

A Great Transformation? Global Perspectives on Contemporary Capitalisms

International Conference, Johannes Kepler University, Linz/Austria, 10–13 January 2017

Prof. Dr. Claus Thomasberger
University of Applied Sciences
Treskowallee 8, 10318 Berlin
Claus.Thomasberger@htw-berlin.de
December, 2016

Accumulation, Colonialization, Transformation:

‘Critique of Political Economy’ after Polanyi

(work in progress, please do not quote)

Since the financial and economic crisis which began in 2008 the question if market society has reached its climax is at the center of the discussion not only in Marxist circles. How to understand the social and political crisis which followed the economic downturn? How to explain the decay of democracy and the ascent of the so-called ‘Freedom Party’ in Austria, the ‘Lega’ in Italy, the ‘Front National’ in France, the ‘Alternative for Germany’ or the triumph of Trump? What is the reason for BREXIT and the claim to reverse globalization?

In the context of this conference obviously the question of how to apply of Polanyi’s approach to the current situation occupies the center stage. What can we learn from Polanyi’s explanation of the collapse of the 19th-century civilization? How can it be combined with other insights? This paper starts from the current discussion and the references made to Rosa Luxemburg’s thesis of colonialization (Landnahme). Therefore, the paper will begin with a short look at Rosa Luxemburg’s reinterpretation of Marx’s theory of accumulation. In a second step I will compare Polanyi’s basic ideas with Marx’s critique of Political Economy. Part three discusses Polanyi’s main contribution and his account of the disasters of the 20th century. This opens the path for a short analysis of the postwar period in part four. The paper ends with some preliminary conclusions concerning the situation today.

1. Rosa Luxemburg's theory of colonialization

Rosa Luxemburg's thesis of colonialization is one of the points of reference of a number of studies which have been advanced in the last decades. Burkhart Lutz, David W. Harvey, Klaus Dörre and others referred (and continue to refer) to her approach. The most interesting aspect of her contribution is that she looks at the process of capitalist accumulation not only as a process which develops within the capitalist sphere, but that she focuses on the relationship between the inside of capitalist accumulation and the outside, on the interaction between the capitalist sphere of the economy and the rest of society. "Accumulation is more than an internal relationship between the branches of capitalist economy; it is primarily a relationship between capital and a non-capitalist environment" (Luxemburg 1913 [1951], 417), she states in *The accumulation of capital*. Even if she expresses this idea in purely economic terms (as a problem of accumulation of capital, of underconsumption and of profit realization), the strength of her analysis consists in the fact that she conceives the exchange between inside and outside 1) as a reaction of society to a threatening deadlock of accumulation and that she 2) poses the question if such a remedy would really overcome the impasse or if it would only postpone the conflict and buy time. We know her answer. According to Luxemburg's analysis, colonialization offers only a temporary escape. "Non-capitalist organisations provide a fertile soil for capitalism; more strictly: capital feeds on the ruins of such organisations, and although this non-capitalist milieu is indispensable for accumulation, the latter proceeds at the cost of this medium nevertheless, by eating it up. ... capital cannot accumulate without the aid of non-capitalist organisations, not, on the other hand, can it tolerate their continued existence side by side with itself: Only the continuous and progressive disintegration of non-capitalist organisations makes accumulation of capital possible. ... Its ultimate aim, that is to say, is to establish the exclusive and universal domination of capitalist production in all countries and for all branches of industry. Yet this argument does not lead anywhere. As soon as this final result is achieved – in theory, of course, because it can never actually happen – accumulation must come to a stop. ... For capital, the standstill of accumulation means that the development of the productive forces is arrested, and the collapse of capitalism follows inevitably, as an objective historical necessity" (Luxemburg 1913 [1951], 416-17). As the quoted passage clearly shows, she is convinced that colonialization necessarily comes to an end when all continents and all the pre-capitalist forms of production are subordinated to the capitalist mode of production. In other words, capitalism depends on the existence of pre-

capitalist forms and external regions. Nevertheless, by colonializing these realms it destroys its own foundation. The successful colonialization of non-capitalist organizations sounds the death knell of capitalism.

