



Against Polanyian orthodoxy: a reply to Hannes Lacher

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Abstract

Hannes Lacher's article (2019) misrepresents and then denounces both the substance and the spirit of our book, *The Power of Market Fundamentalism: Karl Polanyi's Critique* (2014). Lacher claims his interpretation of Polanyi to be the only acceptable one, and vociferously alerts readers to beware the dangerous influence of our work. Because we continue to believe that familiarity with Polanyi's theoretical framework is valuable for those resisting the depredations of neoliberalism and authoritarianism, we restate our commitment to interpreting Polanyi's work in the most capacious way possible, treating it not as Scripture but as a body of work multidimensional enough for varying perspectives. In our reply to Lacher, we revisit several themes central to our book, including Polanyi's complex use of "utopianism"; the "always-instituted economy"; the gold standard's attack on the "democratic virus" and the rise of fascism; and Polanyi's socialist commitment to democratizing the economy. We also suggest that by exploring several apparent puzzles in the text of GT it is possible to derive a more fruitful and powerful interpretation of Polanyi's thinking.

Keywords Anti-democratic virus · Fascism · Gold standard · Instituted economy · Predistribution · Socialism

It was in a gathering of scholars in a 1979 workshop on historical sociology that we first made our case for the unique importance of Karl Polanyi.¹ We were both committed socialists whose politics had been forged in the New Left's critique of the

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bureaucratic welfare state and its signature suppression of participatory democracy. Although at the time we could not have known the extent to which neoliberalism would come to hegemony, Thatcher was already in power in the United Kingdom and Reagan's ascent was on the horizon. In this context, we were determined to convey the idea that Polanyi's singular political economy made him *the* necessary thinker for the dark times ahead (Block and Somers 1984).

This was the start of a forty-year intellectual journey that has been guided by three goals. First, we wanted to expand what started as a small platoon of Polanyi scholars and intellectuals into a growing community committed to bringing Polanyi to a wider audience in academia and well beyond. We were convinced that his work would be critical to resisting and providing an alternative to the spreading depredations of neoliberalism. We found our inspiration for this in Polanyi's own life-long commitment to resist the tyranny of market society and contribute to a socialist alternative. Second, we aimed to abstract from Polanyi's writings an emergent inventory of concepts, a usable conceptual vocabulary, and a set of analytic tools that could provide leverage for illuminating and explaining current socioeconomic and political developments. Finally, to build as broad and inclusive a Polanyi community as possible, we committed to interpreting Polanyi's work in the most capacious way possible, treating it not as scripture but as a body of work multilayered enough for varying elucidations.

The work of great social theorists—Polanyi included—is necessarily multidimensional and subject to different interpretations. We wanted to avoid creating a Church of Polanyi, in which conformists would be anointed and from which heretics would be excommunicated. In her Preface to *Vison and Method*, Theda Skocpol expressed this when she wrote: “In no sense are these definitive evaluations of the achievements of Marc Bloch, Karl Polanyi ... Thompson ... Wallerstein, or Barrington Moore, Jr. ... Reading and comparing these essays ought to inspire not fixed judgments but reexaminations of the important works discussed” (Skocpol 1984, p. xi). Thirty years later in *The Power of Market Fundamentalism: Karl Polanyi's Critique* (Block and Somers 2014) [*POMF*], we conveyed the same sentiment:

We are not ... claiming to adjudicate definitively what Karl Polanyi “truly” meant when he used a particular concept or developed a specific line of argument. The work of the canonical figures of social thought, whether it be Adam Smith, Marx, Weber, Freud, or Keynes, is full of complexities and ambiguities and open to multiple interpretations. Karl Polanyi is no different, and our interpretation is only one of many possible readings (e.g., see Burawoy 2003; Bugra and Agartan, eds. 2007; Gemici 2007; Dale 2010). We have never claimed to be engaged in a hermeneutic project of determining exactly what Polanyi really meant to say. (p. 8)

Thanks to a growing infrastructure of institutions and networks of dedicated scholars, the goal of expanding the reach and recognition of Polanyi's work has been successful beyond our imagination. *The Great Transformation* [*GT*] (Polanyi 2001) is now recognized as one of the great books of the twentieth century and Polanyi as one of its most important thinkers. But with respect to our other goals, we have to face up to failure. First, as Polanyi has become increasingly influential, neoliberalism has only become ever more virulent and has ominously reproduced the path spelled out in *GT*. Its cruel afflictions have now given rise to right-wing populist authoritarianisms and increased the

threat of neo-fascism. Even as Polanyi's analysis is being confirmed in real time, it has been unable to staunch the replay of neoliberalism's worst consequences.

We would like to take comfort in the camaraderie of the first success—the solidarity of an expanding community of like-minded Polanyi scholars. However, as the article by Hannes Lacher (2019) makes clear, we need to face up to a second failure. Rather than an ecumenical tent of Polanyi thinkers with room for a broad spectrum of interpretations, we see signs of the same sectarianism that plagues other parts of the left. Lacher exemplifies this intolerant spirit with his effort to name and shame and expel those deemed to violate what he has defined as the correct scriptural reading of Polanyi. This is deeply dispiriting. For while vigorous scholarly debate is always welcome, Lacher appears to be engaged in an all-out martial effort to delegitimize and exclude those thinkers he deems to be heretical.

A worrisome meta-affect

To our dismay, Lacher's article mobilizes phallic and sexist imagery to divide Polanyi scholarship into "hard" versus "soft."² Unsurprisingly, he aspires to lead the self-styled "hard-Polanyians," who read Polanyi as rejecting all efforts to lessen human suffering short of revolutionary overthrow. Block and Somers are "soft-Polanyians;" their work is worthy of derision, riddled with "willfully ignorant" errors, at once misguided yet dangerously influential—all of which necessitates harsh correction by the authorities. It is, however, a calculated strategy to win the argument without having to make one. Lacher claims to be using evidence to adjudicate between our two approaches, but he rigs the contest by using names that ascribe superiority and inferiority a priori to the theories he is claiming to evaluate objectively. Under the pretense that they are just descriptive rather than evaluative labels, Lacher uses the hierarchically gendered binary of hard versus soft to attribute value and moral worth to his approach, ridicule, and revulsion to ours—all before bringing any evidence to bear.

Lacher's rhetoric throughout is sarcastic condescension, which he expresses by inventing neologisms as a way to turn our theoretical arguments into objects of mockery. In lieu of thoughtful intellectual engagement, he repeatedly uses the intentionally silly "perma-embeddedness" to trivialize the concept of the "always embedded economy." More concerning, Lacher violates scholarly norms by using scare quotes around phrases that he links to our names, such as "capitalism with a human face," implying falsely that these are our words. To attribute views to us that we do not hold, he paraphrases distorted versions of our ideas without actual citations. In his attacks, Lacher does not merely describe the failings of our work but imputes motives and ascribes intent. Our characters are called into question, and he bizarrely depicts two life-long socialists and radicals as pro-capitalist propagandists. He is above all anguished

² Lacher clearly recognizes this language is offensive, as he writes in footnote 2 that the hard vs. soft terminology makes him uncomfortable. He even off-loads the responsibility for it to others (Lacher 2019, pp. 3–4). His qualms, however, have vanished without a trace by the time he declares "hard-Polanyi to stand completely vindicated" (p. 703). Apparently, declaring victory feels too good to let a few ethical misgivings get in the way. It should also be noted that

Polanyi's biographer, Gareth Dale (2010, 2016b), has directly challenged this binary for its intellectual failings.

that our work may have had some influence, and he defines his mission as taking up the burden of protecting others from becoming infected (pp. 672, 703).

