



Karl Polanyi's *The Great Transformation*: The Critique of Liberalism and the Emergence of Illiberalism

TUĞBERK SAMUR

Abstract

Nineteenth-century Western civilization was based on four institutions: the balance of power, the international gold standard, the liberal state, and the self-regulating market. For Polanyi, the source and “matrix of the system” was the self-regulating market, which was the governing law of a liberal economy. The latter was a stark utopia that annihilated the substance of society. In his view, society would react to this by attempting to protect itself. Polanyi called this process, which destroyed nineteenth-century Western civilization, double movement. The origin of the destruction is rooted in “the utopian endeavor of economic liberalism to set up a self-regulating market system.” Fascism and socialism were responses to that self-regulating market. Polanyi’s thesis and analysis look very similar to the resurgence of illiberalism today. The expansion of neoliberal ideology brought about the “countermovement” of radicalism, which, at its root, is a reaction to the liberal utopia Polanyi mentioned. How can we understand Polanyi’s critique of liberalism and its relevance to contemporary liberalism in the sense of “double movement”?

Keywords: Liberalism, Illiberalism, Polanyi, Neoliberalism, The Great Transformation

Karl Polanyi was born in Vienna in 1886 but grew up in Budapest in a liberal-minded upper-class family. He studied Law (PhD.) at the universities of Budapest and Kolozsvár. After a serious illness caused him to move to Vienna, a counterrevolution took place in Hungary. Owing to the downfall of the Communist regime, the invasion of Romania, and the establishment of an anti-communist and antisemitic government, he did not return to Hungary.¹ Instead, in “Red Vienna,” he experienced a social-democratic municipality that implemented social policies. He wrote that the city “achieved one of the most spectacular cultural triumphs of Western history” and made an “unexampled moral and intellectual rise in the condition of a highly developed industrial working class which, protected by the Vienna system, withstood the degrading effects of grave economic dislocation...”² During the years he lived in Vienna, Polanyi was influenced by the Guild Socialism of G. D. H. Cole and Otto Bauer. This was basically freedom of the individual through the self-government of the masses, most importantly workers. Under this theory, economic associations aim to meet individual material needs, while guilds function as cooperatives and the state provides equality and justice.³

Polanyi also engaged in debates with members of the Austrian School, such as Ludwig von Mises, a prominent liberal economist who became, in 1933, an advisor of the Austro-fascist government.⁴ That same year, as the new government suspended the existing parliament and established a fascist regime, Polanyi left Austria. He moved to London, where he worked as a lecturer and journalist and wrote *The Essence of Fascism*, published in 1935. He subsequently moved to the US. By 1940, he was working at Bennington College, where he penned his magnum opus, *The Great Transformation*, published in 1944. His initial title for the book was “The Liberal Utopia: Origins of the Cataclysm, or Freedom from Economics,” but the publisher thought that *The Great Transformation* would sell better.⁵ In this work, he criticized economic liberalism and liberals and sought to explain the collapse of “19th century civilization,” or the liberal world order.

Polanyi’s critique of liberalism in *The Great Transformation* represents the origin of the new cataclysm about rising illiberal populist movements. When one reads the book, one feels a sense of déjà vu, as if the book contains warnings for today. The emergence of neoliberalism—with its marketization, globalization, and financial domination of the contemporary world order—has striking similarities to the initial establishment of the self-regulating market in the nineteenth century. For their part, the emerging populist reactions seem to oppose the liberal hegemony. Notably, some scholars make almost the same assessments as Polanyi, yet without being aware of his work.⁶ Nevertheless, even the illiberal right acknowledges his critique of liberalism. What does Polanyi tell us in his magnum opus, and how is it relevant for us today?

1 Gareth Dale, *Karl Polanyi: A Life on the Left* (New York: Columbia University Press, 2016), 71.

2 Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Beacon Press, 2001), 299.

3 Dale, *Karl Polanyi*, 85-86.

4 Ibid., 102.

5 Ibid., 170.

6 Jan Zielonka, *Counter-Revolution: Liberal Europe in Retreat* (Oxford: Oxford University Press, 2018); Yael Tamir, *Why Nationalism* (Princeton, NJ: Princeton University Press, 2020).

The Great Transformation

Self-Regulating Market

A market is a place where buyers and sellers come together. However, it is not only a place in the literal sense; it is also the process through which the exchange of goods and services occurs. The market pattern (encounter of buying and selling), with its motive of exchange, creates the market institution.⁷ Without such a pattern, the propensity to exchange could not produce prices. The creation and spread of the market by the market pattern has a significant consequence for society: From that point on, instead of the economy being embedded in social relations, social relations are embedded in the economy.⁸ Polanyi states that “self-regulation implies that all production is for sale on the market and that all incomes derive from such sales.”⁹ In order to maintain its effectiveness (self-regulation), society must be shaped in a way that allows this system to function from within; otherwise, social relations would interfere with its pattern and it would lose effectiveness. For Polanyi, therefore, “such an institutional pattern could not have functioned unless society was somehow subordinated to its requirements.”¹⁰ In other words, “a market economy can only function in a market society.”¹¹ Polanyi’s critique of liberalism is that liberalism has a “mystical readiness” to accept the social consequences of progress and change regardless of their magnitude.¹²

