

## **Karl Polanyi: Freedom in a complex society**

Yahya Mete Madra

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The 1990s saw a revived interest in the writings of Karl Polanyi (1886-1964). Given that capitalism is still in the process of being re-instituted everywhere across the globe; given that the expansions and contractions of capitalism cause endless social dislocation; given that the recent wave of financial liberalization, labor market deregulation, and privatization has led to grave socio-economic costs; this revived interest should not be surprising. Those who wanted to understand and devise alternatives to capitalism have found it useful to revisit Polanyi's account of the emergence of capitalism as laid out in his *The Great Transformation*.

Polanyi maintained that *exchange*, along with *redistribution* and *reciprocity*, has always existed, albeit *embedded* in different socio-institutional forms. Nevertheless, during the nineteenth century, first in England and then in Western Europe and North America, as land, labor, and money gradually became commodities, the price mechanism and the profit motive, rather than the deliberation and negotiation of diverse social interests and concerns, became the structuring principle of the society. The *market society*, for Polanyi, was not only undesirable but also was socially and ecologically unsustainable. He believed that the society will develop *spontaneous* responses to protect itself against the advent of the logic of the markets.

However, when Polanyi argues that it is the advent of the economic logic that destroys the social fabric, and that the latter protects itself through, for instance, the social regulation of labor markets, environmental pollution, and financial speculation, he seems to be treating not only "the economic" as an autonomous extra-social logic, but also "the society" as an undifferentiated whole. When "the society" is pegged against "the economy," it becomes difficult to see how "society" may be divided between those who do and do not benefit from the rule of markets and how "the economy," including the institutions of market society, is always shaped by political struggles, animated by cultural codes, and most importantly, embedded in economic theory.

Indeed, Polanyi's analysis of the non-spontaneous construction of market institutions was informed by his equally profound critique of the formalism of the then-ascendant

Neoclassical economic theory. For Neoclassical economics, all societies, past and present, western or non-western face the same economic problem: the optimal allocation of scarce resources. In contrast, Polanyi believed that this framework is specific to market societies and it is an “economistic fallacy” to apply the axioms and assumptions of Neoclassical economics to social formations where land, labor, and money are not bought and sold.

Polanyi was mainly concerned about the social consequences of economic theory: In *The Great Transformation* and elsewhere, he carefully studied the role that the economic theories play in the design, implementation, and further entrenchment of the rule of markets. Today, given that the structural adjustment programs of the institutions of Bretton Woods are informed, shaped, and formatted by exactly the same market-centric economics that Polanyi criticized with unflinching perseverance, this insight may be more relevant than ever.

Moreover, living through the rise of Fascism in Europe, Polanyi was acutely aware that there is nothing to guarantee that the defensive reflexes of the social body to the rule of markets will be democratic, and not reactionary. Therefore, if we wish to question the fetishistic logic of the rule of markets, if we wish to realize “freedom in a complex society,” we need to deliberately imagine and enact solidaristic and democratic ways for socially embedding the economy, both practically and theoretically.

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## **Web Resources**

Karl Polanyi Institute of Political Economy, Concordia University, Montréal, Quebec, Canada

<http://artsandscience.concordia.ca/polanyi/>

Selected proceedings of the annual conferences of the Institute are published as edited volumes in the series *Critical Perspectives on Historic Issues*, by Black Rose Books of Montréal, Canada.

<http://www.web.net/blackrosebooks/critper.htm>