We are utterly bewildered by the force and the source of this meta-affect of rage and the drive to ridicule. The puzzle is deepened by the way Lacher misrepresents the subject of his article. He describes it as a “systematic review” of the “central claim” of *POMF* (p. 671). That *POMF* even has a central claim comes as news to us. It is a 300-page volume covering everything from the contemporary political significance of Polanyi’s discussion of Speenhamland to a comparison between Polanyi’s analysis of the 1834 New Poor Law and the US welfare “reform” Act of 1996, to a counterintuitive analysis of why Polanyi uses “utopianism” to describe the self-regulating market and what he means by “reality of society,” to the epistemic privilege Polanyi attributes to political economy’s social naturalism, to Polanyi’s analysis of the irreconcilable conflict between capitalism and democracy, to Polanyi’s life-long commitment to socialist politics. To the extent we try to give shape to this extensive catalogue, we identify the book’s loose three-part “conceptual armature”:

1. Polanyi’s “institutional approach to the economy” challenges the neoclassical truth that the market and the state are separate and autonomous entities and rejects the idea that the economy is free of politics and power. The economy is an “instituted process”—a redistributive institutional complex of rules and policies constituted by power, coercion, and government.³
2. Polanyi argues that the idea of the self-regulating market is a “stark utopia,” as the attempt to create a fully marketized society, which requires turning humans, nature, and money into fictitious commodities, would annihilate society. Empirically, there can be no such thing as a free market.
3. Polanyi challenges the viability of democratic capitalism by demonstrating economic liberalism’s long-standing “anti-democratic virus” and its use of coercion to shield the market from popular influence. Subordinating the economy to democratic governance was for Polanyi the essence of his vision of socialism.

There is no overlap between these Polanyian themes and what Lacher defines as the “central claim” of our book because Lacher’s article focuses almost entirely on one 25-page chapter (*POMF*, chapter 3), which is a revised version of an article published by Block (2003) in this journal almost twenty years ago. It turns out that this is not the first time Lacher has anointed himself as Polanyi’s protector. In 2008, he presented a paper intended to protect Karl Polanyi from Fred Block. The anger he expressed in that paper we now recognize as the kernel of the current article. But it is one thing to reduce an entire volume to 8.3% of it; it is another thing entirely to ignore the remaining 269 pages and claim to be reviewing the whole book. Based on this misleading depiction of our book, Lacher describes our forty years of work as dedicated to criticizing and maligning Polanyi through a sustained attack on *The Great Transformation*. That he so mischaracterizes both our book as well as the subject of his article should give one

³ We characterize these political interventions as *predistributive* measures that use the power of the state to drive market distributions in favor of wealth and capital. How predistribution differs from redistribution and how it creates market outcomes that appear to be the product of natural market forces, see Somers and Block (2020).

serious pause. The idea that we have dedicated our careers to maligning Karl Polanyi rather than indefatigably trying to bring public attention to his singular importance is simply risible.

The heart of Lacher's article is his condemnation of a single chapter, in which we point to an interesting ambiguity in *GT*. Lacher denounces any idea of ambiguity based on a letter in which Polanyi characterizes the book as telling "a very straightforward, simple story." The difference between Lacher and ourselves here is one of methodology. Lacher's method is biographical; most of his evidence consists of Polanyi's reflections on his writing of *GT*. Our approach, by contrast, is that of immanent critique. It focuses on the text's complexities and possible ambiguities that exist independently of the author's intentions. That we find complexities in *GT* that Polanyi may not have intended is neither a criticism nor an effort to rewrite the book. Rather, it is our reading it as a living text with multiple layers of meaning.

So, while Polanyi might have considered *GT* to be simple, for most readers the text is more challenging. This is something Polanyi himself intuited as he clearly believed that to make his argument convincing, he needed to walk us step by step through economic history since the Tudors and through social and economic thought from Smith, Townsend, Burke, Malthus, Ricardo, and Bentham onward. Moreover, if the text of *GT* was indeed simple, Polanyi would not be the original and remarkably creative thinker that we know he was. The reality is that Polanyi published a book in the 1940s that challenged the era's hegemonic paradigms. His remarkable achievement was to communicate an original and unfamiliar argument to readers whose worldviews has been shaped almost entirely by those other paradigms. As we wrote in *POMF*:

Precisely because of his distance from these other more familiar traditions, understanding Polanyi's arguments ... requires the reader to bracket some of the more recognizable assumptions that he or she has about how the world works. In fact, one cannot make sense of Polanyi's arguments without a willingness to at least suspend belief in those very assumptions. (p. 7)

The always instituted economy

Our immanent critique centers on the idea that there is an intriguing puzzle at the heart of *The Great Transformation*. Polanyi begins the book with his well-known thesis that the idea of the self-regulating market is a "stark utopia" because it disembedded the economy from social relations and politics for the first time in human history (*GT*, pp. 3–4). At the same time, however, he argues that the rise of economic liberalism actually "increased the range" of political "control, regulation, and intervention" (*GT*, pp. 146–147), a theme sustained throughout the book as he argues insistently and consistently that the "laissez-faire" economy was constituted by coercive state power. The puzzle is how can market society both disembody the economy from non-economic institutions and at the same time be continuously constituted by and embedded within political power and state intervention? It is a question that is equally relevant today. In a precise echo of Polanyi's story, neoliberalism has for over four decades thrived under the banner of a "deregulative free market," even as that market has been driven by a thick

complex of predistributive political powers and interventions designed to redistribute wealth and income upwards while producing grotesque market inequalities that appear to be the result of natural market forces.

To explain, we dig much deeper into Polanyi's characterization of the self-regulating market as utopian. The degree to which this labeling was a radically original and cunning move has been too little appreciated. Until Polanyi, conservatives had monopolized the term as a weaponized accusation and cynical epithet against the "unrealistic" left. Polanyi's radical innovation was to show that it was the conservatives and "realist" political economists who were the true utopians, as they invented from thought-experiments alone an ideal economy organized by the laws of nature free of politics and government. For Polanyi everything about this ideal was utopian. For one thing, no society or economy is possible in which power and coercion is absent: "Power and compulsion are a part of that reality; an ideal that would ban them from society must be invalid" (*GT*, p. 266–267). For another, its very requirements for existence—the commodification of humans, nature, and exchange—would annihilate the very society it was founded upon, thus making market society an impossible fiction: "Such an institution could not exist for any length of time without annihilating the human and natural substance of society" (*GT*, p. 3).

More than either perfection or unrealizability, however, Polanyi understood that the hallmark of the conservative attack on leftist "utopians" was the claim that they advocated "social engineering," a fear-mongering term meant to evoke the terror of the French Revolution. In this, conservatives and reactionaries followed the standard script of the utopian trope, which always moves from accusing reformers of aspiring to an impossible ideal of perfection to then engaging in coercive social engineering. Polanyi's original strategy was to turn the tables on the political economists to reveal that it was *their* self-regulating market ideal that required truly catastrophic schemes of social and political engineering. Precisely because it was a pure thought experiment so removed from empirical social life, to impose such a market would require brutal and sustained political engineering to rip out the fabric of human society and nature and impose the blueprint of a fully commodified social and natural world.

The idea of a self-adjusting market was therefore utopian in the triple sense of *ideal*, *unrealizable*, and yet *requiring massive political engineering* (*POMF*, chapter 4, pp. 98–113). It is of critical importance, however, to note that for Polanyi the actual fact of continuous political engineering does not make disembodiedness a meaningless myth. The effort to remake society in the Procrustean shape of the self-regulating market had profound institutional effects, especially as it forced humanity and nature to conform to the market's productive needs through commodifying humans, nature, and exchange into labor, land, and money. For Polanyi, political economy may have been ideology, but its performative effects enabled it to change the world in its image (*POMF*, pp. 107).⁴

The ambiguity we observe in *GT* reflects reality, then, in that market utopianism ideationally disembeds at the same time as it is structurally institutionalized. Paradoxically, as Polanyi demonstrates so forcefully, the ideology is the more powerful of the two. While governmental predistributive power in the interest of capital is the keystone

⁴ We argue here that Polanyi anticipated by decades the theory of "performativity," which demonstrates that economic theory does not reflect the world, as claimed by traditional social science philosophy, but actually shapes it.

of market utopianism, its ideational dominance nonetheless convinces us we are seeing the free market at work. This “alchemy of misrecognition,” which makes invisible the political engineering that organizes economy and society under the name of the free market ideal, was the signature achievement of nineteenth- and early twentieth-century market utopianism and today’s neoliberalism alike (Somers 2018).

