensuing price inflation might strain the gold peg. Central banks could do so to a limited extent, but as Polanyi argues, “the supreme directive of the bank was always and under all conditions to stay on gold”, which meant that protection of the linkage between a given state and the international market would ultimately be prioritized over the health of the domestic economy.²⁷

²⁶ This was the main mechanism by which the gold standard would theoretically adjust, but the process to such adjustments would be smoothed by short-term influxes of gold from foreign investors. These investors would do so because they expected by standard theory that exports would soon increase, domestic prices would accompany this increase accordingly, and they would make a profit through this currency speculation.

²⁷ Polanyi 1944, 206.

Central banks would act to aid domestic businesses during economic downturn only to the extent that credit-expansion policies did not interfere with the smooth functioning of the gold standard. This situation could only last, however, when necessary adjustments were relatively small, and the ensuing effects on domestic growth were bearable.²⁸ Unfortunately, that all came to change during the Great Depression, as demand and prices plunged across the world, while unemployment rolls and business bankruptcies skyrocketed.

The Great Depression: “Employers” versus “Employees”

Surprisingly, Polanyi devotes almost no discussion to the causes of the Great Depression, and his only reference to the effects of the Depression are passing remarks on the massive unemployment that occurred and the collapse of world trade.²⁹ Polanyi does think that the effects of protectionism and the growing political power of labor unions inhibited the flexible price adjustments necessary for international markets to function, but this has more to do with the return of the market to growth rather than the fundamental causes of the Depression.³⁰

I think the reason for this rather glaring omission is that Polanyi is overrelying on the business cycle aspect of market theory, meaning that markets naturally fluctuate between recession and growth, and is treating the Great Depression as simply a particularly pathological manifestation of otherwise natural market

²⁸ Polanyi evocatively argues out that domestic business would be stable “as long as the movements of the price level involved were the paltry 2-3%”, but that “as soon as the movement of the internal price level necessary to keep the exchanges stable was much larger, when it jumped to 10% or 30%, the situation was entirely changed. Such downward movements of the price level would spread of misery and destruction”. Ibid 206–7.

²⁹ Ibid 218.

³⁰ I will discuss why this is so in my section on Polanyi’s theory of the market below. Ibid 150, 227.

downturn. This omission is certainly unfortunate, but because Polanyi is primarily concerned with what governments did– or did not do– to alleviate the Depression, it does not undermine the account as a whole.

In his chapter “Popular Government and the Market Economy”, Polanyi describes what he sees as the fundamental conflict caused by the Great Depression and driving the turn to fascism: the urge by organized labor in parliaments across Europe to raise wages to combat widespread economic suffering, and the implacably opposed dedication of central bankers and the trading classes to maintaining the gold standard. These groups are opposed because by the mechanism of the gold standard sketched above, if output was low, wages would have to remain low as well or inflation would place great strain upon the gold peg. Polanyi does not discuss Keynesian theory³¹ or expansionary government fiscal spending with the aim of stimulating production and demand beyond brief mention of the American New Deal; the lack of analysis of Keynesian theory is a particularly startling oversight, given that Polanyi is building towards his vision of a strongly interventionist government, but his point is that during the opening years of the Depression the gold standard remained supreme.

³¹ In very broad outlines, Keynesian theory criticizes the classical liberal theory tenet that markets will eventually automatically recover from recessions when prices reach a low enough point that the fundamentals of supply and demand will move back in equilibrium. John Maynard Keynes, a British economist, argued in his 1936 book *The General Theory of Employment, Interest and Money* that government fiscal stimulus may be necessary to kick-start the return to growth in situations in which consumers refuse to spend because they do not see economic conditions around them return to health in the near future. Keynesian theory is a central pillar of the modern welfare state, and the power of Keynes’ ideas has most recently been demonstrated again by the ‘stimulus packages’ passed by most Western governments response to the 2007 financial crisis and ensuing recession.

Polanyi specifically documents the “heroic attempt” by backers of the gold standard to restore world trade by reinforcing the sanctity of the standard through a summit conference at Geneva, which ultimately failed as Western nations began to finally abandon the standard in the early to mid-1930s.³² But for Polanyi, the liberal adherence to the gold standard up until that point had strained social tensions in Western Europe to the breaking point, and had undermined popular faith in the commitment of liberal democratic governments to equitably governing economic distribution within society. For “under conditions such as these the routine conflict of interest between employers and employees took on an ominous character”, and the rumblings of fascism had begun to shake the European continent.³³

Fascism in Western Europe: The Great Transformation

We now come to the crux of Polanyi’s arguments concerning the link between free markets and fascism, laid out in the chapter “History in the Gear of Social Change”. For of this conflict between “employers and employees” over wage levels and maintenance of the gold standard, “if there ever was a political movement that responded to the needs of an objective situation... It was fascism”, because in Polanyi’s view, society had been prostrated beyond what it could bear through the Depression, and the legitimacy of liberal democratic governance had been fatally undermined.³⁴ Polanyi reviews the generalities of a number of fascist movements in Europe, including those of Italy and Germany, and also argues that fascist tendencies were apparent in France and Britain even if fascist parties did not come to power.

³² Great Britain in 1931, Italy in 1933, the US in 1933, France in 1936, Belgium in 1936. Polanyi 1944, 275.

³³ Ibid 243.

³⁴ Ibid 245.

Polanyi decisively concludes that “the fascist solution of the impasse reached by liberal capitalism can be described as a reform of market economy achieved at the price of the extirpation of all democratic institutions”, and that the widespread and simultaneous appearance of fascist movements across many different European states and societies meant that fascism was more than a collection of hyper-nationalist movements— it was a rebellion of society against the vicissitudes of the free market.³⁵

One final point is that Polanyi does not discuss why most European states turned to fascism as opposed to socialism in the general context of the movement towards subordinating the market to society and state. Polanyi briefly mentions Russian Bolshevism at the end of the chapter, and indeed argues that Russia “now emerged as the representative of a new system which could replace market economy”, but otherwise does not specifically discuss why fascism was apparently more attractive than socialism at the time.³⁶

This is another problematic oversight. Polanyi’s implicit argument is that the conflict of the gold standard had strained social tensions to such a great extent that fascism was the more natural alternative to liberal democracy than socialism precisely because he thought fascist governance is more implacably opposed to democracy than socialist rule. The legitimacy of liberal democratic government had been so thoroughly undermined at that point that the opposite form of governance— fascism—

³⁵ Ibid 245. Also, by 1929, “the deadlock of the market system was evident. Until then fascism had been hardly more than a traits in Italy’s authoritarian government, which otherwise differed little from those of a more traditional type. It now emerged as an alternative solution of the problem of industrial society. Germany took the lead in a revolution of European scope and the fascist alignment provided her struggle for power with a dynamic which soon embraced 5 continents. History was in the gear of social change.” Ibid 252.

³⁶ Ibid 255–6.

was more appealing than more moderate socialism. But Polanyi never critically differentiates the point at which fascism apparently became a more popular alternative than socialism in regards to protecting society from the market. I will discuss this point further during my review of Polanyi's prescriptive vision for future government in the section on Polanyi's theory of the market.

Criticisms of the Historical Argument in TGT

Scholars of TGT have focused heavy criticism on Polanyi's account of pre-nineteenth century societies and the introduction of the market to British society in the 1830s from the year the book was published, and while I will review the main points of such criticisms, I do not intend to add to them.

Regarding the final section of TGT on the gold standard and the rise of fascism I disagree with Polanyi's primary contention that the market led deterministically to fascism. Although Polanyi's historical analysis of the interwar era is more accurate and evocative than any other part of TGT, the rise of fascism was far more complicated than he argues, and most importantly, he does not adequately differentiate between the appeals of socialism and fascism to opponents of the market during this time. Although other scholars have analyzed this section of the book and identified confusing paradoxes in Polanyi's thought, none have previously argued against this thesis quite so bluntly.

Past Critiques of Polanyi's History of the Market

In his 1945 review of TGT, J. H. Hexter criticized Polanyi's assertions concerning the lack of markets and pre-nineteenth century societies, and his account of the introduction of the self-regulating market to Britain in the 1830s, as highly-

generalized and often “distorted” in argumentation.³⁷ Indeed, TGT has continued to suffer a barrage of criticism from scholars who argue that markets, and the concept of economic production for individual profit, were much more widely prevalent in traditional societies and Western Europe than Polanyi thinks.³⁸ Polanyi was an anthropologist, so it is surprising that his analysis of these past societies has been so severely undermined, but it appears that he simply attempted to extrapolate too widely from the societal case studies he refers to in this section.

I will not expound upon these criticisms, but simply point out that the most useful argument that Polanyi makes through the analysis of this section is that throughout human history, economic production- by the individual members of a society- has to some extent been directed towards communally-established distributive objectives. It seems uncontroversial to additionally posit that this type of production was increasingly supplanted by production for individual economic gain as the nineteenth century approached. Finally, the analysis of this section usefully serves to illustrate Polanyi’s idea of a properly-embedded economy, as strongly influenced or even directed by existing social relationships and political structures.

Problems With Polanyi’s Linkage Between The Market and the Rise of Fascism

Polanyi’s analysis of the interwar period, while still generalized, is more incisive and insightfully draws out the negative implications of the gold standard for

³⁷ Hexter still concludes that that the “brilliance” of TGT is that “it is the paradox of *The Great Transformation* that the merits of the book, the shrewd insights it exhibits throughout, are not relevant to Polanyi’s distorted perspective but instead flow from it, or rather from the fact that he does approach the data of history with a considered point of view.” Hexter, 1945.

³⁸ Dale reviews the multitude of critiques of Polanyi’s arguments that markets scarcely existed in the Western world prior to the nineteenth century. Many scholars, including Ron Stanfield, Richard Tawney, and Joyce Appleby have documented the existence of relatively complex physical markets and bargaining systems in Britain since the sixteenth century. Dale 2010, 80–83.

the ability of states to respond to the economic suffering of the Great Depression. Barry Eichengreen, an influential scholar of the gold standard, has argued that the gold standard played a significant role in deepening and prolonging the Great Depression, and that states only began to recover economically when they abandoned the standard, detached from the international market, and focused solely on raising domestic prices.³⁹

Eichengreen also posits, similar to Polanyi, that when policymakers tried to enact programs or policies that would raise domestic prices prior to totally abandoning the gold standard in the mid-1930s, they were generally strongly advised against doing so by central bankers. And because the standard was highly significant to establishing physical markets and to the economic theory supporting markets, Polanyi's contention that market ideology was critical to exacerbating the Depression is not unfounded. Does the market then deterministically lead to fascism?

I find this argument ultimately unconvincing. Polanyi's focus upon the gold standard and the ideological commitment to upholding the standard illuminates the importance of these elements to prolonging the Depression, which certainly was a significant factor in undermining the legitimacy of existing liberal democratic governments. This would naturally contribute to the rise of fascist movements; in addition, the fascist sublimation of all economic production to the needs of the state

³⁹ Eichengreen argues that "the dilemma was whether to sacrifice the gold standard in order to reflate, an option most policymakers continue to oppose, or to forswear all measures that might stabilize the economy in order to defend the gold standard... This lesson was learned the hard way. Repeatedly, domestic political pressures compelled governments to attempt reflationary policies. Quickly the gold standard was threatened, and they were forced to draw back" (17). Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (Oxford: Oxford University Press, 1992).

does seem to capture the idea of a desperate societal attempt to correct the pathological excesses of out-of-control markets.

But Polanyi relies far too heavily on the generalized implications of these two themes for his fundamentally deterministic argument: that not only was fascism caused by malfunctioning markets, but given the extent to which markets permeated Western society the nineteenth and early twentieth century, fascism was the only possible political result for such a society. Moreover, although Polanyi does acknowledge war reparations as a source of domestic and international tension, he does not thoroughly discuss at all how reparations affect his thesis.⁴⁰ Finally, Polanyi also does not consider the importance of racial and imperialistic themes apparent particularly in Nazism, and how such themes hurt or helped the appeal of fascist parties.⁴¹

But most importantly, Polanyi is never clear as to why socialism only arose in Bolshevik Russia, instead of competing with fascism for the support of the opponents of the market and liberal democracy. By his own conception of socialism and fascism, both ideological systems oppose the free market and production for individual economic gain⁴². If the market was the determining factor of mid-1930s

⁴⁰ Polanyi briefly discusses reparations as a potential cause in the rise of Nazism, but quickly moves on without further thought. Ibid 250.

⁴¹ For example, “by accident only, as we see, was European fascism in the 1920s connected with national and counterrevolutionary tendencies. It was a case of symbiosis between movements of independent origin, which reinforced one another and created the impression of essential similarity, while being actually unrelated. In reality, the part played by fascism was determined by one factor: the condition of the market system.” Ibid 250.

⁴² Polanyi asserts that “fascism, like socialism, was rooted in a market society that refused to function”, and that “socialism is, essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society. It is the solution natural to industrial workers who see no reason why

politics, why did socialist parties not attain as much support as did fascist movements?

In the final prescriptive chapter of TGT, “Freedom in a Complex Society”, Polanyi appears to vividly delineate between the ideologies by arguing that “the issue on which they divide is whether in the light of this knowledge [of the existence of power and compulsion in society] the idea of freedom can be upheld or not”, and that “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”, but ultimately fails to differentiate how each ideology envisions the relationship between the self-interested individual, society, and the market.⁴³ There is most likely a way to do so, but Polanyi certainly does not take the time to engage in a serious philosophical analysis of the differences between socialist and fascist ideologies, and the historical results of socialist and fascist policies.⁴⁴ These analytical flaws all contribute to my assertion that while the rise of fascism was certainly predicated on the de-legitimation of liberal democratic governments, which in turn probably stemmed in large part from the importance of

production should not be regulated directly and why markets should be more than a useful but subordinate trait in a free society.” Ibid 242, 248.

⁴³ Ibid 267–8.

⁴⁴ Dale finds the ideas in this final chapter “powerful”, and considers the chapter to generally articulate Polanyi’s normative ideas very well. I agree that the ideas are evocative, but they are also sharply contradicting in terms of philosophical intent regarding the relationship between state and society. For instance, Polanyi seems to espouse traditional liberal ideas by arguing that “every move towards integration in society should thus be accompanied by an increase in freedom; moves toward planning should comprise the strengthening of the rights of the individual in society... The true answer to the threat of bureaucracy as a source of abuse of power is to create spheres of arbitrary freedom protected by unbreakable rules”, and then proceeds to contend that the preeminent right of the individual should be “the right of the individual to a job under approved conditions”. It is not that I disagree with the sentiment of either statement, but there are philosophical contradictions in the passage that Polanyi does not acknowledge or attempt to resolve. Dale 2010, 237–9. Polanyi 1944, 264.

the gold standard to prolonging the Depression, Polanyi does not convincingly differentiate the appeal of fascism from that of socialism in the context of the market.

