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**Polanyi Revisited**

Global Capitalism from an East European Perspective

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### *Karl Polanyi's impact on social sciences*

Polanyi<sup>1</sup> as a very young man started a brilliant career in Budapest in the left-leaning Galilei Circle during the years of the first world war, but after the rise of the right wing regime of Admiral Horthy he emigrated. He worked in Vienna as an editor, then in 1933 moved to London where he obtained a post as a lecturer at the Workers' Educational Association (WEA)—an organization promoting and providing adult higher education—in 1936, and unlike other famous Hungarian intellectuals, like Georg Lukács or Karl Mannheim who belong to the same cohort he looked like an academic failure. In 1940 he got a job at Bennington College—a fine liberal art college offering four-year courses, but it took him until 1947 to land a position at Columbia University, a major research institution. But he used his lectures from his time at WEA effectively and in 1944 under the title *The Great Transformation* he published a brilliant book that instantly made him world famous and certainly helped him to move from Bennington College to Columbia. *The Great Transformation* was a typical work written at the end of the Second World War, when major scholars believed that a new social order would have to emerge after the war when there was no way back to liberal, laissez-faire capitalism. Let us mention here Schumpeter's *Capitalism, Socialism and Democracy* and Mannheim's *Man and Society in the Age of Reconstruction*.

With the raise of neo-Marxism in the 1960s Polanyi was often seen with some suspicion—he was not sufficiently Marxist and appeared to be too close to the arch enemy of Marxists of the 1960s and 70s Marxism (namely Max Weber). In socialist Hungary Polanyi was basically ignored. When the second author of this Introduction (Iván Szélényi) spent a semester at Columbia University in the fall of 1964 it was the first time he had heard the name of Karl Polanyi, from Terrence Hopkins, a great Polanyi admirer. Hopkins was also close to Wallerstein—who obviously knew Polanyi closely—followed Wallerstein from Columbia to SUNY-Binghamton. Astonishingly in 1974, in *The Modern World-System* there is hardly any mention of Polanyi and even in *The Capitalist World-Economy*, published in 1979 there are two brief references to Polanyi although the critical distinction between world empires and world economies was obviously first proposed by Polanyi. Andre Gunder Frank, an interesting but at that time rather unimportant theorist gathered six citations, Marx of course 32. So the 1960s and 1970s were a low-ebb in Polanyi's fame in Western Scholarship. This had a lot to do with the anti-Polanyi attitudes of neo-Marxism, its eventual shift to analytic

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<sup>1</sup> Karl Polanyi's name is rendered as Polanyi Károly in Hungarian texts. In this issue of Intersections.EEJSP Polanyi's name is rendered in the text of each article in compliance with the wishes of the individual authors.

Marxism and its flirtation with neo-classical economic and rational choice theory. Interestingly, when the second author of this Introduction was appointed to a named chair in 1984 and was given the choice to name that chair and he picked Karl Polanyi, his colleagues both on the left and the right shook their heads. To the best of our understanding the work of Mark Granovetter represents the breakthrough and a rediscovery of Polanyi as the superstar of institutional economics and sociology, the substantivist school of economic anthropology. While he already begins to move in this direction in his 1973 article *Strength of weak ties* (though very importantly it still lacks any Polanyi citation) his path-breaking 1985 article on embeddedness is a fascinating reinterpretation of Polanyi and this unleashed the second wave of the Polanyi cult, whose major figures were Fred Block and Margaret Sommers. Karl's daughter, Kari Polanyi Levitt, of course played a major role in nurturing this revival as well as that of the Karl Polanyi Institute of Political Economy, Concordia University.

Interestingly the story unfolded differently in socialist Europe, especially in Hungary. Already during the early 1970s Polanyi was (re)discovered and found especially useful to describe the political economy of state socialism as a redistributive economy. In Hungary at least this idea spread like wild fire and Polanyi instantly became the star of the social sciences. Interestingly Polanyi never seriously considered describing the Soviet type of economies in this way. He called ancient empires redistributively integrated economies, although at one point he did mention that the USSR is also probably a redistributive economy. Until 1956 he took great care not to write anything critical of the USSR, rather not writing much about it so as to upset neither his conservative brother nor his Communist wife, both of whom he loved dearly.

### ***Renewed interest in Polanyi's work and the critique of global capitalism***

During the 1990s globalization became the critical issue in social sciences. Globalization resurrected world system theory, which indeed was the first to emphasize that the nation state is not the right unit of analysis, and at the same time distanced itself from some forms of Marxist critique, especially the original thesis of Andre Gunder Frank on development of underdevelopment which in some key aspects (like the existence of a category of an overarching and homogeneous periphery) was empirically untenable. The exceptionally unique contribution of this issue of *Intersections.EEJSP* is that it brings Polanyi back to the center of this project. We can only hope that this attempt to bring Polanyi back in will again be like a wild prairie fire and will be the beginning of a third world-wide cult of Karl Polanyi.

In the 2010s global capitalism is certainly entering into a new phase or at least a new cycle. There is a widespread concern that no or very low inflation as part of a Kondratiev cycle causes further severe economic tensions. This shows structural changes, but also signals that the realization of profits has got under stress at least in some major sectors of the global economy and most importantly in the core Western economies. According to a recent analysis the labor income share of GDP has declined in all major regions of the world since 1990, most dramatically in the ex-state socialist, ex-Soviet Union (CIS) region, but substantially in most developed economies and the United States as well as in China and Africa (Capaldo 2014, 12). Thus it

seems that due to various reasons, including the recent technological innovations, there is a push toward a less intensive use of live human labor at least in terms of its market values. In Polanyian terms thus we observe the increased use of more fictitious (meaning more abstract, more socially disembodied) migrant and online labor, we see the collapse and/or decline of welfare and labor protective regimes and the diminishing social potential of labor even in growing economies. In addition, as József Böröcz below demonstrates very nicely, since 1996 the share of redistribution (as a percentage of all revenues) has not really changed from the approximate level of 20 percent and thus the decline of the share of labor (i.e., wages) is declining without any real increase in redistribution, two trends that cannot be without serious social consequences and tensions.

Society is thus under further stress globally. Following the soft interpretation of Polanyi's work (as Iván Szelényi termed this in 1991, see also Dale 2016) this would mean, that political reactions and social movements would somehow counterbalance the above mentioned disruptive tendencies arising from the dominance of self-regulating global markets. In this perspective we should see a rising double movement in the forms of social movements to fight for some kind of self-correction (Dale 2016). Clearly this is not happening and the upsurge of such movements in the 1990s came to an abrupt end in the early 2000s.

Beside some attempts in Greece, Spain, and Portugal the hegemony of neoliberal economic policies have only been questioned by illiberal states of the right. Actually they also claim a better protection of their working classes against global capitalism. Interestingly in his work on rural workfare and the double movement in Hungary below, Chris Hann shows some elements of the so called public work programs as containing elements of a double movement, because it is able to handle some of the adverse consequences of the new labor regimes, or better to say at least as it can be seen in this way in a local community in Hungary. It basically provides some stability of income for some of the unprivileged groups. This is how he concludes after reconstructing a long historical process of changes in labor relations:

*However, focusing on workfare, the most controversial policy of the present Hungarian government for dealing with the adverse consequences for employment of the country's weak structural position in contemporary European and global capitalism, I have questioned the usefulness of this classification. Far from being punitive, at least in the countryside these programmes have been almost universally welcomed, both by the participants and by other villagers. (53)*

Nevertheless this does not mean that through changing the educational systems, introducing more practical education for the laboring classes these states are not pushing for better methods of disciplining the local labor force for the sake of producing more flexible labor groups to be sold in a newly globalized labor market. Moreover, in a situation when labor loses positions in the capitalist economies these states push for higher labor force participation rates via punishing the poor through providing less and less redistribution toward the unprivileged groups even when overall redistribution rates do not go down as shown by Böröcz below.

