Karl Polanyi’s *Great Transformation* as a Framework for understanding Neo-Liberal Globalisation

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1. Introduction

This Working Paper reflects the first stage of our collective work on the project *Social Transformation and International Migration in the 21st Century*, which is being carried out in the Department of Sociology and Social Policy at the University of Sydney from September 2009 until late 2014. The first stage of the project consists of theoretical and conceptual work to improve understanding of the relationship between social transformation and international migration.

The main focus of our project is on international migration since the beginning of the phase of accelerated globalisation around the mid-1970s. However, we believe that it is crucial first to understand earlier societal transformations and the ways in which they have been theorised. The main purpose of this Working Paper is to explore the relevance of Karl Polanyi’s ‘Great Transformation’ as a conceptual tool for studying contemporary globalisation. It is important to note that Polanyi is not our only guide to understand contemporary social transformation. His theory is our starting point, which in the following working papers will be extended through contemporary social theory. We find Polanyi’s approach particularly meaningful because it provides a framework for understanding contemporary neoliberal globalisation, emphasises the interdependence of different societal sectors and, while grounded in economic history, implies the need for interdisciplinarity. It also takes a non-teleological approach and avoids class essentialism.

Later stages of our project will include:
- development of methodology and research instruments;
- conducting fieldwork to explore the relationship between the transformation of societies and migration in: 1) a traditional country of emigration that now also experiences immigration and transit migration. (Mexico), 2) a country that has recently made the transition from emigration to immigration (South Korea), 3) a country that experiences emigration, immigration and transit migration (Turkey) and 4) a classical country of immigration that is now also experiencing temporary migration and emigration (Australia);
- comparative analysis of the findings together with researchers from the countries concerned, paying special attention to global-local dynamics and the relationship between social structures and human agency.

Our approach is based on the idea that it is important to distinguish between social change and the more fundamental process of social transformation. Social change is a constant but mostly gradual process in most societies. In principle, most social theory is concerned with social change – or often more specifically with the relationship between social change and social order – or social dynamics and social statics (see Portes 2010). Our working definition of social transformation is:

A shift in social relationships so profound that it affects virtually all forms of social interaction, and all individuals and communities simultaneously. It is a ‘step change’ that goes beyond the normal processes of change that are always at work.

The driving factor in such a change may appear to be technology, economics or military power, but characteristic of such epochal shifts is that simultaneous transformations occur in culture, social relationships, social institutions (such as the family), personal identities, ideologies and politics.

The history of Western social thought shows us that issues related to change can be found in the work of Greek philosophers like Aristotle and Plato, in medieval theology and philosophy such as the work
of St Thomas Aquinas, or in the religion-based social critique of the 16th century English Revolution. In this Working Paper it is not possible to explore such earlier discussions, but it is important to realise that social transformation in itself is not a result of modernity – on the contrary modernity is simply a label for one form of social transformation.

This is well illustrated for instance by Umberto Eco’s account of the significance of the bean in transforming European society at the end of the First Christian Millennium. Eco argues that Europe in the Dark Ages following the collapse of the Roman Empire was a place of poverty and undernourishment, where people were weak and sickly and the population was declining. This situation was reversed in the centuries following the year 1000, when the cultivation of legumes – beans, peas and lentils – began to spread:

‘Working people were able to eat more protein; as a result, they became more robust, lived longer, created more children and repopulated a continent. We believe that the inventions and the discoveries that have changed our lives depend on complex machines. But the fact is, we are still here – I mean we Europeans, but also those descendants of the Pilgrim Fathers and the Spanish conquistadors – because of beans’ (Eco 1999).

Of course Eco is well aware of the importance of other technological innovations – such as iron horseshoes, improved horse collars and twin-bladed ploughs. He points to the interconnectedness of different types of change at certain historical turning points:

‘Naturally it can be said that, with the reforms of Charlemagne, with the construction of the Germanic empire, with the rejuvenation of cities and the birth of the communes, the economic situation also improved. But would it not also be possible to say the opposite, namely that the political situation evolved, the cities flourished anew, because daily life and working conditions were improved by something?’ (Eco 1999).

That ‘something’ was the bean. So we could turn the argument around and ask what social and cultural changes were needed to allow the spread of the new form of cultivation? In the same way, we could ask whether the transformation that led to the European colonial expansion from the 15th century was due to gunpowder and improved ships, or to cultural, religious and political changes that allowed the application of these discoveries. We could ask whether the British Industrial Revolution took place because of capitalism and steam power, or rather due to political, ideological and social changes that labelled the poor as undeserving and encouraged maximum levels of labour exploitation. And with regard to neo-liberal globalisation we should ask whether the emergence of new forms of global commodity changes is due to the electronic revolution or to the dominance of ideologies of efficiency and profitability.

The process of profound change that accompanied the industrial revolution in Britain and the rest of Europe was a social transformation as characterised above, and the global transformations that have gone along with recent neo-liberal globalisation can be understood and analysed in the same way. The theory of the ‘Great Transformation’ put forward by Karl Polanyi (Polanyi 2001 [1944]) to explain the 19th century transformation of European societies and its aftermath of crisis and fascism is seen by many analysts as a starting point for the study of globalisation (e.g Burawoy 2000; Munck 2002). Economist Joseph Stiglitz has provided an interesting critique of neo-liberal economic globalisation, derived from Polanyi’s concept of transformation (Stiglitz 1998; Stiglitz 2002). For him, the ‘double movement’ is represented by anti-globalisation activism (see Stiglitz’s Foreword to Polanyi 2001).