Today, the economic and deterministic view which is implicit in Luxemburg's analysis invites contradiction. David Harvey, for example, rejects any kind of implicit 'breakdown theory'. But his reasoning that a) "some sort of outside is necessary", but that b) capitalism "can actively manufacture it" (Harvey 2003, 141) seems to throw the baby out with the bathwater. If capitalism would really be able to manufacture the outside actively, it would have resolved the problem and Luxemburg's argument concerning the frontiers of capitalist accumulation would have lost meaning. Then the question would have to be answered if the number of possible 'passive revolutions' by producing the outside on the part of capital is finite or not. As long as this question remains open we have to accept economic determinism or we are lost in arbitrariness.

Therefore, the crucial question is: How can we maintain the inside-outside dynamics without falling back in determinism or fatalist resignation? This is the point where Polanyi's approach and his critique of economic determinism become topical. In order to prepare the ground for the discussion of the question let us start with a look at the relationship between Polanyi and Marx.

2. Karl Marx and Karl Polanyi

Polanyi deals with Marx at least in three occasions – in Budapest before the Great War, in the 1920s in Red Vienna and again in the 1930s in England in the context of the debates within the Christian Left. Nevertheless, there is one fundamental aspect in his reading of Marx which he adheres to all his life and which is grounded in a particular paradox in Marx's critique of political economy.

The starting point of Marx's critique of economic liberalism is the inhuman character of the bourgeois society which results from the control which the economy exercises over society under capitalist conditions. But in those parts of his work which later became most influential within the Marxist debates he concentrates instead on the contradictions which are inherent in one particular realm of society, the economy.

Especially in his early writings, but also in the fetish chapter in the 'Capital' he denounces the bourgeois society as inhuman because it is governed not by self-conscious, free and responsible human action, but by economic relations. He considers the fact that the bourgeois civilization is governed by economic calculus as irreconcilable with the features of a truly human society. On the one hand, Marx' philosophy is based on the noneconomic nature of human beings and the totality of society. On the other hand, in his most received writings Marx concentrates on the economic sphere, its laws and inconsistencies. According to the latter interpretation the theories of surplus value, of accumulation, the law of the falling rate of profits, the theory of economic crisis etc. are depicted as the outcome of economic contradictions. The 'economic interpretation' of Marx's critique of political economy does not only accept Ricardo's theory of economic classes but also the classical liberal idea that non-economic realms of society have to be regarded as some kind of superstructure which depend on the economy. It is paradoxical that, according to this interpretation, the working class is regarded as the main protagonist of a socialist revolution. But at the same time the labor movement is not even given credit for affecting the alleged economic laws of the capitalist society.

Karl Polanyi takes up this paradox. His critique of liberal political economy does not negate the contradictions of the capitalist economy. But his attention is not on economic laws. Instead, he focuses on the *relationship between the economy and society*. Polanyi's approach is based on the idea that 'the place of the economy in society' is the pivot on which the understanding of the social conflicts of the 20th century turns. While Rosa Luxemburg analyzes the link between capitalist and non-capitalist production, Polanyi concentrates on the particular shape which the relationship between the *economy* and other spheres of *society* assumes in the 19th-century civilization. Polanyi makes no secret of to whom he owes this insight. Referring to Marx's 'Critique of Hegel's Philosophy of Right' he states: "No one before him (Marx – CT) and for a very long time none after him, had recognised the importance of the institutional separation of the political and economic sphere in modern society. Such a separation is the true characteristic of liberal capitalism" (Polanyi 1935-40, 3). The terms 'disembedding', 'self-regulating market system', 'double movement' etc. focus on what Polanyi considers the key issue of the market society. The institutional separation of the economy from society not only distinguishes the liberal capitalism of the 19th century from archaic and ancient societies. As we will see in a moment, also within the market society the relationship between the economy and society

changes over time. The *dynamic* of this process is at the very heart of Polanyi's analysis. He analyzes the relationship from the point of view of society. It is society in which we are interested. The economy, from Polanyi's point of view, is (and remains) a realm of society, even if it gets institutionally separated (disembedded).

From Polanyi's point of view the first question obviously is: what are the origins of the institutional separation which occurred in the 19th century in England? Marx explains the ascent of the bourgeois society with the enormous increase of productivity which the Industrial Revolution led to. The capitalist form of economic relations is the consequence of the development of the productive forces. The Marxist explanation is based on the idea that at certain points of history the progress of the productive forces imposes a revolution of relations of production. Polanyi agrees that the Industrial Revolution marks a threshold which is beyond human will and decision. But his focus on the relationship between the economy and society allows him to keep distance from the determinism which is part of the Marxist philosophy of history. In Polanyi's vision the transformation of society is not determined by the falling rate of profit, but by the *conflicts* between different social and economic forces.