These processes of restructuring property via the use of the political power of the state and the further disciplining the population with very conservative ideologies are key in the new authoritarianism. Thus following the so-called soft interpretation of Polanyi's work Scheiring shows below that it is now easier to endanger the sustainability of democracy than to start such social reforms that would allow a better integration of societies and economies. It is worth citing him in this respect:

*The thrust of Polanyi's argument about the perils of fictitious commodification is that democracy can only be sustained if the operation of the market in general and money in particular is embedded into regulation. Failing to recognize this interrelation leads to the rise of antidemocratic forces according to Polanyi. (86)*

Gábor Scheiring is certainly right that the previous more liberal period of capitalism in Eastern Europe failed to provide workable regulations and in the midst of a financial crisis and the ongoing monetization of society democratic forms of governance loose further credentials. But as opposed to Scheiring we may suggest that it is better to rely on the hard interpretation of Polanyi. This would mean that due to inherent structural tensions democratic forms are always under dramatic stress in global capitalism. Thus the appearance of new forms of political discourses and structures is not an accident of global political changes, but actually an outcome of tensions of disembeddedness and a continuous search for new types of non-democratic hegemonies within the same system as portrayed by Gramsci in his texts on passive revolution (*The Antonio Gramsci Reader*, 2000, 246-274).

Our authors abundantly refer to such tensions just like in the most recent literature on Polanyi (Dale etc.) Chris Hann, in another recent writing of his focusing on the consequences of TTIP, goes as far as saying that the EU is complicit in a global degradation toward repression:

*From this perspective, TTIP is a reactionary threat. The best way to counter this Atlantic civilization, which is archaic in the sense that is the civilization of a capitalism that is now in decline, based on a mentality correctly diagnosed by Polanyi 70 years ago as "obsolete", is to build new forms of democratic polity and society with dynamic partners elsewhere in Eurasia. Alas, instead of seeking conversations with China and other civilizational centres of Eurasia with the aim of retaining substantive moral economies and promoting more real freedom and equality in the world, the EU is currently complicit in market-led global degradation which has the political effect of pushing Eurasian neighbours into deeper spirals of repression. (Hann 2016).*

These threats of further spirals of repression haunt all our authors. In his thorough analysis György Lengyel not only reflects on the reception of Polanyian views, but he goes into current debates on methodology of economic sociology and most importantly into issues of changing structural conditions in the global relationship between economy, state, and society. He draws attention to the fact that in the current status of double dependency (as he refers to dual dependency as originally coined by

Böröcz writing on state socialism) (Böröcz, 1992) East European and other states are weakened. They loose action potential by the double obligations toward hosting and servicing transnational companies and in their duty of providing forms of redistribution.

*The state thus appears as a key actor in both market building and in the defensive mechanisms. Under the conditions of double dependence, the defensive potential of a society, which Polányi regarded as the crucial element of the double movement, is weakened. (30)*

This can be a key point concerning the observations of Böröcz on redistributive rates globally, but can also lead to authoritarianism, a point raised by Lengyel:

*Are the political institutions of simulated democracy and an inclination toward authoritarianism necessarily in connection with the nature of double dependence and re-regulation of the markets of fictitious commodities? (31)*

We do not know the full answer to these questions. But the contours of the new global political arrangements are becoming much clearer. Moreover, we might see the actual political processes and political mechanisms. The current transformation has its own political engines as for instance raised by Böröcz. Concerning the implications of processes of global redistribution Böröcz laments that in these redistributive and economic tensions moral panic can occur among larger segments of the European societies with regard to refugees

*To a large extent, the current moral panic regarding a putatively mass influx of redistribution-dependent foreign populations in the European Union's Schengen area thematizes these inequalities in a brutally direct way. (80)*

It might thus be a trick of history that an increased flow of refugees generates political processes via which at least EU countries turn toward a more aggressive and more repressive system. The European public is against people being uprooted via conflicts generated by global geopolitical conflicts in an era when migrant labor (due to its flexibility) is actually much more widely used. We can conclude then, that Polanyi is extremely relevant as the major structural tensions, imbalances of modes of integration economy and society in modern capitalism have not been handled by human societies up till now. So Polanyi can actually be a guide for us even in the 21<sup>st</sup> century.

### *Polanyi in the 21<sup>st</sup> century*

This was the title of the first major debate organized by the recently established Karl Polanyi Center for Global Social Studies at the Institute of Sociology at Corvinus University of Budapest (April 23, 2015). This inspiring debate, in which not only Chris Hann, and György Lengyel gave talks, but also Mihály Sárkány, a very important anthropologist of Hungary and Kenya who was a prime interpreter and user of Polanyi's ideas while sociologists and economists were struggling with how to



incorporate him. His talk was rightly on *The Unity of Karl Polanyi's Oeuvre*, as the works of Polanyi, regardless of some internal contradictions and shifts, represents a set of coherent key ideas on how to analyze societies institutionally in a complex and historical manner and on how not to forget that there is nothing eternal in the current social arrangements, which deserve thorough and systemic critique in any event.

In this struggle to re-embed the ideas of Polanyi into current social thinking Kari Polanyi Levitt has been a major force and a key interpreter. Celebrating the 130<sup>th</sup> anniversary of the birth of Polanyi this year it is indeed a great privilege to thank Kari Polanyi Levitt's kind words written for this special issue and even a document from her father concerning the Hungarian revolution of 1956, which as Polanyi said also had the chance of offering alternatives to the current social and political arrangements of that time. We need to read Polanyi again and again to be analytically prepared when new real alternatives occur in global society.

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**March 2016**

I send you a message of greetings and congratulations on the special issue of *Intersections*, including papers contributed to your Karl Polanyi conference of 2015. This year marks the 30th anniversary of the Karl Polanyi Centenary Conference organized by the Hungarian Academy of Sciences in 1986, and the return of my parents Karl and Ilona to eternal rest in Budapest. Much has changed in the thirty years that have passed, and Karl Polanyi's work has become ever more important in our dangerously disordered world. He would be happy to know that his work is now receiving attention in his homeland.

In this regard, we recall that this year also marks the 60th anniversary of the Hungarian Revolution of 1956, crushed by Soviet tanks. Many Hungarians chose to leave the country, but for Karl Polanyi 1956 marked a homecoming. As he wrote in a letter to his brother Michael, '1956 re-conquered me for Hungary. More than that: it gave me a mother country... I admire the fighters of October... They have redeemed Hungary, a non-people, from Ady's "szégyenkaloda", the "stocks" of history.' In the same letter, he expressed his concern that Michael was engaged in assisting Hungarian intellectuals to establish journals in Western countries, with covert official American funding.

