

**THE LIMITS OF TRANSFORMATION:
CONTEMPORARY APPLICATIONS
OF KARL POLANYI**

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It is no secret that Karl Polanyi's 1944 masterwork *The Great Transformation* (henceforth *GT*) has been enjoying a much deserved renaissance for the past two decades. After the ostensible collapse of Marxist economic theory in the early 1990s and the irrational exuberance of neoliberalism, Polanyi's special blend of economic anthropology, social theory, and sweeping history reemerged to offer what appeared to be both a remarkably astute diagnosis of our moment and an approach refreshingly untainted by the doctrinaire disputes of the past. This explains perhaps the ubiquity of Polanyian ideas like 'embeddedness' and 'fictitious commodities' in contemporary debate.

Nevertheless, as Fred Block has suggested (Block 2003), Polanyi's work has generally not been subject to the same sort of intense theoretical scrutiny as other classic works of economic and social theory. This has meant that some of the most interesting questions raised by Polanyi's work do not receive the attention they deserve. Here I am interested in one question in particular. How are we to explain the continued existence of free market fundamentalism, both as a prominent ideology and as a living political project? Polanyi certainly thought that after WWII society was on the verge of moving beyond this particular impasse. What led him to anticipate the demise of market utopianism? Is its persistence a theoretical problem or not? Does it point us toward any other problematic elements in Polanyi's thinking? I argue that the persistence of free market utopianism does indeed represent a theoretical problem for Polanyi, and try to trace its sources in his social theory.

These sorts of broader questions tend to be overlooked because much of the secondary literature associated with *GT* still follows one of three

unfortunate approaches. In the first, Polanyi's most well known ideas and phrases are 'cherry picked' out of his work to serve as needed in another author's theoretical scaffolding. In the second, there is a preoccupation with basic exegetical clarifications. For example: is Polanyi, or is he not, a functionalist? In the third, the emphasis is on resolving a host of basic uncertainties that surround the concept of embeddedness. In particular, does Polanyi mean to suggest, as he sometimes seems to, that the so-called free market economy of the 19th century was disembedded from social norms, or, conversely, that it is impossible to disembed an economy from society? This is still a matter of controversy (Cangiani 2011).

Tellingly, there is considerable disagreement even about what Polanyi means when he refers to the great transformation; the most popular answers range from the first establishment of a putatively free market economy in the 19th century, to its crisis and collapse in the 1920s and 30s, to Polanyi's hope for a utopian transformation-to-come of society that would involve the reintegration of the economy into a fully social life. Other authors, ignoring Polanyi's reference to 'the' great transformation in the singular, claim that each of these events should be understood as a separate great transformation in its own right (Block 2001).¹

This is all to say that outside the anthropological circles in which his research into archaic and primitive economies has always had a vital presence, Polanyi's influence has been largely confined to the somewhat nebulous idea that the economic sphere is in some way subservient to or embedded in the social. The tendency has been for theorists to adopt this notion and run with it, usually without examining it within the larger context of Polanyi's work, as can be seen from the sheer variety of (often incompatible) uses to which embeddedness is currently put.

Beginning roughly in the early 1980's, Polanyi's once marginal influence began to permeate the collective consciousness of the social sciences. Despite – or perhaps because of – the looming shifts in the international economy, there seemed to be an emerging consensus that Polanyi's

1 Conversely, I think a close reading of *GT* shows that for Polanyi the great transformation actually involves all three of these moments because it refers to the whole series of crises and responses that follow in the wake of the industrial revolution, and in this sense it is not so much an event as an epoch.

genealogy of the market system had something important to tell us – there just wasn't much agreement on what it was. In political science John Ruggie famously coined the phrase 'embedded liberalism' to describe the Keynesian compromise between economic and social interests that characterized the dominant state of affairs in advanced industrial states in the decades after WWII (Ruggie 1982). In sociology Mark Granovetter's now classic article on embeddedness (Granovetter 1985) catalyzed an entire generation of economic sociologists devoted to understanding the role that social networks play in shaping economic transactions. Network theorists take a structural and primarily quantitative approach to measuring the impact of social connections. The irony here is that Polanyi's emphasis on culture is much diminished, and writers in this tradition have been variously accused of neglecting the historical dimension of embeddedness (Gemici 2008), eviscerating the reformist intentions behind the concept (Beckert 2009), and reestablishing a sharp divide between economy and society that Polanyi explicitly tried to break down (Krippner *et. al* 2009). For these critics of conventional network theory Polanyi's most enduring contribution has been just the opposite, viz. to show that the impact of economic change is primarily a cultural phenomenon, an enmeshed world of meaning unsuited to study by quantitative methods (Kirby 2006). Finally, on the political left embeddedness has become a slogan directed against the pitfalls of privatization and the push for 'free' markets.

I argue that none of the established positions in this debate are fully cognizant of some deep rooted methodological tensions in GT, the naturalizing function that embeddedness tends to play in Polanyi's hands, or the problems involved in using the concept as the cornerstone for an analysis of the current economic situation. Polanyi's work is undoubtedly brilliant and packed to the brim with insights; but, far from providing a skeleton key into contemporary capitalism, he threatens to lead us astray unless we give his work the due diligence that it merits.