The working paper will explore Polanyi’s original ideas, before discussing their application to current processes of neoliberal globalisation. Section 2 provides a brief introduction to early social theory and
its engagement with social transformation, in particular with respect to the experience of the Industrial Revolution. Section 3 focuses on Karl Polanyi’s analysis of the great transformation of European societies, with particular reference to key theoretical insights of his analysis. Section 4 explains the predominant ideology of our times – neoliberalism – according to our understanding and interpretation. Section 5 creates a general framework for recasting Polanyi’s theory of social transformation for the current global neo-liberal age. Section 6 seeks to explore the notion of double movement, by examining attempts to re-embed the market into society, through the actions and politics of global counter-movements and everyday actors across a range of localities in our contemporary world. Lastly, we conclude that Polanyi’s analysis is still useful to understand processes of social transformation and double movement happening around the world today, yet needs to be scaled up by drawing on insights from the vast range of critical social theories that have emerged in recent decades.

2. The Industrial Revolution and Early Social theories

Most accounts of the history of sociology as an area of social enquiry link it to the development of national, industrial societies from the late 18th to the early 20th centuries (Wieviorka 1994). The canonical view of the history of sociology links it to the analyses of industrial society by three ‘founding fathers’: Marx, Durkheim and Weber. The Frankfurt School (especially Adorno and Horkehimer), by contrast saw the establishment of sociology as a field of enquiry as the coming together of three bodies of thought: the Scottish moral philosophy of the late 18th century, including Adam Ferguson (1767), Adam Smith (1796); the early French socialism of Henri de Saint-Simon (Saint-Simon and Ionescu 1976) through its influence on Auguste Comte’s positive science of society (Comte and Martineau 1974), and the reworking of Hegelian dialectics by Marx in the mid-19th century (Institut für Sozialforschung 1956). Connell provides a critique of and an alternative view of the history of sociology, linking it especially to colonialism and the assertion of the superiority of western society over ‘primitive peoples’, for instance by Durkheim and Spencer (Connell 1997).

Polanyi’s (2001) seminal work The Great Transformation reflects on the social and political upheaval that took place in Europe following the rise of market liberalism. A lot of post-Polanyan work seeks to identify ‘the second great transformation’ (e.g. Burawoy 2000; Munck 2002). However, a longer historical view would throw doubt on the idea of 18-19th industrialisation as ‘the first great transformation’. Many of the early sociological works – like those of Spencer (1851) and Durkheim (1902) have evolutionary – and teleological – phase models – moving from simplicity to complexity, from simple to segmented societies, from mechanical to organic solidarity and so on. Marxist historiography is based on the idea of stages of societal development: from slave-holder societies to feudalism, to capitalism, to socialism and finally to communism. This too seems deterministic and teleological. More interesting is Marx’s critique of the idea of ‘so-called primitive accumulation’ (Marx 1976, chapter 26). He argues that an ‘historical process of divorcing the producer from the means of production’ was the crucial ‘pre-history of capital, and of the mode of production corresponding to capital’ (Marx 1976, 875). He continues:

‘The process, therefore, which creates the capital-relation can be nothing other than the process which divorces the worker from the ownership of the conditions of his own labour; it is a process which operates two transformations [original German: Verwandlungen],

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1 The terms ‘economic liberalism’ and ‘market liberalism’ are used interchangeably in this paper.
2 The Speenhamland Law was an allowance system introduced in England in the 18th century to ensure a minimum income to the poor.
whereby the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage-labourers’ (Marx 1976, 874).

Marx provides a detailed historical account of pre-industrial capital accumulation, covering the English enclosures from the 15th to the 18th centuries, the destruction of the Scottish peasantry and so on. Marx has a little dig at Adam Smith, for assuming that ‘primitive accumulation’ somehow took place before the history of capitalism (Marx 1976, 873). He seems to be right about this. In *The Wealth of Nations*, Book II, Introduction, Smith argues that the ‘accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is previously more and more accumulated’ (Smith 1826 [1775]). The difference between Smith and Marx is that the former does not see ‘primitive accumulation’ as a process of struggle, expropriation and exploitation, but rather as something natural and ahistorical, while Marx analyses the process of class struggle that made capitalism possible.

The key point is that there has been a succession of ‘great transformations’, of which the decline of feudalism and the rise of capitalism was one of the more recent. This in turn is the precondition for Polanyi’s great transformation of the 19th and early 20th centuries, which was then followed by the great transformation embodied in neo-liberal globalisation. Such transformations do not mean complete breaks in development tendencies. For instance, the rise of the world market is already discussed in Marx and Engels *Communist Manifesto* of 1848 (Marx and Engels 1848; Marx, Engels et al. 1985). One can easily see historical continuity through the emergence of imperialism, as chronicled by Hobson (1902) and Lenin (1968), to the development of today’s globalised economy.

### 3. Polanyi’s Great Transformation

Key to Polanyi’s work is the need to understand the economic, social and political causes that led to the breakout of the First World War, the economic meltdown of the 1930s, and the emergence of fascism in Europe. Through a multi-disciplinary analysis, *The Great Transformation* traces the roots of these cataclysms to the ‘utopian endeavour of economic liberalism to set up a self-regulating market system’ (Polanyi 2001, 31). Polanyi’s work focuses on demonstrating the impossibility of a ‘self-adjusting market system’. By developing this line of argument, Polanyi provides what some have described as the ‘most powerful critique yet produced of market liberalism’ (Block 2001, xviii). This section will summarise the main arguments put forward by Polanyi, according to our interpretation.