Polanyi argued that the self-regulating market did not develop naturally by abolishing artificial restrictions. Instead, and contrary to popular belief, it was brought about artificially. Taking Bentham’s ideas and their influence on the British government as an example, Polanyi claimed that such a self-regulating market was realized by a centrally organized series of interventions and that the political authorities had to keep ensuring its functioning.¹³ Economic liberalism, which was born as a just inclination toward “nonbureaucratic methods,” evolved into a “faith in man’s secular salvation through a self-regulating market.”¹⁴

For Polanyi, the emergence of economic liberalism dated back to the 1820s. In his view, only after this date did economic liberalism advocate three elements: the emergence of a labor market (labor finding its price in the market); money as the object of an “automatic” process (the gold standard); and the free flow of goods without hindrance (free trade).¹⁵ By the 1830s, economic liberalism became increasingly passionate about its claims. The liberals in England pushed for a series of reforms to achieve these three tenets, and following the Reform Act of 1832, they had the power to implement them. These reforms imagined a working class tamed by hunger whose wage would be regulated by the price of grain.

7 Polanyi, *The Great Transformation*, 60.

8 Ibid.

9 Ibid., 72.

10 Ibid., 74.

11 Ibid., 60.

12 Ibid., 35.

13 Ibid., 146. One can also find such a notion in Ludwig von Mises, *Human Action: A Treatise on Economics* (Bradford, UK: Fox & Wilkes, 1996), 257: the state “employs its power to beat people into submission solely for the prevention of actions destructive to the preservation and the smooth operation of the market economy... the state creates and preserves the environment in which the market economy can safely operate.”

14 Polanyi, *The Great Transformation*, 141.

15 Ibid., 143-144.

Tuğberk Samur

A self-regulating market could only function on a global scale. Economic liberalism became almost a religion when the problems of this system appeared: “The market is supreme. The market alone puts the whole social system in order and provides it with sense and meaning.”¹⁶

This utopianism, and the neglect of consequent social dislocations, is the primary target of Polanyi’s critique, which also addresses fictitious commodities.

Fictitious Commodities

For Polanyi, in practice, a commodity is an object “produced for sale on the market,” while markets are contracts between buyers and sellers.¹⁷ In this context, every element of industry is considered a product for sale, thus rendering it subject to supply-and-demand and price mechanisms. All the elements are organized according to supply and demand, and each one has a price interacting in this mechanism. Polanyi says that various “markets are interconnected and form One Big Market.”¹⁸ The most fundamental dimension of this “One Big Market” is that it includes land, labor, and money. The extension of the market to land, labor, and money was the consequence of an emerging factory system, which involved long-term investments with risks.¹⁹ Without sustainable production, the risk of investing in this system would not be bearable. To assure the continuation of production, all the inputs had to be ready for sale, which necessitated the commodification of these three elements. However, they are not commodities by the definition of a commodity. They are not “products” for sale. Labor is a human activity, while land is nature and money is a token of purchasing power.²⁰ Therefore, defining these elements as commodities would be “fictitious”—yet through this fiction, they are organized for market, buying and selling, and interacting with the supply-and-demand mechanism. This was made possible by liberal hegemony at the time.

This fiction became the “organizing principle of society.”²¹ Any interference with their inclusion in the market would cripple the market’s self-regulation. Consequently, the commodity fiction creates a significant organizing principle that affects the whole of society and its institutions because any behavior or action that might impede the functioning of the market system must be prohibited. Polanyi claims that such a postulate cannot be practically and morally upheld: “To allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed... would result in the demolition of society.”²² Using labor power or leaving it unused affects the “human individual” who is the bearer of this, and the system disposing labor power would also dispense with “the physical, psychological, and moral entity” of a human individual.²³ To separate labor from other activities by freedom of contract also meant the liquidation of its noncontractual relations, such as profession, kinship, or neighborhood.²⁴ While liberals claimed they were defending noninterference, this imposition of contractual relations represented

¹⁶ von Mises, *Human Action*, 257.

¹⁷ Polanyi, *The Great Transformation*, 75.

¹⁸ *Ibid.*

¹⁹ *Ibid.*, 78.

²⁰ *Ibid.*, 75.

²¹ *Ibid.*, 79.

²² *Ibid.*, 76.

²³ *Ibid.*

²⁴ *Ibid.*, 171.

another interference—with society.²⁵ With the self-regulating market logic, human beings would be ripped from their protective cultural institutions and would perish due to social exposure. Eventually, “they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation.”²⁶ Polanyi’s vision for nature under these conditions is quite similar: Through division into their elements, landscapes and neighborhoods would be spoiled, waters would be polluted, and food production would be destroyed.²⁷ Money, as a commodity in the market, would “periodically liquidate business enterprise” through shortages or abundance, similar to how natural disasters destroy primitive societies. Society cannot withstand the “commodification” of these elements unless they are protected from “the ravages of this satanic mill.”²⁸

Double Movement

Having discussed the defining elements of Polanyi’s theory—namely the self-regulating market and fictitious commodities—let us turn to Polanyi’s concept of double movement:

The extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones... While the organization of world commodity markets, world capital markets, and world currency markets under the aegis of the gold standard gave an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy. Society protected itself against the perils inherent in a self-regulating market system.²⁹

