



Hayek versus Polanyi in Montréal: Global Society as Markets, All the Way Across?

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Debating market(s) in Montréal

Nancy Fraser styles herself as “post-Polanyian” but I read her work, for example the recent article “Can societies be seen as commodities all the way down?”, as sympathetic, constructive critique.¹ Christian Berndt, Jamie Peck and Norma Rantisi, conveners of the Workshop “Geographies of Markets” in Montréal, 15-17 June 2017, posed a similar question concerning the ubiquity of markets in contemporary global space. Although economic geographers were prominent among the participants, no one indulged in arid cartographic exercises. All 12 sessions engaged with central theoretical, methodological and normative issues pertaining to market(s). Most participants drew on recent empirical research, ranging from agricultural land in Guatemala to affordable housing in South Africa, and from ethnicity-based employment agencies in Chicago to student loans in Australia. Many engaged in one way or another with financialisation. Most made at least tenuous connection to the work of Karl Polanyi – which was entirely appropriate, as the meeting took place in the immediate proximity of his archive, and was ritually opened by his daughter, Kari Polanyi-Levitt.



Professor Kari Polanyi-Levitt (photo courtesy of the Karl Polanyi Institute of Political Economy).

Polanyi characterized nineteenth century *laissez-faire* as a disembedding of the economy from society. But he also emphasized the thoroughly political character of this process, in terms both of state power and societal response through counter-movements. The ambivalences of this (dis-)embedding continue to be debated in the academic literature, reflecting decades of neoliberal hegemony during which the logic of competition and individual choice has been significantly extended. Market ideology has colonised vast domains previously ordered by other principles. As an advocate of democratic socialism, Karl Polanyi can be contrasted to Friedrich Hayek, for whom democracy is a potential obstacle to efficient allocation by means of spontaneous market forces. Political differences aside, however, both Polanyi and Hayek recognize the omnipresence of the state. Arguably, drawing on the Austrian tradition of economic thought they shared, both fail to grasp the interior workings of markets and end up theorizing “the market” in simplified, even essentialist ways.

How to overcome “market essentialism” was the main gauntlet laid down by the conveners of this Workshop. Polanyi is the epitome of an institutionalist economic historian when he explores the embeddedness of pre-industrial economies, including the role of markets and money. But when it comes to the integrated systems of industrial capitalist markets, he does not question the textbook models or the reality of the “economistic fallacy”. Market is an empty signifier, a void: institutions are elsewhere. In fact, participants argued, once the analyst looks inside the black box labelled “market”, it turns out to be saturated in institutions, legal and political as well as technological and economic in narrower senses. Marketisation is also a moral project, provided that “moral” is not restricted to the well-known *Gemeinschaft* evocations of Ferdinand Tönnies or E. P. Thompson. Irrespective of ethical dimensions and distributive consequences, markets are always about power. Many markets, none more so than new financial markets, are better seen as highly regulated allocative bureaucracies which leave little or no scope for choices and individual haggling over prices.

The principal factor uniting the assembled geographers, political economists, sociologists and anthropologists in the sanctum of Karl Polanyi was not so much unconditional solidarity with this master as antipathy towards the theorising of mainstream economics. Neoclassical economics was implicated in the destruction of social cohesion as well as environmental catastrophe. But there was no consensus on how concerned academics should respond. Few seemed to think that Polanyi’s approach could be elaborated as a head-to-head epistemological alternative to the models of the economists. Polanyi operates at a different level: but does the greater empirical realism of his approach inevitably imply a weakness? Some participants seemed ready to concede epistemological superiority to the economists while justifying their critique via normative, political positions. Others insisted that dominant models based on methodological individualism and erroneous assumptions about actors’ behaviour be contested, since they added up to bad, worthless science. Several suggested

complementing Polanyi's vision with more elaborately worked out compatible approaches, such as those of regulation and conventions theory. I was surprised to learn that Deleuze's theorizing of "the fold" and Callon's recent work on *agencement* have found a following among geographers.

From market socialism to market populism in Hungary

In the Workshop discussion the ideal types tended to dissolve and everything became "co-constitutive". If any concrete market is a complex amalgam of institutions, it is unrealistic to view it as a realm that the state can regulate, as it were, "from outside". Often the market is itself a mechanism of regulation, notably financial markets, where the state is just another player in the game. The politics too become murky. Finance might seem to be parasitic on the real economy, yet some participants pointed out that "social finance" might function progressively as part of a counter-movement (e.g. in the growing popularity of "green bonds", reflecting awareness of the challenges of climate change). The production of entrepreneurial subjectivities around the world may be emancipatory for some, though it means a concomitant decline in the rights (or entitlements) of social citizenship for the majority. Without necessarily giving up the political dimension, some participants preferred to emphasize the role of socio-technical devices in furthering processes of marketisation.

At times the cocktails of heady intellectual inspiration became too intoxicating for my jet-lagged brain. As usual when this happens, I tried to translate the sophisticated arguments of my fellow-participants into the context of concrete transformations in rural Hungary (which I discussed in my own presentation). Forty years ago it seemed clear to me, to other academic observers, and to the government and citizens of Hungary, that a basic distinction could be drawn between the principle of the market and the principle of redistribution by the socialist state. Hungary was notable for the extent to which it had extended the scope of the former, but the market remained encompassed by the institutions and principles of socialism (hence "market socialism"). In key sectors, not only industry but also urban housing, the state imposed its preferences and market logics played only a subsidiary role.ⁱⁱ The market principle was in some respects much more extensive in the rural sector (certainly as far as housing was concerned). I documented in the 1970s how the market for hogs was managed effectively by the state, which enabled village-based cooperatives to enter contractual relations with both household producers and state processing enterprises. The hybrid system worked well for consumers in the cities (where most of the produce ended up, though some was exported). At the same time it enabled unprecedented material accumulation and civilizational improvement in the countryside, where unemployment was unknown. But the recourse to material incentives without an ethos of competition and without a land market dissatisfied the neoliberal economists, both in Hungary and abroad. They complained about underemployment and other

inefficiencies; for them, no socialist simulation of market mechanisms in certain realms could substitute for the real thing right across the board.