As a tribute to Hungarian intellectuals who chose to continue the struggle for socialism and independence on Hungarian soil, Karl and Ilona collaborated in the production of *The Plough and the Pen*. The title of this collection of translations of Hungarian writings and poetry speaks to the regenerative power of populist literature past and present. My parents believed that Hungary had the capacity to reclaim the power of the people from the communist bureaucracy. Literal translations made by Karl and Ilona were rendered into poetry by eminent Canadian writers. With an introduction by W. H. Auden, and a dedication to their old friend Endre Havas, the book was published in Toronto and London in 1963.

In these last years of his life, Karl Polanyi created the journal *Co-Existence*, to initiate international communication of Socialist intellectuals. In light of the divisive forces impacting societies in an increasingly interdependent world, the co-existence of peoples and nations, religions and ethnicities, assume new dimensions and complexities. Should we consider the challenge of reviving *Co-Existence*, in the tradition of Karl Polanyi?

In conclusion, I wish to share with you a brief manuscript, written in 1960. I have reproduced this text several times because it speaks to contemporary issues.

With my deepest appreciation for your important work,

Kari Polanyi Levitt

(Emerita Professor of Economics, McGill University; Honorary President, Karl Polanyi Institute of Political Economy, Concordia University)

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Karl Polanyi. Draft article – Statements on Political  
Philosophy, 1960.

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May 1960

**Karl Polanyi. Draft article – Statements on Political Philosophy, 1960.**

Pluralist democracy, national independence, industrial culture and a socialist international order are the vistas of humanist socialism which point towards immense tasks but come out of one and the same impulse.

1. Pluralism. This encompasses democracy and inner freedom in the constitutional, social and inner-party spheres, first and foremost in regard to Trade Union autonomy.

2. National independence. Comprising the economic autonomy of a country and the positive aspect of Titoism.

3. The humanization of industrial civilization, or the universal task of socialism in the moral and personal sphere. This comprises the qualitative re-shaping of the process of production. The organic fusing of the world of the machine with human motivation.

4. The evolving of modes of action which can effectively influence the total order of human affairs in the burning political, economic and cultural questions, such as the new nations, racial emancipation, nuclear bombs. In the economic field by allocation of raw materials, stabilizing of currencies, long-term price fixing, concrete arrangements between people, reciprocal relations – by introducing elements of planning which ward off violent upsets and to which societies of the market type do not lend themselves.

Source: Karl Polanyi Archive, Container 37, File 18.

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GYÖRGY LENGVEL \*  
Embeddedness, Redistribution and Double  
Dependence: Polányi-reception Reconsidered

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### Abstract<sup>1</sup>

This paper is a contribution to the reception of Polányi in the West and the East, more precisely, about the impact Polányi's views had on American and Hungarian economic sociology, which are the contact points between the two, and what research perspectives they offer. It concentrates on the perception of embeddedness and redistribution, leaving aside other views unless they are conducive to the comprehension of certain conceptual connections. It is argued that although new economic sociology contributed to deeper understanding of socio-economic processes, Polányi's substantive theory also remained important. His approach of putting emphasis on political and cultural aspects of embeddedness enables us to compare economic systems and describe the diverging motives of actors in mixed economies. Polányi's intellectual impact started in the sixties in Hungary, that is, in the period of market reforms. This may seem at the first glance paradoxical, but one of the reasons that it could happen was that Polányi was not an enemy of markets in general, as is often believed. What he heavily criticized was the uncontrolled commodification of land, labor, and money. Another reason for his intellectual impact was that the Polányian forms of integration did provide tools for analysis of state socialist and post-socialist processes. The current Hungarian developments can be interpreted in Polányian terms as regulatory attempts on the markets of fictitious commodities. I argue however, that these attempts under the conditions of double dependence do have significant side effects.

*Keywords:* forms of integration, Polányi, embeddedness, redistribution, fictitious commodities, state socialism, post-socialist transformation, varieties of capitalism, dependent market economy, double dependence.

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<sup>1</sup> The author would like to thank the two reviewers for their comments as well as Judit Pokoly and Gabriella Ilonszki for their linguistic and editorial help, but maintains responsibility for remaining shortcomings.

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## 1. Introduction

In a fragment—an unfinished review of Galbraith's *Affluent society*—Polányi (2003[1959]) compares Aristotle's and Galbraith's scholarly habits. He attributes common characteristics to them: a combination of critical attitude, a normative element and a genuine capacity to understand and analyze the very nature of their topic. The same is true about Polányi himself: his criticism of the disembedded market system and a search for the normative pillars of a good society are interwoven in his oeuvre with analytical efforts to understand the very nature and historical conditions of economic activity.

In a note of their reader Swedberg and Granovetter (1992: 50) state that Polányi was one of the most influential social scholars of the 20<sup>th</sup> century. This is a fair account, at least in economic sociology, where the most important contributions of Polányi are the distinction between *formal and substantive meanings* of economy and conceptualization of *embeddedness, double movement, fictitious commodities* and *forms of integration*. Polányi's substantive view (Polányi et al., 1957; Pearson, 1977) discarded all essential postulates of economics: the scarcity postulate, the theses of profit maximizing actors, universal price-making market and stable preferences. Several social scientists, including some economists, also found these postulates unrealistic, or had an aversion to the behavioral patterns and institutions they postulated, but there were few who tried to build an alternative theory upon this aversion. Polányi was one of the few. In his view, the price-making markets are far from universal, as there have always been economic systems that do not align themselves with the logic of the market economy. He says that economic activities are embedded in society, the economic motives appear in combination with a wide range of cultural, political, religious and other effects. If this thesis holds true, the tenet of stable preferences is invalidated, since it is postulated to screen out such effects. According to Polányi the formal meaning of "economic" appears as an optimization task: rational actors choose between combinations of scarce means, under the condition of stable preferences. In contrast to this, the *substantive meaning* of economic action describes how people provide means of material want satisfaction in an interchange with the social and natural environment.

The following section will be devoted to the strengths and weaknesses of the substantive interpretation of embeddedness and its alternatives in economic sociology. Afterwards we shall turn toward the reception of Polányian concepts under state socialism and their theoretical implications in a post-socialist society.

## 2. To the concept of embeddedness

It is in his critical analysis of the rise of the market economy that Polányi applied the concepts of embeddedness and disembeddedness to suggest how the market mechanisms and their adequate behavioral forms rose to predominance in the 19<sup>th</sup> century and what social consequences this process entailed (Polányi, 1957 [1944]). For Polányi embeddedness meant that economic and social phenomena are interwoven in most historical societies. Therefore, it is misleading to apply formal economic tools to economies where the market does not dominate society. During

the emergence of modern capitalist society the market seized land and labor, which became the source of grievances and social problems, according to his account. The double movement of market disembedding and social defense is the core of *The Great Transformation* (Polanyi, 1957 [1944]).