Polanyi indicates that two organizing principles of society can be explained in relation to double movement: the economic liberalism that is advocated by the trading classes, who push for establishing self-regulation by free trade and laissez-faire methods; and the social protection that is supported by those who are negatively affected by the market, who seek to conserve human, natural, and productive organization through “protective legislations, restrictive associations,” and other intervention tools.³⁰ For Polanyi, the landed class, middle class, and working class shaped the social history of the nineteenth century.³¹ The middle classes pushed for a market economy, and their interests conformed with the general interests of society when it came to production and employment. However, they had no awareness of the negative effects of the market on society’s and nature’s social and cultural disposition: They believed that profits benefitted everyone. The landed class and peasantry pushed back, defending the general interests of a society that depended on labor and soil. The laborers were, for Polanyi, the representatives of common human interests, as to some extent, each class stands for “interests wider than its own.”³² Their interests overlap with the general interests of society. In the course of history, universal suffrage increased the influence of the working class in the state, while the trading classes became more

25 Ibid.

26 Ibid., 76—as one could understand from conditions in Victorian industrial cities...

27 Ibid.

28 Ibid., 77.

29 Ibid., 79-80: the first movement is marketization, the second is the countermovement.

30 Ibid., 138-139.

31 Ibid., 139.

32 Ibid.

aware of their political power, which is rooted in industry. This was not a problem as long as the market economy was functional. However, when the market system became dysfunctional, tensions between classes increased. This threatened society because the various classes made “government and business, state and industry, respectively, their strongholds.”³³ The political and economic functions of society were used as weapons in this conflict of sectional interests. This led to an institutional deadlock through which fascism gained power. The historical significance of double movement showed itself in its two-faceted consequence: “The one was given by the dash of the organizing principles of economic liberalism and social protection which led to deep-seated institutional strain; the other by the conflict of classes which, interacting with the first, turned crisis into catastrophe.”³⁴

The Collapse of the Liberal World Order

The nineteenth-century separation of economics and politics in Europe was experienced through the establishment of a competitive labor market (the Poor Law Reform, which caused suffering to poor people) and the (limited) democratization of the state (which gave power to the bourgeoisie³⁵). The Poor Law reform differentiated the physically unable poor from the working poor. Polanyi claimed that it created a new category: the unemployed.³⁶ The working poor had to be tamed by workhouses if they did not work. In order for the wage system not to collapse, the laborer had to be threatened with hunger. Providing relief to “innocent victims” (victims of social dislocations) became immoral and violated the rule of law. The Chartist movement in England, which demanded popular government, was one type of reaction to this. Liberals objected to the Chartists’ demands as a breach of the Constitution.³⁷

Polanyi claims that previously, constitutionalism entailed safeguarding private property from the arbitrary intervention of the monarch.³⁸ Long after the emergence of constitutionalism in the seventeenth century, the protection of “industrial property” was not against the monarch but against the people.³⁹ The separation of powers also entailed separating people from power over their economic fate. Only after adjusting to the new system were the majority were allowed to vote in England. Currency had a similar story: Inflation and deflation were considered as interference with private property.⁴⁰ The elite were afraid of giving power to the people, which could lead to such policies as “unrestricted employment benefits” with unbalanced budgets, which would cause inflation (and thus decrease exports and put pressure on exchanges), just as they were afraid of low-interest-rate policies.⁴¹ Therefore, social protection of labor and interfering with currency were considered interlinked, especially in the 1920s.

Polanyi gives the example of the Labour government’s dilemma in the UK after the 1930s: The government had to cut social services or there would be a decline in

33 Ibid.

34 Ibid., 140.

35 Ibid., 231.

36 Ibid., 232.

37 Ibid., 232. Examples of such liberals include Lord Macaulay (a Whig) and Sir Robert Peel (a Tory).

38 Ibid.

39 Ibid., 233.

40 Ibid., 234. Jeremy Bentham was one of the first intellectuals to recognize this.

41 Ibid., 235.

exchanges.⁴² The former was against Labour's trade union mentality, while leaving the gold standard would be "sacrilege." While the Labour party tore itself apart, traditional parties were able to win the next election; the latter both cut social services and left the gold standard.⁴³ Labor parties were also made to leave government in other European countries—including Austria (1923), Germany (1931), and France (1926)—"to save the currency."⁴⁴ In these countries, social services were also cut, and trade unions were undermined to adjust wages downwards, helping employers to reduce their costs. The tension between currency and budget can, for Polanyi, be mapped onto the tension between employers and employees, while the general population supported one or the other.⁴⁵ The currency was an effective weapon for decreasing wage levels because trade union policies had negative effects on the self-regulating market and the people paid attention to the "currency indicators."⁴⁶

Naturally, the strike—a logical choice of bargaining method for the working class—increasingly came to be seen as a threat to the community, such that the working class lost voters' sympathy. The restoration of the monetary system was more important than addressing social issues such as providing minimum living standards to the public due to international capital's important role in unregulated markets and unstable exchanges. Furthermore, credits were extended to governments for political reasons such as reparations rather than solid economic considerations. Financial balances (such as the balance of payments) were maintained artificially. All of these were based on an expectation of a return to stable exchanges (that is, to the gold standard). In Polanyi's view, between 1923 and 1930, Geneva used the international credit mechanism to shift the burden of unstable Eastern economies to the victorious Western powers, then eventually to the US.⁴⁷ By that time, the financialization of the world was taking place.