**The Emergence of ‘Economic Liberalism’**

Polanyi’s analysis goes back in history to the time of the Industrial Revolution in England, when economic liberalism emerged as the organizing principle of society behind the creation of the market economy (Polanyi 2001, 144). ‘Economic liberalism’ can be defined as ‘the belief that both national societies and the global economy can and should be organized through self-regulating markets’ (Block 2001, xviii). Polanyi’s work traces the roots of economic liberalism to the social disruptions of early industrialisation. According to Polanyi, early political economists such as Ricardo and Malthus formulated their theories of market liberalism as a response to the apparently insoluble problems of pauperism (Polanyi 2001, 120). As argued by him, ‘out of the horrors of Speenhamland men rushed blindly for the shelter of a utopian market society’ (Polanyi 2001, 107). Thus Polanyi (2001, 141)

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3 The Speenhamland Law was an allowance system introduced in England in the 18th century to ensure a minimum income to the poor irrespectively of their earnings. Economic liberals argued that it prevented the establishment of competitive labour market because ‘nobody would work for a wage if he could make a living for nothing’ (Polanyi 2001, 82). However, Polanyi (2001, 84) argues that the allowance equaled a ‘death trap’ for workers that lead to increased pauperization because it allowed employers to pay as little as they wish.
argues that while economic liberalism was ‘born as a mere penchant for non-bureaucratic methods, it evolved into a veritable faith in man’s secular salvation through a self-regulating market’. This thus represented a considerable shift away from the humanist tradition of previous social theorists, and a move towards a more ‘naturalistic’ vision of society that needed neither law nor government to function.

Laissez-faire and the Market Economy

The belief in ‘laissez-faire’ became a militant and influential creed in England by the 1830s (Polanyi 2001, 143). Later on, and as a result of England’s leading role as ‘workshop in the world’, laissez-faire was to become the organising principle of the world economy (Block 2001, xxii). The three classical tenets of laissez faire - competitive labour market, automatic gold standard and free trade - thus formed the backbone to the formation of the market economy.

In theory, the ‘market economy’ can be defined as an economic system that is controlled, regulated and directed by market prices; where production and distribution are entrusted to this self-regulating market system (Polanyi 2001, 71). ‘Self-regulation’ implies that all production is for sale on the market, and that all incomes derive from such sales (Polanyi 2001, 72). This translates into the existence of markets for trading all elements of industry: that is goods and services, but also other essential elements such as labour, land and money (Polanyi 2001, 72). Additionally, a market economy assumes an institutional separation of society into an economic and a political sphere, which in practice translates into the maxim that no policy should interfere with markets (Polanyi 2001, 72). Finally, but not least, a market economy assumes that all humans behave in such a way as to maximize their personal utility; or in other words, that ‘gain’ is the central principle of social organization (Polanyi 2001, 71).

The Great Transformation

Polanyi (2001, 42) describes the market economy as an entirely new institutional mechanism for western society. He argues that ‘the transformation to this system from the earlier economy is so complete that it resembles more the metamorphosis of the caterpillar than any alteration that be expressed in terms of continuous growth and development’ (Polanyi 2001, 44). Polanyi’s analysis thus signals the interconnectedness and wholeness of the social, the economic and the political in this transformation. For instance, the Industrial Revolution, which gave rise to the market economy, entailed much more than a vast improvement in the tools of production; it also entailed an avalanche of social dislocation and human degradation (Polanyi 2001, 41-42). Polanyi further highlights that there was nothing ‘natural’ about this transformation. Laissez-faire was not the result of some form of natural evolution, but rather the result of continuous, centrally organized and controlled interventionism (Polanyi 2001, 146).

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1 He argues: ‘Nineteenth-century thinkers assumed that in his economic activity man strove for profit, that his materialistic propensities would induce him to choose the lesser instead of the greater effort and to expect payment for his labour; in short, that in his economic activity he would tend to abide by what they described as economic rationality, and that all contrary behaviour was the result of outside interference. It followed that markets were natural institutions that they would spontaneously arise if only men were let alone. Thus, nothing could be more normal than an economic system consisting of market and under the sole control of market prices, and a human society based on such markets appeared, therefore, as the goal of all progress’ (Polanyi 2001, 257-258).

2 These tenets imply that: (i) labor should find its price on an unregulated market; (ii) the creation of money should be the subject of an unregulated mechanism and; (iii) goods should be free to flow from country to country without any interference or preference (Polanyi 2001, 141).

3 Polanyi (2001, 57) argues that up to the end of feudalism in Western Europe, ‘all economics systems known to us… were organized either on the principle of reciprocity or redistribution, or householding, or some combination of the three’. ‘Gain’ was never before a general principle of social organisation.
Embeddedness

Polanyi emphasises that, contrary to the claim of economic liberalism, the notion of the ‘economy’ as an independent and equilibrating system of integrated markets is a fiction. Polanyi argues that markets have never before in history been more than accessories of social life, and that the ‘social system’ was never separated from nor subordinated to the ‘economic’ one (Polanyi 2001, 70). Instead, human economy was always embedded in society and nature (Polanyi 2001, 60). ‘Embeddedness’ means that the economy is never autonomous, but is rather subordinated to politics and social relations (Block 2001, xxiii-xxiv). Polanyi thus points out the radical ideological and political shift that is associated with economic liberalism: while traditionally the economy is organically embedded in society and nature, the creation of the economic process as a distinct system with its own laws severed these organic links and subordinated society and nature to the economy. A key point is that Polanyi believed that a ‘self-regulating market economy’ was in fact a ‘stark utopia’ (Polanyi 2001, 3). As explained by Block (Block 2001, xxiv):

‘Polanyi does say that the classical economist wanted to create a society in which the economy had been effectively disembedded, and they encouraged politicians to pursue this objective. Yet, he also insists that they did not and could not achieve this goal. In fact, Polanyi repeatedly says that the goal of a disembedded, fully self-regulating market economy is a utopian project; it is something that cannot exist’.