The main asset of Polányi's interpretation of embeddedness—the sources of which were the oft-cited works of Thurnwald and Malinowski (see Thurnwald, 1932; Malinowski, 1999 [1922], 1969 [1926]; Firth, 1972)—is the historical localization of societies dominated by market-conform behavior while emphasizing the interpenetration of economic and social processes. When he was working on his research and lectures leading to *The Great Transformation* (Polanyi, 1957 [1944]), the prevalent social scientific stance was that the conceptual apparatus of economics can be applied to primitive and historical formations without fail. While based on rich empirical material all but bursting the conceptual frames, Goodfellow's "*Principles of Economic Sociology*" (1939) laid it down firmly that there would be chaos in the social sciences if the concepts of economics were not applied to the savage economy. Polányi ascribed theoretical and historical significance to the concept of embeddedness. Thus he directed attention to alternative forms of integration, proving that it is not necessary to meet with chaos where the conceptual apparatus of economics ends. The forms of integration considerably promoted the understanding of both historical and contemporary societies, first of all through the interpretation of the appropriation of goods.

It is to be noted that under the instituted process Polányi spoke of appropriative and locational movements, the highly abstract notion of the latter designating the entire sphere of production and transportation, without further elaboration. That is so in spite of the fact that Polányi knew Weber's and Bücher's writings on the division of labor. (A posthumous piece is less noticed in this respect: Polányi wrote the entry on Karl Bücher's work in an early edition of the *International Encyclopedia of Social Sciences* (Polányi, 1968).

The topic of embeddedness/disembeddedness has provoked two tangentially related polemics. One belongs to the domain of new economic sociology (Szántó, 1994; Krippner and Alvarez, 2007), the other has a more general relevance to critical social science.

Granovetter and the new economic sociology focus mostly on contemporary economies and interpret embeddedness in terms of networks, relations between economic actors and/or organizations. He argues in his programmatic article (1992 [1985]) that neither the over- nor the under-socialized concepts of human action are appropriate. Non-market societies are less embedded than substantivists claim and market economies are more so than neoclassical economists claim.

In a symposium devoted to Polányi and the topic of embeddedness (Krippner et al., 2004) an intriguing episode shows the often discernible discrepancy between an author's intentions and the impact of their work. On the upbeat of his keynote article Granovetter distances himself from the substantive approach. However, the author's prime intention—as he recalled—was not this, but to supersede the atomistic view of man, that features both in neo-classical economics and in Parson's theory. This he attempted to do by placing the network concept in the focus, arguing that such relations were the channels of the formation of dominance, trust, and cooperation. As

the article was circulated in manuscript form before publication, Granovetter received some feedback remarks that took his message as the revitalization of Polányi's conception of embeddedness. Even if he might have read it earlier, he forgot about the Polányi precedents when he was writing the article, so he inserted a short note in the revised version, to clarify the differences in the use of the notion of embeddedness. That, in turn, has been interpreted by several scholars as the starting point of new economic sociology. More important than this colorful episode is surely Granovetter's statement at the same occasion which says that embeddedness is no more than a *sensitizing umbrella concept*. It points out that any economic act must be viewed in its correlation with the social context. Among others, Granovetter's *Getting a job* (1995[1974]), Useem's *The Inner Group of the American Capitalist Class* (1978) and the analysis of the interplay between parties and economic actors by Stark and Vedres (2012) offer positive examples (see Mizruchi, 1996 and Uzzi, 2005 for further cases). To cite a less known example, the panel survey of Russian entrepreneurs by Batjargal (2003) has demonstrated that under the conditions of the recession business performance did not depend on structural embeddedness, but on weak ties and the actual ability to mobilize social resources.

At any rate, Portes is probably right in pointing out that the Polányian conceptualization of embeddedness as a manifestation of power relations may add more to the understanding of social implications of the market than the structural approach (Portes, 2010: 220 sqq.). Polányi focuses on the micro motives and macro structures mainly in premodern societies. Granovetter and new economic sociologists focus mainly (but not exclusively) on meso-level network structures in contemporary societies. Polányi discarded the formal conceptual apparatus of economics reduced to ends and means relations claiming that it could not be applied under conditions that are not determined by price-making markets. In economies determined by the price-making markets he accepted the validity of the postulates of economics, first of all the scarcity postulate and the tenet of profit-maximizing actors. In other words the substantive version of old economic sociology denied the general applicability of neoclassical economic presumptions and supposed that these presumptions could be considered to be valid if markets are disembedded. At the same time Polányi fiercely criticized the social establishment based on the dominance of the market, arguing that this mode of satisfying material needs defiles nature and society and turns land and labor into fictitious commodities. He also touched upon the other side of the coin: how markets are impaired by the social defense mechanisms.

New economic sociology, especially the sociology of markets, does put the validity of the conceptual apparatus of economics to the test—within the price-regulating markets. What the *new economic sociology* takes as its starting premise is not that there are always price-making markets but that *if there are price-regulating markets, they are always embedded*. So it seems up to now that the presupposition of the embeddedness of markets is a real watershed between substantive and new economic sociology. Reconstructing the conditions under which *The Great Transformation* (Polányi, 1957 [1944]) was written Fred Block concluded that between the preparations and the writing of the book Polányi's position had undergone an epistemological transformation. He realized that markets were always embedded, but he did not make an explicit statement about that. It is implied by his



writing, but there was a pressure of time, and he did not want to be as late with his book as Keynes' advice for the post-WWI peace terms had been (Block, 2003; and Krippner et al., 2004).

To the broader critical implications it is perhaps worth recalling that Polányi's involvement in journalism for more than a decade contributed to this development in several regards. From the vantage point of the end product it is easy to mark off scientific endeavor from pamphlets and newspaper articles. There may obviously be differences in the creative habitus of writing quick sketches or thoroughly deliberated opinions. However, the motivation, interest, and intellectual focus of an author are often the same. That is stressed by Richard Bermann (2006) and—despite several factual errors—by Peter Drucker (2009) writing about the Vienna years.

Little known abroad, Polányi's journalistic crop in the Hungarian language displays his responsiveness to the embeddedness of the economy, his attitude to exploring the political conditions and social consequences of economic phenomena already from the early 1920s (Gyurgyák, 1981). In some 160 articles contributed to the *Bécsi Magyar Újság* [Viennese Hungarian News] he discussed, among many other things, guild socialism, the history of a socialist colony in America, the causes and implications of the decline of the German economy, the magic customs of African tribes, the connection between world trusts and governments, the growing significance of crude oil worldwide. In his article "After The Hague" of 1922 (Gyurgyák, 1981 [1922]) he showed that economic arguments were used to hide the fact that Europe's consolidation was primarily a political issue with the German-French relationship in the center. His press article "Work despised and respected" (Gyurgyák, 1981 [1922]) echoes Ricardo and the theory of the value of labor to prove that the monopolization of land and capital prevents the laborer from receiving a fair counter-value for his work. The apologists of capitalism—Polányi implicitly alludes to the work of Mises—try to put a gloss over this fact by overvaluing the entrepreneurial initiative and intellectual work. These newspaper articles are usually short but mostly highlight relevant contemporary social and economic phenomena with a keen eye and theoretical competence, anticipating in some respects the themes of *The Great Transformation* (Polanyi, 1957 [1944]).