Moreover, Geneva saw social matters as subordinate to the restoration of currencies. The postwar return to the free market and liberal states was delayed due to Geneva's insistence on the adaptation of domestic economies to deflation.⁴⁸ Governments had to intervene to reduce prices for monopoly goods, services, and rents. Such an ideal required deflation "under free economy with strong government." In reality, such a strong government entailed restrictions on public freedoms and the use of emergency power. Liberalism thus sacrificed its own pillars. This still did not work, however: "In the course of these vain deflationary efforts free markets had not been restored though free governments had been sacrificed."⁴⁹ The liberals chose the currency over nonintervention, which created a financial burden of massive economic dislocation and increased the deficit to the point of explosion. In the course of deflation policies, liberals advocated "authoritarian interventionism," and in consequence, weakened democratic forces.⁵⁰ Had this not been the case, the fascist catastrophe could have been prevented. The US and UK escaped only by leaving the gold standard. Since

42 *Ibid.*, 236.

43 *Ibid.*, 237.

44 *Ibid.*

45 *Ibid.*

46 *Ibid.*, 238.

47 *Ibid.*, 241.

48 *Ibid.*

49 *Ibid.*, 242.

50 *Ibid.*; Ludwig von Mises, *Liberalism: The Classical Tradition*, ed. Bettine B. Greaves (Carmel, IN: Liberty Fund, 2005), 30: "It cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history."

they were the major powers in world trade, they could escape the burden; other countries were not as lucky.

The separation of politics and economics only fueled the tensions between classes. On the one hand, the employers were responsible for production (they owned the means of production). On the other hand, they had an interest in the functioning of industry: In the political arena, the majority were employees, and they represented wider social interests.⁵¹ Their number was the source of their influence on the political scene. The deadlock of legislation with these clashes prevented legislation from performing its functions, thus contributing to the paralysis of “the organs of industry or state” and creating a social crisis.⁵² “Fear would grip the people, and leadership would be thrust upon those who offered an easy way out at whatever ultimate price. The time was ripe for the fascist solution.”⁵³

Fascism was, thus, a solution to the dead end created by liberal capitalism. It was the “reform of market economy achieved at the price of... all democratic institutions...”⁵⁴ This was not to be confused with local reasons, historical differences, or national character. It also had little to do with the Treaty of Versailles. Instead, it appeared in many places: Yugoslavia, Bulgaria, Finland and Norway, Italy and Spain, England, Ireland, Belgium, Japan, Hungary, France, the US, and Latin American nations.⁵⁵ In some countries, fascism was even antipatriotic (as in the case of Quisling in Norway). In Polanyi’s view, this was because “fascism, like socialism, was rooted in a market society that refused to function. Hence, it was worldwide, catholic in scope, universal in application; the issues transcended the economic sphere and begot a general transformation of a distinctively social kind.”⁵⁶ Evidently, the market system played an important role in fascism. In the power struggle, fascists used issues at their will, establishing alliances with Catholic pacifists at one time, focusing on national and international issues at another time. The fascist period, which is related to the condition of the market system, can be broken into three stages:⁵⁷

Between 1917 and 1923, fascism was merely an instrument for counterrevolutions; between 1924 and 1929, fascism was marginalized; and after 1929 fascism emerged as an alternative to industrial society. In the first period, counterrevolutions were directed against the working class and socialist influence gained power in Europe. The instigators of these counterrevolutions (heavy industry, the church, the aristocracy, etc.) used fascists to restore the status quo wherever necessary. The second period witnessed an economic boom, the return to the gold standard, Mussolini’s glorification of liberal capitalism, and the failure of fascist mobilization. In the last period, fascism emerged as an alternative to the institutional deadlock of the market system. A series of events undermined the world economy and led to rebellion against the status quo and the disruption of peace by Germany, Italy, and Japan. Two-party systems started to disappear; liberal capitalism was undermined in the UK and the US.

Different countries started taking their own approaches to dealing with economic and international problems. In other words, the political and economic systems

⁵¹ Polanyi, *The Great Transformation*, 243-244.

⁵² *Ibid.*, 244.

⁵³ *Ibid.*

⁵⁴ *Ibid.*, 245.

⁵⁵ *Ibid.*, 246.

⁵⁶ *Ibid.*, 248.

⁵⁷ *Ibid.*, 251-252.

disintegrated simultaneously, and the liberal world order collapsed.⁵⁸ This collapse was fundamentally caused by countermovements emanating from society, which sought to protect itself from being destroyed by the consequences of the self-regulating market. The contradictions and tensions between market and vital social interests caused strain that led to the eventual destruction of market society. The liberal misunderstanding of moral values, humanity and history, utopianism, and authoritarianism played a key role in this.

Contemporary Relevance

Neoliberalism

In 1977, a Nobel Prize-winning economist visited Chile, a Latin American country then ruled by a military dictatorship. During his visit, he remarked “that unlimited democracy cannot work because, in his opinion, it creates different forces that end up destroying democracy.”⁵⁹ He praised the military government, as it was not dependent on “popular commitments” and its painful market reforms were a “necessary evil that will soon be overcome.”⁶⁰ Four years later, he explained that “a dictatorship may be a necessary system during a transitional period.”⁶¹ Liberalism did not contradict authoritarianism. Rather, he believed, “it is possible for a dictator to govern in a liberal way...,” and he preferred “a liberal dictator to a democratic government lacking liberalism.”⁶² That economist’s name was Friedrich Hayek. A student of Mises, he was one of the pioneers of neoliberalism.

