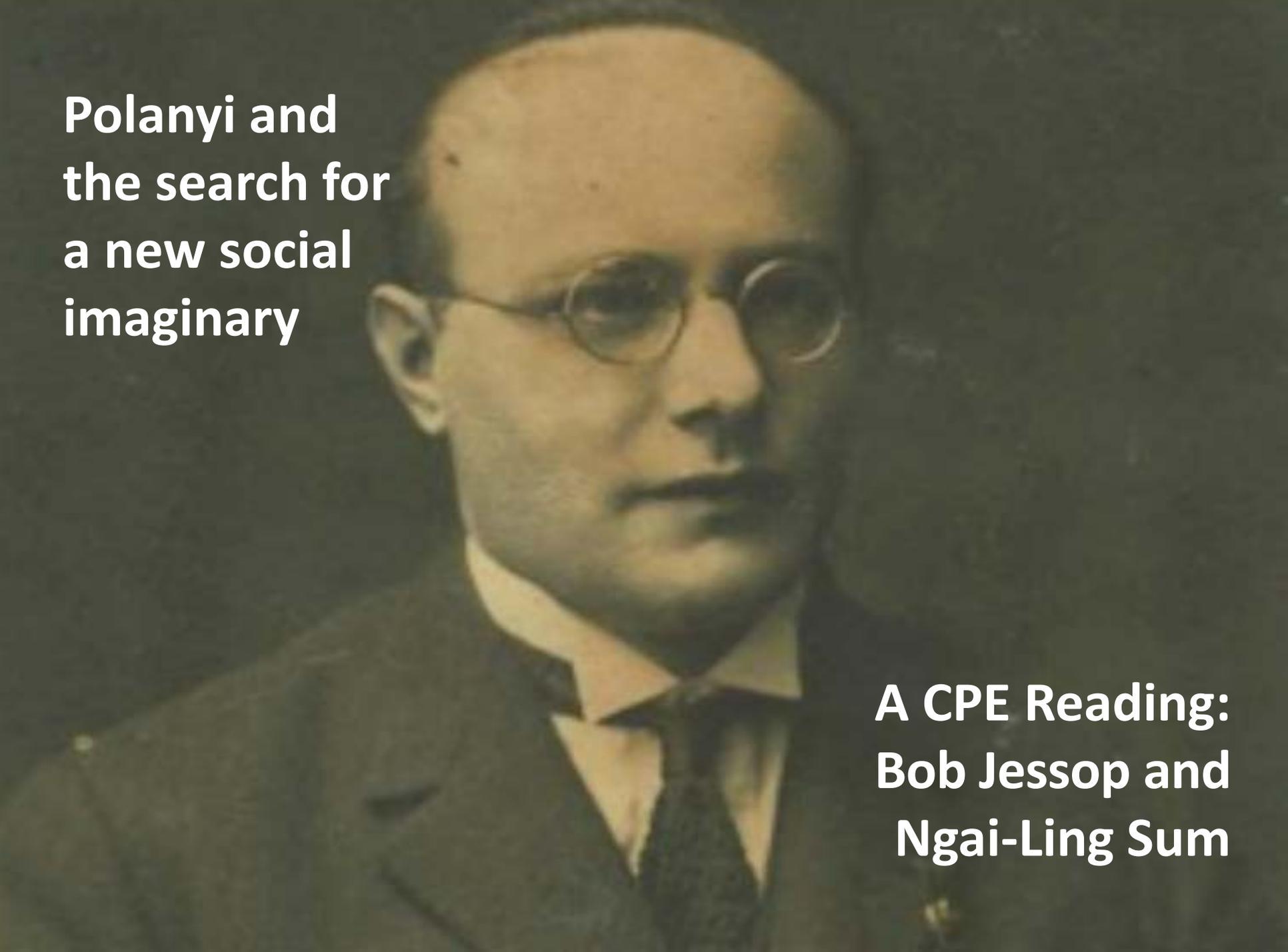


**Polanyi and  
the search for  
a new social  
imaginary**

**A CPE Reading:  
Bob Jessop and  
Ngai-Ling Sum**



# Outline

- Locating Polanyi
- Formal vs substantive economics
- Modes of distribution
- Fictitious commodities
- The double movement
- CPE and social imaginaries
- Land and knowledge today
- The search for new social imaginaries for the 21C