The crux of the matter is that Polanyi forecast the impending decline of free market fundamentalism, while from a contemporary vantage point, it is clear that this collapse has not materialized, to put it delicately. What has gone wrong here? This question is rarely discussed *vis-à-vis* Polanyi in any detailed fashion. Of course, in itself a little predictive disappointment is hardly a terminal flaw when assessing the real value of a work, and history is littered with the corpses of classic tomes that have underestimated the resilience of capitalism. The difference is that – with

a few significant exceptions (Blyth 2002; Dale, 2010; Roth 2003) – most readers of Polanyi tend to treat this mistake as an incidental feature of his work, while the readers of, say, Marx, have been engaged in a project of theoretical soul-searching that has continued unabated for well over a century.

In what is perhaps most thoroughgoing recent account of Polanyi's thought, Gareth Dale asserts that it is a mistake to view Polanyi's predictions in an overly deterministic way, and that we should instead see the necessary decline of the liberal creed as a kind of forced choice that arises at a critical moment in human history (Dale 2010: 43). Dale's point is well taken, but it fails to get to the heart of the matter because the really troublesome question is *why* Polanyi was led to make this particular set of predictions in the first place. Wishful thinking is also not a sufficient explanation. After all, Polanyi was quite explicit that the transition to social democracy was an immanent 'tendency inherent in an industrial civilization to transcend the self regulating market by subordinating it to a democratic society' (Polanyi 2001: 242). Polanyi's point here is not simply that the liberal project is destined to fail, but that this destiny stems from tendencies that inhere in the basic nature of industrial society itself. Thus there is an internal relation between Polanyi's social theory – the basic ideas he holds about the operation of society – and his prediction that markets will be subordinated to society. Polanyi's famous prediction is therefore not incidental but *symptomatic*, in that it suggests more fundamental problems might be lurking within his social theory.

In this article I attempt to read Polanyi symptomatically by looking for clues to the sources that motivate his views on the future of the market economy. My exploration of Polanyi's thought comprises three main stages. First, I examine Polanyi's predictions in the context of his conception of industrialism. I argue that for him industrialism is the most fundamental process at work in society, and this in turn leads him to overlook the specificity of capitalism as a unique economic system. Why is thinking about capitalism important in this context? Because capitalism is more than a technological era and creates historical forces irreducible to mechanization. For classical social theorists like Marx and Weber, capitalism is defined by expansive markets and the pursuit of profit maximization to the exclusion of other goals (the dynamic Polanyi usually refers to as 'market society' and Marx captures with his famous formula M-C-M') but it is also a self-rejuvenating system that possesses

a variety of tools that continually reinforce its power over individuals, e.g. explicit class projects in Marxist literature or the creation of subjectivity itself in Weber (Marx 1990; Weber 2001). It is no coincidence that, of the classical sociologists, the one who spent the least time thinking about the special self-perpetuating powers of capitalism, Émile Durkheim, is also a thinker whose ideas share important points of commonality with Polanyi's social theory, especially when the future is in question. I attempt to demonstrate why this is the case, and show that Polanyi moves capitalism to the back shelf in favor of a more diffuse understanding of industrialism. I claim that one result of his different perspective is that crucial means by which market ideology is sustained are overlooked, and that partly for this reason Polanyi is prone to underestimate the historical resilience of the capitalist system and market utopianism.

Second, I concentrate on those areas of Polanyi's social theory that draw on the legacy of functionalism. Through critical interpretation, I endeavor to show that his use of functionalist theory to construct a unified image of the social system with a relatively strong teleology toward integration is partly responsible for his confidence that society will respond powerfully to the destruction caused by markets. Finally, I conclude by reiterating the lasting importance of *GT* and speculating briefly on what an effort at a reconstruction of Polanyi's most valuable contributions would look like.

The Primacy of Industrialism in *The Great Transformation*

Polanyi conceived of *GT* as a work of institutional analysis (Polanyi 2001: 5), and in general his account of the institutions that have shaped the contours of various historical conjunctures is superb. However, this fact only makes it stranger that Polanyi devotes little sustained attention to the rise of bureaucratic capitalism in the late 19th century. As a consequence he failed to sense the ways in which nascent organizational formations might qualitatively change the future of capitalism (Hart 2009). Yet, to suggest that this lacuna is a mere coincidence seems overly generous. The new era of capitalism had its origins in the wave of consolidations that emerged from the long depression of the 1870s, and by 1940 organized capitalism was already well established, and in fact it

was of central importance to many thinkers at the time spanning the whole ideological gamut from the Frankfurt School (Horkheimer and Adorno 2002) to Schumpeter (Schumpeter 2008) to Galbraith (Galbraith 2007).

This is not the place to get involved in a detailed discussion of how bureaucracy affects the economy. Instead, my claim is much simpler: that Polanyi's oversight on the novelty of bureaucratic capitalism is a red flag that offers a good entry point into some of the same methodological problems that led him to predict the early demise of the free market creed. We should want to know why Polanyi did not feel compelled to examine bureaucracy in an era when many of his peers did. These problems become apparent when we compare Polanyi's ideas with another classic work written contemporaneously with *GT*: Joseph Schumpeter's *Capitalism, Socialism, and Democracy*, first published in 1942. Both Schumpeter and Polanyi make predictions about the coming decline of liberal society that seem erroneous from our current vantage point, but the different ways in which they err are instructive.