Recognizing and working through the puzzle of Polanyi’s institutionally-constituted market utopianism is what prompted us to coin the term that so enrages Lacher, “the always-embedded economy.” Why it enrages is mystifying. After all it is Polanyi, not us, who wrote: “The utopian nature of a market economy explains why it never could be really put into practice. It was always more of an ideology than of an actual fact . . . the separation of economics and politics was never carried completely into effect” (Polanyi 2014, p. 218). And it is Polanyi, not us, who theorized that the “economy is an instituted process,” and that actual markets are constituted by the very power, coercion, and violence abhorred and repudiated by the market naturalist ideal (Polanyi 1957). Free market doctrine claims an economy liberated from government interference, but Polanyi denies that markets and governments can be separate and autonomous entities. Government action does not “interfere” in the sphere of economic activity, because government rules and powers are what constitute the economy in the first place (*GT*, pp. 59-70).⁵ In practice, free market apologists always rely on the state; they are just “selective” about what they accuse as a “distorting external interference” and what they explain away as “natural market processes.” Thus, in some of the most memorable words of *GT*, Polanyi emphasizes how much pitiless coercion was exercised by the state under the guise of “freedom of contract”:

To separate labor from other activities of life and to subject it to the laws of the market was to annihilate all organic forms of existence and to replace them by a different type of organization, an atomistic and individualistic one.

Such a scheme of destruction was best served by the application of the principle of freedom of contract. In practice this meant that the noncontractual organizations of kinship, neighborhood, profession, and creed were to be liquidated since they claimed the allegiance of the individual and thus restrained his freedom. *To represent this principle as one of [government] noninterference, as economic liberals were wont to do, was merely the expression of an ingrained prejudice in favor of a definite kind of interference, namely, such as would destroy noncontractual relations between individuals and prevent their spontaneous reformation.* (*GT*, p. 171, emphases added)

Polanyi makes the same argument in his discussion of the 1834 Poor Law Amendment Act, which dismantled the centuries-old system of poor relief. Political economists claimed it would create a self-regulating labor market by freeing it from an archaic set of rules and practices that only encouraged laziness and economic irresponsibility. In reality, this did not disembody the labor market but reinstitutionalized it in new and different coercive institutions designed to make the unemployed responsive to the

⁵ Today these include rules and practices that economic liberalism treats as natural to markets, including legal contracts at the heart of all market exchange; degrees of monopolization over markets; the rules for what constitutes property and how it is to be bought and sold; the rules that determine rates of unemployment and thus the bargaining power of labor and capital; the supplies of money and credit; and ultimately the institutional mechanisms designed to enforce the prevailing rules, regulations, and powers.

signals of the market by threat of incarceration. The New Poor Law did not create a “free” labor market: It merely eliminated the old institutional arrangements and substituted a new set in the cruel and coercive laws that forced the poor and unemployed into workhouses as the only alternative to starvation (*GT*, pp. 73–88, 106, 112, 122, 143–146, 174, 181; *POMF*, pp. 114–192).

As these examples demonstrate, Polanyi is using “embeddedness” as a placeholder for the instituted processes of politics, institutionalized policies, and coercive state powers. The term “always embedded market” simply acknowledges Polanyi’s emphasis on how the utopianism of a self-regulating market requires it be organized through politics, institutions, and powers of domination even while it passes under the name of a free and deregulated economy:

It is highly significant that ... consistent liberals ... pressed for regulations and restrictions, for penal laws and compulsion ... if the needs of a self-regulating market proved incompatible with the demands of laissez-faire, the economic liberal turned against laissez-faire and preferred—as any antiliberal would have done—the so-called collectivist methods of regulation and restriction. ... *No more conclusive proof could be offered of the inevitability of antiliberal or "collectivist" methods* under the conditions of modern industrial society than the fact that *even economic liberals themselves regularly used such methods*. (*GT*, pp. 155–156, emphasis added)

It would be hard to go further than Polanyi himself in support of the always-embedded economy. Yet Lacher obsessively ridicules and trivializes it by renaming it “perma-embeddedness.” Fine. No one should be in love with their own words, so we will use Polanyi’s words and call it the “always-instituted economy.” But his ridicule is clearly directed at the underlying concept, which simply specifies, as per Polanyi, that there is no such thing as an actual free market.⁶

Our suspicion is that the objection to the underlying premise of the always-instituted economy is rooted in several common fallacies. The first is the common practice of taking economic liberalism at its word, and to blame, for example, the egregious rise in social inequality on the 40-year practice of “deregulation.” The conceit of deregulation is that the economy is a nonpolitical entity organized by the price mechanism that, if not for the exogenous and distorting interference of regulations, would self-regulate efficiently like an organic entity. Deregulation then becomes defined as restoring the market to its natural state by removing these externally-imposed distorting political coercions. A sign of just how pernicious and effective this ideology is that even progressives take it at face value when they lament the return of the “unfettered market” and the retreat of the state as the hallmarks of neoliberalism.

Viewed through a Polanyian lens, this reveals the success of the utopian fiction. In fact, there is no such thing as a prepolitical market to be restored and, as the case of the New

⁶ Lacher’s rejection of this straightforward Polanyian concept is a surprising position for a Polanyi scholar to take, as his militant opposition to the idea that the economy is always instituted so explicitly allies him with the belief in the self-regulating market characteristic of classical political economy and neoclassical economics alike. The work of Quinn Slobodian (2018) is relevant here; although he begins with a critique of Polanyi, he nonetheless carries out a Polanyian agenda by reconstructing the depth of the neoliberal commitment to a strong state whose purpose, among many others, was to use the force of law and violence to protect the economy from the democratic populace.

Poor Law demonstrates, deregulation should actually be understood as “reregulation.” After all, when existing laws are overturned the market is not left in a pristine natural state but is instead reconstituted through new and different laws—i.e., reregulated—designed to organize the market to benefit wealth and capital (*POMF*, pp. 8–11, 150–192). Likewise, under the rhetorical fiction of financial deregulation, neoliberalism in the 1990s replaced old New Deal rules designed to protect the public from financial fraud and excessive risk-taking and imposed new rules that enabled finance to engage at no risk in predatory lending and dangerous speculation. Thus, Stiglitz writes:

But, of course, the neoliberal deregulation agenda was never really about deregulation *per se*. The point has always been to regulate in a way that will advance certain interests at the expense of others. At the same time that the big banks argued against regulations that could have stopped the financial crisis, they were advocating bankruptcy provisions that favored them over other creditors; and while they argued for smaller government, they were more than receptive to the hundreds of billions of dollars in bailouts. (Stiglitz 2020)

Polanyi makes the same point when he writes:

[T]his helps to clarify the true meaning of the term "interventionism"... economic liberalism cannot be identified with laissez-faire.... The economic liberal can, therefore, without any inconsistency call upon the state to use the force of law; he can even appeal to the violent forces of civil war to set up the preconditions of a self-regulating market.... The accusation of interventionism on the part of liberal writers is thus an empty slogan, implying the denunciation of one and the same set of actions according to whether they happen to approve of them or not ... *the behavior of liberals themselves proved that the maintenance of freedom of trade—in our terms, of a self-regulating market—far from excluding intervention, in effect, demanded such action, and that liberals themselves regularly called for compulsory action on the part of the state.* (GT, emphasis added, pp. 155–157).