The fact that the English society reacted to the Industrial Revolution with the creation of a market society, he demonstrates in his well-known book, is a result of the *particular* social circumstances in this country and the dominance of liberal convictions. None of them can be generalized. The market system was a singular answer to the challenges of the Machine Age and not a universal tendency of history. The social struggle is not less relevant in order to understand the present. The conditions of a technological civilization may be beyond human wishes and will. But they do not determine the future. It is up to human decisions *how to meet* the challenges of a technological civilization.

The crucial point is that Polanyi consciously *draws a line* between the facts which are beyond human control and those other occurrences which depend on conscious human choices. The distinction is not simply the difference between nature and society. Polanyi recognizes that there are social circumstances (if you want: social laws) which are beyond human decision. A return to community life in small, transparent groups of people comparable to, for example, the patriarchal relations of a peasant family is beyond reach. But there are other dimensions of society (such as the establishment of a self-regulating market system) which is within human control.

In other words, Polanyi contradicts first of all the liberal authors who assert that only the market system allows for combining the progress of a technological civilization with individual freedom. The liberal vision of a free and human market society, Polanyi objects, is as utopian as the dream of a free centrally planned society. The market society of the 19th century has been not more than a first, but at the same time *utopian* response to the challenges of a technological civilization.

Polanyi is not hostile to technical progress. But from the ‘Socialist Calculation Debate’ to the end of his life he contradicts the view that a modern technological society destroys personal freedom and responsibility if it is not accompanied by the introduction of a system of self-regulating markets. He agrees with liberals and Marxists, with Robert Owen, Max Weber, Ludwig Mises, Friedrich Hayek and Walter Lippmann that the conditions of a technological civilization (including technological advancements, mass production and consumption, the global division of labor) have to be accepted. “The fundamental fact is” he asserts, “that the machine created a new civilization“. And he continues: “By all counts, this new civilization that has already doubled the population of the globe should be expected to continue over a long period. It has come to stay. It is our fate. We must learn to live with it, if we are to live at all” (Polanyi 1977, XLVIII). The Industrial Revolution marks a divide in the history of human race not less crucial than the Neolithic revolution. But this does not mean to regard the market response as compulsory. This distinction between the technological civilization and the market system is crucial. Therefore, Polanyi criticizes not only economic liberalism for its determinist vision of history, but also the idea that the bourgeois society is a necessary transition stage to socialism which dominated in Marxist circles.

The establishment of a self-regulating mechanism, Polanyi is convinced, made industrial advancement possible at the cost of separating the economy from society and subordinating society’s fate to the rules of the market. He shares Marx’s critique of the inconsistency and incompatibility of such a social arrangement with human freedom and responsibility. Society, Polanyi sustains, cannot entrust its destiny to a soulless mechanism without undermining human freedom. Only free human beings are capable of shouldering responsibility. The market mechanism produces economic progress, but it does this without taking note of – and often in direct contrast to – the needs of society. As long as the market system rules the world, society has to defend itself against the market system’s destructive consequences. *Protection* is neither the consequence of a collectivist conspiracy nor of unfulfillable demands by the common people, he

holds against the liberal vision of the 19th-century civilization. It is the response of society to the *utopian* liberal creed.

In this occasion we do not have the possibility to present a detailed account of Polanyi's main thesis. The following key points may be sufficient:

- I. The *Machine Age* is beyond human wishes and will. The technological character of the modern civilization defines the range of problems which modern society has to resolve.
- II. The *market society* is a first reaction of humanity to the challenges of a technological civilization.
 - i. In contrast to technology (in the sense of a fusion of technē, logic and science), the introduction of a self-regulating market system is within the range of human control. Its creation depended on the dominance of liberal *ideas* as well as on the *particular* social conditions which prevailed in England (mercantile society) when the Industrial Revolution occurred.
 - ii. The liberal assertion that the self-regulating market system would allow for combining the conditions of a technological civilization with freedom is *utopian*. In reality it resulted in a separation of the economy from society. The attempt to create a self-regulating market system produces a counter-reaction which tries to protect society against the negative effects of the market mechanism.
 - iii. The protagonists of the countermovement are mainly the groups or classes which are affected most by the initiatives to strengthen the self-regulating market system. They follow first of all their sectional interests. Therefore, the countermovement plays a contradictory role. On the one hand it is necessary for the functioning of a market society. Without protection the market system would endanger society. On the other hand it threatens the stability of the market society insofar as it undermines the functioning of the market system. *The market society cannot live without protection and it cannot live with it.*
- III. The *problems* which mankind has to resolve today are defined by the conditions of a technological civilization. The *answers* to this challenge depend on human decision. Therefore, in order to explain the development of a concrete historical period both is necessary: a) an understanding of the challenges of the Machine Age; b) the study of the dominating world views and the particular conditions in a given historical period of time.

It is essentially this framework which Polanyi applies in *The Great Transformation* in order to analyze the collapse of the civilization of the 19th century.

3. The collapse of the civilization of the 19th century

The liberal account of the breakdown – expressed most clearly in the works of Mises, Hayek and Lippmann – is straightforward. They make the social forces (including socialist intellectuals) which oppose the subordination of society to the economy responsible for the catastrophes of the 20th century. Social protection – or more exactly – the forces which oppose the alleged natural progress of market solutions are blamed for the impasse and the disasters.

Polanyi accepts the description of the crisis as a conflict between the logic of the market system and society (social protection). But he reverses the *interpretation*. He adopts the idea of the double movement “from liberal writers like Spencer, Sumner, Mises and Lippmann” (Polanyi 1944 [2001], 148); but in his account not protection but the liberal creed itself is regarded as the utopian vision which ultimately provoked the deadlock. While the former sustain that economic liberalism protects modern civilization against the destructive consequences of utopian socialist ideas and vested interests, Polanyi identifies the institutional separation of the market economy from society and the supremacy of the former over the latter as the poisoned source which was at the origin of the destructive tendencies.

The collapse of the civilization of the 19th century occurred, according to Polanyi’s interpretation, in the moment when after the Great War in Europe *democratization* of society became incompatible with the constraints of the economic system (International Gold Standard). “A gaping chasm has opened between economics and politics””, he underlines already at the beginning of the 1930s. “This briefly, is the diagnosis of the times. Economics and politics, two expressions of society, have each become autonomous, unceasingly at war with each other. ... In the name of economy and democracy, the right and the left are feuding, as if these two basic functions of society could be embodied in two separate parties within the body politic. Behind the slogans, however, lurks a frightening reality. The left is grounded in democracy; the right in the economy. The resultant disjuncture between economics and democracy is stretching the tensions of a catastrophic polarity. The world of political democracy gives rise to forces which intervene

in the economy, disturb and constrain the economic process. In response, the economy mounts a general attack on democracy as the embodiment of irresponsible and unrealistic hostility towards the world of business” (Polanyi 1932 [2002], 149, translation by the author).

In the interwar period in Europe the conflict was aggravated insofar as business interests concentrated on industry, while the unions and the political parties of the working class had become strong enough so as to arrest the adjustments of wages which the Gold Standard required. Left-wing as well as right-wing politicians saw their hands tied by the international economic system while the protagonists of economy concentrated on business. The political weakness of the business interests deepened the conflict between the economy and society. Hannah Arendt underlines this particularity of the European condition in her famous study about imperialism remarking that, “the bourgeoisie ... had been the first class in history to achieve economic pre-eminence without aspiring to political rule”. “This false modesty”, she continues, “had the curious consequence of keeping the whole bourgeois class out of the body politic” (Arendt 1951 [1958], 123 and 138). Only in the last decades of the 19th century the European bourgeoisie became conscious of the importance of political power. And even then the revaluation of politics began with the application of bourgeois principles to foreign affairs (imperialism) leaving internal politics widely untouched. ‘Laissez-faire’ was the visible sign of the bourgeoisie’s disdain of society in general and of the political realm in particular. By considering the realms outside of the economy as some kind of ‘superstructure’, the European bourgeoisie of the 19th century neglected not only the reality of society. It also underestimated the role of the social and political realm.