Schumpeter's hypothesis, heavily influenced by Max Weber's analyses of bureaucracy, is that the new forms of massive corporate capitalism which developed in the early 20th century are fundamentally different from the small, individually owned enterprises that populated the economy in the halcyon days of the free market liberalism. Instead of inculcating a drive towards competition and entrepreneurship, the very size of organized capitalism was acclimating people to a life of passivity and bureaucratic torpor; that is, it was producing would-be socialists (Schumpeter 2008). Capitalism was being cannibalized by its own success. Where Schumpeter's predictions fell short, then, was in failing to anticipate the sorts of tactics to which capitalism and capitalists would resort beginning in the 1970's (high interest rates, the advent of consumer debt, outsourcing, etc.) to reestablish the competitive pressure of 'creative destruction' on individuals in daily life. Schumpeter, however, was always explicit that divining the future was uncertain, contingent, and dealt in inordinately long timescales. He famously wrote that one hundred years was part of the 'short run' (Schumpeter 2008). In *The Birth of Bio-politics* Foucault picks up right where Schumpeter left off and traces the rise of disciplines and practices which emerged to create the newly revitalized 'entrepreneurial society' that we have come to know as neoliberalism (Foucault 2008).

The diverse intellectual influences that motivate Polanyi's theory are somewhat harder to demarcate. He was also influenced by Weber, but not the Weber of rigid bureaucracies and instrumental reason. Instead, Polanyi built upon Weber's recognition that early economies have crucial lessons to teach about the basic patterns of economic life (Polanyi 2001: 48). Polanyi's understanding of value was influenced by Schumpeter's own brand of marginalist economics (Dale 2010: 12). Other commentators have stressed the influence of Hegelian Marxism on his early thought (Burawoy 2003). Finally, it is generally recognized that Polanyi shares several important traits with Émile Durkheim's functionalist sociology (Hann 1992; Steiner 2009). For the purposes of this article, the similarities to Durkheim and legacy of functionalism are of special interest because they go to the root of some of the problematic features of Polanyi's social theory.

I will examine the fraught question of Polanyi's relationship to functionalism in more detail later, but for the moment one similarity is particularly important. Like Durkheim, Polanyi has a pronounced tendency to treat society as if it were a coherent organism or system unto itself. Polanyi's basic premise is that the attempt to establish a truly free market in the 19th century was a *sui generis* episode in human history that broke sharply with past traditions, a utopian project that went against the very nature of society by making it the adjunct of unrestricted economic forces. In Polanyi's eyes labor, land, and money are 'fictitious commodities' in that, unlike true commodities, they are never originally produced for sale on the market. This means that the basic purposes these institutions fulfill are broadly social and naturally prior to market relations. Consequently, any attempt to subordinate fictitious commodities to the direction of the market can only disrupt these more ordinary functions at huge cost to the wellbeing of the collectivity (Polanyi 2001: 52). The social disasters let loose by unregulated markets call forth a 'double movement' in which society acts to defend itself by using the state and established institutions to buffer the market. Both fascism and social democracy can be explained as alternative manifestations of this protective impulse. In short, Polanyi believed that the objective and catastrophic failures of autonomous markets would render the free market creed forever unworkable as a guiding ideology.

Several problematic features of Polanyi's account emerge already from this short comparison. First, unlike Schumpeter, Polanyi pays little attention to the kinds of social practices which produce the habits that

sustain beliefs, and indeed he has been criticized for failing to demonstrate why the doctrine of free markets, if it was really so destructive, proved to be so contagious in the first place (Blyth 2002; Steiner 2009). Secondly, in treating the experience of the 19th century as a singular moment that is to be understood primarily as a response to the industrial revolution, Polanyi effectively dehistoricizes the development of capitalism in a way that makes it harder to see its long term development, its mutating organization, its periodic cycles of decline and rejuvenation.

Indeed, it is noteworthy that Polanyi seldom mentions capitalism at all, and prefers to speak of 'free' markets. He is working with an idiosyncratic time frame in which markets were first fully established in Britain in the 1830s as a social response to the industrial revolution and were more or less demolished by the 1930s. The main conceptual constructs operating in his story are therefore the problems raised by industrial civilization paired off against *laissez faire* utopianism, integrative social democracy, and fascism as potential societal responses. 'What appears to be a problem of capitalism,' he wrote, 'is in reality the far greater problem of industrial civilization' (Polanyi 1968: 76). Capitalism, for Polanyi, is one particular manifestation of a more fundamental process. To the extent that what *appears* as a problem of capitalism is *in reality* something else, it would not be unfair to say that, for Polanyi, capitalism, as a particular social system defined by the extension and intensity of market based economic relationships, is largely epiphenomenal. Markets ride along the wave of history, without necessarily being part of that wave. The problem is that, in failing to address capitalism itself as a process with its own long history, its own rhythms and causal power, Polanyi is led to underestimate the potential durability of capitalism, as well as the market relations and the liberal creed that come along with it.

Still, it is not enough to point out the insufficiency of the move that Polanyi makes here. We should ask what aspects of Polanyi's thought are responsible for leading him into trouble. Regarding the question of methodology, S.C. Humphreys calls readers' attention to an intriguing footnote dealing with Polanyi in Karl Popper's *The Open Society and Its Enemies*. Popper writes:

The theory that while the physical sciences are based on a methodological nominalism, the social sciences must adopt

essentialist ('realistic') methods, has been made clear to me by K. Polanyi (in 1925); he pointed out, at that time, that a reform of the methodology of the social sciences might conceivably be achieved by abandoning this theory... (Humphreys 1969).

A nominalist research agenda, according to Popper, would be one that 'instead of aiming at finding out what a thing really is, and at defining its true nature...aims at describing how a thing behaves' (Humphreys 1969). What is fascinating about Popper's comment is that in it we can already detect Polanyi's approach in embryo². A great deal of Polanyi's thought, especially in his later work, does move toward describing regularities in the ways that institutions behave and interact without asking reductive metaphysical questions about what social institutions 'really are.' A good example here is the first chapter of *GT* in which he traces the causes behind the 'hundred years' peace' that held sway in Europe from 1815-1914 to a confluence of four institutions: the gold standard, balance of power, the self regulating market, and the liberal state. There is no single cause behind the long peace, no fundamental process to which other institutions are mere epiphenomena. Instead, the hundred years' peace is the fortuitous result of a dense tangle of institutions, beliefs, and practices, ranging from faith in sound money to the balance of power to the recent emergence of international bankers. This is Polanyi at his best.