Fictitious Commodities

The impossibility of a fully self-regulating market economy is intrinsically linked to Polanyi’s critique of ‘fictitious’ commodities. Polanyi highlights that the extension of the market logic to the essential elements of labour, land and money is highly problematic and irrational (Polanyi 2001, 75). The premise that a market economy needs commodification of all elements of industry implies that every element of industry is regarded as having been produced for sale on the market and is thus subject to the laws of demand and supply (Polanyi 2001, 75). Polanyi nonetheless highlights that while labour, land, and money are essential to the market economy; the fact is that they are not commodities, in the sense that they are not objects produced for sale on the market. As Polanyi points out, ‘labour’ is ‘another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized’ (Polanyi 2001, 75). Similarly, ‘land’ is ‘another name for nature, which is not produced by man’; while ‘money’ ‘is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance’ (Polanyi 2001, 75). To include these ‘fictitious commodities’ in the market mechanism means to ‘subordinate the substance of society itself to the laws of the market’ (Polanyi 2001, 75). For Polanyi (2001. 76), this would inevitably result on the demolishing of society.

A Protective Counter-movement

Polanyi (2001, 77) thus argues that no society could stand the effects of this commodification unless the human and natural substance, as well as its business organization, were protected ‘against the ravages of this satanic mill’. He (2001, 4) argues that society would inevitably take measures to protect itself, although it is important to notice that such measures may not always be of a ‘progressive’ nature. Polanyi (2001, 79) referred to this process as a ‘double movement’, i.e. protective counter-movements which blunt the destructive impact of the commodification of labour,
land and money. Yet, by its raison d’être, counter-movements ‘impaired the self-regulation of the market... and thus endangered society in yet another way’ (Polanyi 2001, 4). In other words, the double movement can be seen as the reactive interaction between the wants and needs of economic liberalism on the one hand and those of social protection on the other. The former aimed at the establishment of the self-regulating market, with the support of the trading class and relied on laissez-faire and free trade as its methods, while the latter aimed at the conservation of man, nature and productive organization, with the varying support of those who are the most affected by the market, and used protective legislation, restrictive legislation and other instruments of intervention as its methods (Polanyi 2001, 138-139).

The Collapse of Laissez-Faire

Polanyi’s historical analysis of the development of the market economy in Europe shows that while ‘markets’ were spreading both geographically and in real terms; institutions were also being created to check the action of the market relative to labour, land and money (Polanyi 2001, 79). For Polanyi, it was this tension - between economic liberalism and social protection - which ‘forced the development of the market system into a definite groove and finally disrupted the social organization based upon it’ (Polanyi 2001, 4). As argued by Polanyi:

‘In the half-century 1879-1929, Western societies developed into close-knit units, in which powerful disruptive strains were latent. The more immediate source of this development was the impaired self-regulation of market economy. Since society was made to conform to the need of the market mechanism, imperfections in the functioning of that mechanism created cumulative strains in the body social’ (Polanyi 2001, 210).

He goes on to argue:

‘The strain sprang from the zone of the market; from there it spread to the political sphere, thus comprising the whole of society. But within the single nations the tension remained latent as long as world economy continued to function. Only when the last of its surviving institutions, the gold standard, dissolved was the stress within the nations finally released’ (Polanyi 2001, 228).

The collapse of European peace and economic order can thus be seen as the direct consequence of the conflict between the market and the elementary requirements of an organized social life, a conflict that resulted from the utopian attempt to organise society as a self-regulating market system. What is more, Polanyi argues, the second ‘great transformation’ – that is, the rise of fascism in Europe - was also the result of such utopian endeavour (Block 2001, xxii). The breakout of the First World War, the economic meltdown of the 1930s, and the emergence of fascism in Europe can thus be seen as

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6 Mutually exclusive interpretations of the double movement are representative of a broader debate between advocates and critics of laissez-faire. For Polanyi, a social counter-movement is necessary to protect society and nature. In contrast, economic liberals argue that ‘but for the policies advocated by its critics, liberalism would have delivered the good’ (Polanyi 2001, 150). Polanyi (2001, 151) responds to the liberal argument by highlighting that the change towards social and national protectionism was a response to the weaknesses and dangers inherent in a self-regulating market system as shown by (i) the huge diversity of matters on which non-concerted action was taken; (ii) the speed of change from liberal to ‘collectivist’ solutions and the lack of any consciousness on the part of those engaged in the transformation; (iii) the similitude in international responses coming from countries with considerably dissimilar political and ideological configurations and the fact that reforms were not the result of narrow group interests or ideological preconceptions, but rather of ‘objective reasons of a stringent nature’ and, (iv) the fact that economic liberals themselves subordinated laissez-faire to the demand for a competitive market (for instance, economic liberals advocated for regulation and restriction on the freedom of workers and corporations to contract or unionized) (Polanyi 2001, 154).

7 As highlighted by Polanyi, it was not till the 1930s - when the market economy was in general crisis- that fascism became a world power providing an alternative to the problems of industrial society. While the ‘fascism impulse’ –that is, to protect society from the market by sacrificing human freedom- was universal; local circumstances determined where fascist regimes were successful in ascending to power (Block 2001, xxxii). In all cases, fascism represented a ‘reform of market economy achieved at the price of the extirpation of all democratic institutions, both in the industrial and in the political realm’ (Polanyi 2001, 245).
examples of the impossibility of a self-regulating market system and the reactive nature of social counter-movements.

**Socialism, Democracy and Freedom**

For Polanyi (2001, 267), ‘the discarding of the market utopia brings us face to face with the reality of society’. Issues of freedom, power and compulsion are intrinsic to this debate. As pointed out by Polanyi (2001, 267) this is the ‘dividing line’ between economic liberalism on the one hand, and fascism and socialism on the other. Polanyi argues that economic liberalism gave a false direction to the meaning of freedom while obscuring the presence of power and compulsion. Polanyi argues that, in contrast, both fascism and socialism accept that power and compulsion are part of social reality. But as Polanyi (2001, 267) highlights, ‘the issue on which they divide is whether in the light of this knowledge the idea of freedom can be upheld or not’. For Polanyi (2001, 268):

‘The discovery of society is thus either the end or the rebirth of freedom. While the fascist resigns himself to relinquishing freedom and glorifies power which is the reality of society, the socialist resigns himself to that reality and upholds to the claim of freedom, in spite of it’.