# Locating Polanyi

Theoretical focus	Modes of distribution (house-holding, reciprocity, redistribution, markets)
Analytical focus	Substantive economics (formal economics = ideological aberration with real, socially destructive effects)
Critical focus	Critique of market liberalism, i.e., belief in (disembedded) free markets as efficient mechanism of <i>distribution</i>
Ultimate “moral” horizon	Disembedding markets from pre-modern society and their (inevitably incomplete) re-embedding into a market society (as protective shell)
Magnum opus	<i>Great Transformation: The Political &amp; Economic Origins of Our Times</i> (although it has a rushed ending)
Opening problem	Collapse of 19C civilization (international balance of powers, gold standard, liberal state, self-regulating market economy)
Starting point	Market fundamentalism as a liberal movement destructive of society and the scope and nature of counter-movements

# Substantive Economics

- Substantive economy = instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means (1957)
- ‘The human economy is embedded and enmeshed in institutions, economic and non-economic. The inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labour’ (1957)
- Organization of material provisioning in production, is tied to different principles of distribution of material resources

# Substantive Modes of Distribution

Mode	Definition	Basis
Householding	Production to satisfy the needs of a largely self-sufficient unit such as a family, settlement or manor	Closure
Reciprocity	Sharing among similarly arranged or organised groupings (e.g. segmentary kinship groups)	Symmetry
Redistribution	Mobilization and distribution of goods and services through an allocative centre linked to a political regime	Centricity
Market	Exchange of goods and services mediated through price-making markets	Anarchy

# Relations Among these Modes

- These four modes do not exist in mutual isolation: they can be combined. This was especially so for the first three modes of distribution in pre-capitalist societies
- Thus trade need not be organized through monetary exchange: it can be organized in terms of a gift relation or be administered from above (1957: 40-45).
- All four principles can be combined under the dominance of one: e.g., reciprocity may be linked to turn-taking in work tasks (redistribution) and/or exchange may occur at set equivalencies to benefit a partner who is short of certain necessities (1957: 37)

# Formal Economics

- Formal economics = rational distribution of scarce resources among competing ends, leading, *ceteris paribus*, to maximum allocative efficiency
- Formal economics = capital, labour-power, market or market proxies are transhistorical, universal
- Examine economic activities *as if* organized in terms of maximizing static or dynamic allocative efficiency
- This leads to ‘economistic fallacy’, i.e., treating material provisioning, as if guided by profit-oriented, market-mediated rationality of *homo economicus*.

# Economy as Instituted Process

- Given his interest in both embedded and disembedded economies, Polanyi's substantive focus was dominant mode of distributing 'want-satisfying material means'.
- Begin study of how economies are instituted with how they acquire *unity and stability*, i.e., how improbable interdependence and recurrence (*regularities*) of their parts get secured
- He focused on basic *structural principles* that might secure such unity and stability but also considers world-views, values, motives, and policy.

# Polanyi on Market Economy

- ‘A market economy can exist only in a market society. ... [It] must comprise all elements of industry, including labour, land, and money’
- Commodities are ‘empirically defined as objects *produced for sale on the market*’
- The commodity fiction [is] a vital organizing principle’ in a self-regulating market economy
- Labour, land, and money are ‘absolutely vital parts’ of the market economy
- *Although labour, land, and money have a price, they are not produced for sale* (all statements from GT)

# Polanyi on Fictitious Commodities

- ‘It is with the help of this [price = commodity] fiction that the markets for **labour, land, and money** are organized’
- Treating labour, land, and money *as if* they were commodities has real effects – their demand, supply, and price are real magnitudes
- The unlimited commodification of labour, land, and money *undermines* the market economy
- Such treatment affects man as a whole being, nature as eco-system, compatibility of capital in general with survival of particular capitals’ (Polanyi *GT*)

# Market Economy/Market Society

- 'Instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society' (Polanyi 1944: 57).