The concentration of the European bourgeoisie on business and the reluctance to engage actively in political affairs had the consequence that outside the economic sphere traditional structures survived and, at the same time, opened the possibility for other classes to fill the gap. This explains – at least in part – the continuing influence of the traditional landed classes. And it opened a chance for the nascent labor movement to convert the state into a fortress so as to enforce its demands, even if they were in contradiction to functional logic of the market system.

It is this particular structure which intensified the crisis in the interwar period in Europe. The two vital functions of society, the economy which had to guarantee the livelihood of the population

on the one hand and the political realm on which the cohesion of society depended on the other were captured so as to sustain the interests of two opposing economic classes.

Obviously this constellation cannot be generalized, not even in the interwar period. Only in Europe, Polanyi underlines, “the separation of economics and politics developed into a catastrophic internal situation. ... The American social system is, in my conviction, not faced with this tragic dilemma“ (Polanyi 1940 [2014], 218-219). For the reason that the USA was governed by a more business-friendly political class than Europe, the conflict between economy and society did not produce the kind of deadlock which we observed on the European side of the Atlantic. Roosevelt (and the New Deal) can be regarded as an example of a principally business-friendly, pragmatic approach. The brain-trust was prepared to use whatever means so as to avoid an impasse. In the 1930s a deadlock similar to the one which brought Europe to a paralysis could be avoided. This included the exit from the Gold Standard. “That social protectionism did not in this case result in a deadlock was due to the fact that the United States went off gold in time. ... The eclipse of Wall Street in the 1930s saved the United States from a social catastrophe of the Continental type” (Polanyi 1944 [2001], 237-238).

After World War Two the USA played a key role for the path which Western Europe would chose in the following decades. Polanyi’s comments on the international situation after the war show clearly that he is concerned not only about the attempts of American liberalism to extend its universalist model (Polanyi 1945) but also about European politicians who supported such a project in their own countries (Polanyi 1947a). He knows that, “the United States has remained the home of liberal capitalism and is powerful enough to pursue alone the Utopian line of policy involved in such a fateful dispensation ... the United States has no alternative. Americans almost unanimously identify their way of life with private enterprise and business competition – though not altogether with classical laissez-faire” (Polanyi 1947, 87).

4. Commodification of Society

Luxemburg understood colonialization as a reaction of capitalism to a deadlock which the contradictions of the capitalist economy necessarily brought about. We can overcome the economist bias of her interpretation if we substitute a) Polanyi’s vision of the particular causes of

the deadlock in the interwar period for the economic causes of the crisis to which Luxemburg refers and b) the idea of commodification of non-economic realms of society for geographical expansion.

The starting point of both approaches is quite similar. Luxemburg and Polanyi are aware of the fact that capitalism/economic liberalism attempts to find an answer to the deadlock. And both agree that the answer consists essentially in enlarging the realm of the market system. The main difference at this point is again that Luxemburg thinks of colonialization in economic terms while Polanyi focuses on the subordination of non-economic realms of society, i.e. the *commodification* of society. Polanyi considers the question of how to overcome the deadlock not an economic issue but a challenge which society has to face. Society takes the lead. In Polanyi's account there is no economic automatism. It is not the economy which shows mystic tendencies to expand, but it is *society* which looks for an escape. And the way which society chooses is not predetermined. It depends on the concrete conditions and the world views of the most influential classes and social groups. It is here where liberal (as well as the socialist) intellectuals enter the story. After World War Two the protagonists of economic liberalism were better prepared than their opponents.¹ In other words, the importance of the thesis of colonialization depends on the political strength of those powers which are influenced by neoliberal ideas.

Colonialization of society or commodification means to create market-compliant structures in *all spheres of society*. In his 1947-article Polanyi describes with great clarity how a fully commodified market society would look like: "State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life – everything had to comply with the utilitarian pattern, or at least not interfere with the working of the market mechanism. But since very few human activities can be carried on in the void, even a saint needing his pillar, the indirect effect of the market system came very near to determining the whole of society" (Polanyi 1947, 115). Commodification is in line with the fundamental principles of economic liberalism. But to put it in practice presupposes that economic liberalism

¹ It seems as if the protagonists of neoliberalism have understood much better than the proponents of other currents that their ideas can only succeed if they prepare the path actively. With this I do not refer only at Keynes's famous statement about 'the power of ideas' at the end of *The General Theory* (Keynes 1936, 383-384). Also Friedman has been well aware of the interdependence between a political deadlock, economic theories and social change. "Only a crisis actual or perceived produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around" (Friedman 1982, 7).

faces the contradictions which emerge when the market mechanism encounters the different logics which prevail in politics, education, culture etc.