Conclusion

To sum up, Polanyi tells a very interesting historical story in TGT, which contains several important insights on the nature of the market system and the impact of the market on Western society, but which also fails to convincingly substantiate Polanyi's primary thesis. The gold standard was significant to undermining the legitimacy of liberal democratic governments, and thus certainly contributed to the rise of fascism, but fascism was far too complex a phenomenon to be tied deterministically to the market system.

More importantly, Polanyi fails to address the question of why socialism did not compete more strongly with fascism in presenting an alternative to interwar European governments. These problems, combined with past scholarly criticisms and my critique of the section on the double movement and the protectionism of the late nineteenth century, which I will expand upon in the third chapter, severely undercut the overall value of TGT as a work of historical analysis. I will now turn to his theory of the market.

Chapter 2: The ‘Fictitious Commodities’ and Polanyi’s Moral Critique of the Market

Introduction

In this chapter, I will discuss what exactly Polanyi means when he discusses the market, liberal market theory and ‘market societies’. Polanyi devotes considerable space to analyzing the theoretical components of the market, particularly how the market becomes ‘self-regulating’ in a ‘market society’, and I will review this theory in detail. These ideas critically inform Polanyi’s historical narrative, and I will connect this theory to crucial points of the narrative when it is necessary to further explicate concepts.

I will then consider the concept of the ‘fictitious commodities’, which are labor, land, money, and through which Polanyi argues that the self-regulating market debilitates the social substance of any society it is incorporated within. Polanyi thinks that because these entities are not the same as produced commodities like manufactured goods, they have significant social utility, and the constituencies constituting these fictitious commodities– for example, urban workers, farmers, and businesses– will resist the commoditization process. The idea of the fictitious commodities also contributes to the construction of the most famous theoretical concept of TGT, the ‘double movement’, which I will briefly explicate but will criticize in the next chapter.

I think that the conception of labor as a fictitious commodity insightfully describes how markets can destabilize and undermine social relations that are valuable to human life. This point also forms basis of Polanyi’s moral critique of the

market. But I also argue that the concept cannot accurately predict or describe human reactions in opposition to that process, because it does not inquire into the nature and value of the social relations being affected by the market. Only by understanding both aspects of the conflict between market and society could one analyze such reactions.

In addition, I contend that while land and money are to an extent distinct from ‘real’ produced commodities, they are also qualitatively different from the human beings that constitute labor, and should be treated as such. Past studies of TGT have not criticized this point, and I contend that failing to recognize the distinctions between these entities dilutes Polanyi’s moral critique of the effects of the market on human life. I will conclude by connecting the fictitious commodities, and the identified problems with the concept, to the double movement.

Polanyi’s Interpretation of Classical Market Theory and Physical Markets

Throughout TGT, Polanyi’s theoretical conception of the market is based on an analytical combination of what he sees as the fundamental tenets of liberal/classical economic theory, and the ideological imposition of that theory upon society by commercial elites. The main two tenets to which Polanyi refers are the theoretical capability of the market system to self-regulate production by the price mechanism signaling the need for adjustments of supply and demand, and the philosophical conception of human beings as fundamentally driven by the desire for individual economic gain– *homo economicus*. And as markets increasingly permeate the economic sectors of a particular society, and as policymakers come to make decisions on the basis of market theory, all of these tenets to the formation of a

‘market society’, in which market theory will dominate both economic organization and social-political life.

Intellectual Sources of Classical Market Theory

Polanyi sees market theory as emerging from a complex and intertwined set of intellectual sources, including Adam Smith, David Ricardo, Thomas Malthus, and Joseph Townsend⁴⁵; of these, the most important is Ricardo, as Polanyi viewed Ricardo’s 1817 work *Principles Of Political Economy and Taxation* as establishing the economic case for the shift of British policies towards supporting the free market during the mid-nineteenth century.⁴⁶ Polanyi is unclear as to exactly how this classical theory influences those supporting the market in Britain, or exactly who those people are, but believes that such intellectual sources were highly important to the imposition of the market in Britain. It also seems apparent that the importance of these nineteenth century thinkers to classical economic/market theory was one fundamental reason as to why Polanyi postulated that markets were so scarce prior to the nineteenth century.

The Importance of the Price Mechanism to the ‘Self-Regulating’ Market

⁴⁵ Generally, Polanyi contends that Smith and Ricardo provided the theoretical economic arguments in support of market efficiency and free trade; that Malthus’ population theories helping to dispel moral or social concern for the poor upon passage of the New Poor Law; and that Townsend’s theories of man as governed by certain immutable laws of nature contributed to the apparent discovery of fundamental economic laws at the time (those of Smith and Ricardo). Polanyi 1944, 116-135.

⁴⁶ Polanyi identifies Ricardo as active in political debates surrounding the policies of the British government towards free trade and the poor law reform of the 1930s, which will be discussed below. Polanyi also sees Ricardo’s labor theory of value as instrumental in providing the philosophical foundation for the attempt to establish a free labor market in Britain through the New Poor Law of 1834, which will be discussed in detail below. Ibid 130-5, 143-7.

Regarding the price mechanism, Polanyi contends that economic production and distribution in the market system is predominantly coordinated by price, information about which leads individuals to produce, sell, work and buy. Price specifically refers to the exchange value of a vast array of commodities, the information about which will in theory be amalgamated and dispersed throughout society by the operation of supply and demand. This dispersal of information about value occurs as rational, self-interested individuals indicate their preferences by buying and selling at certain prices, which in Polanyi's view was what Ricardo and the middle-class supporters of the New Poor Law desired in practice.

Additionally, when supply and demand occasionally shift out of equilibrium, classical economic theory argues that normal market conditions will gradually be restored by price declines. Such shifts were generally theorized to occur by overinvestment in supply capacity; thus, as producers recognize the shortfall in demand, they will gradually reduce their stocks until equilibrium is reached. But during this reduction period, some businesses will close and some workers will be laid off, lowering demand for labor and demand for produced commodities, and leading to overall price declines. Thus, disequilibriums would lead to occasional downturns of the business cycle, but if left to its own devices the market would naturally move back into equilibrium through decreases in price throughout the economy. When selling prices meet or remain under offered buying prices, producers will restart production and the market will function normally.

Thus, in theory, accurate price information is the sole necessary regulatory mechanism for production and distribution in an existing market, leading Polanyi to

characterize the market system as ‘self-regulating’.⁴⁷ Moreover, this aspect of self-regulation means that in theory, individuals will utilize their resources to produce, buy and sell in the most efficient way possible, contributing to overall economic efficiency. Such gains in efficiency constitute a powerful argument that market proponents will rely on when supporting the spread of markets. Polanyi thought that the theoretical ability of the market to regulate itself through the price mechanism had immense implications for both individuals and political institutions, but before discussing such implications, I turn to the significance of *homo economicus* to market theory.

Homo Economicus and the Market

In Polanyi’s view, based on a reading of Smith’s *Wealth of Nations*, the concept of the *homo economicus* posits two fundamental traits of human individuals, which are the self-interested desire of individuals for material gain, and the rationality necessary to achieve such gain.⁴⁸ Polanyi sees *homo economicus* as crucial to liberal market theory because it provides the philosophical account of man necessary to

⁴⁷ Polanyi devotes a chapter to how the market can be theoretically conceptualized as self-regulating, arguing that “a market economy is an economic system controlled, regulated, and directed by market prices; order in the production and distribution of goods is entrusted to this self-regulating mechanism. An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains. It assumes markets in which the supply of goods (including services) available at a definite price will equal the demand at that price... Production will then be controlled by prices, for the profits of those who direct production will depend upon them; the distribution of the goods also will depend upon prices, for prices form incomes”. Most of my preceding analysis is drawn from this chapter. Ibid 71.

⁴⁸ It is important to note that although Polanyi castigates Smith as the progenitor of this view of the human individual, he does not see Smith as primarily responsible for originating the market ideology that he opposes in TGT—Polanyi reserves the bulk of his criticism for Ricardo and Townsend. Smith does provide the foundations of market theory, but Polanyi argues that “there is no intimation in his work that the economic interests of the capitalists laid down the law to society; no intimation that they were the secular spokesmen of the divine providence which governed the economic world as a separate entity. The economic sphere, with him, is not yet subject to laws of its own.” Ibid 116–117.

ground the market system as natural to humans, and for the importance of such a conception to prioritizing contractual relationships above pre-existing social relations. Polanyi also devotes considerable space in his section concerning pre-nineteenth century societies to criticizing this view as historically inaccurate and generally over-exaggerated, which I covered in the first chapter.

Polanyi argues that this view of individuals “lead to a weighting of the scales in favor of a marketing psychology” as classical economists “attempted to base the law of the market on the alleged propensities of man in the state of nature”.⁴⁹ The import of this of this view for nineteenth-century Western society, in Polanyi’s opinion, is that intellectuals and policymakers would be greatly influenced by this flawed conception of man. And as man is apparently natural to the market, they would attempt to remold society and political institutions in the form conducive to market relations.

The obvious example of this for Polanyi is the New Poor Law, which he thinks had such awful immediate results—arguing that “the workers were physically dehumanized, the owning classes were morally degraded”—that the erosion of “the traditional unity of Christian society” signified by the Law could only have occurred through the ideological allure of the *homo economicus*.⁵⁰ Polanyi’s argument is certainly hyperbolic, but his point is clear and well-taken: this conception of man has serious implications in terms of shaping ideological outlooks in societies that incorporate market economies. And Polanyi sought to draw out some of these potential implications through his idea of the ‘market society’.

⁴⁹ Ibid 47.

⁵⁰ Ibid 106.

The 'Market Society'

Finally, Polanyi argues that as all of these tenets of liberal economic theory begin to coalesce and function together to produce a coherent self-regulating market, a particular 'market society' will come to arise. That is, as the price mechanism permeates different economic sectors in a given society and as intellectuals and policymakers come to analyze political and social action based on the *homo economicus* view of human behavior, the society will come to be organized by the imperatives of the market. Polanyi contends that this "means no less than the running of society as an adjunct to the market", and what is particularly intriguing about this argument is what he sees occurring at the institutional level of such a society.⁵¹

Because the economy will come to be considered simply a commodity marketplace capable of self-regulation through flexible prices, Polanyi thinks that political governance and regulation would become seen as entirely inefficient and unnecessary. Polanyi argues that "a self-regulating market demands nothing less than the institutional separation of society into an economic and a political sphere", and that the economic sphere would be normatively insulated from political governance because such political interference could only cause inefficiencies in the system.⁵²

The economic health of a society would become a mere technical issue; unemployment would be treated as simply a sign of market adjustment, with little empathy for or even acknowledgment of the social and cultural harm caused by the inability of individuals to provide for themselves and their families. Taken

⁵¹ Ibid 60.

⁵² Ibid 74.

holistically, instead of the economy being embedded in society and politics, social life and political decisions would become dictated by these requirements of the market.

But in the end, Polanyi thought that such a society could not last because “the extreme artificiality of the market economy” would become immediately apparent to laboring individuals in society as soon as they became subject to market fluctuations of supply and demand.⁵³ Here, I refer back to the price mechanism, which as discussed would automatically adjust upwards and downwards based on supply and demand.

To specify, it is the price of exchanged commodities that varies, and which ultimately dictates whether producers decide to make more commodities and whether consumers decide to buy such items. The critical flaw that Polanyi thought would make the artificiality of the market system immediately evident is that three entities incorporated into the system— labor, land, and money— are actually ‘fictitious commodities’, and that the individuals constituting such entities would rebel against the commoditization process.

The Fictitious Commodities: Labor, Land, and Money

The basic argument of Polanyi’s ‘fictitious commodities’⁵⁴ concept is that because labor, land and money are not manufactured or produced solely for their economic value, they are qualitatively different from produced commodities.⁵⁵ For Polanyi, labor represents individual human beings, or more specifically the

⁵³ Ibid 77.

⁵⁴ The term ‘fictitious commodity’ as used by Polanyi was first conceptualized by Ferdinand Tönnies, and bears little similarity to Marxist ‘commodity fetishism’. Dale 2010, 49-50.

⁵⁵ “It is with the help of the commodity concept that the mechanism of the market is geared to the various elements of industrial life. Commodities are here empirically defined as objects produced for sale on the market”. Polanyi 1944., 75.

fundamental economic activity that individuals perform to materially provide for themselves. Labor as used in TGT generally refers to those who exchange their physical effort for monetary compensation. Land is more ambiguous, but encompasses both the physical environment and agriculture, while money is some specific item that societies use to signify the value of commodities, examples of which include gold and paper money.

Such entities, Polanyi argues, exist to provide for the core requirements of physically sustaining human life, and encompass values and needs that cannot be represented by monetary price alone. Thus, dictating the use and value of such entities solely by price—which Polanyi contends is necessary for the smooth functioning of the market—debilitates their substance and intrinsically sparks reactions of opposition against this treatment.⁵⁶

Labor and The Social Debilitation of the Market

This argument is best exemplified by the effects cyclical market downturns typically have upon labor. In the context of market commodity theory, if producers restrict their production during downturns, demand for labor will lessen, and workers will have to adjust their asking wage price downward. In theory, even during downturns, there is a price producers will pay for labor—it is just much lower than the

⁵⁶ “Now, in regard to labor, land, and money such a postulate cannot be upheld.... In disposing of man’s labor power the system would, incidentally, dispose of the physical, psychological, and moral entity “man” attached to that tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society.” Ibid, 76.

price for labor during expansionary cycles. In reality, workers will choose unemployment rather than accept such a wage because it may be lower than what is necessary for their livelihood.

Polanyi's point is that despite the fact that there is technically a choice of employment for the individual laborer by such theory, and while producers are simply acting rationally because they will go out of business if they offer higher wages, market theory is flawed because the economic behavior of human beings fundamentally cannot be modeled on that of non-human commodities like textiles or raw materials. If such a commodity is in oversupply, that supply level must be reduced either by production restrictions or destruction/consumption of existing commodities; a similar process, however, can only be applied to human laborers by unemployment.

And while unemployment might signal the proper functioning of the market to a liberal economist, human beings will react negatively against the economic and social debilitation caused by unemployment, and will seek to restrict the extent to which such theory permeates particular commercial sectors and activities. As will be discussed in the next chapter, this simply means that workers might seek to enhance contractual stability through trade unions, and bolster their economic stability through public unemployment compensation.

Polanyi also argues that commodity theory is not only practically incorrect, because individuals will always engage in such market-restricting behavior, but also morally deficient because market commoditization has an intrinsic tendency to undermine non-economic values of human life. Because the market evaluates

individuals solely by their economic productivity, it ignores the importance of familial relations, social standing in the community, religious beliefs; in essence, any social relationship, structure, or norm that is significant to the livelihood of an individual. While these values are certainly less quantifiable than the fundamentals of economic supply and demand, they exist and are significant.