The problem here is the following: if the economy is always embedded in society (Block, 2003; Block and Somers, 2014), analysis of the market economy and its supportive ideology may lose its critical edge (Polányi Levitt, 2006). If, however, the market economy is disembedded from society, criticism might lose its analytic apparatus, as—economists are of this opinion—this state can be satisfactorily described in terms of the optimization of the ends and means relations. Polányi claims that disembeddedness is the end of a process in the course of which profit-driven business becomes the dominant form of economic organizations, land, labor, and money become subordinated to the market and gain maximizing becomes the dominant motive of human behavior. What he explicates speaking about the social defensive mechanisms is the presence of motives beyond the market, the existence of non-market institutions. The analysis of the double movement is therefore an analytic strategy to describe the interpenetration of economic and social processes. It may not be the most adequate strategy, for disembeddedness might elicit the association that the effect of the social environment is erased wholly. It may recall the allusion as well

that embeddedness as such is a guarantee of a good society. Besides, the very conceptual construction of the double movement may have positive connotations in favor of these affinities.

However, in fact, the upswing of the double movement entailing disembeddedness describes the process how the market behavior becomes *dominant*, and *not* how it becomes *exclusive*. There might be slip ups in the terminology, but Polányi had no doubts whatsoever that the idea of a society built on the self-regulatory market was a *utopia*. Not only because its evolution and functioning have important political, institutional, and cultural conditions and supportive mechanisms, but also because human motivations are richer than the sheer drive for profit or what Smith described as “propensity to truck, barter and exchange one thing for another” while searching for the source of the division of labor. This was realized not only by economic sociology but also by the new institutional economics, leading to a solution of the problem by giving up the implausible postulates (Bowles, 2004; Szántó, 1994).

Embeddedness is just as polysemantic as it may be illuminating. Giving a detailed reinterpretation of Polányi’s work, Gareth Dale (Dale, 2010: 189 sqq.) describes embeddedness with the notions of dependence and subordination. These two categories may certainly be included in the concept of embeddedness, but they do not exhaust it. The analysis of the interplay between the economy and the social environment, might also require the terms of connectedness and interpenetration. Dale points out the parallels of Tönnies’ pair of notions *Gemeinschaft-Gesellschaft* with Polányi’s embeddedness and disembeddedness categories convincingly. However, his reasoning, which follows Hopkins, namely that embeddedness ought to be conceived along a continuum, and that in state socialism economy was not dominated by politics but by mechanisms imposed by the global competition is less convincing.

Though economic sociology and critical social science trace the concept of embeddedness to Polányi with all justification, it is also undoubted that this legacy is contested. The catalyst of the turmoil producing different positions is the tenet of the all-time embeddedness of the markets. Some critical political economists hold the view that the re-embeddedness of the markets—the necessity of which was argued for by Polányi as well—has not taken place. Instead of subsistence, the profit motive remained the dominant driving force of the economy, commodification of labor and land has not been changed. What took place instead was the parallel movement of liberalization and protectionism within the frames of the welfare society (Lacher, 2007). This constellation differs from the self-regulating market, nor is the laissez-faire ideology universally valid any more. Now, if the aim is not the elaboration of the future image of a subsistence economy—which might be a legitimate goal beyond the purview of this paper—, but the grasping of the contemporary social-economic processes, then two aspects are to be given thought to.

One is that it is worth examining and typifying societies in terms of how the market is regulated, and whether this process has clearly differentiable variants. Examples are provided by the literature on business systems (Whitley, 1992) and the varieties of capitalism (Hall and Soskice, 2001; Nölke and Vliegenthart, 2009; Bohle and Greskovits, 2012; Bluhm et al., 2014), some aspects of which will be touched upon in the last part of this paper.

The other is that even under the conditions of a market economy it is worth monitoring diverse aspects of embeddedness, as is pointed out by Zukin and DiMaggio (1999: 15 sqq). Beyond the structural aspect, embeddedness has cognitive, cultural and political facets that imbue, form, and delimit the behavior of the economic actors, the working of the market and the place of the economy in society. According to Polányi's approach manifest in *The Great Transformation* (Polányi, 1957 [1944]), the cultural and political aspects of embeddedness may be part of the social defensive mechanism which he set out in the double movement, and depending on the historical context they might facilitate, regulate, or impair the markets. It is worth it to remind ourselves at this point that according to Gambetta (2000) one of the reasons of the emergence of the mafia in southern Italy was the low level of business morals. One has to add that political conditions may heavily influence the weakening of trust and the spread of norm-breaching behavior among economic actors. In the new economic sociology, too, there is a rising trend of research interpreting the markets set in political and cultural contexts (Fligstein, 2001; 2002; 2005; Swedberg, 2005; see also Beckert, 2009; Abolafia, 2005; Dobbin, 2004; Trigilia, 2002).

The typology of forms of integration underwent some transformation in Polányi's thinking. Relying on the academic literature Polányi viewed *oikos* (householding) as a self-contained type in addition to exchange, redistribution, and reciprocity in *The Great Transformation* (Polányi, 1957 [1944]). That the category was omitted from the original set of integrative forms by the time of writing *Trade and Market* (Polányi et al., 1957) is attributed by Schaniel and Neale (2000) to the presumption that Polányi's colleagues had convinced him in the meantime that this form was practically identical with the structural pattern of redistribution. There is no reason to doubt the earnestness of Neale's revision, though I would lay the emphasis elsewhere. The model of centrality is true of both forms, but that is where the similarity ends. *Oikos*, unlike the rest of the forms, does not describe the alternative forms of interaction between economic units but rather it is characterized by the lack of such interactions. It grasps the functioning of an extensive subsistent household but fails to explain what forces of coherence keep the economic system together. Neale also challenges the view that Polányi was prompted to omit the notion of *oikos* for political considerations, because it allegedly elicited associations reminiscent of socialism that were too direct. Neale is right in disagreeing, for Polányi did not bow to political pressure. But the cold war milieu had an influence on Polányi's work which can be pinpointed in a shift of themes. As against the forties when the emphasis was on the double movement of the expansion of the market and the social defensive mechanisms, in the fifties the stress was moved to embeddedness and the forms of integration when he edited *Trade and Market*. There are restrictive remarks to be made at this point. First, it is evident that there is often asynchrony between the printed appearance of a book and an author's intellectual development, just as between written and oral communication. What a reader may infer from the structure or chronology of a work might not coincide with the writer's or his/her intellectual environment's interpretation. In a letter Polányi himself put the shaping of the theses of *Trade and Market* (Polányi et al., 1957) to the period between 1946 and 1950, surprising himself, too, 'in the fervor of a single uninterrupted workday' (Litván-Gyurgyák, 1987: 337).

Nonetheless, there is more to the intellectual climate and the birth of a work than the simple duality of appearance and reality. Nor is the climate homogeneous: each contemporary may recall one and the same aspect differently. Neale, for example, thinks that the activity of The House of Representatives' Un-American Activities Committee 'horrified academia but did not bully it so much as some have since believed' (Schaniel and Neale, 2000: 102). Nevertheless, many found this climate depressing, and many had good reasons to feel so. A work based on archival research has revealed that in addition to C. Wright Mills, even sociologists like Talcott Parsons were also under surveillance (Keene, 1999). In an essay based on survey evidence Lazarsfeld (1993 [1957]) has found that the impact of the 'difficult years' was especially negative on professors of a permissive thinking who were overrepresented in high-prestige colleges. Only a few recalled that they had become more cautious in their research, but the majority thought the collegiate atmosphere had deteriorated, and most of them had withdrawn from roles we register today as public sociology using Burawoy's term (2005).