If the liberal agenda was to succeed, the first and most important realm which had to be commodified was the *political arena*. The false modesty of the business class to which Arendt referred had to be given up. The contradictions which such an endeavor included are obvious. Politics, per definition, cannot be separated from goal-oriented action, ends, means and planning. Reorganizing politics from a neoliberal perspective presupposes a way of subordinating goal-oriented action to the spontaneous logic of the market system.

We do not have the space here to go into the details of the paradoxes which result from the attempt to embed society “in the mechanism of its own economy” (Polanyi 1977, 9). But the fact that ‘laissez-faire’ had to be declared dead not only by Keynes, but also by Lippmann, Rüstow, Hayek and Friedman shows the extent of the conflict. The protagonists of the new liberalism recognized that political action was essential for the survival of the market system. But this meant that, in principle, economic policy was susceptible to all kinds of ends which society would bring forward. As Robbins acknowledged in his famous ‘essay’: “There are no economic ends. There are only economical and uneconomical ways of achieving given ends” (Robbins 1932, 129). Democratic decision making strengthened the position of the laboring classes. From their point of view, the end of the subordination of society to the economy seemed to be within reach.

In order to avoid that society really took over the lead neoliberalism had to ‘canalize’ the political intervention. This meant first of all that governments had to refrain from all those actions which could have damaged market competition. The political agenda had to be defined accordingly. Goals which were in conflict with market competition had to be excluded from the program. In order to restrict the range of *legitimate* goals terms like ‘market-compliant’ or ‘market-conforming’ policy were introduced. In *The Road to Serfdom* Hayek introduced the expression “planning for competition” (Hayek 1944 [1972], 42).

The question of how to define the range of legitimate goals became a matter of everlasting struggle. The reason for these difficulties is that the neoliberal approach marked a fundamental *shift* in the way in which the relationship between the economy and the political realm is conceptualized. Unlike classical liberalism which separated the economy from society, neoliberalism recognized that society was necessary so as to sustain the market system if the

deadlock should be overcome (or a new deadlock avoided). This implied that on the one hand policy seemed to be free to follow society's wishes and will. But on the other hand, the government could sustain the market system only if it accepted what the latter required. In order to avoid a deadly war between itself and the economy, the interdependence demanded that the government gave up *consciously* its supremacy. Policy had to *conform to the market*. Market-compliance was substituted for institutional separation. The threat of a deadlock was (and still is) the sword of Damocles which forced policy into sustaining the economy.

What is valid for the political realm is also true for society as a whole. It would be interesting to have a closer look at the commodification of different realms of society in different epochs after World War Two. In this respect Reich, Stiglitz, Bourdieu, Crouch and others have produced interesting studies. At this point I have to confine myself to a few remarks.

In the period up to the 1970s the subordination of the political realm to the market system dominated. We may call this the *age of social liberalism*. For a moment it seemed as if the supremacy of the political realm over the economy was acknowledged, that the government was able to define the goals and that it became possible to rank the needs of society higher than those of the economy. It looked as if the dominance of society over the economy (reembedding of the economy into society) could be achieved at least partially. Indeed, the welfare state model which had a strong impact (not only in the Scandinavian countries) supposed that the government was reinforced vis-à-vis the market system. Nevertheless, even if *in principle* the lead of the political was affirmed, political decisions had to accept strict limits. Whenever the functioning of the market system was endangered the government had to give priority the stability of the economic system. The consequence was that, whenever a *conflict* arose, the rules of the market had to be accepted. The logic required that government obeyed and subordinated itself 'voluntarily' to the laws of the economy. The period ended in the 1970s when the conflict between the national political ambitions and the requirements of the international economic system broke up and destroyed both, the room for political maneuver of the welfare state and the Bretton Woods system (fixed exchange rates).