It is this view of labor as a fictitious commodity that leads Polanyi to assert that most fundamentally debilitating aspect of the market is not economic, but social. Throughout TGT, Polanyi argues that while the market could obviously create great economic suffering through unemployment, it is the market's blind and heedless destruction of existing social and cultural relations that wreaks the most harm upon individuals and communities.⁵⁷

This is so because subjecting humans to the commoditization process does not necessarily debilitate their economic livelihood. Polanyi did recognize the commercial gains of market efficiency that could very well translate into increased wages for workers. But this process does consistently destabilize the social livelihood of individuals because the social value of individuals is entirely unaccounted for by the market, and is subordinated to the market-determined economic value of such individuals.

⁵⁷ Writing of Robert Owen, Polanyi contends that “[Owen] grasped the fact that what appeared primarily as an economic problem was essentially a social one. . . . In spite of his exploitation, [the worker] might have been financially better off than before. But a principle quite unfavorable to individual and general happiness was wreaking havoc with his social environment, his neighborhood, his standing in the community, his craft; and a word, with those relationships to nature and man in which his economic existence was formerly embedded.” Ibid 134-5.

This point about the social debilitation of the market is absolutely crucial to Polanyi's arguments about the opposition of society to the market because it differentiates such opposition from economic gain-seeking. This means that if the conflict over the market is simply conceptualized by its economic effects, it essentially is reduced to a mere struggle between workers and producers over scarce economic resources in a given society. This is exactly the problem that Polanyi had with the concept of *homo economicus*, which he thought basically reduces human beings to selfish money-grubbers. Additionally, because Polanyi saw this conflict as predominantly occurring at the political level, positing it as economic-determined means there is no real way to differentiate between political 'interest groups' and the more morally-justified action in opposition to the market that he envisioned. I will expand on this point in the next chapter on the double movement.

To conclude my discussion of labor as a fictitious commodity, I think that this conceptual framework is insightful and forms the basis of Polanyi's lasting appeal as an influential critic of the market. Terming labor as a 'commodity' allows Polanyi to expose how crude market theory and the concept of the *homo economicus* can be when analyzing human needs and human action. Unfortunately, his conceptualization of land and money as fictitious commodities is significantly less successful.

Land and Money as Fictitious Commodities

Along similar lines to labor, Polanyi sees the treatment of land and money as commodities as ill-founded because this view reduces them to entities of mere

exchange value, lacking any intrinsic use value.⁵⁸ Polanyi's arguments against the commoditization of land are weak, and seem to rest on some ambiguous conceptual combination of land ownership as fundamental to human livelihood, and agriculture as qualitatively different from other produced commodities.⁵⁹ For instance, Polanyi asserts that commodifying land would mean that "nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed", a statement that is evocative but rather imprecise.⁶⁰ We may thus assume that 'land' refers generally to the un-produced substance of nature, and more specifically to farmers.

Polanyi's conception of money as a fictitious commodity is more interesting. By money, he refers to the gold standard; gold bullion is obviously literally a commodity, and as reviewed above, in theory the standard operated by domestic currency adjustments based on trade balances. By such theory, central banks that controlled monetary volume and credit would merely facilitate this process, leaving the bulk of necessary economic adjustments to gold flows reflecting fundamental supply and demand. The commodity theory of money to which Polanyi refers is thus

⁵⁸ Similar to Marxist analysis, Polanyi was concerned with the use value versus exchange value of commodities, but this is the only parallel between his conception of fictitious commodities and Marxist commodity fetishism. Block 2003, 281.

⁵⁹ Polanyi considers land in his chapter "Market and Nature". The first half of the chapter is generally devoted to discussing the intrinsic value of land to human life, and is punctuated by statements like "the economic argument could be easily expanded so as to include the conditions of safety and security attached to the integrity of the soil and its resources—such as the vigor and stamina of the population, the abundance of food supplies, the amount and character of defense materials, even the climate of the country which might suffer from the denudation of forests, from erosions and dust bowls, all of which, ultimately, depend upon the factor land, yet none of which respond to the supply and demand mechanism of the market". The second half, on the other hand, discusses various forms of agricultural protectionism, asserting for example that "on the continent of Europe, again, agrarian protectionism was a necessity." Polanyi 1944, 193, 194

⁶⁰ Ibid 76.

based on a combination of the physical substance of gold and the apparently self-regulating mechanism of the gold standard.

The reason why Polanyi thought that it was incorrect to characterize money as a commodity was because doing so would ignore the importance of monetary policy to the health of domestic society and economy. Considering money solely as a commodity would highlight the economic role of money at the expense of its social effects.

Referring back to the analysis of the gold standard in the previous chapter, Polanyi argues that the commodity theory of money fails to take into account the inherent tension between the policy goals of upholding international trade and maintaining domestic economic health, and ignores the fact that resolving this tension involves a political decision to prioritize one or the other. As reviewed earlier, the recurrent price deflation of domestic currencies required to maintain exchange rates had highly debilitating effects on domestic business, which demonstrate this tension.

The problem with the commodity theory of money, Polanyi argues, is that by positing a naturally-adjusting supply and demand formulation to money, such theory assumed that domestic price levels would always be subordinated to the vicissitudes of the gold standard.⁶¹ In essence, what superficially appears to be a technical economic issue actually involves an *a priori* political decision to prioritize the international market above the domestic economy.

⁶¹ “In its simplest form the problem was this: commodity money was vital to the existence of foreign trade; token money, to the existence of domestic trade. How far did they agree with each other? Under 19-century conditions foreign trade and the gold standard had undisputed priority over the needs of domestic business.” Ibid 202-3.

Doing so, however, would “periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society”, causing unemployment, economic prostration, and social tension.⁶² These wide-ranging social effects of money fluctuations thus led Polanyi to contend that money is actually a fictitious commodity. I now turn to criticize the general concept of the fictitious commodities.

Two Problems with Polanyi’s ‘Fictitious Commodities’

There are two distinct issues with Polanyi’s theory of the fictitious commodities, neither of which have been grasped by scholars who have previously reviewed TGT.⁶³ First, although conceptualizing labor as a fictitious commodity insightfully describes how the market can devalue social relations essential for human survival, this idea still does not say anything definite about exactly how the human beings who constitute labor would react against this process.

And second, although land and money are entities that do seem to have a greater social utility than a true produced commodity like manufactured goods, they are also qualitatively different from labor. That is, they are not practically or morally

⁶² Ibid 76.

⁶³ Both Block and Dale uncritically accept the fictitious commodities concept. In Block’s 2003 article, he agrees with Polanyi that “pretending that land, labor, and money are true commodities is both irrational and socially dangerous”, and proceeds to put forth his own notion of embeddedness. Dale does identify problems with the double movement concept, which I will review in the next chapter, but does not connect these issues back to the fictitious commodities.

Block and Dale might respond that considering all three entities as fictitious commodities merely comments on the social utility of these entities as differentiated from a commodity like manufactured goods, rather than equating each entity. But Polanyi makes no distinction in his use of these fictitious commodities to construct the double movement. And because the concept of the fictitious commodities is so central to Polanyi’s moral critique of the market, this oversight is serious. Block 2003, 283. Dale 2010, 50, 66, 78.

equivalent to the human beings that constitute labor. These criticisms are significant because the concept of the fictitious commodities forms the foundation for Polanyi's construction of the 'double movement' theory, and therefore I will argue that these problems carry over into the movement theory.

Labor as a Fictitious Commodity

While conceptualizing labor as a fictitious commodity explicates how the market can have inherent tendencies to undermine social values and thus destabilize human life, it does not inquire into the nature of the specific social relations and norms that are being undermined. The idea simply posits that social relations exist, they are valuable and in some way contribute to human life, and are considerably debilitated by the theory and action of the market.

But in the context of social and political conflict over the market, this idea only tells one side of the story—that the market can negatively impact society. To understand why and how an individual would oppose that process, it is necessary to understand the value of what is being degraded to the individual. This is a question specific to particular individuals, groups, and societies, and is not dealt with well by the fictitious commodities concept, which is essentially theoretical.

I certainly think that it is possible to analyze both the action of the market on society, and the social value of the relations and structures being impacted, but to do so would require close, detailed analysis of a specific society. Unfortunately, beyond some brief analysis of British workers under the New Poor Law discussed in the previous chapter and reviewed in the next, Polanyi is entirely uninterested in this sort of study.

Land and Money as Distinct from Labor

The problem with grouping land and money together with labor is that it detracts from the moral critique that Polanyi is making in regards to the effects of the market on the social livelihood of human individuals. I agree with Polanyi, to a certain extent, that land and money are somewhat distinct from produced commodities like coal or manufactured products. Land is not produced, and is physically significant to human life beyond its exchange value on the market. Money, particularly gold, is produced, but I understand Polanyi's underlying point that the commodity view of money can ignore the political decisions involved in monetary policy both in 1944 and today. The common point of both is that they seem to have social utility, or social effects, beyond market valuation, which may not be easily definable but are nonetheless more potent than the social utility of coal, for example.

But this ambiguous social utility does not in any way make land or money, or the constituencies to either, equivalent to the human beings that constitute labor. Human beings have definite social values and relations that are not accounted for by the action of the market. Land and money do not have such values. Neither a parcel of farmland, nor the business that suffers from monetary deflation, are morally relatable to human beings. This point is not apparent in TGT.

Conclusion

To review, this chapter has been concerned with how the market can theoretically become self-regulating through the price mechanism. The problem that Polanyi saw in this process is that labor, land, and money will resist the commodification process necessary for the price mechanism to work smoothly and

adjust flexibly. These fictitious commodities, he argued, are not produced for the market, and as a consequence cannot be priced by their exchange value.

While I agree that human beings who constitute labor have social values that are undermined by the market, and are thus morally justified in resisting the market, conceptualizing these beings as a fictitious commodity does not say anything about how they will actually resist the market in reality. In addition, land and money are not equivalent to labor in terms of how they are affected by the market, and Polanyi is mistaken to characterize them as such.

I do not think that Polanyi actually considered land and money to literally be equivalent to labor when writing TGT, but the problem is that he does not differentiate the three entities when arguing that they would all oppose the commoditization process caused by the market. He simply thinks that they all do. Indeed, it is through the overarching concept of the fictitious commodities that Polanyi sees society and the market as implacable opponents.

To return to the overall theoretical progression of TGT, and transition to the next chapter, Polanyi argues that the constituent elements of the fictitious commodities will all strongly oppose the effects that the commoditization process. And as markets come to permeate more sectors of society, and attempts to commoditize labor, land, and money, a society-wide conflict over the market will begin to emerge. Polanyi calls this conflict the ‘double movement’, and it is to this central theoretical concept that I now turn.

Chapter 3: Dismantling the ‘Double Movement’

Introduction

The most famous theoretical concept of TGT is “the double movement”, which describes the conflict between the proponents and opponents of the market during the nineteenth and early twentieth century.⁶⁴ The concept is therefore central to understanding TGT, and accordingly must undergo criticism regarding how the movement functions in theory and in Polanyi’s historical narrative in TGT. In this chapter, I will first explain what Polanyi meant by the double movement and the theoretical mechanism by which its action occurs, along with some discussion of the most important events associated with the movement in TGT. Next, I will criticize the concept as Polanyi uses it in TGT, and will argue in conclusion that the sum of the

⁶⁴ Dale argues that “of the various Polanyian concepts discussed in this book, arguably the best-known and most widely discussed is the double movement, and the central question with which Polanyi-influenced social scientists have engaged in recent decades has been its applicability to contemporary circumstances”, and that despite some of the problems of the concept, the double movement is “original and justly famous.” James Mittelman appropriates the double movement to consider what he sees as labor movements constituted to oppose the vagaries of free-market globalization. In addition, Philip McMichael connects the double movement to the contemporary conflict between the “corporate food regime”, which represents the marketization of agriculture, and small farmer-type of social movements like the Mexican *Zapatistas* movement. Finally, Adam Harmes uses the double movement to contribute to academic models of currency crises, arguing that the concept helps demonstrate the tensions between democracy and the commitment of governments to maintaining fixed exchange rates. Harmes contends that this tension can gradually lead to a loss of investor confidence in this governmental commitment, which will cause capital flight from the state and the devaluation of the domestic currency. To be clear, I do not intend to criticize these studies, but simply bring them up to demonstrate the prominence of the double movement concept. Dale 2010, 215, 249. James H. Mittelman, *Globalization Syndrome: Transformation And Resistance* (Princeton, NJ: Princeton University Press, 2000), 8, 170. Philip McMichael, “Peasant Prospects in the Neoliberal Age”, *New Political Economy*, Vol. 11, No. 3, September 2006. Adam Harmes, “Institutional Investors and Polanyi’s Double Movement: A Model Of Contemporary Currency Crises”, *Review of International Political Economy* 8:3, Autumn 2001: 389–437.

apparent problems severely undermine the internal coherence and analytical usefulness of the concept.

I also contend that these analytical and theoretical problems are due to Polanyi's overreliance on the concept of fictitious commodities in theorizing about human action in opposition to the market. As stated in the previous chapter, I think that Polanyi's conception of labor as a fictitious commodity insightfully describes how the market can have inherent tendencies to destabilize and undermine the social livelihood of individuals affected by it. But I also think that the concept is not particularly analytically useful because it does not attempt to explicate the nature of social relations being destabilized, which is essential if one seeks to predict or analyze resulting social opposition to the market.

Additionally problematic is that Polanyi lumps together labor with land and money, which I argue leads him to stretch the double movement concept to encompass so many forms of protectionism that the concept ultimately becomes analytically useless. I now turn to discuss the double movement itself.

Polanyi's Conception of the Double Movement

Describing the double movement, Polanyi states,

[the double movement] can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the

varying support of those most immediately affected by the deleterious action of the market- primarily, but not exclusively, the working and the landed classes- and using protective legislation, restrictive associations, and other instruments of intervention as its methods.

This delineates an antagonistic social-political process existing simultaneously at both a deep philosophical level and as concrete political action.⁶⁵ The key elements of the double movement concept are laid out in this formulation: the focal point of the market defining both sides of the movement; the importance of class analysis to understanding the mechanism by which the movement works; and the formalized political channels through which class action occurs.⁶⁶ In the context of the historical narrative of TGT, the double movement is initiated in Britain specifically by the passage of the New Poor Law in 1834, and in Western Europe generally by the growth and deepening of international trade.⁶⁷

⁶⁵ Another important statement regarding the double movement argues “for a century the dynamics of modern society was governed by a double movement: market expanded continuously but this movement was met by a countermovement checking the expansion in definite directions”. In addition, “within a few years (referring to the last quarter of the nineteenth century), free trade was a matter of the past, and the further expansion of market economy took place under utterly new conditions. These conditions themselves were set by the “double movement”. The pattern of international trade which was now spreading at an accelerated rate was crossed by the introduction of protectionist institutions designed to check the all-round action of the market. The agrarian crisis and the Great Depression of 1873–86 had shaken confidence in economic self-healing. From now onward the typical institutions of market economy could usually be introduced only if accompanied by protectionist measures”. Polanyi 1944, 136, 139, 223.