### *3. Redistribution and double dependence*

The period called 'difficult years' by Lazarsfeld lasted longer and was more turbulent in Hungary and in Eastern Europe than in the United States. Not only that the cold war years—called by later government rhetoric the years of the “personality cult”—were aggravated by the retaliations after the 1956 revolution. The 'difficult years' meaning the political pressure on academia can be extended backwards to the authoritarian regime in the inter-war years. *Mutatis mutandis* it could be applied to the period of the sixties and seventies as well (Péteri, 2016; Szelényi, 2015).

This section deals with the Hungarian reception of Polányi from the sixties on and with some of the direct and indirect impacts of his oeuvre on recent theoretical developments. First, some aspects of the intellectual climate of the Polányi-reception will be depicted. Next, in the light of the Polányi-inspired debates the conceptual distinction between economic and welfare redistribution is touched upon. Finally, theoretical efforts to describe variants of contemporary market-dominated societies and the concept of double dependence will be highlighted.

#### *3.1. To the Hungarian reception of Polányi's work*

The years spent preparing the Hungarian economic reforms of 1968 brought about some political thawing and cautious intellectual opening. That was when András Hegedüs' *Optimization and humanization* (2001 [1965]) appeared, too, registering the need for the empirical examination of the administrative system. The existence of particular interests as against general social interests is an “objective necessity” in socialism, he claims, because there is division of labor and there are commodity relations. Consequently, the optimization of particular interests must be one of the goals of the state administration, which, in turn, would serve material growth. At the same time, said Hegedüs, it implies that the one-sided dominance of particular interests in major decisions must be prevented. How exactly this should happen remained obfuscated however. On the other side, the administrative system must

fulfill another goal: the humanization of the alienated conditions. This humanizing tendency has two implications: on the one hand, it serves the unfurling of the creative potential of individuals, and on the other, it provides a wide spectrum of opportunities for those concerned to take part in the decisions affecting them. Alienation cannot be eradicated in the short run, Hegedüs argued, as it would be opposed to the social goal of optimization and the related goal of material growth. Income distribution according to labor performance results in social inequalities, but there are still measures such as cheap cultural goods and schooling available to broad social strata that can serve the unshackled development of the personality. One of the main obstacles to political democracy, to the spread of involvement in decision-making, Hegedüs argued, was the formerly prevalent mentality that only tolerated the thinking in the alternatives of good and evil.

In the 1960s renescent Hungarian sociology was treading a narrow walk-board despite the reforms and the thawing, for two reasons. It was exposed to the undulation of politics. No sooner had sociology been re-institutionalized in a research group of the Hungarian Academy, than its leader András Hegedüs was replaced as he had been among the few who had protested against the occupation of Czechoslovakia with the participation of Hungarian troops as Warsaw Pact forces in 1968. There is another, more complex reason mainly belonging to the domain of history of mentality: the “new economic mechanism”—introduced in the same year—lifted the theme of market reforms, “market socialism”, “market and socialism” into the focus of professional and public discourse, relying upon concepts which were compatible with the values of economic liberalism. Critical sociologists had a keen eye to explore social contradictions and hidden conflicts, to expose inequalities and poverty. (It aptly illustrates the situation that the concept of poverty was missing from the statistical terminology and was replaced by the category of “multiply handicapped” groups). No matter whether the surge of the reform or the counter-reform had its high tide, most sociological criticism was received by suspicion and skepticism by both the authorities and the market reformers, for different reasons.

Though in 1963, shortly before his death Polányi visited Hungary and held a lecture on American economic sociology—published a decade and a half later (Polányi, 1979)—no direct influence of his upon the early reformist debates of the sixties can be discerned. In theory, the connection cannot be precluded, as it might be based—at the most general level of value choice—on his views of the good society, embedded economy and de commodified labor. A potentially more direct point of contact was Polányi’s conception of the markets and mixed economy which can be inferred from the works, too, but let us now cite a Polányi letter instead.

Letters are inherently essentialist, still they do not necessarily distort the facts or the intellectual-emotional commitments. Quite to the contrary, they try to condense the persuasive force, especially when the addressee is someone with whom the writer shares the intellectual interest and conceptual frame, for whom the basic tenets need not be explained. Also, with whom the mutual intellectual respect and the possibility of an intellectual dialogue remains unimpaired whatever distance might be kept for reasons of political or personal conflicts. One such relationship tied Polányi to Oszkár Jászi. Their Hungarian language correspondence reveals among others that Polányi

felt offended by Jászi's labeling him a "Christian communist". While working on *The Great Transformation*, he wrote to Jászi (on 1 March 1943; original emphases):

'I am no advocate of the totally planned economy. My first paper some twenty years ago on the socialist planned economy is based on that. As a result, Mises attacked me for building castles in the air if I think there is a middle course between **laissez faire** and proper planned economy. Where Mises has come with this view of his is well known. Nothing but middle courses can be seen in real life today.

The real alternative is between **laissez faire** and a regulated economy. The first is characterized by the belief in an automatic market organization (Max Weber's *Selbststeuerung der Wirtschaft*); the other does not believe in it, thereby accepting the duty of regulating the market. The question of property is no longer primary...

I am for a New Deal that is based on a clear conception, instead of the opportunistic, hesitant, chaotic and unprincipled intervention into everything. My formula would be like this: Since neither money, nor labor nor land are under the laws of the market any more, the best thing would be to remove all three from the play of the market. (1) **Money**: there is nothing else but managed currency today. Gold currency is the fossil of the 19<sup>th</sup> century. (2) TVA and the excellent conservation strategy of the New Deal prove that **land** cannot be put at the mercy of the market. (3) Today's trade unionism and the welfare policy have removed **labor** from the laws of the market (abuses by the market characterize the situation today). In my opinion, money, labor and land must not be left to the market. **Beyond these**, the liberty of the market must be retained. The experience of every country proves that there is no difficulty here provided that the automatism of the market on matters of money and credit organization has been discarded. The market is **noli me tangere** as long as state credit is entrusted to the money exchange, that is, to the play of the money market. The new "functional finance" has put an end to that. No more fundamental change has occurred since the Poor Law Reform of 1834 created the free labor market...' (Litván and Gyurgyák, 1987: 323-324).

One must repeat: there is no convincing textual proof that Polányi's view of the market like this put any direct influence upon the early reformists of state-socialist Hungarian economy. There are analogies in the articulation of the conceptual apparatus of the substantive approach and of the critical view of optimization and humanization, without direct references. The problem of humanization was inspired by the conception of alienation, a point of contact with the preoccupations of György Lukács, as recollections of Mária Márkus reveal (Rozgonyi, 2007: 73 sqq). The Polányi-Mises debate however appeared in the university curriculum in the first half of the seventies, being taught by a reform-minded scholar, Márton Tardos, in an economic policy seminar.

In fact, the channels of publicity, the published and privately communicated information differed not only in length but often in contents as well. And that does not necessarily mean that published texts were more cautious or ideologically deliberated.

That may be more or less true of the sixties-seventies, but there were ebbs and tides, and there are counterexamples. The writings of Hegedüs were truly outspoken in their time. Actually, oral culture was richer, more polyphonic than can be inferred from the publications. The scarcity of publishing possibilities was an effective filter; the relaxation of these conditions did not come before the second wave of the reform in the eighties.