Neoliberalism is a theory and political project that advocates “new political, economic, and social arrangements within society that emphasize market relations, re-tasking the role of the state, and individual responsibility.”⁶³ There is an agreement among scholars that this basically entails the extension of the market to all areas of society.⁶⁴ Strikingly, the definition of neoliberalism is very similar to Polanyi’s definition of economic liberalism, which advocates a self-regulating market. The essential neoliberal policies are deregulation, such as abolishing control over banking activities; the privatization of state enterprises; and the liberalization of trade and capital. All of these policies are rooted in faith in the self-regulating market.

The emergence of neoliberal policies coincided with the end of the Bretton Woods system: President Nixon’s announcement that the dollar was no longer convertible to gold, the rise of economic competitors such as Germany and Japan, the increase in financial integration, and the multiplication of new unregulated economic areas faster than international management could keep up with them.⁶⁵ The sudden breakdown of fixed exchange rates, recession, inflation, and unemployment (stagflation)—induced by the oil shock of 1973 and following failed efforts by European countries to find a solution—led to protectionism and “new protectionism” (such as non-

58 *Ibid.*, 252.

59 Bruce Caldwell and Leonidas Montes, “Friedrich Hayek and His Visits to Chile,” *The Review of Austrian Economics* 28, no. 3 (2015): 279, <http://dx.doi.org/10.2139/ssrn.2488106>.

60 *Ibid.*, 280.

61 *Ibid.*, 298.

62 *Ibid.*

63 Simon Springer, Kean Birch, and Julie MacLeavy, eds., *The Handbook of Neoliberalism* (London: Routledge, 2016), 2.

64 *Ibid.*

65 Joan Edelman Spero and Jeffrey A. Hart, *The Politics of International Economic Relations* (Wadsworth: Cengage Learning, 2010), 1-71.

tariff barriers and standards).⁶⁶ This is similar to a Polanyian countermovement to protect society from the effects of “free trade.” However, in the end, the Western countries were aware that the new protectionism had to be dismantled in order to prevent the collapse of the market system. The US, Germany, and the UK started to eliminate capital controls from the mid-1970s. This was accompanied by domestic political and economic turbulence that pressured their governments to make tough choices. For instance, the Conservative government in the UK had conflicts with striking miners, declared a state of emergency, and called elections.⁶⁷ Eventually, it lost power. However, the Labour government, like its leftist contemporaries across Europe, had to deal with the crisis through budget deficits. Faced with bankruptcy, the government of the UK had to settle matters with the IMF by implementing budget cuts, even though this was opposed by Labour’s supporters.⁶⁸ Eventually, the strikes and media criticism of the unions and the Labour government led to the latter’s downfall.⁶⁹ A new government was established by Margaret Thatcher.

In the US, Reagan was elected; in France, Mitterand’s leftist government shared the fate of Labour in the UK, except that it did not lose power. The Latin American left steered to the right (becoming the “new left”): Nothing that challenged neoliberal policies was permitted. Democratic transition (as advocated by Hayek) was only possible in Latin American countries on the condition that neoliberal policies remained untouched.⁷⁰ In Turkey, the transition to neoliberalism would not have been possible had there not been a coup that suppressed democracy for some years. One of the first decisions of the military regime was to confiscate leftist labor organizations, seize the management, and arrest many union members.⁷¹ Moreover, union engagement in politics and striking were banned, while unionization was hindered. The deadlock could be overcome by suppressing wages in favor of the bourgeoisie.⁷²

In other words, the mobility of international money (capital mobility) and foreign investments were considered more important than regulations protecting society from the dangers of the market. The most significant priority of the military regime in Turkey was to convince the international financial elite that “structural adjustment” policies were secure.⁷³ For all neoliberals’ talk of a “minimal state,” they were using the state to establish a self-regulating market, impeding the state from protecting society from commodification. “Salvation” through the self-regulating market was back, and “there was no alternative” but to go forward with it. International capital was more important than the interests of society. Society had to adapt to the almighty market solving everything. Ironically, this almighty market was unable to self-regulate.

66 Ibid., 82.

67 David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2007), 57-58.

68 Ibid., 58.

69 Ibid.

70 José Gabriel Palma, “Why Did the Latin American Critical Tradition in the Social Sciences Become Practically Extinct?” In *Routledge Handbook of International Political Economy: IPE as a Global Conversation*, ed. Mark Blyth (London: Routledge, 2009), 256.

71 Türkiye Devrimci İşçi Sendikaları Konfederasyonu, “DİSK Etkinlikler Dizini (1964-1996),” <http://disk.org.tr/disk-etkinlikler-dizini/>.

72 “How Did the September 12 Military Coup Destroy Labor Rights in Turkey?” *Bianet*, September 14, 2020, <https://bianet.org/english/economy/230825-how-did-the-september-12-military-coup-destroy-labor-rights-in-turkey>.

73 Galip Yalman, “The Turkish State and Bourgeoisie in Historical Perspective: A Relativist Paradigm or a Panoply of Hegemonic Strategies,” in *The Politics of Permanent Crisis*, ed. Neşecan Balkan and Sungur Savran (New York: Nova, 2002), 39.

