Fictitious Commodities, Double Movement and the Euro: How Karl Polanyi's Insights Can Explain the Development of the Euro Crisis

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Abstract:

Historically, crises of capitalist economies are not new and have been examined before. Karl Polanyi, who wrote *The Great Transformation* in 1944, scrutinised the conditions of the Great Depression and also the role economic theory played in the misunderstandings of real world economies. In this paper, I try to use Polanyi's framework to analyse the still ongoing crisis in the eurozone. The euro crisis has many similarities with the crisis of the gold standard that Polanyi describes. The stability of the euro is defended in countries most hit my the current crisis in a similar way and with similar arguments as the international gold standard was defend before and during the Great Depression. Many achievements are sacrificed for this stability by some countries. Thus, countries make huge sacrifices to maintain the Euro. Additionally, labour markets become are deregulated ever further. Money and labour in the EU area are commodified and became, in Polanyi's words, fictitious commodities. As a response to this development, a double movement was set into motion as Polanyi's theory predicts. Social movements, political protest parties both on the left and on the right emerged as a result. These movements demonstrate against and try to resist the drastic measures, which are implemented in order to save the euro. Against the liberal credo of self-regulating markets and its planned implementation, spontaneous social movements are formed as a reaction to the consequences of those policies. Polanyi saw this social protectionism as a natural response of humans whenever their social nature is in danger. This article wants to utilise Polanyi's insights into market economies, the role of economics, which has a powerful political influence, and the social nature of human being to understand the Euro crisis and the liberal policies that are implemented to stop the Euro crisis. Additionally, the failures of these policies and the emergence of resistance against those measures can be understand with Polanyi's theoretical framework. In the final part, the article outlines the solution that Polanyi recommended and tries to discuss their meaning and practicability to the Euro crisis.

Keywords:
Karl Polanyi, Euro Crisis, Double Movement, Fictitious Commodities

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INTRODUCTION

Historically, crises of capitalist economies are not new and have been examined before. Karl Polanyi, who wrote *The Great Transformation* in 1944, scrutinised the conditions of the Great Depression and especially the role economic liberalism both in theory and practice played in this crisis. His thesis can be summarised in the following: liberal utopian thinking lead to subject all aspects of life to economic profit-seeking behaviour in self-regulating markets. This included areas of life that are vital to social life, especially labour, land and money, which became conceived as commodities, even though they lack the basic characteristic of commodities. They are not produced for the market. Polanyi therefore chose to label labour, land and money as *fictitious commodities*. Polanyi saw the main reason for the crisis capitalism was facing in the first half of the twentieth century in the fact that liberal utopianism had reached its barrier by provoking a social countermovement. This is the basis of Polanyi's famous concept of *double movement*. Spontaneous social actions were reactions to the *disembedding* of the economy from the society. Both socialistic and fascist movements were interpreted by Polanyi as a reaction to utopian liberalism, which had become dominant in the nineteenth century. A result of this dominance was that everything had to be subordinated to the demands of a liberal market economy, including labour, land and money – even if this entailed suffering and undemocratic measures.

Since the euro regime as similarities with the gold standard, as I will describe in detail in the next section, it seems worthwhile to analyse the euro crisis from a Polanyian perspective as I will try to do in this article. This seems especially promising since both economists and political scientist still grapple with understanding the euro crisis and the development since the crisis began. I will briefly discuss Polanyi's main concepts, which he developed in his *Great Transformation*. Polanyi's main concepts relevant in this context are fictitious commodity, double movement, and the utopian nature of liberal economics. Afterwards I will briefly discuss the similarities between the gold standard and the euro regime before trying to analyse the euro regime and the euro crisis with Polanyi's main concepts. I will end with a short conclusion which includes a short outlook and also the limits of using Polanyi's approach for the eurozone.

One word of caution: My endeavour, however, is very preliminary so far and I will rely only on Polanyi's *Great Transformation* and due to time constraints I had no time to thoroughly sift through the secondary literature and the literature published on the euro crisis.