For Polanyi, socialism can thus signify the rebirth of freedom. Here is important to point out Polanyi’s (Polanyi 2001, 242) particular notion of socialism as ‘the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society’. His idea of democracy is closely linked to his understanding of the meaning of ‘freedom’ in a complex society. Polanyi considers freedom as ‘a prescriptive right extending far beyond the narrow confines of the political sphere into the intimate organization of society’ (Polanyi 2001, 265). This implies that ‘the individual must be free to follow his conscience without fear of the powers that happen to be entrusted with administrative tasks in some of the fields of social life’ (Polanyi 2001, 263). As he goes on to say (2001, 268):

‘Uncomplaining acceptance of the reality of society gives man indomitable courage and strength to remove all removable injustice and unfreedom. As long as he is true to his task of creating more abundant freedom for all, he need not fear that either power or planning will turn him and destroy the freedom he is building by their instrumentality. This is the meaning of freedom in a complex society; it gives us all the certainty that we need’.

With reference to the market society, freedom is predicated on the subordination of the economy to social relations. This is essential not only to protect society’s human and natural substance, but also to make possible a sustainable economy that serves the interests of humanity.

### 4. Neo-liberalism: the Dominant Ideology of our Times

**Neo-liberalism: Theory and Ideology**

Following Polanyi’s observations on the market economy as an entirely new institutional mechanism for western society, we argue that the last three decades have witnessed a period of profound social, political and economic reorganisation in almost all parts of the world. ‘Neo-liberalism’ emerged in this context as the ideology and theory of political and economic practices behind the market-driven...
reforms that have characterised this transformation.\(^9\) Neo-liberalism has almost universally entailed a withdrawal of the state from many areas of social provision and the emergence of associated patterns of deregulation, privatisation and marketisation (Harvey 2005, 2; Cahill 2010, 298); a process that has been as geographically uneven as it has been far-reaching. As noted by Harvey (2005, 3) ‘almost all states… have embraced, sometimes voluntarily and in other instances in response to coercive pressures, some version of neo-liberal theory and adjusted at least some policies and practices accordingly’.

Neoliberalism’s theoretical and ideological bases can be traced back the ideas of theorists such as Friedrich von Hayek and Milton Friedman, and the work of international forums such as the ‘Mont Pelerin Society’ and private organisations such as the ‘Adam Smith Institute’ in England and the ‘Heritage Foundation’ in the United States (George 1999; Cahill 2010, 300); all of whom have in common an association with right-wing libertarian politics and the body of theory of neoclassical economics. Neoclassical economics, and its branches in other social sciences, are to an extent the backbone of neo-liberalism.\(^10\)

Neoclassical economics is based on the belief that the economy is a ‘set of interconnected and self-regulating markets in which buyers and sellers freely interact without the need for substantial government regulation’ (Stilwell 2006, 147). This school of economic thought argues that free markets allow both the efficient allocation of economic resources and the occurrence of mutually advantageous exchanges (Stilwell 2006, 147). This ‘faith’ in the market is based on two related assumptions: first, the desirability of private property as the basis of individual interest and incentives that drive a market economy and second, the undesirability of a substantial role for the state in economic affairs for this intervention is likely to distort the more efficient market patterns of resource allocation (Stilwell 2006, 147-148).

Neo-liberalism has assumed the status of a hegemonic discourse by becoming what Brenner and Theodore (2002, 350) term ‘the dominant political and ideological form of capitalist globalisation’. Not only do supporters of the neo-liberal way occupy positions of power in various social, cultural, economic and political institutions (Harvey 2005, 3); but more importantly neo-liberalism has come to be seen ‘as if it were the natural and normal condition of human kind’ (George 1999). As such, it is fair to say that neo-liberalism represents much more than a mere set of economic and political ideals; for its ideology and practice has become incorporated into the ‘common-sense’ way through which many interpret and live in the world (Harvey 2005, 3).

**Actually Existing Neo-liberalism**

While the neo-liberal and neoclassical economic theory and ideology have been highly influential as means of reshaping the world, there is need to be critical of the existing distinction between neo-liberalism as theory and ideology on the one hand and that of neo-liberalism in practice on the other. This is a divergence that is worth highlighting if one is to critically engage with the real impact of neo-liberalism (Brenner and Theodore 2002; Cahill 2010). As such, there is need to go back in history

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\(^9\) There is no one precise definition of the meaning of neo-liberalism. For instance, while Harvey (2005, 2) defines it as ‘a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade’; Stilwell (2006, xiii) argues that neo-liberalism represents ‘an ideology that seeks to justify the restructuring of the economy to increase opportunities for private profit’.

\(^10\) As pointed out by Stilwell (2006, 148) neoclassical economics is ‘an intriguing blend of technical analysis and ideology’ that ‘links up with neo-liberal beliefs favouring free enterprise and freedom of choice, and opposing ‘politically motivated’ intervention in economic affairs’.
in order to understand the development of ‘actually existing neo-liberalism’ (Brenner and Theodore 2002). As argued by Brenner & Theodore (2002, 249), this implies that:

‘In contrast to neo-liberal ideology, in which market forces are assumed to operate according to immutable laws no matter where they are unleashed, we emphasize the contextual embeddedness of neo-liberal restructuring projects insofar as they have been produced within national, regional, and local contexts defined by the legacies of inherited institutional frameworks, policy regimes, regulatory practices, and political struggles’.