The second fallacy associated with the always-instituted economy is the mistaken belief that for Polanyi, because he so often associates it with the idea of protection, “embeddedness” is a normative concept indicating something socially beneficial. It is an understandable mistake; *GT* is a critique of market capitalism’s social devastation and many of Polanyi’s “protective” movements are those that oppose encroaching marketization by supporting social policies intended to protect people from its harms.

It is, however, a colossal misreading of *GT* to see it as an ode to the goodness of embeddedness and protective countermovements. For while movements to protect the “reality of society” are indeed almost inevitable responses to the destabilizing commodifying practices of the self-regulating market, whether Polanyi considers that protection to be socially beneficial or profoundly injurious is entirely contingent on whether it is paired with freedom and democracy, or with the “extirpation” of freedom as in the case of fascism. Polanyi explains that in the global crisis of the 1930s, while European capitalist elites suppressed democratic efforts at social reform, it was fascists and Nazis who opportunistically mobilized to reorganize society away from strict market principles and protected society against their catastrophic consequences—hardly what we

would call a beneficial kind of protection: “The fascist solution of the impasse reached by liberal capitalism can be described as a reform of market economy achieved at the price of the extirpation of all democratic institutions” (*GT*, p. 245).

While Polanyi argues that confrontation between market utopianism and the reality of society was historically inevitable, he emphasizes that the normative contingency of the outcome is an empirical and historical question: Will countermovements impose social protections that reembed the economy at “the price of the extirpation of all democratic institutions”? Or will the reorganization imposed by the reality of society enhance freedom and democracy, even generate socialism?

The discarding of the market Utopia brings us face to face with the reality of society. It is the dividing line between liberalism on the one hand, fascism and socialism on the other. *The difference between these [latter] two is not primarily economic ... the ultimate on which they separate is again freedom. By fascists and socialists alike the reality of society is accepted with the finality with which the knowledge of death has molded human consciousness....* The issue on which they divide is whether in the light of this knowledge *the idea of freedom can be upheld or not.* (*GT*, p. 267, emphasis added)

Polanyi’s historical analysis of the origins of fascism demonstrates that institutedness bears no a priori normativity; its political direction is an empirical question. His theory of the contingent and historically-variable nature of the always-instituted economy is especially urgent today. Forty years of neoliberal destabilization and egregiously spiking inequalities have generated countervailing movements dominated not by progressivism but by the populist, authoritarian, and fascist right. Because Polanyi teaches us that the “economy [will always be] an instituted process”—whether for good or for very ill—the lesson to be drawn is that now more than ever it is urgent to analyze and understand why under some conditions institutionalism operates in the interest of authoritarian power that undermines democracy and distributes resources and income toward wealth and capital, such as the New Poor Law, fascism, and neoliberalism; and why under other conditions it might be emancipatory, even socialist, as when “market forces are subordinated to democracy” (*GT*, p. 242):

The discovery of society is thus either the end or the rebirth of freedom. While the fascist resigns himself to relinquishing freedom and glorifies power which is the reality of society, the socialist resigns himself to that reality and upholds the claim to freedom, in spite of it. (*GT*, p. 268)

Impairments, the gold standard, and the crisis of democracy

Polanyi’s theory of the always-instituted economy captures the conceptual complexity of his dual theory of utopianism. Although the disembedded or deregulated market is pure ideology, its ideational powers nonetheless have enormously destructive effects as its apologists enact laws to coerce society to fit its commodifying requisites. This fact challenges us to think through what appears to be a second, this time historical, puzzle at the heart of *GT*. Recall that Polanyi’s foundational premise is that the story of

modern capitalism is built on the deceptive but deadly utopian fiction of the self-regulating market. It is fictional because as a utopian ideal it imagines an economy self-activated by the laws of nature, free of all government coercion. It is deceptive because in the guise of that fiction it deploys the very powers and politics of coercion it claims to abjure to turn the social substances of life into fictitious commodities. Finally, it is deadly because the effort to enact such a system would effectively annihilate society. The dynamic of the story is provided by the inevitable response to that deadly utopian fiction. Society fights back with protective measures to save itself by marring the market mechanism, a process that works to save society throughout the nineteenth and early twentieth centuries. The puzzle is that the very measures that saved society at Time A appear to have caused its complete breakdown and the collapse into fascism at Time B. Lacher reads Polanyi to be saying that, because in the 1930s the self-regulating market was the only game in town, its impairment threw a wrench into the whole system and generated a catastrophic systemic breakdown. The moral Lacher reads in Polanyi? It was the attempt to mitigate capitalism's worst harms that led to fascism.

We read Polanyi's argument differently. *GT* tells the story of how if not for "the measures which society adopted in order not to be ... annihilated by the action of the self-regulating market" (*GT*, p. 257), nineteenth-century society would not have survived the deadly afflictions that result from a self-regulating market. Society was saved by continuous acts of countervailing power that should not be underestimated. English working people and their allies fought relentlessly in the streets, in the factories and fields decade after decade to combat marketization with a series of decommodifying laws, statutes, and democratically-driven, anti-market associative practices.⁷ These did not represent a pendulum swing of history back and forth from an era of the self-regulating market to the next era of protection. Rather, these resistance movements, practices, and laws were coterminous with the crushing afflictions of commodification. And while they did not defeat capitalism, they nonetheless took aim directly at the heart of the market mechanism by partially decommodifying the basic factors of production—the fictitious commodities of land, labor, and money. In so doing, they did a great deal more work than merely mollify market inequities through compensatory welfare distributions. Indeed, Polanyi argues that to suggest that social legislation and trade union activities did *not* fundamentally interfere with market demand for complete labor mobility and wage flexibility would imply "that those institutions have entirely failed in their purpose, which was exactly that of interfering with the laws of supply and demand in respect to human labor, and removing it from the orbit of the market" (*GT*, p. 186). In other words, society survived the market only because of these not insignificant decommodifying enactments that "conflicted fatally with the self-regulation of the system" (*GT*, p. 87).

⁷ Including resistance to the anti-Combination Laws (anti-trade union) in the late eighteenth and nineteenth centuries; Owenism, the alternative industrial movement and organization of co-operative labor and production of the 1820s and 1830s; the monumental anti-New Poor Law movement in the second half of the 1830s, which effectively blocked the implementation of the despised new law in the northern industrial regions; Chartism—the vast mass movement of the late 1830s–1840s that aimed not merely for political but also economic democracy; the 1842 Mines Act; and finally the more than forty-year "Short-time Movement" to limit the hours of factory labor for children and adults, culminating in the 1847 Factory Act (Somers 1992, 1993, 1995, 1996, 1997).

If throughout the nineteenth century, thanks to these decommodifying measures, society survived because prices were not being freely determined by markets, why in the 1930s would the same kinds of measures push the global economy into a crisis that culminated in fascism? How is it that at one time society survived because of regulations that at a later time cause it to collapse? Moreover, since Polanyi's history of the market begins from the premise of its utopian unrealizability, how is it that in the 1930s there can suddenly be a fully realized self-regulating market, which society has now come to depend upon? It is of course historically plausible that a market constrained at one point in time could, under different conditions, break from those constraints at another. But that is not Polanyi's thesis. His argument is that the utopianism of the self-regulating market cannot exist under *any* conditions. Accepting this to be true, then the crisis of the 1930s cannot be explained by the impairments imposed on a utopian self-regulating market. Put slightly differently, how could society come to depend on the very thing that Polanyi explains would annihilate it?

Lacher derides our suggestion that this is a puzzle worthy of consideration. No puzzle there, he asserts; all is simple and straightforward for hard-Polanyians: Short of total capitalist overthrow, trying to mitigate the harms of capitalism is not only useless, but equally dangerous because such market impairments screw up the economic system that society has come to depend on. Lacher's Polanyi argues that we should either overthrow the whole damn thing or leave it well enough alone; it is better to suffer under capitalism than to risk its less than wholesale demise.