Yet, as Humphreys indicates, Polanyi never truly escapes the last vestiges of what Popper calls essentialism. For example, at times he still seems tied to producing definitions of 'society' and 'the economy' rather than looking at how these distinctions arise and operate in everyday life. Similarly, despite the complex institutional analysis in the first chapter of *GT*, in much of the book Polanyi tends to characterize industrialism as

2 The irony in Karl Popper's use of Polanyi to suggest a new direction for social science should not be missed. In the 1930s, Popper was one of the early founders of neoliberal thought that became prominent in the last decades of the 20th century (Jones, 2012: 37-48). The real problem, of course, is just how to interpret what a 'nominalist' method would look like. Popper seems to have understood nominalism in this instance as something akin to methodological individualism. By contrast, I want to suggest that, for thinkers like Polanyi (and more fully for Foucault), nominalism would entail should shift in social theory to a focus on *how* certain institutions or practices come to exist, and a shift away from the 'essentialist' question of what really lies at the ground of social processes. In this sense, positing either the individual or the social system as *the* basic element is still a kind of realist essentialism.

the driving process of social reality, a process that is 'more real' than, say, capitalism. As Anthony Giddens points out, this debate over whether to privilege industrialism or capitalism – a debate in which Polanyi clearly intends to intervene in favor of the former – is a classic debate that stems from the reductive realism of much 19th and early 20th century sociology. Giddens claims that social theory would be well served to recognize that industrialism and capitalism are partially independent processes, neither of which is reducible to the other, and which are themselves intertwined with a host of other, partly independent processes ranging from military power to administrative techniques (Giddens 1987: 26). Today we would also have to add ecology to this list. To recognize this degree of complexity in social theory would be to move toward just that kind of nominalism Polanyi described to Popper. At times, Polanyi seems to take important steps in this direction, but at critical moments he is still prone to the reductive or essentialist impulse. Only by positing a certain conception of industrial society as the fundamental driving force of society is Polanyi able to have a strong confidence in the social reaction against unrestrained markets and coming demise of the liberal creed.

Polanyi and the Legacy of Functionalism

If the manner in which Polanyi understands industrialism is the source of one set of problems, his conception of society creates a closely related but separate set of difficulties. In this section I claim that important elements of Polanyi's theory of society are best understood through the legacies of Durkheim and functionalism more generally. I describe how he relates to these traditions of social theory, and the ways in which they are manifested in the central Polanyian notions of embeddedness and the double movement. I claim that as a consequence of functionalist elements in his thought, Polanyi is led into a precipitate social holism, which is in turn linked his confidence in the necessity of a reaction against markets. My goal is to isolate problematic strains in his thinking. Admittedly, this is a delicate task. Polanyi does not explicitly wave the functionalist banner. His writing is complex enough that it is probably always going to have moments of dissonance with any single research paradigm. However, I believe a compelling case can be made by first demonstrating the extent to which Polanyi draws on the work of classical

functionalist scholars, and then by showing that at important points he often makes many of the same theoretical and rhetorical moves that a functionalist would. This should be enough to establish a meaningful connection.

I also recognize that there is some danger in using a vague term like functionalism. If functionalism is synonymous with any kind of structure or principle of order in society, then virtually every social theorist from Marx to Weber and even Foucault is a functionalist of some kind, and in fact the label has been applied, rightly or wrongly, to each of them at one point or another. Robert K. Merton provides a more specific conception of functionalism as a coherent tradition in his seminal examination in *Social Theory and Social Structure*, first published about five years after Polanyi wrote *GT*. Merton cites the anthropology of Radcliff-Brown and Malinowski as the archetypical examples of the functionalist paradigm. According to Merton, the first primary trait of functionalism is methodological holism. For Radcliff-Brown, more or less explicitly following Durkheim, 'the function of any recurrent activity is the part it plays in the social life of the whole.' Secondly, functionalists like Malinowski assume that the most regular aspects of culture and practice must be understood to play a role in the integration of the disparate processes in society into a system (reprinted in Merton 1996: 78-80). In this conception there is a social telos, it exists at the broadest level of the social system, and it should be understood as tending toward effective, hence 'functional,' integration. For my purposes, it is important to point out that even a cursory look at the bibliography of *GT* shows how much crucial chapters rely on the interpretations of Radcliff-Brown and Malinowski. This is especially true of the more anthropological chapters, such as 'Societies and Economic Systems,' where Polanyi gives his account of the institutions and kinship structures that form the basis for his vision of economic life.

Merton points to problems with each of major functionalist stances, the holism and the focus on positive integration. He notes that the idea of a social whole privileges a unified vision that can make it more difficult to understand social complexity and conflict. I would add that these problems are exacerbated in the contemporary era in which the precise boundaries of a society are extremely blurry, and exceed the boundaries of either tribes or territorial states. Holism, for Merton, also slides easily into the view that the telos or tendency toward integration is quite strong, when this is often not the case. Societies appear to have muddled through

with only moderate degrees of integration for long periods of time. Gibbon thought Rome declined and fell for centuries (Gibbon 2010). The problems associated with the unified, strongly teleological approach have led contemporary theorists who attempt to salvage parts of functionalist thought to break their notion of society down into differentiated subsystems that lack an overarching functional telos, with Luhmann being perhaps the most famous example of this trend (Luhmann 1996). Through some critical exegesis, I believe it can be shown that Polanyi's social theory indicates some of the more problematic influences of unreconstructed functionalism.