FICTICIOUS COMMODITIES, LIBERAL ECONOMIC UTOPIANISM, AND THE DOUBLE MOVEMENT

Polanyi described how modern capitalist societies are based on the self-regulating market, which was "the fount and matrix of the system" (2001 [1944], 3). The main characteristic of a market economy is that it is "an economic system controlled, regulated, and directed by market prices; order in the production and distribution of goods is entrusted to this self-regulating mechanism. It assumes markets in which the supply of goods (including services) available at a definite price will equal the demand at that price" (2001 [1944], 71). Economic activities in a market system are driven by the profit motive and consequently, all production and distribution "will depend upon prices prices" (2001 [1944], 71). In order to have self-regulated as opposed to regulated markets the economic and the political sphere have to be institutionally separated (Polanyi 2001 [1944], 74). A market economy, in order to fully function, must subject all areas of economic life to the self-regulated market. It must be the paramount principle of societal organisation. This implies, as Polanyi famously stated, "no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system" (2001 [1944], 60). Therefore, self-regulated markets have to be introduced even for labour, land, and money – vital parts of a society – and in this way commodify them and let their prices be determined by self-regulating markets, that is, by supply and demand. However, labour, land, and money lack the defining characteristic of a commodity: They are not produced to be sold on the market. Thus, it was utopian to assume that the "supply" of labour, land and money could freely adjust to changes in demand – nor would this be desirable from a societal point of view. Polanyi thus labelled labour, land and money as fictitcious commodities. It was only a fiction that these three could become complete commodities. Therefore, the introduction of self-regulating markets as the main mechanism of communal life "implied a stark utopia" (2001 [1944], 3).

But liberal capitalism was not just inherently utopian; it also posed a danger by treating labour, land, and money as if they were commodities that could be left to self-regulated markets.[2] By trying to treat labour, land and money as commodities, a system endangered its

[2] Polanyi was not arguing against self-regulating markets in principle. Indeed, he assumed that for many commodities more or less self-regulated markets are a valid and efficient way for transactions and even in a

societal cohesion, because this could have great consequences such as unemployment and uprooting. Polanyi points out that there was neither unemployment nor homelessness on a big scale in previous societies, since there were always societal institutions rescuing people in need. Such institutions, however, intervened in free markets of labour, land and money and the position of dogmatic liberals was to abolish such institutions in the name of self-regulated markets, even if this had dire social consequences.

Polanyi noticed that a society facing such a devastating danger as was posed by the commodification of labour, land, and money would not just submit to this thread, but would respond. Liberal policies set in motion a countermovement that protects societies, which leads to a double movement. Every action towards self-regulated markets in labour, land and money is met by a societal reaction. These protective reactions are, according to Polanyi, spontaneous and take varied forms, which Polanyi discusses at great length in his *Great Transformation*. He concluded that in contrast to the liberal stories, protectionism was mostly spontaneous whereas self-regulated markets were always planned and “the product of deliberate State action”: “Laissez-faire was planned; planning was not” (2001 [1944], 147). In this sense, Polanyi describes self-regulated markets as “artificial” (2001 [1944], 60). They are were not natural in the sense that they did not exist in previous societies and had to be introduced deliberately and be “enforced by the state” (2001 [1944], 145) and where thus “the outcome of a conscious and often violent intervention on the part of government which imposed the market organization on society for noneconomic ends” (2001 [1944], 258)

In the following, I will focus on money as a fictitcious commodity and the implications of establishing a self-regulated market in money. I will not deal with land and labour, since the euro regime concerns primarily money.

THE EUROZONE – SIMILAR TO THE GOLD STANDARD?

The starting point of this article was that I perceived certain similarities between the euro regime and gold standard. These should briefly be discussed in this section. An overview over these similarities can be found in table 1 at the end of this section.