We again read Polanyi very differently: It was historical contingencies and the gold standard, not a universal law against lessening the worst afflictions of the market, that explain the collapse into European fascism. "Mankind was in the grip, not of new motives, but of new mechanisms [the gold standard] ... the strain sprang from the zone of the market; from there it spread to the political sphere, thus comprising the whole of society (*GT*, p. 216). The story begins in Europe after World War I, which had come to depend on capital inflows from the United States to maintain the complex system of reparation payments and war debts established at Versailles. The United States loaned money to Germany; Germany used the funds to pay reparations; and France and England used those funds to pay down their war debts. In the 1920s, radicalization within countries interacted dangerously with the complex system of reparations, war debts, and external financing from the United States. After the US stock market crash in 1929, the flow of capital from the United States abruptly halted and the system of interdependent flows collapsed. The consequence was a sharp decline of global trade and escalating levels of unemployment along with extraordinary widespread hardship and suffering. Already in the 1920s, much of Europe had transitioned to parliamentary democracies. Socialist and Labor parties exercised their new power to push for higher wages and better unemployment insurance. Business interests vehemently resisted, as in the wake of the Soviet Revolution they now perceived working class demands as totalizing threats to the capitalist order. But the real impetus behind their resistance was the logic of the gold standard.

After it was suspended during World War I, Europe restored the gold standard in the effort to organize the world economy through an integrated market infrastructure, free of the annoying politics of nation-states. In this utopian project, the gold standard is the idea of the self-regulating market mobilized and writ large at the global level:

With the international gold standard the most ambitious market scheme of all was put into effect, implying absolute independence of markets from national authorities. World trade now meant the organizing of life on the planet under a self-regulating market, comprising labor, land, and money, with the gold standard as the guardian of this gargantuan automaton. Nations and peoples were mere puppets in a show utterly beyond their control. (*GT*, p. 226)

But just as at the national level, the gold standard was a deceptive fiction. Although once in place it had the power to make itself appear natural, in fact it was an institutional and political mechanism—a “fantastic machinery” (Block 2001)—that once again exemplifies Polanyi’s analysis of how in the name of economic freedom market liberals continuously deployed political power and state violence to enforce their free-marketizing ends.

Internationally, also, political methods were used to supplement the imperfect self-regulation of the market.... Even more evident was the need for interventionist methods, if the region in question happened to be rich in raw materials required for European manufactures, while no pre-established harmony ensured the emergence of a craving after European manufactures on the part of the natives whose natural wants had previously taken an entirely different direction. Of course, none of these difficulties was supposed to arise under an allegedly self-regulating system. But the more often repayments were made only under the threat of armed intervention, the more often trade routes were kept open only with the help of gunboats, the more often trade followed the flag, while the flag followed the need of invading governments, *the more patent it became that political instruments had to be used in order to maintain equilibrium in world economy.* (*GT*, pp. 216–217, emphasis added)

Polanyi thus defeats another myth and another disingenuous target of blame. At the time of the global economic crisis in the 1930s, there was no perfectly calibrated self-adjusting market humming along free of all political power until the wrecking ball of unemployment benefits drove the whole machinery into chaos. Instead, “political instruments had to be used in order to maintain equilibrium in world economy” (*GT*, p. 217). Despite the gold standard’s dependence on political instruments, however, its ideational power to create the appearance of self-regulation dictated that any institutionalist social policies would be lethal to the world economy. Gold standard orthodoxy required strict austerity for both wages and government expenditures. Caught in this tyrannical ideological grip of the gold standard, neither employers nor governments would offer concessions to those suffering almost unbearable costs. If a single government conceded higher wages and more transfers to the working class, it would trigger an immediate economic crisis because the financial community would act in anticipation of inflation and activate an outflow of gold, which would immediately reduce the value of that country’s currency. The dictatorial script only allowed national governments to take actions that strengthened deflationary pressures. With a compromise between working class demands and the pressures of the gold standard impossible, the strains led to the collapse of democratic institutions in country after country. The

consequence was a crisis of democracy produced in the clash between the needs of the working classes and the cruel vice of the gold standard.

Although the gold standard was a new international mechanism of the 1870s, Polanyi makes clear that its anti-democratic coercions reiterated its roots in the nation-state level of the self-regulating market. Economic liberalism has from its inception been committed to stamping out popular democracy, precisely to shield the market from democratic intrusions: “Inside and outside England, from Macaulay to Mises, from Spencer to Sumner, there was not a militant liberal who did not express his conviction that popular democracy was a danger to capitalism” (*GT*, p. 234).⁸ It was a principle structured into the American constitution, designed to shield property from the power of popular democratic politics: “In spite of universal suffrage, American voters were powerless against owners” (*GT*, p. 234). The gold standard was but the latest mechanism for suppressing democratizing social practices, above all those aimed at the economy. In the 1930s, this led to the lethal conflict pitting the austerity demands of the gold standard and the inter-war business classes against the democratizing demands for unemployment relief: “It was out of such a perilous deadlock that in the twentieth century the fascist crisis sprang,” as the political coercion hidden in the heart of the market mechanism became even more operative (*GT*, pp. 139–140).

In summary, the story Polanyi tells of the crisis of the interwar years is about a particular historical moment in which the efforts of newly empowered working class parties to enact a set of urgent economic policies came face to face with global economic elites empowered by the logic and the power of the gold standard to suppress any moves towards democratizing the economy. With rising democratizing threats, global economic liberals turned once again to strong state power to achieve their ends—in this instance, to authoritarianism and fascism. Polanyi unequivocally points to the global economic elite for this catastrophic outcome, not to the working-class efforts for social reform. In fact, he focuses on the destructiveness of the “authoritarian interventions” (p. 242) carried out by the gold standard’s self-regulationist champions:

Though opposed in theory to interventionism and inflation alike, economic liberals had chosen between the two and set the sound-currency ideal above that of nonintervention. In so doing they followed the logic inherent in a self-regulating economy. (*GT*, p. 242)

This is at once a historical critique of the disastrous utopianism of the self-regulating market and a theoretical critique of the inherently antidemocratic nature of global capital. In some of the most important words found in *GT*, Polanyi writes: “the victory of fascism was made practically unavoidable by the liberals’ obstruction of any reform involving planning, regulation, or control.... Freedom’s utter frustration in fascism is, indeed, the inevitable result of the liberal philosophy” (*GT*, p. 265). Strong states were the solution to the menace posed by democratic “planning, regulation or control.” But

⁸ So, with respect to the ruling class suppression of the Chartist demand for the vote, Polanyi writes: “It would have been an act of lunacy to hand over the administration of the New Poor Law with its scientific methods of mental torture to the representatives of the selfsame people for whom that treatment was designed” a sentiment echoed by Macauley who railed against “the Chartist petition in the name of the institution of property on which all civilization rested” (*GT*, p. 233).

note well the iniquitous hypocrisy Polanyi highlights, for of concern to economic liberals was only *democratic* “planning, regulation or control”:

The stubbornness with which economic liberals, for a critical decade, had, in the service of deflationary policies, supported authoritarian interventionism, merely resulted in a decisive weakening of the democratic forces which might otherwise have averted the fascist catastrophe (*GT*, p. 242).