Durkheim's influence permeates the functionalist tradition, and given Polanyi's reliance on the works of Radcliff-Brown and Malinowski it is not surprising that he shows some important similarities to Durkheim as well. In a well known passage from *GT* Polanyi speaks of 'the reality of society' and 'the needs of society' in a way that immediately recalls Durkheim's emphasis on analyzing 'social facts' (Durkheim 1982). Both thinkers are primarily concerned with the decline of social solidarity brought on by the industrial revolution and exacerbated by the rise of intensive markets, and both are preoccupied with the search for new forms of organization that can ensure a healthy social 'integration' of industrial society; each tends to view revolutionary intellectual movements as telltale symptoms of broader ills within the social organism (Steiner 2009). For Durkheim the solution to modern problems of disintegration and *anomie* involve a kind of guild socialism combined with a strong role for what he called the 'central organism of the life of the collectivity,' i.e. the state (Durkheim 1984). Similarly, Polanyi looks to trade unions and state planning. The underlying assumption is that society is a holistic, collective organism whose integration can and should be maintained with state or communal direction. To my ears it is difficult to avoid hearing heavy functionalist overtones when, for example, Polanyi claims that in a market society 'the self-protection of society... would prove incompatible with the functioning of the economic system itself' (Polanyi 2001: 135).

Some commentators stress the importance of class conflict and interest groups to Polanyi, thereby attempting to limit some of his more organicist tendencies (Burawoy 2003). At times Polanyi does seem to be able to incorporate a more complicated understanding of social stratification without making major alterations in his social theory. For instance, in his main discussion of the role of class in a market economy

he declares that 'Sectional interests are thus the natural vehicle of social and political change.' However, he is quick to add the crucial comment that 'The 'challenge' is to society as a whole; the response comes through groups' (Polanyi 2001: 160).

This basic view of social existence as holistic in the last instance is another important source of what we have called reductionism or essentialism in Polanyi's work, because with it he posits *a priori* a particular kind of relationship as fundamental and immune to change. It is one reason why he can speak of 'the changelessness of man as a social being' and say, even when speaking of complex social structures and subjective desires, that 'the necessary preconditions of the survival of human societies appear to be immutably the same' (Polanyi 200: 48). This framework forms an ahistorical baseline for his thinking about what it means for the economy to be embedded and therefore weighs heavily on his thinking about the future of economic relations.

Defenders of Polanyi's methodology have claimed that it is inappropriate to call him a true functionalist or holist because, in his ethical writings and in his essay on fascism in particular, he places major emphasis on individual freedom and volition, whereas in structural functionalism proper individuals act on unconsciously imbibed norms on the behalf of society (Baum 1996). While Polanyi certainly does champion the ethical value of the individual, I find this line of defense somewhat surprising because Polanyi seems at times to be saying exactly that. He writes, to take just one example, that 'Power and economic value are a paradigm of social reality. They do not spring from human volition; non-cooperation is impossible with regard to them. The function of power is to ensure that measure of conformity which is needed for the survival of the group' (Polanyi 2001: 267). That he was attentive to both individual freedom and social integration may indicate a family resemblance to the ethical concerns of Hegelian Marxists, but it does not mitigate some of the more serious problems that arise with a generalized functionalist methodology. It seems rather that Polanyi's thought simply contains unresolved tensions, in this case between his version of an individualist, Tolstoyan-Christian ethics and his organic view of social relations. (On the manner in which Tolstoy shaped Polanyi's ethical views see Nafissi 2005: 138-9.)

Fred Block has elaborated a number of other apparently contradictory positions in Polanyi, perhaps most importantly a tendency to oscillate

between the language of necessity and contingency. Block accounts for this by suggesting that Polanyi underwent an Althusserian 'epistemological break' in the process of writing GT and simply lacked the time to revise the work in the interests of consistency (Block 2003). Somewhat differently, I maintain that Polanyi's thought contains contradictory elements because he is something of a transitional figure whose thought is in fact contradictory. In his writings we see on one side a nominalistic approach, the language of contingency, and an emphasis on the individual, and on the other side an organic/essentialist view of society, the idea that industrialism is the foundational process of modern history, and the language of necessity. Polanyi is contradictory not because he underwent an epistemological break, but because he never entirely completed the break he outlined for Popper in 1925.

To clarify, I am not claiming that Polanyi is a functionalist in any simple or dogmatic sense, but only that he draws uncritically on functionalist theory at important moments. My intent is not to pass judgment on the viability of functionalism as such, but to illustrate the effects that it has in Polanyi's writing more generally, and specifically to show how it is related to his understating of our economic future. By isolating these problematic moments we can see turning points where he misunderstood the evolving state of economic society. It is true that certain aspects of his theory are hostile to the traditional tropes of functionalism. For instance, the emphasis he sometimes places on the punctuated and radical nature of social change does not mesh well with the tendency of functionalist theories to posit slow, continuous evolution (see especially Polanyi 2001: 44). But a symptomatic reading of Polanyi should pay close attention to the critical junctures that lead him into trouble, and functionalist theory is one of these junctures.