# The Double Movement



- (1) the **fictitious commodification** of labour, land, and money; (2) '**society fights back**' *against this trend* with different forces in different ways
- 'extension of the market organization in relation to genuine commodities was accompanied by its restriction in relation to fictitious ones' (note that this implies some markets are OK)
  - Self-regulating market of economic liberalism vs social protection to preserve man/nature (a tricky balance)

# Double Movement “Personified”

- Personify as action of two organizing principles in society, each setting itself specific institutional aims, with support of definite social forces and using its own distinctive methods
- Economic liberalism “aims” to establish a self-regulating market, relying on support of trading classes, using largely laissez-faire and free trade as its methods
- Social protection “aims” to conserve man and nature as well as productive organization, relying on varying support of those most affected by the harmful actions of the market – primarily the working and landed classes – and using protective legislation, restrictive associations, and other instruments of intervention as its methods (1944: 132).

# Who Drives the Double Movement?

- If fightback is to overcome dispersed, disorganized, and mutually contradictory struggles, “society” must gain relative unity and cohesion in resisting capital’s unfettered logic.
- Key roles of specific economic, political, and social visions oriented to common good and strategic capacities
- Matters a lot whether resistance is organized under fascist, social democratic, corporate liberal, or communist regimes.
- Socialism: ‘the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society’ (1944: 234).

# Will the State Fight Back or only Society?

- When the trade cycle failed to come round and restore employment, when imports failed to produce exports, when bank reserve regulations threatened business with a panic, when foreign debtors refused to pay, governments had to respond to the strain. In an emergency the unity of society asserted itself through the medium of [state] intervention (Polanyi 1944: 206, cf. 207-8).
- BUT: does Polanyi have a theory of the state as more than a *deus machina*? How does he understand the state and state power? This is unclear in *The Great Transformation*

# Resistance

- Resistance to market logic (real/fictitious) goes beyond narrow economic interests to include diverse forces fighting for social position, respect, values (1944: 132, 149, 152).
- “While monetary interests are necessarily voiced solely by those affected, other interests have a wider constituency”.
- They affect individuals in countless ways as neighbors, professional persons, consumers, pedestrians, commuters, sportsmen, hikers, gardeners, patients, mothers, or lovers
- Voiced by almost any territorial or functional association: churches, townships, fraternal lodges, clubs, trade unions, or, most often, broad-based political parties (1944: 154).
- Need not be directed against market forces (or capitalism) nor mobilize resistance in name of “society”.

# Cultural Political Economy

- "My faith! For more than 40 years I've been speaking prose while knowing nothing of it: I am the most obliged person in the world to you for telling me so" (M. Jourdain)
- Polanyi as a cultural political economist:
  - Economic, political and social imaginaries frame social action in different historical contexts (Polanyi and friends)
  - Underlying political and economic dynamics may escape perception of some or all social forces (Marx, Polanyi, and their disagreements)
  - Struggles to win consent for/resist dominant economic, political, and social imaginaries (Gramsci, Polanyi – how to unify society?)
  - Challenges of effective social embedding and regulation of market economies (Polanyi, *Regulationsansatz*, Foucault on governance)
- How can we turn Polanyi's prose into "poetry" for a new, radical social imaginary to address 21C challenges?

# A CPE Reading?

- Polanyi combines personified structural principles (attributing them with “aims”) with actually existing social forces (curiously personified as “society”)
  - From these two angles, then, we outline the movement that shaped the social history of the nineteenth century.
  - The one was given by the clash of the organizing principles of economic liberalism and social protection which led to deep-seated institutional strain
  - The other by the conflict of classes which, interacting with the first, turned crisis into catastrophe (*GT*: 140)
- In sum, competing imaginaries with two contrasting economic and political logics (incl. governance)

# 21<sup>st</sup> Century Challenges

- The world market/society as ultimate horizon
- Neoliberalism redux
- Haute finance 3.0
- Extractivism 3.0
- Knowledge as a critical fictitious commodity
- How can we re-embed a neo-liberal market economy in which finance and knowledge as fictitious commodities are the driving forces?
- Which forces will mobilize to fight back? On what scale? Under what imaginaries? With what modes of distribution and governance of world market society?