⁶⁶ In TGT, the double movement is generally conceptualized to function through political institutions like parliaments; the two exceptions to this are trade unions and Owenism, both of which will be discussed later. Additionally, the statement that “no purely monetary definition of interests can leave room for that vital need for social protection, the representation of which commonly falls to the persons in charge of the general interests of the community—under modern conditions, the governments of the day” leaves no doubt that in discussing the double movement, Polanyi was focused on the political, not the social. *Ibid.* 162.

⁶⁷ The point about the importance of the New Poor Law to constituting the first free labor market and thus initiating the double movement is made explicitly: “The critical stage was reached with the establishment of a labor market in England... As soon as this drastic step was taken, the mechanism of the self-regulating market sprang into gear. Its impact on

Thus, the movement is initiated by supporters of the liberal principle, who push for market relations at home and abroad; the succeeding narrative of the second half of the nineteenth century and the interwar period is concerned with the struggle of the partisans of the protectionist principle to restrict and inhibit markets, through various protectionist policies. These policies, Polanyi argues, generally consisted of social legislation such as unemployment compensation for laborers, and agricultural tariffs and subsidies. As mentioned earlier, Polanyi's historical analysis and supporting evidence is particularly generalized in this section, and the only focal event he focuses on is the 1873 depression, which will be discussed later.

The Significance of Ideological Support for and Social Opposition to the Market

A final point regarding the general outline of the double movement is that Polanyi consistently envisions the conflict of the movement as occurring for reasons other than mere material gain or reactionary opposition to change; hence, labeling the opposing sides as "principles", rather than 'class antagonists' or 'interest groups'. The liberal trading classes who initiate the double movement might be the chief beneficiaries of international market commerce and cheap labor, but Polanyi argues that their support for the market springs from a deeper philosophical source:

society was so violent that, almost instantly, and without any prior change in opinion, powerful protective reactions set in". The relationship between the spreading international market and the initiation of the double movement, however, is more implicitly made, but regarding the market Polanyi does state "the change came suddenly, this time simultaneously in all leading Western countries. While Germany repeated England's domestic development only after a lag of half a century, external events of world scope would necessarily affect all trading countries alike. Such an event was the increase in the rhythm and volume of international trade as well as the universal mobilization of land, implied in the mass transportation of grain and agricultural raw materials from one part of the planet to another, a fractional cost. This economic earthquake dislocated the lives of dozens of millions in rural Europe." Polanyi 1944, 225, 222-223.

Ricardian economic theory that views markets as efficient, the law of supply and demand as indisputable, and the economy as normatively organized by market forces.

Similarly, the working and landed classes might suffer most from low wages and cheap agricultural imports, but they are primarily opposing the market because of how market relations undermine and destabilize social life. Economic debilitation like unemployment— particularly during cyclical market downturns— will spur adherents of the protectionist principle to more fervent action, but opposition to the market should remain constant regardless of economic fluctuation.

This point reflects back to Polanyi's analysis of fictitious commodities, and how particularly labor will oppose the commoditization process. And as discussed in the previous chapter, Polanyi thinks that the fundamental manner in which the market undermines human livelihood through this process is not the accompanying economic instability, but the inherent devaluing of social relationships and norms.

It is important to understand exactly why Polanyi conceptualizes the double movement as a deeper and more potent force than classes or interest groups competing for economic gain through political channels. Concurrent with the moral critique of the effects of the market on the fictitious commodities, there is thus a strong normative component to the protectionist principle because in Polanyi's view, its partisans are simply protecting society from “a dislocation which attacked the fabric of society”— the market. The concept of the double movement is thus laid out in broad strokes, and I will now proceed to criticize the theory of the concept and how Polanyi uses it in TGT.

The Internal Incoherency of the Double Movement

I will first briefly address the question of whether the double movement was intended to analyze specific events and occurrences related to the market, as opposed to merely functioning as a general philosophical perspective on human action surrounding the market. Gareth Dale argues in support of this latter conception, but I disagree, and will demonstrate the intended specificity of the concept through textual reference.

I will then criticize the ambiguity as to whether Polanyi sees the movement as operating through democratic or authoritarian political channels, which bears obvious significance regarding how and why individuals are actually supposed to enact the double movement. I will argue that while Polanyi explicitly supports democratic governance, his instrumental view of democratic freedom and references to instances of authoritarian-based social protection against the market reveal worrying tendencies towards authoritarian government.

Finally, by discussing Polanyi's analysis of European protectionism in the last quarter of the nineteenth century, I will illuminate the problems in his attempt to differentiate the socially-driven double movement from more mundane political competition between interest groups for economic gain. I will argue that many of the apparent oversimplifications and generalizations apparent in this historical analysis are due to Polanyi endeavoring to link his theory of fictitious commodities to the political action of protectionism, without critically considering the complications and contradictions that might occur in this process.

In conclusion, I will contend that the double movement concept is not particularly useful because of the way Polanyi stretches it to encompass so many

obviously distinct protectionists thrusts. Other scholars, including Dale, have made this point, but I help illuminate the source of the issue by pointing back the fictitious commodities. Polanyi simultaneously dilutes his moral critique of the market, and makes the double movement less analytically useful, by lumping labor with land and money.

Combined with the contradictions apparent in the theory of the concept, as to whether it works through democratic or authoritarian processes, I argue that these flaws ultimately undermine the theoretical utility of the concept. It is unwieldy, overgeneralized, prone to contradiction in theory and practice, and should not be appropriated for use by scholars proceeding in the tradition of TGT.

The Double Movement Concept: Heuristic or Analytical Tool?

Dale argues that the double movement should be used “not to explore the politics of particular social movements but to explain two sets of general socioeconomic phenomena”, the market principle and the protectionist principle.⁶⁸ Dale also mentions that the variety of contemporary phenomena to which commentators on Polanyi’s work have linked the double movement concept– ranging from anti-globalization groups, to the Russian mafia, to nationalist anti-immigration parties– does raise serious questions about the analytical value of the concept, but goes on to repeat that the double movement should not be used so specifically.

Specifically, Dale contends that “the countermovement does make sense but as a heuristic” for thinking about social-political conflicts over the market, but should

⁶⁸ Dale 2010, 62.

not be considered to have specific analytical utility.⁶⁹ I disagree on two grounds. First, if the double movement concept cannot be used to analyze specific movements and policies, it is analytically useless and should be thrown out; and second, more importantly, Polanyi himself uses the concept in such a manner in TGT, and to criticize his work honestly one should do the same.

The former argument is fairly self-explanatory. If the fundamental reason why Polanyi wrote TGT was to link the market to interwar fascism, and the mechanism he is explicitly using to analyze the nineteenth century history that provides the context for this link is the double movement concept, the concept should be logically coherent enough to analyze specific events, movements and policies. Most of the historical narrative analyzed in TGT that leads towards fascism is a history, in Polanyi's words, of the double movement. The movement is not simply an abstract philosophical perspective that describes the manner in which markets move about the globe; the way it is used in TGT makes it clear that it is also intended as a detailed analytical tool of human action.⁷⁰ Dale is free to interpret the concept at will for his own purposes, but in discussing TGT itself, I will criticize the concept on Polanyi's own grounds.

⁶⁹ The full quote reads "to my mind, the countermovement does make sense but as a heuristic that refers to the way in which, when the self-regulating market undermines the security of their livelihoods, human beings look to political ideas and organizations that claim to defend society against market excesses. If given any more determinate content than that, for example when used to imply that those ideas and organizations actually do 'rally' society against the market, the concept tends to collapse under its own weight: it comes to function, if you will, as a 'bad abstraction'." Indeed, I generally make the same argument, except that I do think that Polanyi tries to give the double movement 'determinate content' throughout much of TGT. I will provide evidence of this argument below. Ibid 216-220.

⁶ "social history in the nineteenth century was thus the result of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones." Nowhere in this description is any admonition against using the double movement to analyze the specifics of nineteenth century history. Polanyi 1944, 79.

Moreover, Polanyi's analysis of the specificities of the double movement in Britain from 1830 to 1850 demonstrate that he thought the concept was capable of such detailed analysis. The key legislative events of this period and the Chartist movement have been reviewed above; an additional contemporaneous movement that is very important to TGT is Owenism, which was based on the leadership and philosophy of Robert Owen.⁷¹ Polanyi argues that Owen was the first British intellectual to grasp how truly unnatural the market is to man and the disastrous implications of separating the economy from social and political spheres, and that Owen thus sought to construct a society that would treat man as a holistic being.⁷² The society, New Lanark, was small and of next economic success, but Owen became well-known through it and went on to lead a popular movement of trade unions during the 1840s.

Owenism is highly significant to Polanyi's analysis and use of the double movement because it is the first instance in TGT of the protectionist principle in

⁷¹ Robert Owen, born in 1771, was a highly successful British businessman who upon making his fortune in textiles began a career of attempting to construct and popularize small socialist societies. Although most of his initiatives failed, Owen did manage to set up and successfully run a highly profitable society called New Lanark, with which Polanyi is concerned. Owen's thought was also very influential for the British trade unionist movement of the 1840s. The 'movement' to which I refer to was amorphous, but generally includes those who supported Owen's societies and who participated in the trade unions, which had hundreds of thousands of members and directly incorporated many of Owen's ideas. Heilbroner 1953, 105-116.

⁷² Polanyi argues that "Robert Owen's was a true insight: market economy if left to evolve according to its own laws would create great and permanent evils" and "the characteristic trait of Owenism was that it insisted on the social approach: it refused to accept the division of society into an economic and political sphere, and, in effect, rejected political action on that account. The acceptance of a separate economic sphere would have implied the recognition of the principle of gain and profit as the organizing force in society. This Owen refused to do." Polanyi 1944, 134-6, 175-180.

action and because he discusses his interpretation of the movement in great detail.⁷³

Polanyi devotes several pages to explaining how Owen's society defied the strictures of market relations, by simultaneously providing job security and incentive to work, and by intertwining economic, social, and political life, while remaining profitable.⁷⁴

And given that Owen and the trade unions he led were active in political debates, Polanyi's analysis specifically refutes Dale's assertion that the double movement was not intended "to explore the politics of particular social movements". I will now turn to the question of whether Polanyi envisions the double movement operating through democratic or authoritarian political channels.

A Vision of Democratic or Authoritarian Governance?

Polanyi argues that the double movement generally operates politically, but his conception of whether this occurs through democratic or authoritarian means is unclear. Polanyi's explicit analysis certainly indicates democratic methods, as he closely links the 1832 Reform Bill that extended suffrage to the British middle classes to the passage of the 1834 New Poor Law, which initiates the double movement. And regarding the action of the protectionist principle, Polanyi contends that late nineteenth century protectionist policies were predicated on the extension of suffrage

⁷³ Speenhamland and the Tudor regime cannot be accurately characterized as the protectionist principle acting because such phenomena occurred before initiation of the market economy in Britain in the 19th century.

⁷⁴ Polanyi argues that in this society, "a worker's life wages was only one among many factors such as natural and home surroundings, quality and prices of commodities, stability of employment, and security of tenure"; education for children and adults occurred in non-work hours, and "the high productivity of labor on shorter hours, due to excellent organization and arrested men, advantages which outweighed the increase in real wages involved in the generous provisions for a decent life". Ibid 178–180

in particular states.⁷⁵ But Polanyi's apparent support for democracy is undermined by his lack of analysis of the specific link between democracy and restriction of the market in individual states, a conception of political democracy that is worryingly instrumental, and incidences of historical analysis in TGT that demonstrate sympathy for authoritarian methods.

Polanyi's discussion of the Reform Bill and the New Poor Law is intended to demonstrate a specific instance of the market principle of the movement working through democratic governance, and his analysis of the Chartist movement has the same intent with regard to the protectionist principle. Chartism was a British political movement of the late 1840s that sought to widely extend suffrage beyond that established by the Reform Bill, in which it was ultimately unsuccessful.⁷⁶ Polanyi states that "in England it became the unwritten law of the Constitution that the working class must be denied the vote. The Chartist leaders were jailed; their adherents, numbered in millions, were derided by a legislature representing a bare fraction of the population."⁷⁷

By explicitly linking this suffrage movement to opposition to the market in Britain, Polanyi clearly thinks that the extension of suffrage is a key variable to determining the extent to which those who oppose the market will be successful in

⁷⁵ "How far the state was induced to interfere depended on the constitution of the political sphere and on the degree of economic distress. As long as the vote was restricted and only the few exerted political influence, interventionism was a much less urgent problem than it became after universal suffrage made the state the organ of the ruling million." Polanyi also argues that "by the turn of the nineteenth century— universal suffrage was now fairly general—the working class was an influential factor in the state." Polanyi 1944, 216, 139.

⁷⁶ Ibid 180-181.

⁷⁷ The quote continues, "the Chartists had fought for the right to stop the mill of the market which ground the lives of the people", explicitly arguing that the movement sought to link the vote to the New Poor Law. Ibid 234.

restricting its reach. This discussion of the Chartist movement also displays the type of detailed analysis that if consistently made throughout TGT would have greatly strengthened the key arguments of the double movement.

But as will be demonstrated, Polanyi makes no attempt to determine how anti-marketeters actually utilized democratic institutions like parliaments to achieve their protectionist goals through detailed case studies or analyses of democratic movements during the latter half of the nineteenth century. This flaw of a lack of specificity of causes and effects is a theme that runs through the double movement in TGT. This lack of specificity, combined with Polanyi's statements concerning the link between suffrage and protectionism of the late nineteenth century, leading to a worryingly instrumental conception of democracy.

By 'instrumental', I argue that Polanyi conceives political democracy as inextricably linked to a particular end: the restriction of the market. The market principle also uses democratic means to extend the market in Britain, but Polanyi's fundamental argument is that as suffrage is granted to wider and wider swaths of society, particularly poor laborers, the market is more likely to become subject to political restrictions. The problem with this conception is that democratic freedom is fundamentally the right of the individual to freely make a political choice about a social issue. If instrumentally linked to a particular end, such as the restriction of market relations, the value of this right is greatly undermined. It is not that I think that the relationship Polanyi evokes between democracy and restriction of the market is necessarily inaccurate; indeed, it seems intuitively correct. But to assert that this

relationship is entirely straightforward and not fraught with qualifications and historical ambiguities, on the basis of highly generalized analysis, is untenable.

This issue is also significant because as discussed previously, the final prescriptive chapter in TGT, “Freedom in a Complex Society”, describes Polanyi’s ideas about the difference between socialist and fascist governments, but ultimately fails to elucidate a clear philosophical distinction between such regimes. If Polanyi is similarly unclear as to the function of democracy in the double movement, this distinction becomes even more ambiguous.

This means that it becomes difficult to argue that Polanyi would be a natural opponent of authoritarian governments if such governments acted to restrict the market and protect society in a manner amenable to his arguments in TGT ideas. Certainly, Polanyi would philosophically prefer that this occurred democratically, but if the end result—protecting society from the market—is the same, it raises the question as to how fiercely he would oppose authoritarian regime. Moreover, a specific section in TGT on Polanyi’s own normative view of the role of government reveals troubling sympathies for authoritarianism.