The end of the age of social liberalism gave birth to what we may call the *age of market-radicalism*. The principle innovation was the extension of commodification to all realms of society. The political arena lost the leading position internally and externally. The control over

the external value of the currencies was replaced by a new wave of economic globalization in which the financial markets took over the lead. Internally public enterprises, communal services, social security, health care, pension schemes were privatized and individuals, voluntary associations, charity organizations, journalists, publishers, doctors, lawyers etc. treated as if they were profit oriented companies. Homo economicus was not any longer considered an agent who acted within the economic sphere. Economic theory started to see itself as an 'imperial science' (Stigler 1984) which claimed to be "applicable to all human behavior, be it behavior involving money prices or imputed shadow-prices, repeated or infrequent decisions, large or minor decisions, emotional or mechanical ends, rich or poor persons, patients or therapists, businessmen or politicians, teachers or students" (Becker 1976, 9). At least on a theoretical level commodification passed all limits.

5. Polanyi and Luxemburg today

In retrospect the commodification (in the sense of colonialization new realms) of society can be regarded as a series of transformations of society in which step by step new fields, new continents and new social realms were subordinated to the market mechanism. Commodification did not develop steadily. It started nearly two centuries ago with the subordination of the fictitious commodities labor (in England: reform of Speenhamland legislation), land and money to the market-system, the role back of self-sufficient economic units and the establishment of industrial establishments which produced for a vast and increasing market. These processes did never advance peacefully, but often were accompanied by vigorous struggles between different social groups and classes. Marx analyzed in great detail the transformation of production – the production of absolute and relative surplus value, the deepening of the division of labor, the development of manufacture as well as of machinery and modern industry. From today's point of view "the real subjection of labour to capital" (Marx 1867, 360) appears as a crucial dimension of an all-embracing process which transformed (and continues to transform) the whole of society. Rosa Luxemburg described the process of accumulation as a sequence of advances in which the sphere of dominance of the capitalist mode of production replaced pre-capitalist methods and arrangements. Imperialism which started after the agrarian crisis and the depression of 1873-86 can be understood as the reverse side of increasing protectionism which hampered the trade

between the industrialized countries (cf. Polanyi 1944 [2001], 223-224). Imperialism shows clearly that the conquest of new areas did not occur spontaneously. Without political support the imperialist ambitions would never have succeeded. Already in the 19th century external colonialization and commodification, i.e. the colonialization of new countries as well as of new social realms by market forces has primarily been used as a remedy in order to avert the danger of a social or economic deadlock.

The transformation of society which took place after World War Two, social liberalism, the market radical turn, the commodification of society etc. are the result of the neoliberal attempts to strengthen the market universally and to escape a new deadlock. And even if up to the 2000s neoliberal strategies were able to postpone the conflicts, they did not resolve the underlying contradictions of a society which is embedded in a disembedded economy. The difficulty which economic liberalism has to face today is a) that the very success of a globalized economy limits the space of policy to protect society radically and b) that opposition against globalization as well as commodification is growing.

This is the reason why the current situation shows disconcerting parallels to the conditions in the interwar period in Europe. Nevertheless, there is a difference: The escape which neoliberalism provided at the end of the interwar period is not any longer available. The commodification has reached a level which, even if a further extension may be attempted, makes it difficult to present such a strategy as an escape from the crisis. And more than that, the constraints of a globalized economy, the power of multinational companies, the financial markets on the one hand and expanding protective initiatives on the other hand have the consequence that the protagonists of neoliberalism are paralyzed and unable to react. The European Monetary Union functions more and more as a strait jacket. International competition in goods and currencies endangers jobs and wages. Even if liberal politicians rule the roost, they are unable to keep their promises and convey the impression that they have lost control of the situation and buy for time.

The problem today is that the liberal forces themselves are impotent to realize their goals. They are blinded by the ideology of economic liberalism which *denies* the conflict. The consequence is that, instead of admitting the constraints which the international market system imposes and of criticizing the supremacy of the global market they *feign* to have control over the situation. Objectively their conduct is hypocritical and insincere. This is what common people realize with

the result that they lose trust and consider liberal elites as corrupt and dishonest. Increasingly right wing political forces take advantage of the situation and accuse emarginated social groups which are unable to protect themselves of bearing the responsibility for the crisis. It is only a short way to attack minorities attacked and migrants of endangering national security. Reactionary organizations and parties campaign against democracy. Democracy itself is undermined and its capacity of overcoming the crisis is questioned. What in the interwar period seemed to be mainly a European problem today has turned to a worldwide conflict. Polanyi's account makes clear that under these conditions not economic liberalism, but only a socialist perspective can defend democracy.

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