To bolster his argument that the culprit was not progressive social protectionism, Polanyi compares the United States to Europe and underlines the historical circumstances that allowed its business class to defy the gold standard and make a class compromise that avoided the deadly impasse and the leap to Nazism:

That social protectionism did not in this [American] 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. (*GT*, pp. 237-238)

In *GT*'s long endnote on “Speenhamland and Vienna,” Polanyi also demonstrates that the historical meaning of anti-market measures depends upon their historical context and whether they are implemented either in the interest of capital or of its victims. Speenhamland was the poster child for a protective measure that was alleged to have had disastrous consequences for the rural poor, above all by the governmental Royal Commissions dedicated to abolishing the Poor Laws.⁹ Polanyi emphasizes, however, that the problem was not inherent in counter-market measures but in the political strategy that coupled what was supposed to be poor relief for unemployment with parish-supported “aid-in-wages,” thus precluding workers from earning their own wages and which “prevented laborers from developing into an economic class” that could organize against their employers (*GT*, p. 103). Moreover, just four years after Speenhamland's enactment, Parliament passed the 1799 and 1800 Combination Acts making trade union activity, including even assembling or contributing to the cause, a crime subject to draconian punishment. Working people could not engage in any collective organizing and were instead forced into a liminal zone between being an organized class and that of feudal subjection, so suffering the worst of the only-partially waged labor market without the capacity for class resistance (*GT*, pp. 85, 128, 285).

If laborers had been free to combine for the furtherance of their interests, the allowance system might, of course, have had a contrary effect on standard wages: for trade union action would have been greatly helped by the relief of the unemployed implied in so liberal an administration of the Poor Law. It might be inferred that the paternalistic intervention of Speenhamland called forth the Anti-Combination Laws, a further intervention, but for which Speenhamland

⁹ We cast doubt on the historical accuracy of this claim in *POMF*, chapter 5.

might have had the effect of raising wages instead of depressing them as it actually did. (*GT*, p. 85).

Political economists did not see it that way and simply blamed market interference as such for Speenhamland's consequences. A century later, Von Mises and Hayek used the same argument to denounce "Red Vienna"—Vienna's interwar experiment with municipal socialism, which Polanyi considered one of the "most spectacular cultural triumphs of Western history" (*GT*, p. 299). Under socialist leadership, the democratically-organized local government passed unemployment insurance and rent control, built "cradle to grave" solidaristic associations, and guaranteed public housing. Market apologists argued that since supplementing wages in 1795 had the perverse consequence of immiserating the rural poor, then raising the compensation of the Viennese working class through government action would have the same negative outcomes. Polanyi rejected the parallel based on the different historical circumstances in which the policies were implemented. Whereas the English poor were deprived of their own agency through coercive anti-trade union laws, Polanyi considered the almost universally unionized and socialist Viennese working class the most self-conscious class culture he had ever seen. The difference, of course, was history:

What we wish to stress here is the enormous difference in the cultural and moral effects of the two types of intervention: the attempt of Speenhamland to prevent the coming of market economy and the experiment of Vienna trying to transcend such an economy altogether. While Speenhamland caused a veritable disaster of the common people, Vienna achieved one of the most spectacular cultural triumphs of Western history. (*GT*, pp. 298-299)

We started with a puzzle about whether and why Polanyi would hold the efforts undertaken by the European working class to mitigate the tyranny of the market to be responsible for the economic collapse of the 1930s. Upon deeper look, the puzzle dissolves, as *GT* never actually makes that causal claim. Contra Lacher, Polanyi does not offer a falsely universalistic theory against any efforts to alleviate human suffering that fall short of overthrowing capitalism. And precisely because Polanyi explains the self-regulating economy to be a fiction in the first place, he had little concern that an expanded government role in providing services and regulating private business would destroy the market. While he of course does argue that "self-regulation impaired" put severe "disruptive strains" in the market system, these are clearly proximate historical causes and not the explanation for the "breakdown of our civilization." In the short run, Fascism in Europe was a product of the self-regulationist utopianism of the gold standard, itself an inevitable outgrowth of the original "institutional origins of the crisis"—the idea of a self-regulating market. "In order to comprehend German fascism, we must revert to Ricardian England" (*GT*, p. 32):

But if the breakdown of our civilization was timed by the failure of world economy, it was certainly not caused by it. Its origins lay more than a hundred years back in that social and technological upheaval from which the idea of a self-regulating market system sprang in Western Europe.... Broadly, we believe that

the present [1939-44] condition of man is to be defined in terms of the institutional origins of the crisis. (*GT*, p. 5)

But perhaps the strongest critique of the argument that Polanyi laid the blame for fascism on efforts to alleviate the suffering of the poor and the vulnerable rather than on the hegemonic dictates of the gold standard is in Polanyi's brilliant take-down of the disingenuous complaints of economic liberals and their relentless whining that if not for the nefarious "interventionists" always mucking up the gears of the machine, the self-regulating market would have "delivered the goods":

The last remaining argument of economic liberalism today ... [is] that but for the policies advocated by its critics, liberalism would have delivered the goods; that not the competitive system and the self-regulating market, but interference with that system and interventions with that market are responsible for our ills (p. 150)... The root of all evil, the liberal insists, was precisely this interference with the freedom of employment, trade and currencies.... Liberal leaders never weary of repeating that the tragedy of the nineteenth century sprang from the incapacity of man to remain faithful to the inspiration of the early liberals; that the generous initiative of our ancestors was frustrated ... above all, by the blindness of the working people to the ultimate beneficence of unrestricted economic freedom to all human interests, including their own.... But while we assert that the application of the absurd notion of a self-regulating market system would have inevitably destroyed society the liberal accuses the most various elements of having wrecked a great initiative.... Thus in its most spiritualized form the liberal doctrine hypostasizes the working of some dialectical law in modern society stultifying the endeavors of enlightened reason, while in its crudest version it reduces itself to an attack on political democracy, as the alleged mainspring of interventionism. (*GT*, pp. 150-151)

Here it is clear that Polanyi is mocking ruthlessly the market apologists who blame the very measures necessary for social survival for ruining the otherwise benevolent forces of the free market. He sums up: "In a nutshell this is the economic liberal's defense. Unless it is refuted, he will continue to hold the floor in the contest of arguments" (*GT*, p. 151). Arguably, the whole of *GT* is Polanyi's refutation; it is hardly likely that such an enormous labor of thought would mimic the very ideas he so fervently ridicules in this powerful and passionate repudiation of economic liberalism and its grotesquely hypocritical attack on "political democracy, as the alleged mainspring of interventionism" (*GT*, p. 151).

Lacher more than anyone should be familiar with the role of the gold standard in *GT* since international political economy is one of his specializations. Yet he never mentions the gold standard in his reconstruction of Polanyi's arguments. It seems peculiar that the allegedly soft-Polanyians should have to remind a tough-minded hard-Polanyian of the metallic underpinnings of *The Great Transformation*.

Polanyi's politics

Lacher is most determined to crush the malignant influence of our putatively "soft-Polanyi" writing when the subject is Polanyi's politics. What is the sin that justifies his

pronouncing our work to be an embarrassment to acceptable Polanyi scholarship? It is our utterly uncontroversial observation that Polanyi analyzed the New Deal to be the only democratic response to the collapse of the global economic order in the 1930s. According to Lacher, this reportage slanders Polanyi as a right wing social democrat whose politics stopped at the welfare state, thus making us responsible for the maligned soft-Polanyian interpretation that treats Polanyi as a mild reformer rather than a socialist.

This is a preposterous argument. For one thing, we are both socialists, so it would be absurd for us to recruit Karl Polanyi into a political stance that we do not hold. Moreover, we have repeatedly affirmed Polanyi's life-long commitment to socialism and have celebrated his unique brand of democratic socialism (Somers and Block 2020; Block and Somers 2017; Block 2018; Somers 2018; *POMF*, chapters 1, 2, 8). But what is truly surprising about this accusation is the degree to which it confuses Polanyi's historical analysis of the New Deal with his personal politics.