An early chapter of TGT, “Habitation Versus Improvement”, describes the sixteenth century British conflict over enclosures, which seemed to represent for Polanyi the earliest British impulse towards the marketization of land.⁷⁸ In this chapter, Polanyi is concerned with the dilemma of economic change, which he sums up in the phrase ‘habitation versus improvement’. ‘Habitation’ generally refers to

⁷⁸ Enclosures were fields appropriated and enclosed from the commons by fences, typically by sheep farmers who sought to sell their wool to the yarn industry. Ibid 36-7.

individuals whose livelihood becomes obsolete due to change, while ‘improvement’ describes those driving economic change through innovation and efficiency.⁷⁹

Polanyi argues that the struggle of the Tudor regime to slow and in some cases halt the spread of enclosures was vital to preventing social and communal bonds from fraying to the point of social collapse.⁸⁰ In an eloquent statement crucial to understanding his philosophical view of government, Polanyi contends that the proper role of government is to regulate the rate of economic change so that “the dispossessed could adjust themselves to changed conditions without fatally damaging their substance, human and economic, physical and moral”, which evokes an admirable conception of equitable innovation and empathetic transformation of economic arrangements.⁸¹

The problem with this formulation is that it makes no normative commentary on the composition of the political institution regulating this change, and by his specific referral to the Tudor monarchy Polanyi indicates support for or at least ambivalence towards authoritarian governance. This explicit support for the monarchy, combined with my preceding criticisms of the instrumentality of Polanyi’s

⁷⁹ There are several pertinent statements in the chapter regarding the often-debilitating effects of economic change; the most useful are “nowhere has liberal philosophy failed so conspicuously as in its understanding of the problem change” and “if the immediate effect of a change is deleterious, then, until proof to the contrary, the final effect is deleterious”. Ibid 35, 40.

⁸⁰ This apparent point is essentially left undefined; this analytical problem will reappear throughout discussion of the double movement.

⁸¹ This statement is important, so I will reproduce the bulk of it: “the rate of change is often of no less importance than the direction of the change itself; but while the latter frequently does not depend upon our volition, it is the rate at which we allow change to take place which well may depend upon us. A belief in spontaneous process must make us blind to the role of government in economic life. This role consists often in altering the rate of change, speeding it up or slowing it down as the case may be... whether they would find new employment in the fields of opportunity indirectly connected with the change; and whether the effects of increased imports induced by increased exports would enable those who lost their employment through the change to find new sources of sustenance”. Ibid 39.

view of democracy raises serious concern over Polanyi's apparent dedication to political democratic freedom. It also makes the theory of exactly how the double movement is supposed to function politically highly ambiguous, and makes Polanyi's own understanding of the movement seem confused and prone to contradictions.

Dale might argue that these criticisms of democracy versus authoritarian miss Polanyi's larger point, that the movement simply demonstrates social-political conflict over the market. But if Polanyi's conception of the movement as being determined democratically or by authoritarian methods is ambiguous, the conflict itself becomes indeterminate and analytically useless.

Analytical Problems of the Double Movement

I will now proceed to criticize how Polanyi uses the double movement concept in his analysis of the protectionism of the latter half of the nineteenth century. My most significant criticism is that, when conducting analysis through the lens of the double movement, Polanyi does not convincingly differentiate between political action and reaction determined solely by the imposition of and opposition to market relations, and more mundane political competition by interest groups seeking to secure favorable governmental policies for economic gain.

This critique is important because for the double movement to have analytical value, it should be able to distinguish between mere economic interest-seeking, and opposition to the market because it constitutes "dislocation which attacked the fabric of society". If such protectionism is to be justified, it must extend from Polanyi's theoretical points about the market debilitating the social values of the fictitious

commodities. Unfortunately, Polanyi does not make much of a distinction between these motives when discussing protectionism through the double movement

Polanyi attempts to argue that the protectionism of the late nineteenth century constituted the social-protection principle of the double movement by pointing to how widely protectionism occurred across the European world and the breadth of economic sectors that it encompassed. But not only does this argument tend to fall apart due to its very generalization, it is undone because even though Polanyi tries to demonstrate a social– not economic– motive behind protectionism, his reference to the 1873 depression as the only key historical focal point for the emergence of such policies undermines his proffered evidence. The fact that Polanyi avoids discussing industrial tariffs at all, which were quite prevalent at the time, also erodes the apparent distinction he is seeking to make between protectionism driven by economic motive, and protectionism against social dislocation.

Finally, Polanyi explicitly acknowledges that interest group competition is apparent in such policies because of the extent to which policies benefiting different groups– or even contradicting each other– were implemented simultaneously. This phenomenon is significant because by the analysis of the double movement, protectionism should emerge in response to some perceived social problem, not in response to another economic class gaining an economic advantage through political policy. Ultimately, Polanyi does not adequately differentiate between these different causes, and thus the analysis of the double movement tends to fall apart.

Protectionism in the Nineteenth century

Polanyi argues that the protectionism that was implemented across much of the Western world from the mid-nineteenth century through World War I— but particularly during the last quarter of the nineteenth century— essentially consisted of domestic social legislation and protectionist tariffs. The former focuses on unemployment compensation and regulation of workplace conditions, and the latter consists of agricultural tariffs.

The key event in TGT triggering the vast majority of protectionist policies was the 1873 depression, which Polanyi contends “had shaken confidence in economic self-healing. From now onward the typical institutions of market economy could usually be introduced only if accompanied by protectionist measures” and serves as the focal point of his arguments for the existence of the double movement.⁸² As argued previously, Polanyi’s reference to the 1873 depression is problematic because the double movement is supposed to operate for primarily non-economic reasons. This point will be made consistently in the following discussion.

Polanyi hardly makes any effort throughout this section of TGT to specifically discuss the supporters of such policies, and how or why particular policies were enacted in particular states. Polanyi devotes some space to listing instances of social legislation across Europe, but does not attempt any specific analysis of the processes that implemented such policies, nor does he discuss any specific agricultural policies at all.⁸³ Polanyi also does not mention the industrial

⁸² Ibid. 223.

⁸³ Polanyi lists the implementation of unemployment compensation in England, Germany, Austria, and France (1880, 1879, 1887, 1899), and factory inspections in England, Prussia, Austria, and France (1833, 1853, 1883, 1874). Unfortunately, he does not include detailed analyses of how these policies were actually enacted in individual countries. Polanyi also does not actually discuss any specific agricultural policies; besides the aforementioned

tariffs in both Europe and America that were prevalent during this time, the existence of which is problematic because the protectionist principle of the double movement supposedly only encompasses fictitious commodities, which clearly do not include manufacturing products.⁸⁴

Not only does Polanyi stretch the double movement to include not just social legislation but also “customs tariffs” and agrarian protectionism, he directly contradicts himself by asserting that “the great majority of these interventions had no direct, and hardly more than an indirect, bearing on incomes”.⁸⁵ Given that workers compensation is included in the social legislation that Polanyi discusses, this assertion is somewhat problematic. Polanyi continues on to argue that “even in these cases non-monetary interests were inseparable from monetary ones”, but does not seem to realize that the opposite is entirely true as well for all the types of protectionism he reviews.⁸⁶

Class Analysis

statement about labor and land, he also asserts during his chapter about land, “Market and Nature”, that “on the continent of Europe, again, agrarian protectionism was a necessity” and “free trade which, in 1846, had been fought and won on the Corn Laws, was 80 years later fought over again and this time lost on the same issue”. But he never actually supports these assertions by reference to actual policies. Polanyi 1944, 154, 223, 194, 198.

⁸⁴ C. J. Schmitz catalogs multiple industrial tariffs that arose in both America and Europe in the late nineteenth and early twentieth century in his influential book on the growth of big business in America and Europe. One of the theses of the book is that a key driver of business concentration was the competitive pressure of the market, which seems highly relevant to Polanyi’s arguments, but about which he has little to say. Polanyi mentions trusts and monopolies a few times throughout TGT but does not consider how business concentration affects his ideas about the fictitious commodities in terms of being able to differentiate between social opposition to the market and economic gain-seeking through political restrictions on competition. C. J. Schmitz, *The Growth of Big Business in the United States and Western Europe, 1850–1939* (Cambridge: Cambridge University Press, 1993), 46–50. Polanyi 1944, 154–157.

⁸⁵ Ibid 161.

⁸⁶ Ibid 161.

Polanyi thinks that class analysis is central to understanding protectionism generally, and policies of the late nineteenth century specifically, but does not specify how such classes are defined beyond simplistic references to “farmers and laborers”.⁸⁷ Additionally problematic is that the protectionism supported by each class— respectively wage and agricultural price floors— tend to conflict with each other. Polanyi recognizes this but does not consider how it might undermine the analytical value of the double movement. Both of these issues make the analysis in TGT unclear as to who is actually supporting and opposing such policies, which contributes to the existing air of ambiguity surrounding Polanyi’s characterization of the double movement as the opposition of ‘principles’.

Polanyi also argues that class analysis is insufficient to understand the double movement because such analysis generally only counts for economic motives, and does not encompass social problems, but he does not actually refer to any demographics or social groups aside from economic classes in his analysis. There is one exception to this assertion, discussed in the following paragraph, but otherwise Polanyi refrains entirely from more specific consideration of the proponents and opponents of protectionism. Polanyi prefers to rely on far more generalized analysis about how widespread and sweeping protectionism was to make his case for the

⁸⁷ “The essential role played by class interests in social change is in the nature of things. For any widespread form of change must affect the various parts of any community in different fashions... Sectional interests are thus the natural vehicle of social and political change... Various sections in society will stand for different methods of adjustment (including forcible ones) and adjust their interests in a different way from those of other groups”. Also, “Labor and land accounted, primarily, for social legislation and corn duties, respectively. Farmers would protest against burdens that benefited the laborer and raised wages, while laborers would object to any increase in food prices.” Ibid. 159, 213.

existence of the double movement, but as will be demonstrated, such analysis is equally problematic.

Additionally ambiguous is exactly why such policies were being implemented, that is, what the origins and intent of protectionism were.⁸⁸ Polanyi asserts that the self-regulating market system is the fundamental source of all these various and disparate forms of protectionism.⁸⁹ Indeed, as I have consistently pointed out, the critical argument of the double movement is that there is something intrinsic to market contractual relationships that sparks the political and social conflict of the movement, beyond mere economic gain or loss.

For example, Polanyi argues that British laborers were more prone to political action than continental workers even though their living standards were higher because the implementation of the market during the nineteenth century lowered their social status to a greater extent than it did on the Continent.⁹⁰ But this analysis is made in the context of Polanyi's detailed discussion of the New Poor Law, and a similar evaluation of how the market debilitates social relations is entirely lacking in the critical section concerning late nineteenth century protectionism.

Socially-Driven Opposition to the Market or Competing Interest Groups?

⁸⁸ This question is obviously related to the previous inquiry into who was supporting such protectionism, but as will be made clear, it is useful to consider the questions separately to accurately ascertain the source of the flaws in this section of TGT.

⁸⁹ "Although it is true that the 1870s and 1880s saw the end of orthodox liberalism, and that all crucial problems of the present can be traced back to that period, it is incorrect to say that the change to social and national protectionism was due to any other cause than the manifestation of the weaknesses and perils inherent in a self-regulating market system." Polanyi 1944, 152.

⁹⁰ "British writers... pointed to the even lower standard of life of many central European artisans in the textile industries... yet such a comparison obscured the salient point, which was precisely the rise in the social and political status of the laborer on the Continent in contrast to a fall in that status in England." Ibid 184.

Proceeding to my criticism of the double movement as unable to differentiate between interest group theory/political competition and some deeper socially-driven process, the analytical coherence and usefulness of the double movement depends on the market causing some discernible social dislocation and a logical political reaction. If the fictitious commodity of labor is negatively affected by the market for social reasons, these laborers should push for political protectionism; this is how the double movement should work. Naturally, this process might not work so smoothly, but it should appear to be relatively coherent. As will be demonstrated, it is not.

The only evidence that Polanyi explicitly provides for such a socially-driven phenomenon is rather crude and generalized contentions that because protectionist policies arose almost simultaneously— around the time of the 1873 depression— in so many different states and seemed to bear some resemblance to one another, these policies could only be traced to the common origin of the market.⁹¹ While the multitude of protectionist policies⁹² implemented during the last quarter of the nineteenth century do seem to indicate rapid economic and social change, and a shifting conception of the proper role of government, the convergence of policy across different countries alone cannot be taken to decisively designate the market as

⁹¹ As evidence of the apparently uniform effects of the market upon society: “Thirdly, there is the indirect, but most striking proof provided by a comparison of the development in various countries of a widely dissimilar political and ideological configuration. Victorian England and Prussia of Bismarck were poles apart, and both were very much unlike the France of the Third Republic or the Empire of the Habsburgs. Yet each of them passed through a period of free trade and laissez-faire, followed by a period of anti-liberal legislation in regard to public health, factory conditions, municipal trading, social insurance, shipping subsidies, public utilities, trade associations, and so on.” *Ibid.* 153.

⁹² In addition to those policies listed above, Polanyi writes in a footnote that “G. D. H. Cole calls the 1870s “by far the most active period for social legislation of the entire 19th century”, but does not say to which of Cole’s books he is referring. It is also not listed in the references section. *Ibid.* 226.

the sole or even most important variable determining such policies. As Dale argues, “[the] yoking of utterly dissimilar policies and motives under the single heading of protection... is endemic in TGT”, which significantly undermines any apparent link between the market-driven social debilitation and protectionism.⁹³

Even the types of protectionism that Polanyi does review illuminate how the double movement concept is unable to effectively differentiate between policies apparently directly linked to the market, and policies that simply emerged through political competition between interest groups. The fact that protectionist policies for different groups often negatively affect other constituencies complicates Polanyi’s attempt to decisively pinpoint the market as the fundamental driver of protectionism.

If farmers successfully advocate for higher tariff prices, trade unions might organize for higher wages because their standard of living has just been threatened by other protectionist policies. Resistance to the market might be the primary objective of the initial protectionist thrust, but other interest groups will proceed to mobilize politically based on changes in their political environment, not due to economic fluctuations or social debilitation.

Polanyi himself explicitly acknowledges that protectionism “tended to fuse” and that “the origins of the movement were spontaneous and widely dispersed, but once started it could not, of course, fail to create parallel interests which were committed to its continuation”, demonstrating this analytical ambiguity.⁹⁴ But

⁹³ Even while arguing that TGT demonstrates that such protectionism cannot be understood through interest group theory/lobbying alone, Dale continues by arguing that “what is less defensible is [Polanyi’s] leap to the conclusion that the various species of protectionism can be conflated: that business protectionism or import duties are cut from the same cloth as trade union struggles.” Dale 2010, 86.

⁹⁴ Polanyi 1944, 213-14.

unfortunately, Polanyi does not critically or thoroughly consider the implications of how interest group action might blur into opposition to the market for the double movement, which greatly weakens the analytical value of the concept.