One of the most important pillars of the liberal economic order in the late nineteenth and early twentieth century was, according to Polanyi, the gold standard. It was, in Polanyi’s words, “an attempt to extend the domestic market system to the international field” (2001 [1944], 3). By

socialist society, which he envisioned, self-regulating markets would play a decisive role for genuine commodities.

its introduction, money started to be treated as a commodity – as had long been advocated by liberal economic theory. By accepting the gold standard, a government abandoned its control over the value of its money and was no longer able to make independent decisions concerning monetary policies. This role fall now to international markets. This abundance of authority was demanded by international markets. If a country wanted to participate in and gain from international trade and capital flows, it had to play by the rule of the gold standard. This meant a government had to assure the value of its currency in gold, even if this meant sacrifices in other areas. A national government lost authority over its currency insofar as it could not influence its value. It only had to make sure that its value remained stable.

The euro, which was introduced as a currency in 1999, first as an accounting currency, and since 2002 euro notes and coins replaced previous national bank notes and coins. Exchange rates of the national currencies had been fixed between the eleven founding members and later between the euro and national currencies of countries accessing the euro – eight additional countries have joined the eleven founding members since 1999. This meant that member states relinquished their authority over the exchange rate of their national currency. The situation is comparable to the gold standard since exchange rates are fixed and governments are faced with these fixed exchange rates. The exchange rate of the euro to other currencies still fluctuates, but the exchange rates among members of the euro are fixed. Government cannot influence or change them. Additionally, they cannot via a central bank finance themselves, governments have to borrow money and incur debts "in what amounts to a quasi-foreign currency" (Ehnts 2017).[3] Similar, if a national currency is pegged to gold as in the gold standard, gold can be seen as a "quasi-foreign currency", since a government has no control over the value of gold. It can be argued that especially rich countries did have an influence on the value of gold but even this was far from a control. Similar, countries can influence European policies, but a single government alone cannot control the euro on its own, especially given that the European Central Bank (ECB) was established as an autonomous central bank, which, in theory, acts independent of national governments and whose main goal is price stability in the euro zone as a whole. As the gold standard, the euro regime implied "absolute independence of markets from national authorities" (Polanyi 2001 [1944], 226). Additionally, inside the euro regime, money is thus seen and treated as if it were

[3] I'm not concerned in this context with the external relationship and management of the euro in respect to other currencies. Rather, my focus is on the euro zone itself and within the euro zone, exchange rates between member countries have been fixed and no government can depreciate or appreciate its currency compared to the currency of other members, since they all use the euro as a domestic, though "quasi-foreign" currency.

commodities. In both the gold standard and the euro regime, economic spheres and political spheres were separated as much as possible.[4]

	Gold standard	Euro regime
National sovereignty over monetary policies	No	No
Money being treated a commodity	Yes	Yes
Fixed exchange rate between members	Yes	Yes
Characteristic of the currency	Gold as a quasi-foreign currency	The euro as a quasi-foreign currency
What controls the currency	Autonomy of gold	Autonomy of the independent ECB
Main goal	Price stability to stay in the gold standard	Price stability to not default and to stay in the euro
Lender of last resort	No	No (at least not for single countries)

Table 1: Similarities between the gold standard and the euro regime

THE EURO CRISIS – LESSONS FROM THE GOLD STANDARD?

These initial similarities indicate that a comparison of the gold standard and the euro regime has some validity. Therefore, it seems reasonable to discuss whether Polanyi's analysis of the gold standard has some lessons for the eurozone and especially for the euro crisis. I will first examine how Polanyi's theoretically conceived the gold standard. Afterwards, I will discuss how Polanyi analysed the crisis of the gold standard before looking at the proposed responses to the crisis according to Polanyi. In each of these steps, comparisons to the eurozone will be drawn to see whether and how Polanyi's approach can be used for it.