This discussion of Polanyi's methodology has important ramifications. First, it helps explain why GT seems to point in several directions at once, and therefore begins to get at why there continues to be important disagreements about so many of the most elementary premises of the book. More importantly, the broader discussion of functionalism illuminates the background against which Polanyi's seminal notion of embeddedness must be understood.

Again, however, ambiguities abound. Kurtulus Gemici points out that embeddedness is used by Polanyi in at least two widely divergent senses, neither of which is well defined (Gemici 2003). First, it seems to denote

a general principle of methodological holism; in this sense it simply means that we shouldn't study the economy by looking at the discrete actions of individual profit maximizers to the exclusion of everything else. But in its second sense embeddedness also functions as a historical variable, such that embeddedness is something societies can possess to a greater or lesser degree at different times, e.g. the society in 19th century Britain is economically less embedded than that of Malinowski's Trobriand Islanders.

Beyond making it an extremely difficult task to understand in any specific way what Polanyi was trying to capture with embeddedness, these sorts of basic uncertainties mean that the concept as it stands is of limited utility for contemporary thinkers. Gemici sums it up nicely: 'While it provides a powerful critique of the neoclassical model...it does not provide an alternative theoretical framework capable of demonstrating how social factors enable and structure human action. At its worst, embeddedness misguides sociology if it is taken as anything other than an abstract methodological principle' (Gemici 2003).

Nevertheless, I believe that it is worthwhile to take a closer look at the way embeddedness operates in GT for two reasons. First, embeddedness as a vague notion does play a major role in motivating Polanyi's speculations about the future of the market system and at least gives us a few clues as to how he understood the interaction between the market and society. His expectations of a recurring 'double movement' against unfettered markets clearly depend on the ways that a society can be described as embedded in the first place. Second, embeddedness remains the concept most associated with Polanyi, for better or worse an idea has been able to be all things to all people, resulting in the variety of mutually contradictory notions of embeddedness to which I alluded at the start of the article. Anything that can bring a little clarification here is useful.

In *GT* Polanyi first begins to elaborate the idea that economic relations are embedded in social relations with a discussion of primitive and medieval economies. He contends that, in all societies until the 19th century, the procurement and distribution of the necessities of life was guided by four broad 'modes' of economic custom (reciprocity, redistribution, small scale barter, and householding) which are basically collective habits that are fundamentally non-market oriented. As Robert L. Heilbroner notes in the true Polanyian spirit, the key difference

between contemporary market economies and earlier economic systems is not that we have markets and they did not; rather, it is that where markets were present in earlier systems they played no role in providing either an impetus to production or in guiding allocation and distribution (Heilbroner 1962: 20). Both of these roles were dominated by social custom, and – in a way that now sounds paradoxical – markets were entirely ancillary to economic activity.

To flesh out this picture of embeddedness Polanyi goes on to give some concrete historical examples of primitive customs and their pervasive effects on economic life. Similar to Clastres' work on the ways that stateless societies possess practices that ward off the creation of a state (Clastres 1987), for Polanyi the role of social custom goes beyond guaranteeing the effective redistribution of resources to ensuring that any extant markets never become large enough to dominate other social institutions. Tradition wards off the market. He describes, for example, the sorts of purification rituals which reduced the possible extent of activity in early markets. In the tribes of the Chaga country, any injury suffered in the marketplace calls for purification and sacrifice, as does any instance of birth or miscarriage in or near the market. Any unusual natural event that might interfere with market activities was likewise taken to be a sign of the need for immediate cleansing. Polanyi's laconic observation is that 'Rules such as these would not make the spreading of markets easier' (Polanyi 2001: 62). These bonds of honor and reciprocity between kinship groups require behavior that is not economically efficient according to our contemporary understanding. However, as Polanyi and other functionalist theorists continually point out, such traditions are extremely good at preserving the integration of the society.

Polanyi's argument has profound implications because he breaks down the central categories of much economic thinking. Over two hundred years of liberal economic theory have meant that it is almost a natural reaction when reading these sorts of intensely anthropological accounts of economic action to see two different things interacting, namely, a realm of social custom putting limitations on an area of economic activity. It may be admitted that they are mutually interdependent, but at the very least a clear analytical distinction exists. The consequence of hypostatizing the economic sphere in this way is a tendency to assume that we can examine the circulation of material goods in non-market economies using the same kind of categories we would use to think about industrialized countries or lemonade stands. We can imagine a

hypothetical neoliberal economist who might look at life in the Chaga country, see market inefficiencies and design a structural adjustment plan ('No more subsidies for marketplace purification!'). Polanyi's challenge to this kind of economic presentism remains one of his most enduring achievements. Prior to his work it was widely believed that all systems of human life are composed of one thing called a society and another sphere called the economy that always operates by basically the same principles. Thankfully, Polanyi found his way out of that bind. 'We must rid ourselves,' he writes, 'of the ingrained notion that the economy is a field of experience of which human beings have always been conscious' (Polanyi 1968: 119).

Yet, Polanyi's own account is far from unproblematic. In keeping with the broader methodological tendencies we have been examining, the implicit assumption that buttresses his discussion of these topics is that any social practices which appear to inhibit the growth of markets exist *for just that purpose*, as an unconscious protection of the social organism. Tribal culture does not prevent markets as a happy coincidence, but is 'designed' to avoid dysfunctional differentiation. As Robert Merton noticed, this is a widespread and problematic tendency in some of the source material Polanyi draws on, particularly Radcliff-Brown and Malinowski. It seems clear to me at least that Polanyi runs into similar problems.