Neo-liberal ideals did not gain currency among policy makers until the 1970s (George 1999; Cahill 2010, 302). Prior to that decade, neo-liberal views were right-sided by the then mainstream ideals of social democracy or communism. Neo-liberalism emerged from its ‘ultra-minoritarian ghetto’ (George 1999) in the 1970s amid an economic and political crisis in the Western capitalist countries that saw the end of the post-war boom and the emergence of stagflation. In the West, the coming to power of Margaret Thatcher and Ronald Reagan signalled the start of a neo-liberal revolution through processes of privatisation, deregulation and marketisation (George 1999). The global spread of neo-liberalism can be attributed to factors such as the chronic economic crises of the 1980s and the collapse of the Communist bloc. Neo-liberal programs of restructuring were expanded globally after this, when the Bretton Woods institutions were mobilized ‘to institutionalize this extension of market forces and commodification… through various structural-adjustment and fiscal austerity programs’ (Brenner and Theodore 2002, 350).

The neo-liberal model has had enormous impacts in various societies and political systems. As argued by Harvey (2005, 3):

‘The process of neo-liberalisation has… entailed much ‘creative destruction’, not only of prior institutional frameworks and power (even challenging traditional forms of state sovereignty) but also of divisions of labour, social relations, welfare provisions, technological mixes, ways of life and thought, reproductive activities, attachments to the land and the habits of the heart’.

For instance, Cahill’s (2010, 303) analysis of industrialised countries points out that the neo-liberal revolution translated into (1) the general weakening of the power of organised labour in comparison to the power of capital; (2) the freeing of capital with a number of restraints imposed on it by the post-war ‘class compromise’ and; (3) the expansion of the sphere of commodification by means of deregulation and the privatisation of former state-monopolised services. Similarly, Portes’ (1997, 238) analysis of the impact of neo-liberal reforms in Latin America points out a number of socio-cultural changes that accompanied the economic reforms. Among others, Portes (1997, 238) identifies (1) the reappraisal of ‘capitalist profit-making’ as both desirable and congruent with national interest; (2) the devaluation of organised labour and protected industry; (3) the conviction that social inequality can be best addressed through the trickle-down effect of markets; and (4) the reorientation of sources of ‘national pride’ towards the insertion of the national economy into the arena of global trade.

Finally, it is important to highlight the divergences between the normative version of neo-liberalism, and that of its everyday political operations and societal effects. First, there is a sense in which ‘the description of neo-liberalism as a system of free market capitalism characterised by the retreat of the

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11 As argued by George (1999): ‘the idea that the market should be allowed to make major social and political decisions; the idea that the State should voluntarily reduce its role in the economy, or that corporations should be given total freedom, that trade unions should be curbed and citizens given much less rather than more social protection - such ideas were utterly foreign to the spirit of the time’.

12 In the case of Latin America for instance, the Mexican crisis of 1982 signalled the beginning of the transformation in the dominant model of economic development in the region away from import substitution industrialisation and towards a market-driven export oriented model (Portes and Roberts 2005, 43-44).
state significantly misrepresents the political economic history of the last three decades’ (Cahill 2010, 301). Contrarily to the neo-liberal vision, the ‘economy’ has not been ‘freed’ from the ‘state’. Instead, states have continued to play an active role in the ‘introduction, implementation and reproduction’ of neo-liberalism (Cahill 2010, 301). Second, while neo-liberal theory and ideology argue that self-regulating markets will generate an optimal allocation of resources; the practice of neo-liberalism has been characterized by extensive market failures and a significant exacerbation of uneven development at all spatial scales (Brenner and Theodore 2002, 352).

The discrepancies between neo-liberalism as an ideology and abstract theory and that of neo-liberalism as the practice that have transformed societies in the last decades allow for a critical engagement with the matter. If one is able to recognise and point out the failures of a system in practice, then there must also be practical alternatives to such real problems. While supporters of neo-liberalism claim it to be a ‘Golden Strait-jacket’ that can neither be avoided nor altered (Friedman 2000); critics have pointed out neo-liberalism can be ‘challenged and replaced because its own failures will require this’ (George 1999). So while the former claims that ‘There Is No Alternative’ to the neo-liberal model, the latter argues for the possibility of polices which ‘restore power to communities and democratic States while working to institute democracy, the rule of law and fair distribution at the international level’ (George 1999).

5. ‘Scaling up’ Polanyi and the Second Great Transformation?

There is a growing consensus that Polanyi’s work on the European ‘great transformation’ can bring light to the analysis of current transformations caused by globalisation. As Stiglitz (2001, vii) has argued, ‘because the transformation of European civilization is analogous to the transformations confronting developing countries around the world today, it often seems as if Polanyi is speaking directly to present day issues’. Yet, and as Munck (Munck 2006, 180) argues, there is need to ‘scale up’ Polanyi’s theory in order to properly address the social and political transformation being brought by the contemporary globalisation processes. This section reviews several attempts to examine neo-liberal globalisation through Polanyi’s transformation theory and explores areas in which Polanyi’s ideas can be expanded.

*Global Laissez-Faire and the ‘Great Transformation’*

Parallels have been drawn between the transformation of European societies under nineteenth century liberalism and that of the twentieth and twenty-first century globalisation. For Udayarig et al. (2003, 310), these similarities are based on the existence of an international capitalist system, which is first organised through imperial rivalry and later by means of a global regime, along with the expansion of the market economy to terrains that were previously outside its domain. Hence, reference is often made to the manner in which neo-liberal globalisation has meant the creation and expansion of markets for ‘fictitious commodities’ and the resulting process of ‘disembeddedness’ of the economy. As argued by Adaman et al. (2003, 359), while prior to the creation of the capitalist market the economy was organically embedded in society and nature; the creation of the economic process as a distinct system with its own laws has severed these organic links and subordinated society and nature to the economy. Thus, while Polanyi’s analysis of the great transformation focused on the creation

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13 There is no alternative (TINA) was a slogan used by Margaret Thatcher in multiple speeches to justify the implementation of drastic neo-liberal reforms in England during her premiership.
and expansion of these processes in Europe, current analyses focus on the manner in which such processes have been replicated at a world scale though the creation of a global laissez-faire.