THE EMERGENCE – MONEY AND LIBERAL UTOPIANISM

[4] A complete separation of the political and the economic sphere, which is the aim of liberal economists according to Polanyi, is not feasible: "Now the institutional separation of the political and economic spheres had never been complete, and it was precisely in the matter of currency that it was necessarily incomplete; the state, whose mint seemed merely to certify the weight of coins, was in fact the guarantor of the value of token money, which it accepted in payment for taxes and otherwise" (Polanyi 2001 [1944], 205).

According to Polanyi, the emergence of the gold standard was not that national fiat money was not practicable or reliant. Rather, the gold standard was the monetary regime that was most compatible with the liberal idea of a self-regulated market. The reason is that under the gold standard, money is commodified and as such, money is regulated by the mechanism which regulates a self-regulated market, namely the mechanism of demand and supply. While national fiat money that were not fixed to gold or any other metal could be regulated national governments as the issuer of this fiat money, such a currency would not fit to the liberal ideal of self-regulated markets. The gold standard is thus a child of the liberal ideas according to Polanyi.

The introduction of the euro has some resemblance with the introduction of the gold standard. It too is a child of liberal economic theory. In order to assure utmost certainty for transborder commerce within its member states, the risk of state intervention in exchange rates with other member countries is abolished by the introduction of a common currency whose exchange rate was fixed to the previous domestic currencies.[5] The euro regime is managed not by politicians or the member states, but by an independent European central bank, which guarantees its stability and which is operates autonomous from national governments. In fact, one national government alone has little to no say in European monetary policies. Even the largest country within the euro, Germany, has only limited say, which can be seen by the frequent complaint of German politicians about the decisions of the ECB. Thus, the euro regime can be seen as a child of liberal economic ideas in a similar way as the gold standard was. The political sphere was separated in both cases from the economic sphere. Additionally, the economic sphere had not to respond to political situations, but the political sphere had to respond to economic situations. The central bank's monetary policies is made autonomously and national governments have to adopt to its policy.

THE ORIGIN OF THE CRISIS – MONEY AS A FICTITIOUS COMMODITY

The euro, as all modern money, is not commodity money using metal that actually has a market value on its own. So the question is, can the euro regime be compared to the gold standard given this significant difference that euro notes and coins are printed by the state and

[5] Free-floating currencies are also compatible with liberal economic ideas. However, the danger of national free-floating currencies from a liberal perspective is that national governments can always interfere in those markets whenever they think that such an intervention would be beneficial. Autonomous central banks are a way of securing against such interventions. In a common currency such as the euro, the possibility of such interference by national governments is precluded, which makes it arguably most compatible with liberal economics.

thus regulated while world-wide gold deposits could not. The point here is that the euro, at least by dominating liberal economists is seen, as the gold standard was, as “a purely economic institution”, not “as a part of a social mechanism” (Polanyi 2001 [1944], 21). The “institutional separation of society into an economic and a political sphere” (Polanyi 2001 [1944], 74) is still dominating economic and societal discourses. To prevent fiat money such as the euro to become politicised, it was put into the domain of a politically independent central bank. This was not only done to keep up appearances about the separation of economics and politics, but liberal economists are convinced that this separation exists and that an independent central bank is guaranteeing this separation. That an independent central bank is necessary to protect a currency from political meddling and thus maintain its integrity as a commodity dealt at markets is widely accepted.