The Fictitious Commodities and the Double Movement

As I have stated previously, Polanyi constructs the double movement—specifically, the protectionist principle—through his concept of the fictitious commodities of labor, land and money, because it is these entities that are apparently being debilitated by the market and should react in opposition. Polanyi explicitly argues that “social history in the nineteenth century was thus the results of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones.”⁹⁵ I think Polanyi’s reliance on the fictitious commodities contributes to the identified problems of the double movement concept in two ways.

The first issue is that, as discussed in the previous chapter, the fictitious commodity theory of labor illuminates how the market might devalue the social relations of human individuals, but leaves such relations themselves as unspecified. In doing so, the theory loses all analytical value, because describing human reactions to the market requires understanding both market forces and the value of the social relations being attacked by these forces. I think that Polanyi still attempts to theorize on the basis of this concept, and that his ambiguous references to the importance of class analysis is an attempt to compensate for that fact that the fictitious commodity concept has predictive/descriptive analytical value.

⁹⁵ Ibid 79.

Additionally, if Polanyi thought that the origins of the double movement were social, it would have behooved his analysis to have considered the specific impact of the market on social relations in a more detailed fashion. Through such analysis, Polanyi would not only have had to recognize that there would be complications to how the social reaction to such an impact manifests itself politically, he would have also certainly realized that the social impact of the market would also lead to social–apolitical– reactions.⁹⁶

Second, as I also argued in the previous chapter, while land and money may have greater social utility than a commodity like manufactured goods, they are not fictitious commodities in the sense that human beings are. Land and money may have significant effects on society, but the entities themselves do not have a separate social livelihood that is being discernibly undermined by the forces of the market. Grouping these entities together with labor dilutes Polanyi’s moral critique of the effects of the market on individuals, and I think it similarly contributes to his attempt to make the double movement encompass all of these obviously distinct forms of protectionism reviewed above. In turn, doing this causes the double movement to expand to include protectionism that is obviously predicated on interest group competition, rather than social opposition to the market.

Conclusion

I argue that the identified problems of the double movement concept seriously undermines the analytical utility of the concept. Polanyi is consistently unclear as to whether the double movement functions through through democratic or authoritarian

⁹⁶ Polanyi does mention trade unions occasionally, but devotes no specific analysis to unions or other more ‘social’ reactions to the market.

channels, continuing a trend that I identified in the first chapter. Despite references to class-action and social legislation, Polanyi's notion of who is actually carrying out the action of the double movement is ambiguous. And finally, because he considers so many different forms of protectionism as part of the protectionist principle, and is unable to differentiate between social and economic motives for opposing the market, the double movement winds up as an unwieldy, analytically-useless theoretical concept.

The overarching implication for TGT is significant, because Polanyi analyzes the most important historical sections covered in the book through the lens of the double movement. The protectionism of the late nineteenth century is supposed to demonstrate widespread social opposition to the market, which in turn would provide evidence for the primary thesis that fascism was simply the most pathological form of this opposition. As the double movement stands or falls, so does most of the analysis in TGT. Based on the preceding analysis of this chapter, I do not think the movement can still stand.

Transitional Review

To this point in the thesis, I have accepted the moral critique of the market that Polanyi makes by conceptualizing labor as a fictitious commodity, but argue that this is still not particularly analytically useful. I have rejected Polanyi's idea that land and money are fictitious commodities, at least in the sense that they are equivalent to the human beings that constitute labor. And I have argued that the double movement is both theoretically incoherent, and largely unsupported by the historical evidence that Polanyi marshals to demonstrate its existence. What remains of TGT?

I think that the only idea in TGT that really stands on its own is Polanyi's conception of labor as a fictitious commodity. I am not reversing my argument that the idea cannot produce much useful analysis, but rather agreeing with Polanyi's insight that the market can tend to undermine and destabilize valuable social relationships and structures.

But I also think that Polanyi's basic thought underlying the general concept of the fictitious commodities is well-taken. That is to say, I think that Polanyi is pushing in the right intellectual direction when he critiques the commoditizing force of the market, and when he argues that large sections of society will resist that force through a variety of means. To be clear, I am not excusing the flaws of Polanyi's theories, nor am I suddenly suggesting that TGT has much analytical value today. Polanyi is responsible for the way in which these theories are constructed, and I think they are generally shoddy.

What I do seek to do in the next chapter is to reconsider this process of commoditization generally, and the fictitious commodities specifically in a different, and more specific, historical context. And the reason I want to do so is because I agree with Polanyi's basic intellectual thrust and sentiment in TGT, and I want to see if some of his ideas work in or are enhanced by this alternate context. Thus, I now turn to Jacksonian America to see what Charles Sellers might think about Polanyi's ideas.

Chapter 4: A Polanyian Story in Jacksonian America

Introduction

I now turn to Charles Sellers' 1991 work *The Market Revolution: Jacksonian America, 1815–1846*, to draw out some specific examples of how the market can negatively impact society, and how those affected by the market react in opposition. Sellers' primary thesis is that Andrew Jackson's presidency— 1829 to 1837— represented the culmination of a widespread social-political reaction against the social, economic and cultural problems that the market caused for the traditional ways of eighteenth century American life. But instead of relying on theories like the fictitious commodities or the double movement to make this argument, Sellers undertakes a detailed and critical study analysis of the impact of the market on American life from 1815 to 1846.

This abrupt change of subject, setting and time period may seem perplexing, but it is feasible for two reasons. First, Sellers approaches the market from the same philosophical perspective as Polanyi. By this I mean that Sellers views the market as drastically different from past economic modes, argues that intellectual and commercial elites played a significant role in bringing about market relations in American, thinks that the market destabilized existing social relations in a morally-objectionable manner, and describes a society-wide reaction against the market through the Jackson presidency. Indeed, Sellers is asking the same basic research question that of TGT: how the market destabilizes and debilitates the social livelihood of human beings affected by it.⁹⁷

⁹⁷ A key introductory statement rings with the sentiment of TGT: “by 1815, however, a market revolution was surmounting the overland transportation barrier. While dissolving

And second, if there is one thing that is clear in TGT, it is that Polanyi thought that human opposition to the market would occur irrespective of society or time period.⁹⁸ The problems that Polanyi envisions the market causing for human life will occur in any society that incorporates market economics to any significant extent. And although Sellers does not go into nearly as much detail as Polanyi in defining the market, he basically conceptualizes the market and market proponents as concerned with primarily with productivity and the demands of efficiency at the expense of traditional social structures and economic modes. Sellers also sees a market commodification process at work that undermines social livelihoods, similar to the concept of the fictitious commodities.

deeply rooted patterns of behavior and belief for competitive effort, it mobilized collective resources through government to fuel growth in countless ways, not least by providing the essential legal, financial, and transport infrastructure. Establishing capitalist hegemony over economy, politics, and culture, the market revolution created ourselves and most of the world we know. The stressed and resistance Jacksonian majority has eluded or baffled our historiography of consensual, democratic capitalism. Despite contradictions of patriarchy, racism, and fee-simple property, they rallied around enduring values of family, trust, cooperation, love, and equality. Understanding of both the world they lost and the world we have gained begins with understanding differences between the cultures of land and market.” Fittingly, Sellers footnotes this statement with a reference to TGT as a primary example of “the profundity of capitalist transformation”, although this is the last mention of Polanyi in the book. The two works are thus certainly intertwined in analytical intent. Sellers 1991, 5–6.

⁹⁸ It is interesting to note at this point that Polanyi argues in TGT that America cannot be included in analyses of the market’s impact upon society, because cheap frontier land served as an outlet for the social pressures caused by the market. Polanyi contends that the commodification of labor, land and money did not comprehensively begin until the end of the nineteenth century when such land had been exhausted, but that at that point “social protection set in... The United States caught up with a century of European development: protection of the soil and its cultivators, social security for labor unionism and legislation”. Polanyi was wrong; as will be demonstrated by Sellers’ analysis, the market had begun to impact American society far earlier than Polanyi thought. Polanyi 1944, 210–11.

For these reasons, it is possible to compare Polanyi and Sellers.⁹⁹ Ultimately, any differences between the historical contexts of the two works will be outweighed by the intellectual benefits of the ensuing critical dialogue between the two thinkers.

Sellers versus Polanyi

Seller's close historical analysis generally follows Polanyi's theoretical conception of the relationship between market, society, and government. That is to say, Sellers sees the market as destabilizing social relations and undermining traditional livelihoods, and argues that social discontent with the market was often expressed through political channels— in this case, Jacksonian democracy. But Sellers does not rely on any theoretical concepts at all, and instead simply describes and analyzes historical action. I think this approach illustrates the nuance, complexity, and contradiction to this process that is entirely unaccounted for in TGT generally, and in the fictitious commodities concept specifically.

By this I mean that while Sellers generally views the impact of the market on society in a similar negative fashion to Polanyi, he is also aware the social opposition to the market can manifest itself in a variety of ways. In conjunction, social and political conflict is strongly influenced by the market, but is also subject to non-market forces like race and religion that can complicate analysis.

The objective of this chapter is thus to compare some select elements of Sellers' analysis of the market in early nineteenth century America to Polanyi's general narrative and the concept of the fictitious commodities. I will discuss

⁹⁹ I will also avoid the topic of slavery in this discussion because it is a particularly idiosyncratic part of American history, even though Sellers devotes significant analysis to slavery. Slavery did have bearing on the market in America, but was obviously much more important in the South than in the North, and Sellers tends to concentrate on northern cities, cultural and social norms, and economic changes.

Jackson's rise to the presidency and his struggle to end the national Bank as key examples of popular opposition to the market translated into politics, but will otherwise focus more on the social components of Sellers's analysis than the political aspects.

My overall purpose in doing so is to demonstrate that Polanyi's basic arguments of TGT— that the market negatively impacts society, and large social groups will react in opposition to this impact— are substantiated in the context of a different study, but the way in which these processes play out is much more complex than as theorized in TGT. I do not intend to simply berate Polanyi for the TGT's lack of detail and specificity through the medium of Sellers' work, although I will critically compare the general outlines of both accounts. Rather, my discussion will attempt to see how Sellers' analysis can clarify and qualify Polanyi's thought generally, and the fictitious commodities concept specifically.

The Market Revolution in America

Following a brief section of historical context, I will discuss Sellers' analysis of the origins of the market in America, and how he sees the market as a drastic break from traditional modes of economic organization, similar to Polanyi. I will also consider Sellers' view of the role of governmental financial and legal support in the formative years of the market.

Historical Context

Several important events form the historical and economic context of the book. First, the War of 1812 between America and Britain ended in 1815, which in Sellers' words led "the American market into its historic takeoff", initiating a major

boom in American commerce.¹⁰⁰ This boom was centered in major cities and ports like Boston, New York, Baltimore, Philadelphia. Workplace methods and traditions began to change rapidly as “urban manufacturers multiplied production for the countryside by subdividing tasks and exploiting labor more totally through wages and closely supervised central workshops”.¹⁰¹ Immense commercial growth was thus rapidly reshaping the American economic landscape.

And if the immediate post-1815 years constituted a great economic boom, the Panic of 1819 and ensuing recession was the first great market bust to strike America. Speculative pressure and overinvestment drove inflation and credit expansion up through 1818, when the bubble of postwar demand began to collapse and the American national Bank began to systematically recall debts. This process led to a sharp contraction in available credit and rapid monetary deflation, which coupled with a European financial crisis and a drastic fall in world commodity prices in 1819 led to widespread recession in America. An estimated 500,000 urban laborers were out of work; banks closed, houses were foreclosed, and speculators in Western lands went bankrupt by the thousands; and many coastal manufacturers went out of business.¹⁰² By the mid-1820s, American society had thus experienced its first great boom and bust cycle of the market, and in Sellers’ view, the market revolution was well on its way.

Finally, the end date of Sellers’ analysis— 1846— is linked to both the Jackson’s death in 1845, and the passage of the Wilmot Proviso in 1846 by the House

¹⁰⁰ Annual economic growth increased from the .4% that had characterized most of the eighteenth century to 2% by mid-nineteenth century. These figures, while modest by modern standards, were highly significant at this time of history. Ibid 20.

¹⁰¹ Ibid 20.

¹⁰² Ibid 134–8, 148.

of Representatives (that met defeat in the Senate), which would have banned slavery in any territory acquired during the war with Mexico that began in 1846.¹⁰³ The link of the Proviso to Jackson was that President James Polk, who began the war, was a disciple of Jackson, and sought to extend Jackson's vision of American westward expansion- intended to provide land for enterprising farmers and frontiersmen- through the Mexican-American war. The Proviso was the first salvo in the wrenching conflict over the legality of slavery in acquired Western frontierlands, which would eventually lead to the Civil War. Sellers thus sees Jackson's populism as setting in motion events that would force the nation to confront its "great contradiction"-the practice of slavery versus the ideal of individual liberty- and ultimately resolve the contradiction through a calamitous war.

The Origins of the Market in America

Sellers initiates his book with an account of economic, social and cultural characteristics of pre-1815 America, with an analytical emphasis on pre-market economies and societies and the social changes wrought by the influence of emerging market relations. The section bears remarkable thematic similarities to Polanyi's description of pre-market societies in TGT, as Sellers clearly sees economic organization in pre-1815 America as deeply subsumed within social relations and political structures of community hierarchy.

Sellers argues that particularly in the Atlantic and New England regions, populations consisted largely of small farmers and farming communities, in which the economic goals of life were not gain but subsistence, and in which most goods were

¹⁰³ Ibid 426.

valued by use rather than exchange.¹⁰⁴ Similar to Polanyi's theories about pre-market societies, economic organization in pre-market America seems significantly embedded in social relations in terms of production, distribution, debt and payment, lack of formal contract, and methods of hierarchy.¹⁰⁵ But Sellers also points out that these social relations were not always conducive to human freedom, by pointing out that the stability of traditional familial and social relations was contingent on unshakable patriarchal power that debilitated the freedoms of other family and community members.¹⁰⁶

Sellers contends that the economic origins of markets in America were contingent on declining transportation time and costs.¹⁰⁷ Roads, railways, and canals—many financed by the state—sprang up particularly in the North during the first quarter of the nineteenth century.¹⁰⁸ Steamboats greatly reduced the price of water transport,

¹⁰⁴ In such societies, “rural production of use values stopped once the bodies were sheltered, and clothed and bellies provided for. Surplus produce had no abstract or money value, and wealth could not be accumulated.” The only item of exchange value present was left-over produce that could be exchanged in nearby towns or cities for non-farm products like sugar and whiskey. *Ibid* 5, 12–15.

¹⁰⁵ “The subsistence culture fostered family obligation, communal cooperation, and reproduction over generations of modest conflict”. Communal land was often donated to families based on communally-established need; for work or projects that required multiple hands, nearby families would allot part of their workday to assist; debts were recorded but considered due only when debtors were able to pay; and families rarely worked more than they needed to survive, preferring to devote such time to social activities like dancing, drinking, and eating together. *Ibid.* 5, 9–15.

¹⁰⁶ Women in particular had little to no say in family decisions, including the number of children the wife was expected to bear, emigration, and child labor; “even in long settled rural areas, the law of the strong prevailed... Aggressive masculinity asserted the patriarchal “honor” on which the safety and prospects of women and children depended.” *Ibid.* 9.