Common under neoliberalism—including in developed countries—were debt crises, the stagnation of real wages, unemployment cycles, and the growth of income inequality. The “flight of capital,” which Polanyi mentioned, was also back. Any action that could lead to suspicion had the potential to prompt capital to leave the country and produce a crisis. The evolving international trade regime (the summits that led to the transformation of the GATT into the WTO) included “liberalization” of agriculture, suppressing many health-and-safety standards, and interfering with domestic regulations that sought to protect society.⁷⁴

Of course, the story of neoliberalism continued with the Washington Consensus, the European Union’s common market, the integration of Eastern European countries with the collapse of the Communist bloc, and a series of crises (including the Mexican, Russian, Asian, Turkish, 2008, and Eurozone financial crises) that are beyond the scope of this article. What matters is that neoliberalism—comprising financialization, privatization, deregulation, and globalization; restructuring the state in a way that protects big business (such as bailouts); and undermining democratic functions—altered the global balance of power in favor of the richer classes. These classes enjoyed more freedom than other parts of society. This is the first part of double movement: Whether by force or hegemony, self-regulating markets with new dimensions have been re-established; markets have once again encompassed labor, land, and money again, a fiction that creates incompatibilities; and countermovements have started to emerge as a reaction to this “great transformation.”

Illiberalism as a Countermovement

It would be an absurd generalization to reduce all the illiberal movements gaining ground to a conscious reaction to the “perils” of neoliberal marketization. They also include reactions to such issues as migration and declining local cultural elements. However, the liberal elite considered liberal hegemony as a salvation from all ills. They advertised the free market as such in many countries. Especially in Central and Eastern Europe, the liberal elite saw marketization as a means to reach the standard of living attained by Western countries.⁷⁵ Illiberal movements have responded to marketization’s failure to achieve this. One example is Poland. Although its GDP had grown by 20% since the early 2000s, in 2015, the majority of voters elected an illiberal candidate. Zielonka claims that this was due to the precarity of Poland’s employment system, in which zero-hour contracts are prevalent.⁷⁶ As Polanyi stated, it was not “growth” statistics, but cultural degradation and the eradication of those institutions that shielded society from uncertainty that mattered to voters.

Over the years, populist and far-right parties in many countries have gained ground thanks to the consequences of neoliberalism,⁷⁷ openly taking stances opposed to neoliberal values. An obvious example is Trump’s protectionist policies and his promise to bring jobs back to the US.⁷⁸ Radical right-wing parties in Europe position

74 Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy* (New York: W.W. Norton & Company, 2011), 79.

75 Ernesto Laclau, *On Populist Reason* (London: Verso, 2005), 95.

76 Zielonka, *Counter-Revolution*, 59.

77 See the figures in Dani Rodrik, “Populism and the Economics of Globalization,” *Journal of International Business Policy* 1, no. 1 (2018): 12-33, <https://doi.org/10.1057/s42214-018-0001-4>; see also Daphne Haikiopoulou, “A Right-Wing Populist Momentum: A Review of 2017 Elections across Europe,” *Journal of Common Market Studies* 56 (2018): 63-73., <https://doi.org/10.1111/jcms.12769>.

78 Paul Davidson, “Has Trump Fulfilled His Pledge to Turbocharge Job Growth, Revive Manufacturing? Many Say No,” in *USA Today*, December 4, 2019, <https://eu.usatoday.com/story/money/2019/12/04/jobs-creation-trump-goal-has-fallen-short/4249422002/>.

themselves fairly similarly: Even though they are called radical right, they move toward the left on economic policies.⁷⁹ They criticize free trade and globalization; praise “hardworking people;” and support increasing social spending, redistribution, and lowering the retirement age.⁸⁰ Alongside increasing support for right-wing populist parties, countries such as Spain and Greece also saw increasing support for left-wing populist parties at one point, although some of them have lost some ground in recent years. Their support was linked to the Eurozone crisis: The illiberal argument was that liberal elite were ignoring the majority and even using undemocratic methods in order to maintain a self-regulating market.

Moreover, some liberal or neoliberal populists have, since gaining power, turned out to be illiberal, among them Viktor Orbán in Hungary and Recep Tayyip Erdoğan in Turkey (even if his politics did previously contain illiberal elements). Erdoğan, who had many meetings with George Soros during his early days in power, subsequently started to talk about the “interest lobby” and “protest financiers” and increased his protectionist policies.⁸¹

Perhaps one of the most striking examples of a countermovement to neoliberalism is Brexit. The policies of New Labour, which had already steered in a neoliberal direction, were not effective at implementing comprehensive social reforms (which would damage the functioning of the self-regulating market).⁸² The Great Recession further depressed wages, and an austerity program (such as cutting grants and social spending) was implemented, while the financial system responsible for the crisis was bailed out and did not face comprehensive reform.⁸³ Migration to the UK may have been salient—there was a growing reaction against immigration and negotiations with the EU—but “leave” voters were most influenced by unemployment, low wages, the low quality of “public services,” and the austerity program. Those negatively influenced by these factors and those in the manufacturing sector (which is negatively influenced by rising competition) were more likely to vote “leave.”⁸⁴ Significantly, these areas actually had less immigration than other areas.⁸⁵ Yet the perception of immigrants taking British jobs played an important role. It is possible to conclude that the correlation between socioeconomic problems and immigration might have caused “leave” voters to perceive causation. “Taking back control” can be seen as one of the most visible countermovements of our decade, just as the UK leaving the gold standard was in the 1930s.