Money in form of the euro is thus commodified and traded on a market and its value determined by market forces. This means that “[p]urchasing power is, in principle, here supplied and regulated by the action of the market itself” (Polanyi 2001 [1944], 137). The underlying reason for this treatment of money is a liberal theory wide-spread among economist, namely that the main function of money is to make trading easier: “According to this doctrine, money is only another name for a commodity used in exchange more often than another, and which is therefore acquired mainly in order to facilitate exchange” (Polanyi 2001 [1944], 137). Money is seen as no different from other commodities: “its value, amount, and movements are governed by exactly the same laws that apply to other commodities” (Polanyi 2001 [1944], 137). However, to treat money as a commodity is dangerous for a society, especially for businesses, which rely on a stable currency that does not fluctuate too much. But not only businesses, even the wider population is influenced by monetary changes in “a modern money economy” and thus becomes “currency-conscious; the effect of inflation on real income was discounted in advance by the masses; men and women everywhere appeared to regard stable money as the supreme need of human society” (pp. 25-26). Polanyi therefore states that “Currency had become the pivot of national politics” (2001 [1944], 25). Money has become “an essential element of industrial life” (Polanyi 2001 [1944], 74) and is thus “an absolutely vital part of the economic system” (Polanyi 2001 [1944], 75). This means it has a huge importance for societal life in modern nations. Fluctuations in the value of money affect both purchasing power of consumers and economic prospects of businesses. Consumers are interested in price stability and worry about inflation which would reduce the purchasing power of their income. Although businesses also worry about a very high inflation, there main concern is with deflation, which would make investments unprofitable:

> "the dangers to business inherent in the monetary system are not as readily apprehended. Yet if profits depend upon prices, then the monetary arrangements upon which prices depend must be vital to the functioning of any system motivated by profits. While, in the long run, changes in selling prices need not affect profits, since costs will move up and down correspondingly, this is not true in the short run, since there must be a time lag before contractually fixed prices change. Among them is the price of labor which, together with many other prices, would naturally be fixed by contract. Hence, if the price level was falling for monetary reasons over a considerable time, business would be in danger of liquidation accompanied by the dissolution of productive organization and massive destruction of capital. Not low prices, but falling prices were the trouble." (Polanyi 2001 [1944], 201)

For Polanyi, the gold standard "meant danger of deadly deflation and, maybe, of fatal monetary stringency in a panic" (2001 [1944], 144). Thus, it "imperiled productive organizations depending for their functioning on the relative movement of prices" (Polanyi 2001 [1944], 169) threatening the "social fabric" (Polanyi 2001 [1944], 156). High deflation rates were potentially very dangerous: "Such downward movements of the price level would spread misery and destruction" (Polanyi 2001 [1944], 207). Additionally, in times of crisis, national governments face "flight of capital", which Polanyi diagnosed as "a new thing" (2001 [1944], 25) in mid-nineteenth century

The problem of treating money as if it were a commodity entails by definition the assumption that it is produced for sale in the first place – an assumption which "is emphatically untrue in regard" to money, which "according to the empirical definition of a commodity" (Polanyi 2001 [1944], 75) is not a commodity. Money, instead of being a commodity, "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." It is not produced for sale, which is why "[t]he commodity description of […] money is entirely fictitious" (Polanyi 2001 [1944], 75-6). Money can never "be really transformed" into a commodity, because it is not produced to be sold on the market in the first place, "[b]ut the fiction of [it] being so produced became [its] organizing principle" (Polanyi 2001 [1944], 78-9).

Polanyi described how after the First World War how became subordinate to the primacy of the gold standard:

> "Stabilization of currencies became the focal point in the political thought of peoples and governments; the restoration of the gold standard became the supreme aim of all organized effort in the economic field. The repayment of foreign loans and the return to stable currencies were recognized as the touchstone of rationality in politics; and no private suffering, no restriction of sovereignty, was deemed too great a sacrifice for the recovery of monetary integrity. The privations of the unemployed made

> jobless by deflation; the destitution of public servants dismissed without a pittance; even the relinquishment of national rights and the loss of constitutional liberties were judged a fair price to pay for the fulfillment of the requirement of sound budgets and sound currencies, these a *priori* of economic liberalism." (2001 [1944], 148)

Polanyi describes how liberal economic ideology made the crisis in Europe worth than it would have been by sticking to orthodox policies weakening these countries in their preparation for the impending Second World War:

> "the legacy of economic liberalism barred the way to timely rearmament in the name of balanced budgets and stable exchanges, which were supposed to provide the only secure foundations of economic strength in war. In Great Britain budgetary and monetary orthodoxy induced adherence to the traditional strategic principle of limited commitments upon a country actually faced with total war [...] But for the stubborn and impassioned insistence of economic liberals on their fallacies, the leaders of the race as well as the masses of free men would have been better equipped for the ordeal of the age and might perhaps even have been able to avoid it altogether." (Polanyi 2001 [1944], 149)

There is no war looming in the eurozone today, but apart from this, Polanyi's analysis of the gold standard has parallels to the reaction to the euro crisis: countries in crisis had to subordinate all policies to the goal of not defaulting and thus staying in the eurozone. This was the priority and all other economic policies were subordinated to this. Great sacrifices were made by for example increasing drastically the unemployment rate, cutting social security, cutting pensions in those countries that were in a crisis and in the danger of defaulting, because they were close to being cut off from international credit. In order to receive international credit, the solvency of those governments had to be proven to international credit markets by austerity measures, which limited the reaction of a government to other undesirable developments such as unemployment. Even democratic bodies were sacrificed in order to save money, as was the example in Greece where local and regional democratic institutions were reduced.

One possible reaction to the "danger of deadly deflation" was that, in times of a deflation, a reduction of wages (Polanyi 2001 [1944], 144-5). This would bring social harm, but could save the gold standard and was thus a solution for liberal economist. This reaction was also present in the euro crisis. There was a strong pressure on countries in crisis to lower their wages and thus to not only survive deflation, but to lower their production costs increasing their international competitiveness. Countries in crisis suffered and had at first stick to orthodox liberal policies such as austerity measures, which brought great harm to the societies affected. Still today, crisis countries have to implement strict austerity policies.

The threat to the society is, however, not just an economic thread. Rather, societal and cultural degradation is likely to follow. This is often overlooked while discussing economic crisis. The reason for Polanyi is "the economistic prejudice" that "obscures our social vision" (Polanyi 2001 [1944], 166). According to Polanyi, such societal degradation has devastating effects on those affected:

> "The economic process may, naturally, supply the vehicle of the destruction, and almost invariably economic inferiority will make the weaker yield, but the immediate cause of his undoing is not for that reason economic; it lies in the lethal injury to the institutions in which his social existence is embodied. The result is loss of self-respect and standards." (Polanyi 2001 [1944], 164-5)

In seeing how especially Southern euro members in crisis are treated and how their populations are affected by the crisis, Polanyi's words could be a description for their situation.

To conclude, Polanyi's summary of the gold standard could well be a summary of the eurozone: "That in spite of these devices to mitigate the effects of deflation, the outcome was, nevertheless, again and again a complete disorganization of business and consequent mass unemployment, is the most powerful of all the indictments of the gold standard" (Polanyi 2001 [1944], 204).

THE RESPONSES TO THE CRISIS – SIGNS OF A DOUBLE MOVEMENT

Polanyi stated famously that self-regulated markets were thoroughly planned before they were implemented while most social responses, including protectionist measures and institutions that used planning, were the result of spontaneous responses to liberal market policies which disrupted the social life of a community. The main characteristic, according to Polanyi, of these social or protectionist responses, is that they "started in a spontaneous way" (2001

[1944], 147) and were not planned ahead. Polanyi concluded that "[t]he countermove against economic liberalism and laissez faire possessed all the unmistakable characteristics of a spontaneous reaction" (2001 [1944], 156). For Polanyi, there exists a double movement which characterised history since the introduction of self-regulated markets in early capitalism: the introduction of self-regulated markets would, in regard to fictitious commodities, always lead to the restriction of this self-regulated market by spontaneous, societal responses: "the market expanded continuously but this movement was met by a countermovement checking the expansion in definite directions" (2001 [1944], 136). In this way "[s]ociety protected itself against the perils inherent in a self-regulating market system" (Polanyi 2001 [1944], 80). In other words, "was a reaction against a dislocation which attacked the fabric of society, and which would have destroyed the very organization of production" (Polanyi 2001 [1944], 136). This double movement meant that "the liberal movement, intent on the spreading of the market system, was met by a protective countermovement tending toward its restriction" (Polanyi 2001 [1944], 151).