¹⁰⁷ Sellers identifies transportation barriers as a significant element supporting the preservation of subsistence cultures. *Ibid* 5.

¹⁰⁸ Sellers states that state governments provided about 60% of canal funding, 15% of turnpike funding, and over 30% of railway funding prior to 1834; the remainder was generally provided by private corporations. But even these private corporations were typically licensed by governments through the justification that their capital would go towards a public purpose, generally infrastructure. *Ibid* 40-5.

and helped connect far-flung waterways like the Great Lakes to the Atlantic seaboard and international markets.¹⁰⁹ As urban centers grew and became more and more interconnected through this burgeoning network of roads, canals, and turnpikes, particularly cities began to attain the commercial density necessary for complex commodity exchanges and accurate market prices.¹¹⁰

Sellers also argues that infrastructural finance by the US central government, which took off in the years following the end of hostilities with Britain in 1815, was consistently made with the intent of spreading and deepening market commerce throughout the US.¹¹¹ Governmental support for infrastructure took place in the context of one of the great philosophical debates about the proper role of the American federal government, regarding whether the support constituted a centralization of power that was at odds with the intent of the Constitution. This debate was formulated by the founding fathers Alexander Hamilton and Thomas Jefferson, who respectively argued for and against the ability of the government to raise taxes and support such expansionary infrastructure.¹¹² The debate was carried on

¹⁰⁹ Ibid 41-3.

¹¹⁰ Sellers documents the astronomical growth of Philadelphia, New York, Boston, and Baltimore, and briefly discusses key commercial sectors to some of the cities. Ibid 23.

¹¹¹ Sellers states that state governments provided about 60% of canal funding, 15% of turnpike funding, and over 30% of railway funding prior to 1834; the remainder was generally provided by private corporations. But even these private corporations were typically licensed by governments through the justification that their capital would go towards a public purpose, generally infrastructure. Ibid 40-5.

¹¹² “Ever since Hamilton and Jefferson’s conflicting advice to President Washington about the first [national] Bank, constitutional issues had dominated the debate over national developmentalism. Contention focused on the word *necessary* in the Constitution’s clause empowering Congress to “make all laws which shall be necessary and proper for carrying into execution” a long list of specifically enumerated powers—among others, to lay taxes, declare war, regulate commerce among the states, and “establish” post offices and post roads.” Sellers discusses this continuing debate at length in the chapter “Let Us Conquer Space”, which refers to a statement by John C. Calhoun in favor of the Hamiltonian tradition. Ibid 70-102.

long after each man had passed away, and is too complex to fully discuss in this thesis, but I will return to it when I compare Polanyi and Sellers's thought. For now, I bring it up to point out that there was an ideological aspect to this infrastructural spending aside from pure commercial concerns.

One of the most important results of such infrastructural investment was rising land prices. As urban markets became increasingly interlocked through new roads and canals, and consequently both commerce and migrants gained greater access to previously-restricted agrarian communities, demand for land began to grow rapidly. Of resulting high land prices, Sellers contends that "subsistence farmers eventually faced the additional pressure of an agrarian crisis—too little land for too many children... Fathers were forced into the market in an often losing effort to provide children the traditional patrimony of land or an alternative start to life".¹¹³ This general trend is highly significant to Sellers' overarching theme of increasing market pressure in society, as small farmers in agrarian communities gradually were forced to abandon traditional ways of life and typically move to urban market centers. Rising land prices— in the Polanyian sense, the commodification of land— thus signaled the looming end to agrarian, non-market life in America.

And as a final note, Sellers argues that the economic results of this process were typically highly debilitating. Farmers were driven to the cities and became insecure urban laborers, and urban workers themselves saw their livelihood become more unstable due to heightened competition through the increasingly interlocked market. Sellers asserts that "while enriching many, commercial boom had made life

¹¹³ Ibid 156.

more precarious for nine out of ten urban dwellers...insecurity was also overtaking the skilled half of the urban working class, the artisans or mechanics...journeymen became permanently dependent on wages”, as the market cheapened labor and made laborers increasingly subject to fluctuating unemployment.¹¹⁴

Society, Culture, and the Market

Having reviewed Sellers’ account of the origins of the market in America, I now turn to his interpretation of the impact of the market on American cultural and social norms and relations. I will include his analyses of rise of market-oriented demographics, ‘market ideology’ of these groups, declining birth rates and changing sexual norms, alcoholism, and labor unionism. The points made in this section are key elements of Sellers’ overarching argument that the market drastically disrupted traditional modes of social life, typically in a negative manner.

Commercial Elites, the Market, and Ideology

The economic shift towards market organization described above was accompanied by the rise of a commercial demographic that was distinct in economic livelihood and social outlook from the agrarian, small farmer origins described above. This demographic was not restricted to one occupation, but included port merchants, master craftsman, doctors, large manufacturers, and entrepreneurs, and was localized in urban market centers. What bound these groups together was the general pursuit of economic gain, in contrast with the oft-laconic, use-value agrarian production that characterized much of the American economy prior to the nineteenth century.¹¹⁵

¹¹⁴ Ibid 23–5.

¹¹⁵ For example, “successful mechanic/entrepreneurs preached a new ethic of ascetic effort against the easygoing pace and free-drinking camaraderie of traditional work ways...

Writing of class supporters of the market and the ideology they subscribed to, Sellers argues that “the so-called middle class was constituted not by mode and relations of production but by ideology”, which refers to the ideals of individual self-discipline and economic advancement through work that accompanied spreading market relations.¹¹⁶ Throughout the book, Sellers describes employers exhorting their workers to productive self-discipline, church leaders advising their flock to contribute to the moral health of society through alcoholic temperance, and politicians proclaiming the need for federal support to construct a great and thriving commercial society. Sellers argues that the cultural transformation accompanying shift to market economics was in some ways as significant as the economic transformation. In addition, those who subscribed the goals and values of commerce and the market were active in promoting their ideology through non-economic channels.

A specific example of market proponents promoting the proper cultural ideals that they associated with the market was the 1830s campaign for public schooling and literacy.¹¹⁷ This campaign, spearheaded by New England commercial gentry was explicitly intended to create productive, property-respecting citizens. School provided a replacement for more traditional craft apprenticeships that were no longer a possible form of livelihood due to market pressure for cheaper labor, and noteworthy individuals encouraged schooling as a path to a better society. For example, Benjamin Rush, a prominent Boston-based doctor and businessman, argued

Sharpening competition enforced the stricter discipline imposed by these exemplars of capitalist success”. Ibid 27.

¹¹⁶ Ibid 237.

¹¹⁷ “A greater surge in the rural Northeast pushed enrollment ratios from around 40% in New York in 1798 to around 70% in both New York and Massachusetts in the 1830s and 1840s. Ratios averaged an astonishing 82% in the smallest Massachusetts towns by 1826”. Ibid 366–9.

that public schooling helped “render the mass of people more homogenous”, and fit for useful, productive lives in the republic.¹¹⁸

Based on these points, it is clear that Sellers sees a significant effort by those who benefited from the market in encouraging a cultural transformation alongside changing economic modes. And as will be demonstrated, American culture and society certainly was shifting in relation to the market.

Birth Rates and the Market

Regarding birthrates and sexual practices, Sellers argues that because US birth rates began to fall so precipitously prior to major mortality declines or urbanization/industrialization, such a fall was largely being driven by rapidly rising land costs. In turn, these costs were spurred by market commoditization of land and market-driven transport interconnection.¹¹⁹ Sellers does not provide statistics linking land cost or birthrates to urban centers or areas of dense transportation infrastructure, but he does point out that the US was the only Western country to experience such drastic birth rate declines prior to mortality or urbanization processes.¹²⁰

In subsistence farming societies, children were an asset to the economic livelihood of a family because more hands could work the field. But in a world of rapidly-rising land prices, driven by the market, more children- particularly sons- meant more land that the father would have to provide to his progeny when they reached adulthood. Sellers contends that it was largely this market-driven process that caused birthrates to drop so precipitously.

¹¹⁸ Ibid 367.

¹¹⁹ Ibid 240.

¹²⁰ Overall birthrates declined from 55 births per 1000 whites in 1800 to 43.3 by 1850. Ibid 240.

Additionally, sexual norms changed rapidly in accordance, as “an unprecedented denigration of eroticism” came to characterize popular print journals and books in the 1820s and 1830s.¹²¹ Because birth control was much less prevalent then than in contemporary society, sexual practice itself was socially discouraged in accordance with the heightened demographic pressure caused by market commodification of land.

Alcoholism and the Market

Sellers argues that the market both spurred alcoholism and temperance movements in the 1830s, as American alcohol consumption grew from 5.8 to 7.1 gallons per capita through 1790–1830, and fell to 3.1 gallons in 1840. Particularly urban ports provided access to foreign hard liquor, and generally the “the market revolution impelled the stressed into seeming epidemics of escapist addiction”.¹²² Consumption of different types of alcohol followed class lines, as the well-to-do drank wine, while urban workers binged on whiskey and beer.

Simultaneously, anti-alcohol movements like the American Temperance Society that became hugely popular in the mid-1820s were often led by wealthy businessmen who sought to impress upon society the self-discipline and teetotaling work ethic that they saw as key to their own success.¹²³ Church-based moral groups “emphasizing the economic costs of alcohol” promoted total abstinence, while

¹²¹ Ibid 242.

¹²² Ibid 261.

¹²³ The Society claimed a million members by 1833, a massive constituency for this time. Ibid 262–6.

business owners and employers encouraged their employees to raise productivity by avoiding alcohol.¹²⁴

In this dynamic, Sellers sees alcoholism as being influenced into contrasting directions by the market. On the one hand, migrants pushed to the city by rising land prices, and insecure urban laborers constantly on the verge of unemployment, used alcohol to a far greater extent than in past times. Sellers argues that this was often a consequence of rising insecurity and stress that increasingly characterized the lower urban classes throughout the first quarter of the nineteenth century.

And on the other hand, alcoholism was quickly perceived by merchants and commercial businessmen as a threat to both workplace efficiency and social stability. To maintain productivity and protect against rising social tensions that might disturb market commerce, such individuals helped spearhead the first temperance movements in American society. Aided by the endorsements and organizing efforts of church groups, such movements sought to restrain the impulse towards alcoholism to the end of social stability and productivity.

Labor Unionism

Sellers documents labor organization and trade unionist activity as sparking up in American cities as far back as 1794, occurring particularly amongst middling-skill journeymen like carpenters, stonecutters and tailors. Sellers argues that often such middle-skilled workers experienced a greater loss in socioeconomic stability than most other classes. They did not have the skill or capital of craft masters necessary for prolonged security, but also consistently faced the threat of losing their

¹²⁴ Ibid 264.

jobs to lower skilled but cheaper workers.¹²⁵ Throughout the first quarter of the nineteenth century, these journeymen were typically the first to unionize, and did so both for heightened wages and shorter workdays.¹²⁶

But labor organization, and more general opposition to the market by urban laborers, also often fractured along lines of race and religion. Market fluctuations might catalyze labor organization, but more likely than not white laborers would turn against “even more vulnerable blacks and immigrants” of the same general economic class or occupation.¹²⁷ In addition, Protestants would oppose the organization efforts of Irish Catholics, as “plebeian nativism registered both immigrant competition for hard-times jobs and the hard-times compulsions of middle-class culture”, referring to both demographic and economic market pressure.¹²⁸

The market was thus typically the predominant force pushing labor to organize, but this did not mean that class lines never splintered due to racial or religious divisions. Urban labor in America was subject to a number of influences—market-based, social, and cultural— that alternately pushed towards organization and dissolution.

Jacksonian Democracy and the Market

As stated in the introduction of this chapter, Sellers’ primary thesis is that Andrew Jackson’s presidency symbolized the culmination of many different strands of social opposition to the market in America. Jackson first came to prominence as the winning general of the decisive Battle of New Orleans at the end of the war of

¹²⁵ Ibid 24-5.

¹²⁶ Ibid 285-6.

¹²⁷ Ibid 386.

¹²⁸ Ibid 390-2.

1812, entered politics in the years after, and ran against John Quincy Adams in the 1824 and 1828 presidential elections. Jackson lost the 1824 election despite winning both the popular and electoral vote because his 99 electoral votes did not constitute a majority. When the electoral decision went to the House of Representatives as mandated by the Constitution, the Speaker of the House, Henry Clay, supported Adams in return for being named Secretary of State in the Adams administration.

For Sellers, the 1824 election symbolized the rapidly-growing and increasingly-contentious divide between those who had benefited from the market in America, and those who had not. This divide was the result of many of these socioeconomic shifts surrounding the origins and impact of the market in America discussed above. But these more general trends of rising social and economic instability, and class tension, had a specific political component that had begun to come to head by the 1824 election.

Political Disillusionment: The Origins of Jacksonian Democracy

Political grievances sprung in particular from the fact that one of the most significant activities of American government at this time— infrastructural finance— largely enhanced the economic gains of those who were already benefiting commercially from the shift towards market economy. Politicians who enacted such policies typically did so under pressure from urban merchants and manufacturers who were already immersed in the ways of the market. But the roads and canals constructed through such financial support often impacted most those relatively untouched by the market, because these infrastructural projects strengthened the connection of urban markets to agrarian communities.

These grievances were exacerbated by the policies of the American national Bank in reaction to the Panic of 1819.¹²⁹ The Bank generally recalled debts from both individuals and state banks, placing pressure on the economy as a whole, but in the years after enacted debtor-relief policies that “mainly propped up the banks and the imperiled market elites who were their stockholders and biggest borrowers”, resulting in “massive political uprisings in many western states.”¹³⁰ Paper money and easy credit became thus associated with cronyism and corruption.

Because the most prominent backers (and beneficiaries) of the Bank were politicians and the commercial businessmen who supported them, the perceived injustices of the Bank’s policies during the ensuing recession did more than any other event to bring into question the existing political system. Increasingly, “farmers and workers experienced politics as a search for good men who could be trusted to defeat the selfish stratagems of market elites”, and “democratic insurgency” surged particularly across the West, “encouraging a new breed of politicians, men of humble origin who challenged genteel officeholders”.¹³¹ Jackson had become a US Senator from Tennessee by this time, and his rough, honest and blunt manner, combined with his war history, gave him extraordinary personal popularity in this political climate.

The 1828 Election and the Jackson Presidency

In addition to the growing impulse towards “democratic insurgency”, states throughout the nation had been gradually reducing land ownership restrictions on

¹²⁹ In addition, more direct government action tended to support commercial interests during the recession that followed the Panic: Sellers states that “each stricken interest group focused on government its hopes for survival”, but that of such interest groups, East Coast manufacturers were most capable of organizing their demands and placing pressure upon their congressional constituents for heightened tariffs. Ibid 148.

¹³⁰ Ibid 164.