Several authors (Gray 1998; Stiglitz 2001; Adaman, Devine et al. 2003; Munck 2004) borrow from Polanyi to highlight that global ‘laissez-faire was planned’. Jessop (2001, 203) utilises Polanyi’s analysis of the market society to theorise ‘capitalist societalization’ - the process whereby market forces and the logic of capitalist accumulation become established as the ideologically and politically dominant principle of society through the extension of commodification and the distortion of non-commercial domains. Block (2003, 276) derives the concept of the ‘always embedded economy’ to argue that market societies, both historically and today, have sought to limit the individual pursuit of gain and to channel economic activities into a narrow range of legitimate pursuits, by means of elaborate rules and institutional structures. Like all the previous social orders up to the end of feudalism, the market economy is also embedded in law, politics, and morality. Similarly Gray (1998, 17) correspondingly argues that markets are not ‘a gift of social evolution’ but rather the product of ‘social engineering and unyielding political will’. As Munck (2004, 252) reminds us ‘capital mobility was encouraged, free trade was sanctified, labour was made more ‘flexible’ and macro-economic management became fully market compliant’. Munck (2004, 263) however also highlights the need to remember that some states have had a bigger role than others in creating global capital. Ugayarigi et al. (2003, 312) similarly argue that globalisation is an uneven process that incorporates states in different forms and degrees. This resonates with de Sousa Santos’ (2006, 395) critique of the two fallacies of globalisation. First, the ‘deterministic fallacy’ that claims the inevitability and spontaneity of globalisation. And second, the ‘fallacy of the disappearance of the South’, that portrays the existence of an equal and unified world.

In view of the attention given to the process of globalisation, it seems pertinent to engage more deeply with different understandings of such processes. For Munck (2002, 12) globalisation is ‘if nothing else, a significant worldwide development of capitalism’. De Sousa Santos (2006, 398) defines globalisation as a ‘set of unequal exchanges in which a certain artefact, condition, entity or local identity extends its influence beyond its local or national borders and, in so doing, develops an ability to designate as local another rival artefact, condition, entity or identity’. For Udayarigi et al. (2003, 312), globalisation is thus a process that consists of a ‘coordinating institutional complex of multilateral organisations’ that is ‘orchestrated by a set of neo-liberal policies and that is uneven… over time and space’. And while Stiglitz (2001, ix) recognises that ‘only diehards would argue for the self-regulating market’, he nonetheless concedes that ideology and special interests continue to be disguised and prescribed as economic science and good policy.

**Double Movement and the Re-embedding of the Economy**

Polanyi (2001) and a number of later theorists (Gray 1998; Stiglitz 2001; Munck 2002; Adaman, Devine et al. 2003; Udayarigi and Walton 2003; De Sousa Santos 2006; Munck 2006) have argued that society will inevitably protect itself against the perils of the free-market. Here it is crucial to remember that according to Polanyi (2001, 3-4), society would take measures to protect itself by means of re-embedding the market into society. The importance of reinstituting the economy under social control is a key concern which follows the recognition of the negative social impact of economic restructuring under the ideology of laissez-faire. As Stiglitz (2001, xi-xii) argues:

‘Rapid transformations destroy old coping mechanisms, old safety nets, while it created a new set of demands, before new coping mechanism are developed. This lesson from the
nineteenth century has, unfortunately, all too often been forgotten by the advocated of the Washington consensus, the modern day version of the liberal orthodoxy’.

For Munck (2004, 251) the ‘Polanyian Problem’ thus consists of ‘how the tendency towards the creation of a global free market economy can be reconciled with a degree of stability and cohesion in society’. Here it is crucial to point out that Polanyi saw the free market as a threat to both the human and the natural substance of society. Adaman et al. (2003, 359) have rightly argued that there is an uneven relationship between the human and natural substance of society: for while the former has the capacity for conscious and powerful action, the latter has none. In other words, the fate of nature is dependent on the conscious and powerful action of humans. As Adaman et al. (2003, 359) have argued, ‘for the economy to be reinstituted in ways that create a sustainable organic relationship with nature, it must first be reinstituted in ways that bring it under social control’.

Gray (1998, 20) argues that the free market cannot last in an age in which economic security for the majority of people is being reduced by the world economy. Gray (1998, 17) further argues that the free market and true democracy cannot coexist since the social costs of the former are such that it ‘cannot for long be legitimate in any democracy’. Gray (1998, 20) is not alone in arguing that the regime of laissez-faire is bound to give rise to counter-movements that will challenge its constraints (see for instance Stiglitz 2001; Munck 2002; Adaman, Devine et al. 2003; Udayarigi and Walton 2003; De Sousa Santos 2006; Munck 2006). It is here that Polanyi’s (2001, 79) concept of ‘double movement’ – the emergence of protective counter-movements that blunt the destructive impact of the commodification of labour, land and money– becomes particularly relevant.