Recall that Polanyi analyzes the conditions unique to America that allowed it to go off the gold standard early. Absent the gold standard, the United States was able to enact, rather than suppress, some degree of democratic pro-labor social policies to counter the suffering of the Great Depression. For Polanyi, the critical effect of this difference was that the New Deal was the only response to the global economic crisis that “retained a democratic public opinion [which] served to emphasize the superlative importance of free institutions of discussion and decision” (*GT*, p. 252). Lacher reads this observation on our part as a claim that the New Deal represented Polanyi's ideal society. This is another absurd proposition. The New Deal was not a socialist society under any conceivable definition, so for a socialist like Polanyi, it could hardly have been his ideal. But the very accusation reveals a confusion of logic and method. *GT*'s discussion of the New Deal is a historical analysis, not a philosophical statement about Polanyi's ideal society. Had history put on offer a democratic socialist alternative to the New Deal, Polanyi of course would have preferred history to have worked out that way.

But history is a stubborn thing and Polanyi does not attempt to rewrite it by mixing up historical analysis with his own normative political *desiderata*. As he makes clear through his careful use of comparative history, democratic socialism was not one of the options that history made available in the 1930s. In the face of the collapse of the liberal market system, there were only three possibilities, each of them pitting democratic public opinion against tyranny, free institutions of discussion and decision against dictatorship:

Two-party systems were superseded by one-party governments, sometimes by national governments. However, external similarities between dictatorship countries and countries which retained a democratic public opinion merely served to emphasize the superlative importance of free institutions of discussion and decision. Russia turned to socialism under dictatorial forms. Liberal capitalism disappeared in the countries preparing for war like Germany, Japan, and Italy, and, to a lesser extent, also in the United States and Great Britain. But the emerging regimes of fascism, socialism, and the New Deal were similar only in discarding laissez-faire principles. (*GT*, p. 252, emphasis added)

Most significantly for our argument, he closes with: “Yet from the point of view of market economy these often radically different solutions *merely represented given alternatives*.” (*GT*, p. 253, emphasis added).

There is no logical link between *GT*'s historical analysis of the New Deal, which is based on the constraints imposed by social, political, and economic contingencies, and on Polanyi's own politics. In *GT*'s extremely limited discussion of the New Deal, Polanyi is not writing as a social democrat any more than as a democratic socialist or a Marxist revolutionary; he is writing as a remarkable analyst of political economic history.¹⁰ Thus Dale (2016b) quotes a letter to Ilona in 1940 in which Polanyi is spelling out the main themes of *GT*-in progress: "The reform of the economic system had to be achieved on pain of destruction of society; the alternative was between a democratic or an anti-democratic method of achieving it. In Europe the democratic method proved unavailing; thus fascism became inevitable. America may be an exception, owing to the first years of the New Deal" (p. 169).

For Lacher, Polanyi's socialism requires him to transcend and obviate *GT*'s historical findings and express absolute contempt for the New Deal, thus turning history into a political manifesto: Polanyi was *either* a socialist *or* he was someone who analyzed the New Deal as a positive alternative to fascism; he cannot have been both. He seems to believe that if he can make a strong enough case for just how much Polanyi despised the New Deal it will strengthen the prosecution against us.

Lacher justifies his "hard-Polanyi" hatred of the New Deal in several ways. First he insists that Polanyi rejected any only partially decommodifying measures because hard-Polanyians understand that he was "not merely a critic of liberal capitalism, but of capitalism *in toto*" (Lacher, p. 675). For Lacher and the hard Polanyians, unless they upended capitalism altogether Polanyi had no use for even structural changes that substantially transformed market relations to the advantage of working people and the poor. Legalizing trade unions (National Labor Relations Act, 1935), institutionalizing relief from starvation in old age, disability, and orphanhood (Social Security Act 1935), bringing electricity to rural America (the Tennessee Valley Authority Act 1933)¹¹—since none of these institutionalized mechanisms of resistance produced a socialist revolution, their alleviation of suffering only got in the way of getting rid of capitalism *in toto*, or worse yet, created the illusion that it was possible to have "capitalism with a human face" (Lacher, p. 703).¹²

None of this accurately captures Polanyi's changing attitudes toward the New Deal. As we know from his pointed commentary on the US Constitution's protection of property against democracy, he never had any illusion about the fundamental character of American capitalism. At the same time, Polanyi did have some affinity with some of the left-wing New Dealers and more radical social democrats. Indeed Dale (2016b) points out that despite initial skepticism, he became "mesmerized" by both Roosevelt and the New Deal, especially the so-called Second New Deal (1935–1936) with its programs of public works and social insurance "implemented against a backcloth of rising workplace militancy" and wrote that a "a great transformation in the USA is growing" (p. 146).

¹⁰ When we emphasize the central explanatory power of Polanyi's historical argument, we are following his own distancing of his work from what at the time was the very atheoretical and positivist limitations of history as an academic discipline: "Ours is not a historical work; what we are searching for is not a convincing sequence of outstanding events, but an explanation of their trend in terms of human institutions" (*GT*, p. 4).

¹¹ Polanyi actually visited the Tennessee Valley in 1933 while on a lecture tour and was "greatly impressed" (Dale 2016b, p. 147).

¹² A phrase we have never used but that Lacher claims is ours.

That Polanyi could celebrate what were clearly substantial improvements in the lives of “the common people” (Dale, 2016b, p. 146) does not even remotely suggest that he would have been content with what were only partial reforms or that he was so naïve that he did not recognize that in the end the New Deal was designed to save capitalism from itself.¹³ All of his positive views of the New Deal were based on the assumption that it was the beginning of a structural reform process, not the end of it. In fact, we agree with Lacher that in *The Great Transformation* Polanyi was too optimistic about the immediate possibilities for the post-World War II world. Polanyi failed to anticipate how much of the New Deal would die along with FDR in 1945. Not long after the publication of *GT*, he had already reassessed this view as he saw the United States pursuing the restoration of a system of “universal capitalism” that would severely restrain the political options open to other countries (Polanyi 1945; Dale, 2016b, pp. 191–192, 194). By 1947, with the publication of “Our Obsolete Market Mentality,” his disillusion was complete (Polanyi 1947).

The moral that the hard-Polanyians take from this, however, is fundamentally wrongheaded. Because in 1947 Polanyi saw that the New Deal was not going to affect a fundamental socialist transformation, they claim that he must also have believed that in 1935, at the height of the Depression’s most extreme human anguish, the New Deal was a pointless, even harmful, exercise in trying to lessen the harms of capitalism. From this viewpoint, to read *GT* as anything other than advocating for a complete overthrow of capitalism is to succumb to the capitalist apologetics of soft-Polanyism.

This is an extraordinary argument that defies common sense. *GT* is a stunning multidimensional global history about how through indefatigable social movements, working people and their social allies saved human society from the annihilating utopianism of the self-regulating market, and even in some instances they made major advances towards socialism and economic democracy and decommodification. The book recounts in detail how nineteenth-century society would never have survived without the efforts of those determined to save human communities from the afflictions of the commodity fiction, and along the way it celebrates figures such as Robert Owen for his understanding of the “reality of society,” the Chartists for their efforts to democratize the political and economic institutions to which they were subjected, and the peoples of Africa who resisted as much as they could despite their merciless subjugation at the hands of colonial powers. And to underline the importance of even less than full-scale socialist transformations, Polanyi writes that “where such methods [of the self-regulating market] were forced upon a helpless people in absence of protective measures, as in exotic and semicolonial regions, unspeakable suffering ensued” (*GT*, p. 223).

But according to Lacher, because Polanyi is a socialist, this is all a head-fake covering for his analysis that anti-market measures were a waste of time. Because he was a socialist, he apparently preferred that six-year-olds be allowed to labor in the mines and factories since the legislation that prohibited it (Mines Act 1842, Factory Act 1847) fell short of a revolutionary change. Because he was a socialist, he would have preferred trade union activity to have remained a crime since the decommodifying practices its legalization made possible fell short of the ultimate goal of socialist revolution.