¹³¹ Ibid 165.

suffrage, which meant that suffrage for white men had expanded greatly by 1824 and was nearly universal by the 1828 election. In Sellers' view, the decision of 1824, which combined the democratic expectation of increased suffrage with a particularly cynical display of elite political machinations, resulted in "a general mass of disaffection to the government" that was rectified by a resounding Jackson victory in 1828.¹³² One particular issue characterizing the Jackson presidency that is relevant for my discussion was the 'Bank War'.

The Bank War

The Bank War was Jackson's struggle from 1829 to 1833 to end the American national Bank, which Jackson won by removing federal deposits for the bank in 1833. Jackson's aims of westward expansion, were undertaken with the goal of providing cheap land to dispossessed urban Americans in the hopes of re-creating traditional agrarian culture.

The conflict over the Bank constituted Jackson's most overt attack on upper-class commercial interests, and Sellers argues that the conflict was a critical early example of American popular democracy in opposition to the market. Jackson announced during the opening months of his presidency that he would seek to prevent the Bank from receiving a new charter from Congress. This attempt failed, but nonetheless, Jackson managed to kill the bank in 1833 by removing federal deposits, thus leaving it unable to function.

Sellers asserts that "the Bank War was the acid test of American democracy. Never has the farmer/worker majority given a more radical mandate to a more

¹³² Jackson won 60% of the electoral vote and 56% of the popular vote. Ibid 198–201, 299–300.

indomitable President... By doggedly assailing banking, Old Hickory [Jackson] gradually mobilized a seemingly invincible army of disciplined Democratic voters. Never has the majority seemed so close to actually ruling.”¹³³ As discussed previously, the Bank had become extremely unpopular during the 1820s, and Jackson’s struggle to end it was well received particularly by urban workers. Indeed, in Sellers’ view, this represented the culmination of Jacksonian democracy, and the peak of cresting social opposition to the market in America. This concludes my review of the elements of Sellers’ work that is relevant to TGT, and I will now proceed to compare the analytical themes of the two books.

The Market Revolution and The Great Transformation

To reiterate, this comparison is generally intended to be constructive, although I will point out aspects of Sellers’ analysis that I think illustrate flaws in TGT that I have commented upon. Both books may be primarily concerned with how the market impacts society, but the methodological approaches of each are obviously very different, so my intent is not to say that one is “better” than the other. My general argument is that Polanyi’s basic critique of the effects of the commodification process of the market on society holds up in a different historical context, but that Sellers’ work also demonstrates the different ways in which this process could affect society unaccounted for in TGT.

I will first consider how Sellers’ account of pre-market society and the origins of the market in America compares to the account in TGT. Because the two thinkers were considering different geographic settings, I will focus on the role of ideology for

¹³³ Ibid 321.

both, although this focus will not be exclusive. I will then use Sellers' analysis of the impact of the market on American social life and reactions to that impact and the Bank War to try to sharpen and clarify the fictitious commodities of labor, land, and money.

Market Origins

Sellers, similar to Polanyi, sees the market as a drastic break from previous forms of economic organization in America. Given how young the American nation was at the time, the geographical vastness of the country, and past criticisms of Polanyi's conception of pre-nineteenth century societies, it is probable that markets were actually more rare in America than to Britain at least up until 1815. Sellers thus certainly thinks the market was unnatural to American society, like Polanyi.

Additionally, Sellers generally agrees that the concept of individual gain was largely absent in pre-market American society, and that economic production was either subordinated to communal and familial relations, or that production stopped once basic needs have been met. But by his discussion of patriarchal control of the pre-market family, Sellers is also less sanguine and more realistic about the value of pre-market social structures than is Polanyi. These structures often benefited men to a much greater extent than women. In addition, Sellers' analysis of declining birth rates due to rising land costs means that American wives were under less pressure to give birth to sufficient numbers of children to maintain farms and fields.

There are also similarities between the two works regarding the origins of the market. Most pertinent is governmental support as essential to laying the foundations for the market, although Sellers focuses on infrastructural finance as opposed to

Polanyi's analysis of the legal and administrative support for the British New Poor Law. In both accounts, however, the state does play a significant role in supporting the spread of markets, often to the disadvantage of those who have the least access to the state. For Polanyi, these groups are the urban laborers lacking the vote, and for Sellers, agrarian communities with very limited access to urban centers.

Parallels of Ideology

Given the significance that Polanyi assigns to market intellectuals like Ricardo to promoting the market, Sellers' assertion that "the so-called middle-class was constituted not by mode or relations of production but by ideology" is obviously relevant. This ideology is not as specific as the classical economic theory providing the foundation for the self-regulating market, but Sellers is more clear than is Polanyi concerning how such ideology makes its impact felt upon society. By this assertion, I refer to Sellers' specific discussions of the campaign for public schooling as intended to homogenize the American population, and alcoholic temperance societies.

A more evocative parallel to TGT, however, is the philosophical debate that was occurring over the American federal government's role in promoting infrastructure and commerce. The supporters of this role were typically politicians who would receive little to no direct commercial benefit from internal improvements, and promoted such improvements due to ideological sentiments. For example, Sellers describes John C. Calhoun, a prominent career politician, arguing that "roads and canals were preeminently conducive to the general welfare...by extending the

market”, and that the American populace as a whole would benefit from increased commerce.¹³⁴

Indeed, such sentiment seems to indicate that support for the market was literally a “principle” for men like Calhoun. I do think that this important American debate has parallels to how Polanyi conceptualizes market theory shaping the Western world. That is, prominent individuals act so as to shape economic structures in society as per their normative view of how the economy should work, irrespective of how that affects many individuals in society.

For Polanyi, such ideologues are the driving force behind the New Poor Law, which he thinks resulted in a social and economic catastrophe for the British working class. For Sellers, governmental finance for internal improvements, often led by men like Calhoun, pushed the market far beyond urban centers and into largely pre-market agrarian communities. Undoubtedly, canals, roads, and turnpikes greatly enhanced trade and thus boosted commerce in cities that had previously been unconnected, but also caused the rising land prices that were central to pushing farmers off their land and into the city.

Social Problems of the Market

One particular analytical point in Sellers’ work that I argue should have been included in TGT is his analysis of how the market affected alcohol consumption and birth rates. This is not to say that Polanyi needed to consider these specific issues, but rather that throughout TGT Polanyi asserts at several important point that the worst

¹³⁴ Ibid 78.

effects of the market are social. And yet, he consistently fails to provide examples of these debilitating effects that are independent of economic loss.

The significance of these thrusts of alcoholism and birth rates is that by considering these non-economic phenomena, Sellers is able to describe how the market can impact society irrespective of shifts to the underlying economic mode. Sellers' discussion of alcoholism also strongly evokes the sentiments of Polanyi's assertion that the market "attacked the fabric of society", and changing sexual norms also demonstrates how drastically the market could affect social relationships.

I think that TGT would have benefited greatly from this type of analysis. These shifting social norms that Sellers links back to the market help illustrate just how socially destabilizing the economic processes of the market can be. Having established that Sellers shares Polanyi's basic critique of the effects that the market can wreak upon society, I will now consider how some specific aspects of Sellers' analysis can sharpen and clarify Polanyi's fictitious commodities.

Labor–Racism, Religion, and the Market

My primary criticism of Polanyi's conception of labor as a fictitious commodity is that it merely asserts that the market negatively affects labor, and leaves the social relations of the laborer unspecified. Relying on this conception to build the double movement, Polanyi seems to think that all laborers will act alike when faced with the commodification pressures of the market. Referring back to the section about labor organization, I argue that Sellers certainly agrees with Polanyi that the market often caused great social and economic debilitation to laborers, and that such individuals would oppose this treatment.

But Sellers' consideration of racial and religious divisions within organized labor groups also demonstrates my point that such opposition to the market is often contingent on the specific social relations that are being affected. In the case of nativist American workers, racism and sectarianism are components of these social relations. And by Sellers' analysis, in some cases such relations might override opposition to the market itself, thus demonstrating the complications to these relations that I argue the fictitious commodities concept does not account for.

Rising Land Prices

I think that Sellers' analysis of rising land prices also lends clarity to what Polanyi may have been attempting to argue when conceptualizing land as a fictitious commodity. I criticized this idea quite harshly, as Polanyi is unclear as to whether he is primarily focusing on agriculture or nature itself. Either way, both are not equivalent to the human beings who constitute labor.

But Sellers' account of the significance of rising land prices to pushing farmers off their land and into the cities helps solve this problem. Basically, the commodification of land sets off the commodification of labor, as such farmers often became poor, urban workers. Thus, in this sense, labor and land do become more intertwined as fictitious commodities, as Polanyi argued they were. Unfortunately, Polanyi did not push this point further in TGT.

Money–Paper versus Gold

Finally, I argue that Sellers' analysis of popular discontent with the national Bank helps demonstrate my argument in the second chapter that Polanyi should not have conceptualized money as a fictitious commodity along with labor, but rather

should have focused on the political decisions involved in monetary policy. Polanyi concentrated too much on the fact that gold is a commodity when theorizing about the social impact of monetary policy, which led him to try to conceptualize money as equivalent to labor.

As discussed, Sellers argues that American public ire was focused on paper money, rather than gold. In fact, support for hard currency amongst urban workers was strong during Jackson's presidency. The reason for this sentiment was that the dominant public perception amongst the lower classes was that the paper money generated by the Bank only served the needs of the commercial classes. Paper money was in this sense not a means of expanding credit for productive businesses that suffered from the vicissitudes of the gold standard, but rather the driver of speculation and inflation that helped cause the 1819 Panic. A return to hard currency, it was thought, would force restrictions on this speculative and inflationary dynamic.¹³⁵

In addition, Sellers argues of the Bank that "society's most profoundly political decisions were being made out of public view, by private, profit-making corporation that was answerable only to a paper aristocracy of stockholders and banking interests", evoking this point about the connection between politics and monetary policy.¹³⁶ This is also exactly the point that Polanyi was trying to make, but unfortunately he became too concerned in TGT with the notion of commodity money. The question is not paper or gold money, but rather how each type is used in society, and how central banks influence such use.

Conclusion

¹³⁵ Ibid 342-4.

¹³⁶ Ibid 322.

Through this comparison of *The Market Revolution* and TGT, I argue that Polanyi's basic argumentative thrust concerning the ill effects that market commodification processes can have on society is in accord with Sellers' general view of the market. I think this is significant because not only is Sellers considering the market in a different setting and time than is Polanyi, his methodology is also significantly more detailed than Polanyi's. Sellers' close historical and social analysis certainly demonstrates more nuance to this process than is accounted for by Polanyi's fictitious commodities concept, but most of the key ideas of this analysis are similar.

This assertion is not intended to resuscitate the theoretical concepts of TGT that I have spent considerable time dismantling. Based on my consideration of the fictitious commodities in the context of Sellers' analysis, I think that this concept could have been salvageable if each fictitious commodity was analyzed independently. That is, if Polanyi had differentiated labor from land and money. But he does not, and indeed, this is my main line of criticism of the concept. In the final analysis, I certainly hold Polanyi responsible for the many internal flaws that characterize his theories.

But I also do think that that this thrust, and the normative sentiment that accompanies Polanyi's harsh critiques of the market, together forms the basis for Polanyi's resurgence and lasting appeal that I discussed in the introduction of the thesis. Similarly, I do not think it is coincidental that Sellers references TGT in the opening pages of his book (and based on this thesis, I also think there is a reason why Sellers references TGT but does not use any of the actual content of the book). I will expand this point in the conclusion of the thesis, to which I now turn.

Conclusion

In TGT, Polanyi takes on the enormously ambitious and challenging task of linking the liberal market economy to the rise of fascism during interwar period. In doing so, he tells a story that is startling in its assertions and impressive in its scope. But ultimately, I find it unconvincing.

To review, this thesis began with a critique of the historical narrative of TGT. I am not the first to criticize this narrative generally, but my contribution is that I push this critique to the primary argument of the book, that fascism was the result of the market. Polanyi argues that the market was the fundamental driver in delegitimizing liberal democracy, and that both socialism and fascism act to restrict the market, but does not query as to why socialism did not then become similarly prevalent to fascism. In addition, his normative vision of socialist governance does not make a clear philosophical distinction between the two ideologies, which leaves in doubt his own fundamental sentiment as well.

I then consider Polanyi's theory of the self-regulating market, and his concept of the fictitious commodities. His arguments concerning the effects of the commoditization process upon the social livelihood of labor form the basis of his moral critique of the market, which I do think is insightful. But Polanyi then proceeds to make land and money equivalent with labor as fictitious commodities, indicating that these entities also have some definite social utility that is undermined by the market. I argue that grouping land and money with labor dilutes Polanyi's previously potent moral critique of the effects on the market on human beings, and also makes the fictitious commodities concept as a whole less analytically useful.

In the following chapter, I analyze the double movement, which is the force propelling most of the action in TGT, and which is also the most prominent theoretical concept of TGT. The movement purports to describe a grand social conflict over the market, but I find it incoherent internally, and ultimately of little analytical use. I argue that these issues are largely due to the previously identified problems of Polanyi's fictitious commodities, because it is through the fictitious commodities that Polanyi sees this conflict, and hence the double movement, occurring. Because the double movement is the central theoretical concept through which Polanyi describes the conflict over the market that drives the narrative of TGT, these problems of the movement mean that much of this narrative is also incoherent.

I then turn to Charles Sellers' work *The Market Revolution* for an interpretation of the market commoditization process at work in a different setting, time period, and culture. Sellers' analysis is as nuanced and detailed as Polanyi's is sweeping and theoretical, but the sentiment to both stories regarding the relationship between the market and society is remarkably similar. I do not argue that this similarity saves TGT, but rather illuminates at least one reason why TGT has stuck around for so long. And that is because Polanyi's basic sentiment towards the possible effects that the market can have on society is insightful, even if he does not translate this sentiment into theory very well.

I would like to conclude with two final points. First, as should be apparent at this point, in the final analysis I do not think that TGT has withstood the test of time particularly well. Its historical foundations have gradually been chipped away since

1944, and this thesis has hopefully delivered a critical blow to the theoretical aspects of the book. Polanyi's moral critique of the market remains, but little else.

And second, this is not necessarily mean that students and scholars should cease to read TGT. The book still constitutes one of the earliest, most original and most sustained critiques of the liberal market. Stepping away from the primary thesis of the book, the historical section on the interwar period contains excellent pieces of analysis, particularly Polanyi's criticisms of the gold standard. Polanyi's section on the self-regulating market is also fascinating, as are some of his ideas about the institutional separation that characterizes market societies.

But more importantly, reflecting back on the reasons for which I was drawn to the book, reading TGT is a journey. I think it is a flawed journey, and travelers along its path would be well advised to be aware of the criticisms it has endured since its publication. But Polanyi is an excellent writer, and challenges the reader at every step to keep up with his thought. Part of this challenge is that his thought process is not particularly systematic, as is most likely apparent from this thesis. However, I can definitively say that the experience is rewarding. At the very least, citizens in our world today who read the book will most likely have their assumptions about the market challenged. I encourage them to try their luck.

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