# *Haute finance* and the State

- Material and social interdependencies among economics, politics, and civil society cannot be coordinated solely via markets forces.
- Key role of *haute finance* in the golden age of laissez-faire:
  - main link between the political and economic organization of the world in this period ... a permanent agency of the most elastic kind ... the nucleus of one of the most complex institutions that human history has produced (1944: 10, 11).
- First movement: markets work in shadow of **heterarchy** – *haute finance* as a peak level coordination mechanism
- Second movement: society fights back in shadow of **hierarchy** – the state, which intervenes *in last resort* to protect society.
- How to reactivate this in a hyperfinancialized world economy?

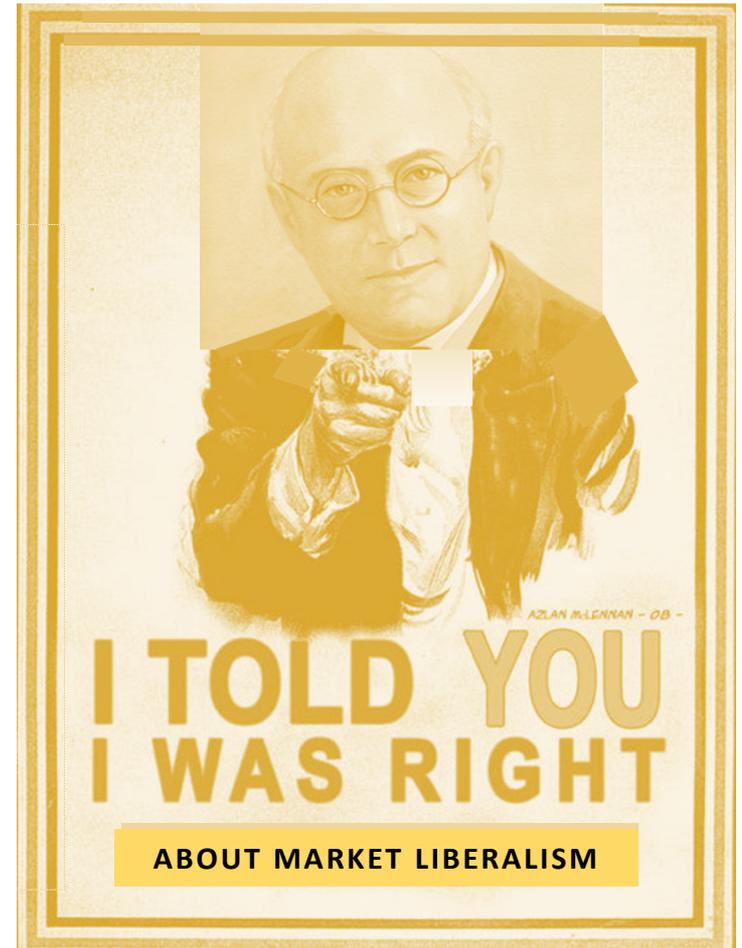
**It is easier to imagine the destruction of the planet**