Munck (2004, 253) argues that Polanyi’s ‘double movement’ provides a basic theorizing of the concept of counter-hegemony. Polanyi’s double movement can be seen as a metaphor for the ‘socio-political forces which wish to assert more democratic control over political life’ (Gill in Munck 2002, 18). Munck (2006, 181) draws a comparison between the work of Gramsci and that of Polanyi; arguing that while the first sees the proletarian party as the agent of counter-hegemony, the later focuses on ‘a social reaction to the market that would spur a counter-hegemonic movement’. As argued by Munck (2004, 256), ‘Polanyi directs us away from class essentialism and towards an understanding that counter-hegemony will be a broad social and political spectrum seeking to represent the general interest of humanity’. Thus, ‘we need to consider his [Polanyi’s] incipient theorizing of a concept of counter-hegemony in a way that complements rather that contradict Gramsci’s’ (Munck 2004, 253).

In addition, there is an implicit similarity between Polanyi’s idea of the ‘double movement’ and de Sousa Santos’ idea of ‘insurgent cosmopolitanism’. This latter concept refers to transnational organised resistance against the unequal exchanges produced or intensified by neo-liberal globalisation (De Sousa Santos 2006, 398). As de Sousa Santos (2006, 398) explains, insurgent cosmopolitanism ‘refers to the aspiration by oppressed groups to organize their resistance on the same scale and through the same type of coalitions used by the oppressors to victimize them, that is, the global scale and local/global coalitions’. Udayaragi et al. (2003, 336) similarly suggest that while globalisation has created a growing detachment between traditional forms of state and civil society, this process has also highlighted the importance of popular movements in achieving global justice. Like them, and following closely Polanyi’s notion of freedom, Stiglitz (2001, xiii) highlights that the task of the global community is now that of redressing the imbalances created by globalisation in order to create abundant freedom for all members of global society. In this context, Gray (1998, 20) points out that ‘a reform of the world economy is needed that accepts a diversity of cultures, regimes
and market economies as a permanent reality’. Adaman et al. (2003, 372) goes a step further to emphasise the importance of moving beyond the simple recounting of Polanyi’s insights and towards the development of models of the concrete ways in which the re-embedding of the economy can be materialised.

Anti-globalisation activism is considered by many to be a form of contemporary countermovement. Jessop (2002) argues the new forms of global resistance seen in Seattle and Genoa are initiatives to seek ‘alternative paths of economic, social and political restructuring’ and challenge neo-liberal policies. Stiglitz (2001) also mentions that Polanyi’s concerns are actually consonant with the issues raised by anti-globalisation movement. Amoore (2005, 4) argues that these forms of resistance – sometimes referred to as evidence of ‘global civil society’ – are new to the extent that they have ‘come to be floodlit by a broader set of connections to globalisation and the oft-cited neo-liberal restructuring strategies of states, multinational corporations and international organisations’. Many of these social movements are characterised by ‘ground up’ or grassroots mobilisations, and are organised by horizontal forms of networking and identity politics, often at a global scale. The World Social Forum provides one of the most salient examples of this form of resistance, organised around an agenda of counter-hegemonic globalisation and decentralised forms of international solidarity building. In this context, Munck (2002, 19) argues that:

‘Contemporary counter-movements will, in all likelihood, not lead to a revival of post-World War settlement and social contract, because the world has indeed gone through a great transformation since the collapse of socialism and the acceleration of capitalist globalisation. Undoubtedly, new global social modes of regulation will emerge. What is certain is that Polanyi, as a precursor of the theory of radical democracy, would be looking to ordinary people for democratic alternatives to current forms of globalization.’

**Further Issues to Address**

While Polanyi's analysis of the Great Transformation provide crucial insights to the analysis of neoliberal globalisation, there is a need to be cautious about some of its limitations. First, Munck (2004, 253; 2006, 185) points out that Polanyi worked within the parameters of what is now called ‘methodological nationalism’, which is to assume that social worlds are contained within the boundaries of national territories and to analyse the attendant social, political and economic processes through the lens of the nation-state (Wimmer and Glick Schiller 2003). Second, it is similarly important to problematise the Eurocentric nature of Polanyi’s analysis in order to point out the interconnectedness of various social, economic and political processes. In other words, there is need to question an analysis that focuses only in European experience of industrialisation as if this could ever exists in isolation from other regions of the world. Finally, Munck (2004, 253) also points out that Polanyi’s work lacks a clear explanation of the manner in which double movement may operate. Similarly, de Sousa Santos (2006, 398) warns that the development of counter-movements (or insurgent cosmopolitanism to use his term) cannot be taken for granted. For de Sousa Santos (2006, 398) the emergence of such movements is intrinsically unstable and problematic. This is mostly a reflection on the heterogeneous nature of diverse social movements and an acknowledgment of the possibility of conflicting interest among them. Here it is important to remember the political dilemmas posed by Polanyi’s finding that counter-movements might equally take a reactionary or a progressive form (Munck 2006, 185).
6. Conclusion

The world we live in today would in many ways have been unrecognisable from the historical vantage point that Polanyi occupied. It is a world characterised by unprecedented levels of interconnectedness, interdependency, rapid change and a concomitant degree of complexity, tension and possibility. Yet, the concepts that Polanyi developed continue to have analytical salience. Much can be drawn from Polanyi’s analysis of the great transformation of European societies in order to better understand the current transformation brought by neo-liberal globalisation.

However, in order to ensure that they are adequate to the task of theorising change and transformation in the contemporary world there is a need to build on his concepts by drawing insights from the vast range of theories and schools of thought that have emerged in the intervening decades. Drawing on the challenges to dominant theorising posed by schools like poststructuralist and postmodernist is central to recognising and transcending the limitations of Polanyi’s work in the contemporary context. In our following working papers, we will engage critically with the insights offered in contemporary theorising to develop a more robust understanding of the nature of the operation of power and hegemony as diffuse yet pervasive forces in contemporary society, the possibilities for resistance to the forces of neoliberal globalisation, and the interactive dynamism of transformative processes occurring at multiple socio-spatial scales.

7. References