What is interesting and varied about the Polányi renaissance in Hungary is its unfolding in an intellectual circle whose dominant idiom was that of market reform. Or, to put it more accurately: it emerged under the circumstances of a state socialist establishment in the professional discourse which was concerned about the role of the market. In the light of the above-quoted conceptualization of mixed economies it should not be so surprising; Polányi was not against the market *per se*, but against the marketization of fictitious commodities which had no imminent chance during the reforms of the state socialist economy. However, the majority of published early interpretations approached his oeuvre from another angle. In their introduction János Kis and György Márkus (1971), who launched the Polányi renaissance with the Hungarian version of 'The economy as an instituted process' stressed that Polányi was one of the most influential and most disputed figures of modern economic thinking, whose work has several points of contact with Marxism and challenges Marxist historical philosophy with several questions. József Bognár, who prefaced Polányi's Dahomey book (1972), remarked that it was common experience both in western and eastern societies that society must control the market and not vice versa. He did note that Polányi sympathized with the practice of socialism, in which full employment, inclusive health care and an old-age pension scheme were realized. He did not touch upon the issue that work was not only an opportunity but also a compulsion, which replaced unemployment, the here non-existent existential constraint with the charge of "publicly dangerous idleness" spelled out by penal law. In the otherwise appreciative foreword to a selection of Polányi's studies Tamás Szentes mentioned that the author regarded cultural destruction caused by colonialism far graver than exploitation and saw this as a mistake (Polányi, 1976).

In the launching essay of *Medvetánc*—a periodical in the eighties responsive to contemporary issues and the history of theories—Zoltán Balogh (1981) stressed that Polányi's oeuvre demonstrated the global failure of the free market. He criticized Polányi for identifying economy with its superficial forms, ignoring the labor theory of value, not clearly differentiating between class societies and primitive formations, having a redistribution-centric position, and not discussing adequately the interrelation between society and the natural environment. He mentioned as Polányi's asset his sociological qualities and his acumen with which he grasped the functioning of actual social mechanisms. This was a posthumous, unfinished writing by Zoltán Balogh, who died young. His view was debatable, but his habit had personal authenticity and greatly influenced some students, including the sociologist Bálint Magyar and the philosopher Imre Orthmayr.

Using the conceptual tools of political economy, Béla Greskovits (1982) also critically analyzed Polányi's works. An essential element of his critique was that Polányi had a narrow and normative interpretation of man's ontological specificity, moreover his views were ill-suited to describe historical changes because the

integrative schemes allowed for no combinations: parallel to the dominant form it was not possible to let other forms of integration rise to dominance in certain sectors or areas. All contemporary interpretations, Greskovits claimed, which intended to grasp the developments of the reform process in combinations of the forms of integration were also treading the wrong path.

The above references might suggest that the reception of Polányi at home was mostly critical and distanced. Reality is, however, far more intricate, his effect having more channels and being more lasting than the first impressions would reveal. The enduring influence of the substantive approach is clearly proven, for example, by the conceptual typology of Béla Greskovits three decades later in his book co-authored with Dorothee Bohle (Bohle and Greskovits, 2012). János Kornai in his work on types of coordination made it explicit that the type of bureaucratic coordination—which he contrasted with market, ethical, and aggressive coordination—was inspired by Polányi’s concept of redistribution (Kornai, 1989 [1983]: 35 sqq.). Research inspiration was given by Polányi’s outlook to researchers who tried to exploit the combination of anthropological, sociological, and historical sources. One was Endre Sik’s work on the bee type of work (*kaláka*) and András Kelen’s on the sociology of social work (Sik, 1988; Kelen, 1988).

One area of using the Polányian conceptual apparatus in Hungary was social policy; Zsuzsa Ferge has explicitly referred to and relied on Polányi’s forms of integration in several studies and polemics, claiming that “it is so far the only historically more or less thoroughly deliberated and complete analysis of the relations of redistribution” (Ferge, 1980 [1975]: 290 sqq.), which—she added—ought to be restored to their correlations with production. Ferge studied welfare redistribution from a prevalent viewpoint, notably, how it influenced social inequalities. Her empirical investigations have prompted her to conclude that money allowances (e.g., child-care benefit) reduced inequalities in the whole of society and between individual groups, too. By contrast, indirect benefits (e.g., subventions for culture, health, education or rental housing) tended to increase the gaps between the social groups owing to divergent needs.

To illustrate the persistence of the “difficult years” let me refer to an archival source I chanced upon during an institution historical research. A security official’s report of 1975 reveals that Zsuzsa Ferge held a lecture on Polányi’s and Szelényi’s concepts of redistribution in the Students’ Club of Karl Marx University of Economics in Budapest. An agent who heard the entire lecture thought that “the majority of the audience understood nothing of it whatever” (ÁBTL 3.1.2., File M-37605/Csikós). We may add it was probably fortunate that this was the secret agent’s opinion, for the theory was massively enveloped in suspicion by the authorities. The reason was that in a joint writing Iván Szelényi and György Konrád described the state socialist establishment with sarcastic criticism, which led to their arrest in 1974 and Szelényi’s emigration. The book (Konrád and Szelényi, 1979) was circulated only in audio recording and samizdat typescripts in Hungary before it was published abroad in Hungarian and in other languages.

In this book and at several other loci Szelényi and his co-authors stress that “rational redistribution”, a category combining Weber and Polányi, aptly grasps the essence of the state socialist economy (and, as it turned out later, could be handy to



analyze the post-socialist transition as well). Many recall the context and impact of this thesis in different ways (Verderi et al., 2005), but the conceptual apparatus appears to be practicable. It may suffice to refer to Victor Nee's articles on China (1989, 1991) or to Gábor Vági's work on Hungary (1982). Szelényi also makes it clear—and expounds on it at length elsewhere (Szelényi, 1978)—that the primary source of social inequalities is to be sought in the currently dominant form of integration, while the rest of these forms might compensate for these inequalities. The argument for the compensative effect was in accord with the social scientific aspect of the reform discourse in which János Kornai named “bureaucratic coordination”, and András Hegedüs pinpointed centralized bureaucracy as one of the central sources of the systemic malfunction (Kornai, 1989 [1983]; Hegedüs, 2001[1965]). What does count here is that in this perspective Szelényi linked up economic redistribution as a form of integration with the problem of social inequalities, particularly the class differences between laborers and intellectuals. Though the intellectuals interested in market reforms discarded the idea of being members of the new ruling class, yet the interpretation that it was redistribution, the dominant form of integration that was to be blamed for social inequalities was accepted as plausible by many.

That the context of the dispute over the economic reform was not quite innocent can be variously illustrated. A participant in one of the polemics, Andrea Szegő largely built on Polányi from a social critical position (Szegő, 1977; Szegő-Wiener, 1976; see also Nagy, 1990). She raised in one of her writings (Szegő, 1983) in the effervescence around the reviving reform that the content of market reform was vague without clear positions taken on the property relations, and after the market reforms the swinging of the economic cycles widened, and the country's external indebtedness increased. Besides, tensions arose within the labor strata between those who concentrated their work on the first economy not working outside their companies, and those who also worked in the second economy. Szegő interpreted these developments as the outcome of the ideology and intellectual disposition of the reformists who wanted to get rid of the hierarchy's pressure with the help of the market, advocating liberal, and not humanistic values, and their interests were aimed to undermine the system slowly and not to revive it.