**... than it is to imagine the overthrow of capitalism**

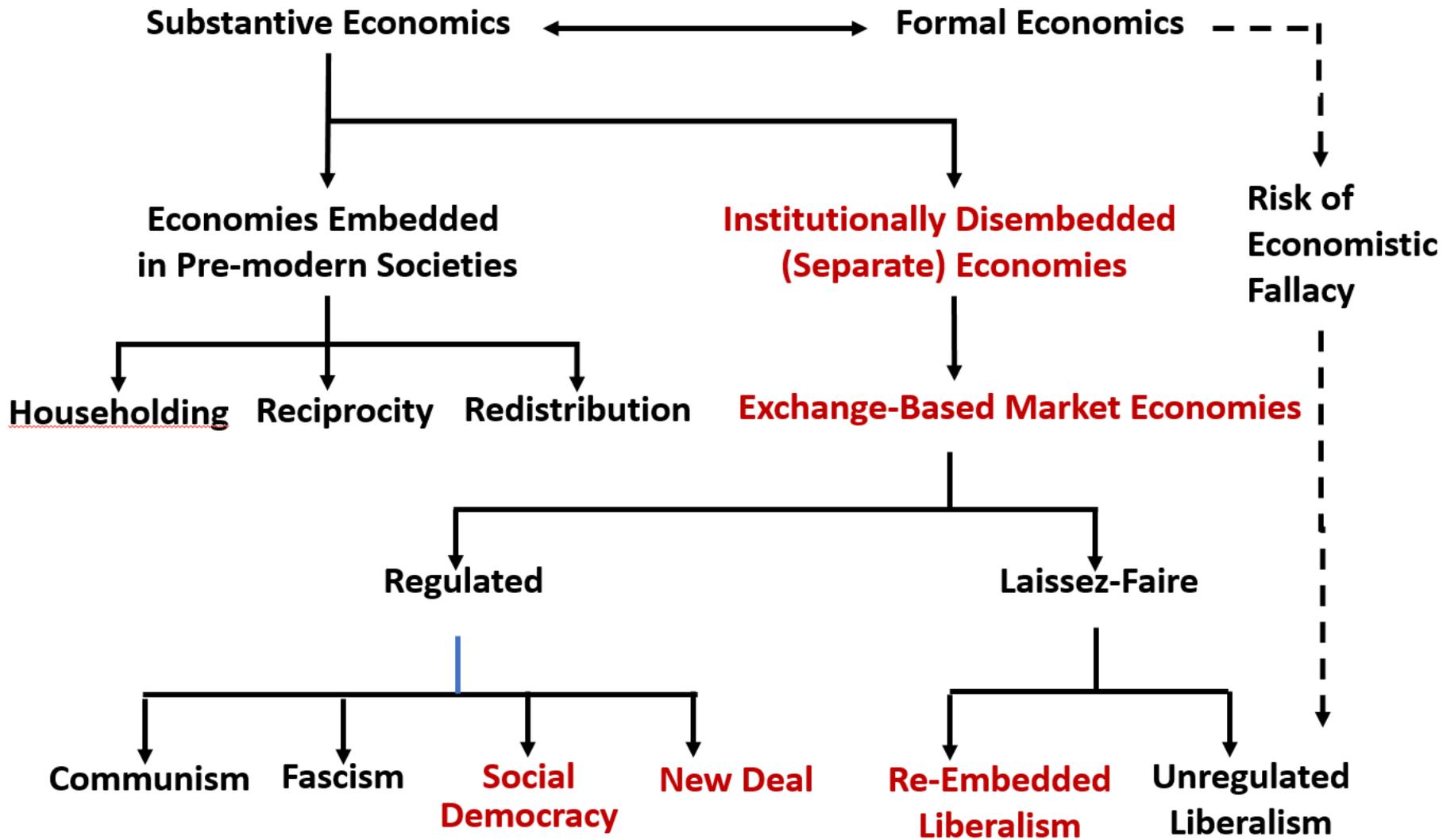
# Conclusions

- Polanyi: “what must the world have been like for 19c civilization to have collapsed as it did”?
- His answer, established through historical investigation, is that:
- Benefits of the self-regulating market in real commodities were destroyed as commodity form spread to land, labour, money (markets that cannot ‘self-regulate’ without ‘society’ or state providing protection
- This is even truer today – and Polanyi is even more relevant





# The Hierarchy of Concepts in Polanyi



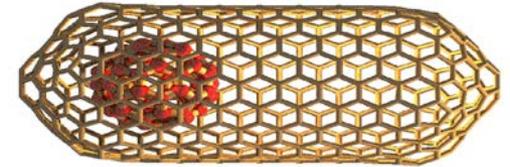
--- Possible Relevance of Formal Economics