Even so, Lacher’s repeated besmirchment of “social democracy” is anachronistic, as the meaning of the words “social democrat” and “social democracy” has changed

¹³ There is also the issue of the New Deal’s compromises with existing racial hierarchies (Katznelson 2013).

considerably over the last one hundred and fifty years.¹⁴ Both Lenin and Rosa Luxemburg were members in good standing of their respective social democratic parties. Even in the 1930s and 1940s, many who embraced that term were militant socialists who favored a radical break with capitalism. Today, in contrast, the term usually refers to “third way” politicians such as Tony Blair, Bill Clinton, and Gerhard Schroeder, who embraced much of the neoliberal policy agenda. It is only since the 1960s that social democracy has become associated with policies that aim to reduce inequality not through fundamental economic transformation but by using government tax policy and social transfer programs to reshuffle or “redistribute” incomes. Such an approach gives free rein to the market and focuses almost exclusively on the state’s role in fixing its worst outcomes, thus reinforcing the fiction of the inviolability of natural market outcomes that can only be adjusted after the fact.

Since Polanyi’s politics are such a point of contention in this exchange, we want to emphasize that in his socialist vision Polanyi completely rejects this kind of limited redistributionism characteristic of modern social democracy that fails to address the vastly unequal power of capital. Rather than only tweaking the effects of market inequality, he focuses on eradicating the malignancy at the core of the capitalist economy—specifically the conversion of what Polanyi calls the “social substances” into the key “factors of production” of land, labor, and money, a process that through the exercise of power relentlessly subjects them to the brutality of the price mechanism. Polanyi’s socialist agenda begins with the project of removing these fictitious commodities from the sphere of the market altogether. Such a strike at the heart of the market economy could not be further from a merely redistributionist agenda, as decommodification would entail a transformation so great it would make the current labor market unrecognizable:

[T]he market system will no longer be self-regulating, even in principle, since it will not comprise labor, land, and money. To take labor out of the market means a transformation as radical as was the establishment of a competitive labor market.... To remove land from the market is synonymous with the incorporation of land with definite institutions such as the homestead, the cooperative, the factory, the township, the school, the church, parks, wild life preserves, and so on.... To remove the elements of production—land, labor, and money—from the market is thus a uniform act only from the viewpoint of the market, which was dealing with them as if they were commodities. From the viewpoint of human reality that which is restored by the disestablishment of the commodity fiction lies in all directions of the social compass. (*GT*, pp. 259-260).

That it is the forces of “democratic society” that Polanyi envisions as the drivers of this fundamental transformation is central to his vision of socialism, which he defines this way:

Socialism is, essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society. It is the solution natural to industrial workers who see no reason why production should not be regulated directly and why markets should be more

¹⁴ Stephanie Mudge, *Leftism Reinvented*. Cambridge: Harvard University Press, 2018.

than a useful but subordinate trait in a free society. From the point of view of the community as a whole, socialism is merely the continuation of that endeavor to make society a distinctively human relationship of persons (*GT*, pp. 242–243).

In his early works on guild socialism and workplace democracy, Polanyi envisioned the kind of employee participation in the governance of the workplace that has since been developed in systems of collective bargaining, works councils, and codetermination, all of which challenge the fictitious firewall between market dynamics and democratic organization.¹⁵ His vision of subordinating the market to democratic politics is very far from the agenda of post-1960s social democracy. On this point, we actually agree with Lacher's emphasis on Polanyi's deep commitment to democracy when he writes: "That socialism could not be dictatorial, moreover, was a foundation of Polanyi's thought long before Bennington ... in 1934 he wrote that 'Socialism is democratic or it is nothing'" (Lacher, p. 696).

To this point, we have sidestepped Lacher's argument that we have mischaracterized the history of Polanyi's relation to the Marxist tradition. This neglect has been intentional because there is little to be gained from rehashing the arguments on this point. Polanyi's relationship to the Marxist tradition is a complex and subtle topic that is ill suited to an understanding of politics in which one is either a revolutionary socialist or capitalist apologist. Moreover, Lacher's argument is plagued with inconsistencies and contradictions. On page 687, he writes, "Polanyi's rejection of Marxism long predated his arrival in America." On p. 702, he writes: "In London [in the 1930s] Polanyi developed the foundations for a new (and ultimately *anti-Marxist*) socialist theory and practice." He goes on to say that this *anti-Marxist* argument was fully realized in *The Great Transformation*. And yet on p. 693, he agrees with Gareth Dale's (2016a, pp. 33–54) characterization that "To be sure, as a revolutionary socialist, Polanyi could not and did not entirely leave the 'Marxist orbit'" during the 1930s." At this point we are confused—was he an anti-Marxist or another planet in the Marxist orbit?¹⁶

While Lacher accuses us of being dreaded soft Polanyians, we would never suggest that Polanyi's argument was ever anti-Marxist, unless one hewed to an orthodox notion of Marxism with a narrowly materialist and deterministic argument that posits the inevitability of a socialist transformation based on the inexorable maturation of productive forces. Polanyi never embraced that kind of deterministic Marxism. In England in the 1930s and in close association with British Christian Socialists, Polanyi tried to construct a different kind of Marxism that synthesized Marxism and Christianity, a project manifested in his co-edited volume, *Christianity and the Social Revolution* (Lewis et al 1935). Included in that book is an essay by Reinhold Niebuhr that elaborates both a Christian critique of Marxism and a Marxist critique of Christianity, which tracks very closely with what Polanyi wrote in the final chapter of *The Great Transformation*, especially his reconstruction of a "public philosophy" of freedom.¹⁷

¹⁵ On Polanyi's guild socialism and other forms of workplace democracy and co-operation, see Dale (2016b, pp. 84–88, 93)

¹⁶ Lacher's claim that Polanyi was a revolutionary socialist, "though admittedly a rather gentle one" (p. 705) appears to rest on a simple binary—socialists are either reformists who want to make capitalism work better or they are revolutionaries. We are not aware of any other scholars who have characterized Polanyi's politics in this way.

¹⁷ Fred Block, "Karl Polanyi and Human Freedom." Pp. 168–184 in Michael Brie and Claus Thomasberger, eds., *Karl Polanyi's Vision of a Socialist Transformation*. Montreal: Black Rose, 2018.

Conclusion

Lacher explicitly states that his goals are not to dialog with us but to delegitimize our entire body of work to ensure we do not further infect the field, as well as to embarrass and shame any “soft-Polanyian” who might ever have found it useful: “After B&S, there is no way back to the blissful (and sometimes willful) ignorance of the soft-Polanyian status quo ante” (p. 703). But he goes even further: He announces that he has successfully orchestrated “the collapse of B & S’s narrative” and thus “[t]he hard-Polanyian perspective should stand vindicated” (Lacher, p. 703). Goodness. Most people would not appoint themselves the judge/adjudicator over a dispute in which they are one of the parties. Yet Lacher ends his article by naming himself the vanquisher in a war he alone initiated and for which he alone designed the rules of combat.

We would be happy to dialog with Hannes Lacher over our *actual* body of work on Polanyi, rather than his fixation on a single article. But as involuntary participants in Lacher’s discursive cage match, we would like to bow out of this all-out effort to fracture any possible solidarity among those committed to Polanyi’s project of democratic socialism. As we look out on an ever more ominous future that Polanyi would have understood better than anyone, our view is that it is Karl Polanyi who stands vindicated for his stunningly prescient closing words of *GT*:

With the liberal idea of freedom thus degenerates into a mere advocacy of free enterprise which is today reduced to a fiction by the hard reality of giant trusts and princely monopolies. This means the fullness of freedom for those whose income, leisure, and security need no enhancing, and a mere pittance of liberty for the people, who may in vain attempt to make use of their democratic rights to gain shelter from the power of the owners of property.... [But] [j]uridical and actual freedom can be made wider and more general than ever before. Freedom not as an appurtenance of privilege, tainted at the source, but as a prescriptive right extending far beyond the narrow confines of the political sphere into the intimate organization of society itself... Such a society can afford to be both just and free. (p. 265)

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