Moreover, because Polanyi in his anthropological mode is more concerned to trace the continuities between various forms of economic societies, he appears to translate without significant alteration the conception of the functional role of culture and institutions from early societies to modern ones. Accordingly, Polanyi has to smuggle a kind of strong teleology into his understanding of institutions. Almost by definition institutions exist because in the long run they benefit society as a whole, and anything that does not is most likely an aberration. This is an understanding that acts very much like that of the distinction between normal and the pathological institutions in Durkheim, and this is how functionalism forms the conceptual basis for Polanyi's understanding of embeddedness.

As always, there are significant moments of dissonance in Polanyi that don't fit neatly into any pure demarcation. His accounts of the gold standard and fascism, for instance, seem to be examples of profoundly dysfunctional institutions. Yet, it should not be forgotten that the gold

standard helped insure the stability of Europe for decades; the crisis regarding the gold standard erupted only when the political dynamics shifted and those guiding monetary policy clung to increasingly unrealistic notions of sound money. The crisis ensued when policy makers failed to let new institutions evolve naturally. Even fascism, I would argue, is for Polanyi something of an abnormal or unnatural growth that emerges when the 'inherent tendency' to social democracy is stifled by doctrinaire policy. (An entire essay could be written on how Polanyi sees the dogmatic persistence in failed policies as a source of political radicalism.) Although dissonant, neither of these examples is inconsistent with Polanyi's generally functionalist view of institutions.

This basic vision has important implications when Polanyi actually analyzes historical societies, for example when he examines the way that feudal customs and regulations inhibited the growth of national markets in Europe. As with earlier primitive economies, Polanyi shows that the dense network of regulations at the town level meant that trade was strictly regulated inside localities, and therefore anything resembling 'free' trade could only be carried out over long distances. Contrary to economic orthodoxy, markets do not start out locally and then expand endlessly of their own accord. Polanyi stresses that it required '[d]eliberate action of the state' in the 15th and 16th centuries to usher in the mercantile era and establish large markets, usually against fierce resistance from the towns (Polanyi 2001: 68). Again, however, Polanyi interprets this to mean that these regulations had existed precisely for the purpose of keeping markets in check. He is forced to take this approach because his root conception of society as a unitary organism protected by institutions means that any examples of long-lasting but ostensibly inefficient social practices should be shown to have some beneficial effect, in this case keeping any nascent market mentality in check.

The problems with this kind of approach have been well documented in the past few decades (Elster 1989; Giddens 2007) and the result has been the (to my mind rather unfortunate) virtual exclusion of many of the classical structural functionalists from much of contemporary debate in social science. First, by assuming that these regulations exist to preserve social cohesion, Polanyi defines their function implicitly before he even begins his analysis. They help to ward off anything that might contribute to disintegration. Polanyi seems habitually to conceive of embeddedness as that state which institutions seek to preserve, with the result that he is

forever expecting a social movement to re-establish a high degree of integration.

Second, by thus limiting their function, Polanyi blinds himself to other possible effects of these same practices and institutions. He does not discuss, for example, the ways in which the inhibiting institutions which kept the market in check also entrenched the dominant power of the landed interests (Hart and Hann 2009). Anything that prevented the wholesale growth of markets was a major boon to the dominant aristocrats who happened to maintain their wealth and power through control over land. So, was the real purpose of market regulations maintaining social cohesion or preserving the position of the dominant powers? Or were the two functions complicit? In fact many of the problems with explanations of this kind that deal with institutions in terms of their purposes arise because social practices have a multitude of actual and potential effects which may pass in and out of prominence depending on the situation, and in this sense we can say that institutions are multivalent. As Robert Jervis puts it in his writing on systemic complexity: 'it is impossible to do just one thing' (Jervis 1997: 91). Examining institutions only in light of their supposed dominant purposes necessarily obscures the vast majority of the potential consequences of social practices.

Finally, viewing practices as Polanyi does has major ramifications for his social theory because it prejudices him toward a view which sees the role of practices in the light of stability rather than change, at least regarding the broadest contours of the social system. By contrast, when Weber, Schumpeter or Foucault examine the future of capitalism, they look at the likelihood that new practices might be lurking on the horizon to restructure our relationship with the economy. New disciplines, new competitive pressures may result in an entirely different set of relations. For Polanyi, the implicit tendency is to assume that the future will be more of a restoration rather than an alteration. When considering the future of freedom in modern society, he states that 'no radically new questions are encountered' (Polanyi 2001: 262).

In our post-Foucaultian world, one could describe Polanyi's deeply historical project as a kind of genealogy of the present, but there is a key difference. Whereas Foucault examines the past in order to denaturalize the present and unveil its contingency, Polanyi seems always to

anticipate a reversion to the anthropological mean, and returns to the historical record to find a kernel of truth in the past.

After Polanyi: History, Embeddedness, and Social Fragmentation

I have tried to look at Polanyi's work in the same way that he studied society, that is, as a whole, and I hope that this tactic has helped bring to light the ways that the various methods and concepts in *The Great Transformation* build upon and resonate with one another, as well as some of the serious problems and tensions this creates for Polanyi's approach to the study of economic sociology. We are now in a much better position to understand the central theme of this article: the manner in which Polanyi's vision of our economic future contains flaws that are not merely incidental mis-steps but are tied to his underlying conception of the relationship between markets and society. This should give us some reticence about either adopting his ideas wholesale or attempting to surgically remove select concepts without understanding them in context. Before concluding I will briefly sketch out some of the consequences of three specific problems areas we have encountered: the issues created by Polanyi's idiosyncratic historical treatment of capitalism, the way that the sectional tensions which he overlooks can sustain the dominance of markets and threaten to make the defensive reaction of the 'double movement' far less likely than he believed, and, finally, the ways in which the era of economic globalization exacerbates all these problems.