# Double Movement - II

- A continuous expansion of the market and a countermovement to protect 'society' against this expansion.
- Although countermovement was essential to protect society from destructive effects of commodifying land and labour, it was incompatible with market self-regulation, and thus with the market system itself' (Polanyi 1944: 130). Market society had to be conformed to logic of the market economy.
- So many and varied interventions of 'society' (especially through the state) were limited to 'checking the action of the market in respect to the factors of production, labor, and land' (1944:131).
- Double movement embedded social relations in the market rather than re-embedding economy within social relations (1944: 57).

# Knowledge as a Fictitious Commodity

- Information economy can survive only as part of market economy and market society
- Information and knowledge must be priced to secure balance between demand and supply
- While knowledge has a price, it is not produced for sale (it is another 'aspect of man')
- Unlimited commodification of knowledge undermines market economy



	Non-Commodity	Proto-Commodity	Quasi-Commodities	Fictitious Commodities	Fictive Capital
<b>Land</b>	<b>Virgin land/raw nature</b>	Appropriated & transformed land/nature	Profit-oriented improvements in land/nature	<b>Land as source of absolute and differential rent</b>	Securitization of absolute and differential rent
<b>Labour-Power</b>	<b>Generic capacity for human labour</b>	Capacity for concrete labour	(Re-)skilling labour-power, manipulating labour supply	<b>Abstract labour as source of added value</b>	'Human capital' as discounted revenue stream
<b>Exchange</b>	<b>Householding, Reciprocity, Redistribution</b>	Symbolic tokens for exchange of goods/services, paying taxes, tithes, penalties	Private/central bank action to alter relative prices and to shape money & credit markets	<b>Interest-bearing capital, mobile money capital</b>	Securitization of financial futures, credit defaults ...
<b>Knowledge</b>	<b>Knowledge as cumulative collective resources</b>	Enclosure of intellectual commons for the sake of gain (Erwerb)	Formal subsumption of intellectual labour to sell creativity (work for hire)	E.g. New drugs produced fully within capitalist labour process for profit	Securitization of Intellectual Property Rights

# Implicit Polanyi-Marx Convergence

- Self-regulation implies all production is for sale on the market and that all incomes derive from such sales.
- Markets exist for all elements of industry, not only for goods (always including services) but also for labour, land, and money, their prices being called commodity prices, wages, rent, interest.
- These terms indicate that prices form incomes: interest is price for use of money and forms income of those who can provide it; rent is price for the use of land and forms the income of those who supply it; wages are the price for the use of labour power.
- The income called profit is the difference between two sets of prices, the price of goods produced and their costs, i.e., the price of the goods necessary to produce them.
- If these conditions are fulfilled, all incomes will derive from sales on the market, and incomes will be just sufficient to buy all the goods produced (Polanyi, *The Livelihood of Man*, 1977: 69 – summarized)

Form	Substantivist Focus	Value-Form Focus
Commodity	Asset specificity of use-value and price formation of particular commodities	Exchange-value, price formation in relation to OCC and average profit rate
Wage relation	Individual and social wage; pay design; industrial relations; role of supervisors and managers in technical efficiency	Determinants of real pay, labour power as fictitious commodity, surplus value, management as powers of capital
Labour Power	Skill and skill formation; vocational training; education; human capital	Abstract labour; value-form theory of labour; socially necessary labour time
Firm	Core competencies and assets, nexus of contracts, firm size & market power; clusters, networks, value chains, etc	Capitalist enterprise and node in circuit of capital; market dominance and monopoly profit; place in world market;
Capital	Assets to be valorized in given time-place, profits available to invest	Capital in general available to allocate to any (un)productive purposes
Knowledge	Human capital, R&D, tech transfer, incremental or radical innovation	Abstract labour; general intellect; IPR as fictitious commodity
State	Efficient solution to coordination problems; focus of stakeholder pressure to enhance competitiveness	Separation of market and state is problem for accumulation, ditto, single world market vs plurality of states