For Polanyi, such protectionist measures for also introduced in regards to the commodification of money. Since money is a fictitious commodity, a treatment of money as if it were a commodity, has to evoke a countermovement to protect society from the negative effects of a self-regulated money market discussed above. Polanyi describes that it is "[p]aradoxically enough, not human beings and natural resources only but also the organization of capitalistic production itself had to be sheltered from the devastating effects of a self-regulating market" (2001 [1944], 138). In respect to the gold standard and its possible negative consequences, the countermovement took the form mostly of "central banking and the management of the monetary system [which] were needed to keep manufactures and other productive enterprises safe from the harm involved in the commodity fiction as applied to money" (2001 [1944], 138). Polanyi concludes that Central banking reduced the automatism of the gold standard to a mere pretense" (Polanyi 2001 [1944], 204). In the eurozone, such a response is not possible on the national level, since central banks were stripped of most of their powers and national government cannot determine monetary policies and manage the monetary system. In the euro regime, the ECB is mainly responsible for managing the monetary system and thus for intervening in the market.[6] This stripped national governments

[6] Polanyi had argued that "it was recognized that the international gold standard could be made self-regulating only if the single countries relinquished central banking" adding that "[t]he one consistent adherent of the pure gold standard who actually advocated this desperate step was Ludwig von Mises; his advice, had it been heeded, would have transformed national economies into a heap of ruins" (Polanyi 2001 [1944], 204). This relinquishment of central banking is exactly what eurozone member states did with their adoption of the euro.

of one of their possible protections against the thread that a commodification of money poses. As seen in the euro crisis, national governments had only very limited means to manage their monetary policies. The spontaneous reaction thus took place on the European level by unorthodox monetary policies by the ECB, but also by the spontaneous introduction of new monetary instruments such as the European Financial Stability Facility, the European Stability Mechanism, and in the case of Greece a debt relief in 2012 and loans from the International Monetary Fund. These reactions that break with the liberal ideal of a self-regulating market – and are, for this reason, often attacked by liberal economists – can be interpreted as the spontaneous countermovement that was part of Polanyi's double movement. These "protective measures had to be taken, with the result that the self-steering mechanism of the market was put out of action" (Polanyi 2001 [1944], 204). They were necessary and to be expected: "Indeed, to expect that a community would remain indifferent to the scourge of unemployment, the shifting of industries and occupations and to the moral and psychological torture accompanying them, merely because economic effects, in the long run, might be negligible, was to assume an absurdity" (Polanyi 2001 [1944], 224).

CONCLUDING THOUGHTS

Polanyi assumed that the contradictions of the self-regulated market systems would lead to their end. He saw two ways out: fascism and socialism. Socialism would be the democratic response to the challenges of a liberal economic system, while fascism was an undemocratic response. Both had in common that they abolished self-regulated markets for labour, land, and money. However, capitalism did not collapse and there was no great transformation that Polanyi envisioned. Yet his theoretical framework might help to understand and explain the euro regime and the responses to the euro crisis. Since socialism will not be the outcome of the euro crisis, it is hard to see what a Polanyian solution to the euro crisis might look like. I will make some tentative observations, which go beyond Polanyi's own approach.

Fist, if a self-regulated market for money does not work and is a threat to the society, then the obvious solution is to regulate the money market – and not in a spontaneous way, but in a permanent and well-thought through way. This would be possible by dismantling the euro regime and give national governments back their authority over monetary policy. For countries affected hardest by the crisis, especially Greece, a Polanyi's approach might lead to