Then, after 1990, the real thing arrived, in the village of Tázlár as in the rest of the country. The land was privatized, the cooperative disintegrated. Many villagers were initially enthusiastic about these developments, because they had never been reconciled to socialist ideology and the diminution of their property rights. Later they realized that stronger property rights are of little use when markets no longer function and the entitlements of citizenship are undermined. They are puzzled that no one wants their hogs any longer, and that the cost of raising them is greater than the purchase price of foreign meat in the German- or British-owned supermarkets in the nearby towns. It is the same story with wine: villagers can no longer find buyers for their product, while the Hungarian market is flooded with cheap Italian and Spanish wines. Not so readily available on the local market are jobs: many villagers nowadays face a choice between enrolling for local workfare schemes or joining the exodus to work in one of the prosperous western member states of the EU.



Tesco (here in Szeged) stores are well established and popular throughout this region of Hungary. (Photo: Chris Hann, 2013)

For Karl Polanyi land and labour are “fictitious commodities”. Collectivization and guaranteed employment are taken for granted in the democratic socialist society which he regretted never having experienced in his own life. Many villagers in Tázlár who did experience socialism, albeit not in democratic form, look back with nostalgia at the kind of managed markets they knew in the 1970s-1980s. That Polanyian model is above all pro-society. It seems more attractive than the Hayekian model that is tearing families and communities apart nowadays. The co-constitutive institutions of geographically ever more extensive markets contribute to reactionary populist politics at local, national and supra-national levels.

Hayek and Thatcher versus Polanyi & Polanyi

Kari Polanyi-Levitt was born in Vienna in June 1923 and lived through the greatest tragedy of what her father termed the “double movement” (she accompanied him to England in 1933 when it was clear that the family had no secure future in Austria). She is concerned by what

she observes in Hungary today, and links these developments to the continuing distortions of global capitalism, and above all to what she has termed “the great financialisation”.ⁱⁱⁱ Kari insisted in her opening address to the Workshop that a “world market” was no more feasible or desirable today than it was in her youth, when her father developed his withering analysis of the dangers of blind adherence to the gold standard. She stressed the centrality of his concept of “society”, and how he would have rejected the two famous dicta of Margaret Thatcher, according to whom there was no such thing as society, just as there was no alternative to the implacable laws of neoliberal economics. Kari had a distinguished career as economist and the active cultivation of her father’s legacy ties in seamlessly with her own engaged scholarship. However, as a specialist in what used to be termed the Third World, she does not hesitate to critique Eurocentric limitations in her father’s work. She drew attention in her speech to the “return of Asia”, as evident in the fact that it now produces the same share of world GNP that it produced in the early nineteenth century, before Asia fell victim to the depredations of the North Atlantic countries.



Karl and Kari Polanyi in 1938 when she accompanied him, aged 15, to one of his lectures in southern England organized by the Workers' Educational Association
(Photo courtesy of Kari Polanyi-Levitt)

Towards the end of his life, Karl Polanyi was the prime mover in the launch of a journal called Co-Existence.^{iv} The aim was to promote better mutual understanding between the West, supposedly a bastion of democratic capitalist market economy, and the East, characterized by repressive redistribution through chronically inefficient central planning. Polanyi was well aware of the limitations of these ideal types; he was especially scornful of the West’s claim to a monopoly on freedom. Much recent research has pointed to the extent to which actually existing embedded economies east and West always drew on both sides of this crude binary. As I have indicated, this Workshop reinforced notions of confluence and entanglement.

But can we dispense with this binary altogether? We are condemned to live with thoroughly institutionalized markets all over the planet, but can we reach at least minimal agreement on certain rules and boundaries? From the point of view of the REALEURASIA project, the key question is whether the civilizations of Europe and Asia can retain and even expand their value

commitments to inclusive citizenship, at a time when this political agenda appears to be losing traction in the society of the global hegemon. If this hegemon unilaterally pulls out of the Paris environmental accords, how is the new co-existence to be negotiated? Or is the long-term neoliberalisation of the European Union an indication that the Thatcher-Hayek vision of economy and society will prevail over that of Polanyi and Polanyi?

Notes

ⁱ Nancy Fraser. 2014. 'Can society be commodities all the way down? Post-Polanyian reflections on capitalist crisis'. *Economy and Society* 43 (4): 541-58.

ⁱⁱ See Iván Szelényi and György Konrád. 1979. *The Intellectuals on the Road to Class Power*. Brighton: Harvester Press.

ⁱⁱⁱ Kari Polanyi-Levitt. 2017. 'From great transformation to great financialisation' in Michael Brie, Nancy Fraser and Kari Polanyi-Levitt. *Karl Polanyi in Dialogue. A Socialist Thinker for Our Times*. Montréal: Black Rose Books.

^{iv} See Kari Polanyi-Levitt, 'Karl Polanyi and Co-Existence', Appendix D, pp. 253-63, in Kari Polanyi-Levitt (ed.) 1990. *The Life and Work of Karl Polanyi. A Celebration*. Montréal: Black Rose Books.