Illiberal Reception of Karl Polanyi

Not only do we see Polanyian countermovements emerging as a reaction to liberal hegemony and self-regulating market utopia, but we can also find explicit recognition

79 Gilles Ivaldi, “Populism in France,” in *Populism around the World: A Comparative Perspective*, ed. Daniel Stockemer (New York: Springer, 2019), 5–6.

80 *Ibid.*, 5.

81 Fehim Taştekin, “How Soros Turned from Friend to Foe for Erdogan,” *Al-Monitor*, November 28, 2018, <https://www.al-monitor.com/originals/2018/11/turkey-open-society-foundation-pulls-out.html>.

82 Jonathan Hopkin, “When Polanyi Met Farage: Market Fundamentalism, Economic Nationalism, and Britain’s Exit from the European Union,” *The British Journal of Politics and International Relations* 19, no. 3 (2017): 469, <https://doi.org/10.1177%2F1369148117710894>.

83 *Ibid.*

84 Sascha O. Becker, Thiemo Fetzer, and Dennis Novy, “Who Voted for Brexit? A Comprehensive District-Level Analysis,” *Economic Policy* 32, no. 92 (2017): 633, <https://dx.doi.org/10.2139/ssrn.2976254>.

85 Caelainn Barr, “The Areas and Demographics Where the Brexit Vote Was Won,” *The Guardian*, June 24, 2016, <https://www.theguardian.com/news/datablog/2016/jun/24/the-areas-and-demographics-where-the-brexit-vote-was-won>.

of Karl Polanyi in general academic studies and among “rightist” illiberals alike. One example of the latter is the Nouvelle Droite intellectual Alain de Benoist, who made almost the same criticism of liberalism as Polanyi.

Nouvelle Droite is a right-wing movement with anti-egalitarian positioning; it focuses on homogenizing society in the face of a multicultural society. Its base is intimately connected to the German Conservative Revolutionaries of the inter-war era, who held ultra-nationalist ideas and promoted an authoritarian state.⁸⁶ However, de Benoist and other antiliberal right thinkers claim that the Nouvelle Droite offers a perspective that transcends traditional ideologies. This can be seen in the 2000 manifesto of de Benoist and Charles Champetier, in which they wrote that the French Right borrows from what is “valuable in all currents of thought.”⁸⁷ In its criticism of the social order, this movement appears “to have more in common with the left rather than right.”⁸⁸ It is in this context that de Benoist references Polanyi.

In his criticism of market incompatibility with democracy and separation of economics from politics, Benoist explicitly references Polanyi.⁸⁹ According to the French thinker, the substance of modern society is “hypertrophy of free market exchange, leading from an economy with a market, to a market society.”⁹⁰ Liberalism has translated the idea of progress into a religion of growth.⁹¹ This is exactly Polanyi’s criticism of liberal beliefs in the nineteenth century; it has found a voice among the French Right against neoliberalism in the twenty-first century. For de Benoist, liberalism guarantees individual liberties above everything and undermines the collective notion of freedom; it promotes the law of protecting the individual against the collective.⁹² For Polanyi, liberals see freedom to regulate as unfreedom and try to hinder it. Freedom is misunderstood by liberals, who go so far as to defend the freedom of “comfortable classes” to enjoy “leisure in security” even as society experiences anxieties related to insufficient incomes and enjoys only minimal freedom.⁹³ He claims that liberals must accept the role of compulsion and power in politics. Of course, “regulation both extends and restricts freedom”: in order to extend the general freedom of society, there must be some reduction of freedom among the comfortable classes.⁹⁴

Alain de Benoist’s criticism of civil society also resonates with this: for him, civil society “only defends categorical interests, which prevents it from replacing the state by formulating an authentic collective project or exercising a comprehensive regulation of society.”⁹⁵ The difference between the two is that Polanyi did not see an inherent contradiction between collective and individual rights in politics. Instead,

86 Tamir Bar-On, “Intellectual Right-Wing Extremism—Alain de Benoist’s Mazeway Resynthesis since 2000,” in *The Extreme Right in Europe: Current Trends and Perspectives*, ed. Uwe Backes and Patrick Moreau (Göttingen: Vandenhoeck & Ruprecht, 2012), 333-334.

87 Alain de Benoist and Charles Champetier, *Manifesto for a European Renaissance* (Budapest: Arktos, 2012), 24.

88 Tamir Bar-On, “Fascism to the Nouvelle Droite: The Dream of Pan-European Empire,” *Journal of Contemporary European Studies* 16, no. 3 (2008): 328, <https://doi.org/10.1080/14782800802500981>.

89 Alain De Benoist, “The Current Crisis of Democracy,” *Telos-New York* 156 (2011): 7-23; Arthur Versluis, “A Conversation with Alain de Benoist,” *Journal for the Study of Radicalism* 8, no. 2 (2014): 79-106, <https://doi.org/10.14321/jstudradi.8.2.0079>.

90 de Benoist and Champetier, *Manifesto*, 24.

91 Ibid.

92 de Benoist, “The Current Crisis of Democracy.”

93 Karl Polanyi, *The Great Transformation*, 262.

94 Ibid.

95 de Benoist, “The Current Crisis of Democracy,” 14.

he thought that they were compatible and that every restriction must create a space for individual rights (for instance, the right to nonconformity must be institutionally guaranteed). Every regulation, integration, and planning effort must at least increase the freedom of individuals even to an arbitrary level.