First, Polanyi is not a theorist of capitalism. His lack of a developed theory of a capitalist economy is partially responsible for his faith in the emergence of strong social democratic control of the economy. As I have illustrated, his conceptual schema instead deals with the rise of the machine age after the industrial revolution and the potential social responses that followed in its wake. Market fundamentalist economics is merely one part of the larger puzzle that sprang to life in England in 1834 with the reform of the Poor Law that created a free labor market. The next crucial historical moment is the establishment of a free (by historical standards) international market buttressed by the gold standard in the middle of the 19th century, followed by its collapse in the early 20th.

The work of Giovanni Arrighi shows some of the issues created by looking at the problem in this frame. Arrighi contends that the notion of a

19th century dominated by free trade is largely a 20th century construction. Although Britain kept its markets open until the 1930s, protectionism was already beginning to come into sway by the late 1870s, meaning that the legitimate era of anything resembling truly free trade only extended in Europe from about 1860 to 1879 (Arrighi 2010: 59). Polanyi dates the era of free trade only slightly longer, from 1846-1879 (Polanyi 2001: 19). The difference is how Polanyi and Arrighi each respond to this brief economic moment. Polanyi constructs his theory of markets largely on the basis of this short period. By contrast, because Arrighi like most Marxists has an historical sensibility that is more willing to deal with capitalism as a special process in its own right, he is able to see that the capitalist system stretches back to the 15th century, and has gone through several cycles of material expansion punctuated by periods of financial expansion and political crisis which very much resemble the experience of the 19th century.

It is also important to recognize that the implicit critique of Polanyi that Arrighi's work makes from the left has been paralleled from the right in articles by Santhi Hejeebu and Deirdre McCloskey, who argue that recent historical research that did not exist when Polanyi was writing has discovered the existence of major markets and market society as early as the middle ages (Hejeebu and McCloskey 2004). There is, or should be, a growing consensus that we need to adjust Polanyi's restricted time frame. What Polanyi does is to extract one moment of a larger process and reify it as a unique incident. In short, Polanyi misses the structural tendencies of *capitalism* that lead to a reoccurrence of powerful markets and comes to believe that simply discrediting the ideology of classical neo-economics is enough to permanently change the role of markets in modern society. In the light of history this seems untenable.

Second, we have already examined extensively the way that social holism works for Polanyi. It fails as a diagnostic tool because if society is not an undifferentiated whole – and it is no longer common to believe that this is the case – then the catastrophes that are supposed to result in a 'double movement' and the conversion of the 'free' market system can be confined to certain segments of society and thereby perpetuated. Schumpeter made essentially the same argument against Marx when he pointed out that, as long as enough of the proletariat underclass could be cycled through periods of temporary employment, outrage would likely never reach the point at which it would threaten capitalism outright (Schumpeter 2008).

Contrary to what Polanyi would lead us to expect, what we have witnessed even after the tensions of the latest 'free' market system became apparent during the 2008 crash is not a protective double movement, but a continued process of distributing the worst systemic effects to particular social groups. After a period that should have been a boom time for collective reform in a Polanyian vein, the centre-right has been ascendant in recent elections from Europe to the United States, and some of the most vociferous calls have been not for restraints on the market, but rather for deficit reductions via the very social services that provide a safety zone. How can this be the case? Well, a good start at an explanation would involve looking at the differential burdens of unfettered markets. As one commentator put it in the run up to the financial crisis, 'I found myself wondering as I drove around Detroit if subprime was in fact a new financial euphemism for black...55 percent of black and Latino borrowers in metropolitan Boston had been given subprime mortgages, compared with just 13 percent of whites' (Ferguson 2008). Given such extensive confinement of the consequences of markets onto the shoulders of specific segments of society, is it any wonder that we failed to see any unifying response coalesce?

The main lesson here is that all 'disembedded' or 'free' markets are not created equal. The alternative ways that markets fragment and divide along different constituencies can lead to widely divergent outcomes, and Polanyi's general methodological holism means that he has a hard time accounting for this feature. Capitalism has always been a system that sustains itself not just in spite of its apparent contradictions but because of them. Recognition of this fact among those seeking to build on Polanyi's work has led to the attempt to introduce more nuance and variation into his basic schema. Fred Block has tried to trace how the scope and scale of interaction lead to varying degrees of 'marketness' (Block 1991) whereas Stephen Gudeman has attempted to draw out the ways in which all markets contain both embedded (social) and disembedded (calculating) characteristics (Gudeman 2009). Moving Polanyi in this direction seems to me to be basically the right idea. The factors that led to the rapid stratification of wealth and power in Western societies over the last few decades show no signs of imploding after the last crisis. Quiet background processes, like the growth of private digital networks (Sassen 2002), changes in the legal status of migrant labor, and the strength of organized labor, have major logistical effects on the locations of power and the likely responses of constituencies to

disembedded markets. Moreover, as networks of social relations become increasingly global it becomes more and more difficult to isolate individual societies.

One goal of this article has been to help point the way beyond Polanyi, to draw out what is vital in his thought and what is potentially stultifying. *The Great Transformation* is truly one of the seminal works of economic theory. Polanyi's ability to bring anthropological data to the table in order to expose the qualitative differences between forms of economic organization, as well as the many perversities of contemporary market structures, makes his work invaluable. Unquestioning adoption of his hypotheses can easily send us down the wrong path, however. I have tried to indicate a few pitfalls along the way.

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