Polanyi's work also found a place in Marine Le Pen's book. In that work, she refers to Jacques Delors and French Minister of the Economy Pierre Mauroy as the great organizers of "the great transformation."⁹⁶ She quotes from Polanyi's *The Great Transformation* in the section "Globalization and Globalism:" "Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society. It would have physically destroyed man and transformed his environment into a desert."⁹⁷

Another Polanyi aficionado from the same radical-right political circle is Hervé Juvin, a French member of the European Parliament who represents the National Rally. Juvin criticizes capitalism from an "ecological" perspective. He stresses "the collective freedom of human societies to shape their destiny" and refers to Polanyi in support of the position that politics should prevail over the economy.⁹⁸ A report by the far-right European Parliament faction Identity and Democracy (Europe of Nations and Freedom at the time of the report), prepared by Hervé Juvin, incorporates ideas borrowed from Polanyi into its critique of globalization and neoliberalism. According to Juvin, "we are at the heart of a new great transformation, similar to what Karl Polanyi analyzed."⁹⁹ The same critique—that Europe has lost its unity to globalization—appears in the faction's manifesto,¹⁰⁰ alongside the claims that "economy replaced politics and the market replaced democracy" and that all the failures of the European Union have come since the liberal turn of the 1990s.¹⁰¹

To prevent these failures, Juvin believes, we should learn from the twentieth century and Karl Polanyi.¹⁰² However, does he really learn any lessons from Karl Polanyi? He deploys Polanyi's ideas to support his criticism of globalism and neoliberalism, as well as his anti-immigrant and anti-democratic arguments. In a radical-right world, Polanyi's vision of a free society would never come to fruition. Thus, Polanyi is used by the radical right only instrumentally. Ironically, these antiliberal thinkers and politicians use Polanyi's criticism as an instrument against market society with a similar reason to the fascists of Polanyi's day. This was precisely the danger that Polanyi emphasized at the time of writing *The Great Transformation*. Radical right populists—like fascists, part of a countermovement—benefit from the crises of liberal capitalism and offer easy solutions: they would like to reform market society at the cost of diversity and democratic institutions. Such a destruction of democratic institutions would, in their view, restore "the primacy of politics, the authority of

96 Marine Le Pen, *Pour que vive la France* (Paris: Editions Jacques Grancher, 2012), 41.

97 Ibid., 26; the original book uses the term "wilderness" instead of "desert."

98 Hervé Juvin, "Hervé Juvin: A Quest for Survival: About the Fourth World, or the Comeback of Politics," <https://www.geopolitica.ru/en/article/herve-juvin-quest-survival-about-fourth-world-or-comeback-politics>.

99 Hervé Juvin, *Le coup d'Etat du droit: De l'extraterritorialité du droit américain à l'offensive globaliste L'avènement d'un droit universel, menaces et réalités pour les Nations européennes* (Fondation pour une Europe des Nations et des Libertés, 2017), 40.

100 The Identity and Democracy Foundation, "The Situation in Europe," <https://www.manifesteavenireurope.eu/en/la-situation-de-leurope/>.

101 Ibid.

102 Juvin, *Le coup d'Etat du droit*, 83.

the State above the law and of collective national interest above the rights of the individual.¹⁰³

Conclusion

Polanyi's fundamental critique of liberals can be understood in the sense of rationalization. Rationalization is organizing material and social reality through specific rationality. It is imposing one's specific rationality on the outside world and making an effort to preserve its construction. The commodity fiction and self-regulation are the specific rationalities of economic liberals. For them, the market is an automatic, natural, and self-regulating mechanism, and abolishing artificial (political) "restrictions" on its elements of production is necessary. In other words, the separation of politics and economics is possible, while the market is (internally, independent of interference) a natural and perfect organism that always reaches its own equilibrium. However, neither of these assumptions actually work without disruptions; in practice, liberals have to use the state to force and sustain these assumptions. Economic liberals first imposed this rationality on the social system through political authority, and when its perils started to accumulate, they used this political authority to sustain it so that the system would work according to their rationality. In order to maintain the self-regulation of the market, they had to organize society as a whole.

Yet since the system is not actually such a "liberal utopia," society demands protection when broad social interests are damaged by dislocations or other tensions, using political influence to achieve this. In other words, tensions in land, labor, or money spill over into politics, because issues like unemployment do not belong solely to the realm of "oikonomia" but are the problem of the "polis"—they are social problems that involve different classes depending on the distribution of the burden. Because the majority has legitimacy to influence the political outcomes in democracy, it is natural that if widely held social interests are damaged by the market, the social classes will do whatever is necessary to protect themselves.

According to Polanyi, liberal support for authoritarianism in order to keep the self-regulating market functioning created an opportunity for fascism, which stormed the remaining weak democratic institutions in the interwar period as crises in the economy and politics produced institutional deadlock. Although the fascist revolution has not repeated itself in our age, the double movement of neoliberal marketization and countermovements is worrying. For Polanyi, the existence of fascism is not a necessary precondition for approaching a fascist phase. Instead, it is important to recognize the signs: "the spread of irrationalistic philosophies, racialist aesthetics, anticapitalistic demagogy, heterodox currency views, criticism of the party system, widespread disparagement of the (democratic) regime...."¹⁰⁴

103 *Ibid.*, 2.

104 Polanyi, *The Great Transformation*, 246.