In defense of the reform, László Antal (1983) tagged this position as an ill-intentioned artificial accusation, refuting that indebtedness was an outcome of the market reforms, pointing out that other state socialist economies were also in debt although they did not experiment with market reforms. He doubted that differentiation within the labor class could be well expressed by the dichotomy of skilled workers only employed by the first economy and unskilled laborers working in the second economy as well. Szegő's argumentation reminded Antal of the rhetoric of the class struggle in the early days of state socialism and he thought she was not far from becoming the *ouvrierist* advocate of the *cadre* elite voicing dogmatic-sectarian views. In Antal's view an economic system based on the model of unhindered market economy—which Szegő envisioned as the secret goal of the reformist intellectuals—was an unrealistic ideological formation which in itself is incapable of integrating society either in Hungary or, for that matter, in the advanced capitalist economies.

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### 3.2. *Economic and welfare redistribution*

In his writings Iván Szelényi further elaborated the social implications of embeddedness and the forms of integration, explaining the effect the system-integrating redistributive mechanisms exert upon social inequalities. He has put Polányi's thoughts to scrutiny and concluded that there is no *ab ovo* inegalitarian motif in the market, just as redistribution was not inherently equalizing. At the beginning, as mentioned earlier, his emphatic thesis was that the dominant economic mechanisms were responsible for the social inequalities in the first place. Therefore, in state socialist societies inequalities were mainly produced by the redistributive mechanisms, and the market mechanisms played a compensatory role. He argued that in capitalist societies it was the other way round: the dominant institutions of the market generated the inequalities and redistribution had the compensating effect (Szelényi, 1978). Revising the effects of the Hungarian reform, he modified his views in the mid-1980s. In a co-authored article with Róbert Manchin they concluded that the market—e.g., the housing market—had some compensatory effect, but it also produced certain mechanisms that generated inequalities (Manchin and Szelényi, 1986). Eventually, the redistributive and market mechanisms did not moderate but conversely, amplified each other's impacts.

Manchin and Szelényi disagreed with social reformist Ferge's thesis that "for welfare politics, the more redistribution the better." To their mind, a better solution was for market reformers and social reformers to work out a common platform, which would clearly *differentiate* between *economic redistribution* and *welfare redistribution*, the former obviously meaning the inherent integrative mechanism of the planned economy of state socialism, and the latter meaning the compensative mechanisms of social policy institutions. During economic redistribution the state as the owner wishes to appropriate maximal surplus, while it manifests its responsibility toward the citizens in welfare redistribution.

Arguing against this position, Zsuzsa Ferge expressed her doubt about the validity of the tenet that the dominant integrative mechanism was the prime source of inequality in any society. In her view, it is neither the market, nor redistribution that determined the inequalities of life chances, but the relations to property, power, and knowledge, as these were the elements that influenced politics, the market, and redistribution. She left open the question what the relations to property, power, and knowledge depended on. Her data revealed that inequalities increased since the launching of the reform, and after the slowing of the reform, they decreased. She experienced again that money allowances—amounting to 60% of welfare redistribution—did have an equalizing effect, however, allowances in kind did not have any in the mid-eighties. She also established that in both the East and the West the less equalizing redistribution was, the greater the scarcity of the given commodity or service would be, the higher its value, and the greater its significance for the maintenance of the social status quo. She mentioned higher education, special medical treatments, and, as specific to Hungary, housing. She thought the statement about redistribution attributed to her was intentionally misinterpreted. She claimed that it ought to have been clear that she meant welfare redistribution from the start. And that, in turn, must have influenced the chances of the joint platform of market

reformers and social reformers, for the advocates of the market reform opposed plans for welfare redistribution from the beginning, irrespective of their contents (Ferge, 1986).

In later analyses of the post-socialist transition Széleányi used combinations of forms of integration (see e.g., Széleányi and Kostello, 1998). A balanced thesis of the interrelation of integrative forms and inequalities says that the complementary forms are alternative sources of inequalities, which may, but do not necessarily have any compensatory effect. In his retrospection Széleányi gives vent to deeper skepticism, saying:

‘Both systems are bad as they are, within both there are possibilities for correction (...) if the actors of society want to carry out correction. These corrections will benefit certain strata or classes, but others will have to pay the price of the corrections’ (Széleányi, 2015: 93).

### 3.3. On double dependence

Similarly to Polányi, who in 1943 saw the real alternative between *laissez faire* and *regulated* economy, the “varieties of capitalism” Literature over half a century later proposes paths to explore the types of contemporary market economies interwoven with threads of political and cultural effects. This analytic approach puts firms into the focus and basically distinguishes two models, that of the *liberal* and the *coordinated* market economy (Hall and Soskice, 2001; Estevez-Abe et al., 2001; Krippner and Alvarez, 2007). The former is closer to the Anglo-Saxon economy, the latter to the continental European, first of all German, type of economy. In the former, greater weight is laid on market competition, on arms-length contractual relations between the actors, on the publicly controlled sources of financing and the fluidity of the labor market. The prevalent form of compensating and binding the managers is the stock option scheme. Less emphasis is put on the interest protection of employees, on technology transfer among the firms, while hostile takeovers in business life are tolerated. In Polányian terms this model is closer to a type where exchange, supporting market institutions and *laissez faire* ideological values prevail and are complemented by a less developed welfare redistribution. It is to be added that presuppositions and certain research findings of the new economic sociology do not support this image of the liberal market economy model (Uzzi, 2005).

In the coordinated market economy model in addition to competition, conciliatory moves have a greater role, obligational relations between the actors are more important, and the rights of the employees, particularly of skilled labor are more powerful. In the education of labor, the training of firm-specific skills has a more emphatic role in addition to general competence. The form of binding the managers is not so much the stock-option scheme as the advantageous long-term contract. The limitation on publicly accessible information on financing is counterbalanced by the monitoring of reputation, and technology and know-how transfer between firms is more frequent. On the whole, compared to the great role of minutely detailed enforceable formal contract in the liberal market economy model, in the coordinated

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model competition is conditioned by an intention to exchange information at several levels and to reach agreements.

A group of authors (Nölke and Vliegenthart, 2009; Drahokoupil, 2008; 2009; Bluhm et al., 2014) tend to justify the existence of a third type, the model of the *dependent market economy* applied to the East European economies. Coordination and control in this type are realized within the intra-firm hierarchy of transnational firms and investments are largely financed by internationally owned banks or in FDI form. I argue however, that we are facing *double dependence* here. One basis of dependence is undoubtedly the presence and predominance of transnational companies. The other basis is economic redistribution of the budget and the EU resources. *Market, dominated by transnational companies* on the one hand, constraining and promoting *economic redistribution* on the other are the two major coordinates shaping the chances of economic actors.

A conceptual clarification note is appropriate here. The term of double (dual, or twin) dependence appears in social sciences in different contexts, with different meanings. In a study—based on empirical evidence on farm workers in California and miners in South African countries—Michael Burawoy (1976) applied the term of twin dependence on the description of migrant labor. In this context the term refers to the fact that employment and family household belong to different economies or different states. Theoretically it reflects the separation of subsistence and renewal of migrant labor. What appears to be cheap in migrant labor is due to legal regulations preventing full integration of migrants, separating them from their families. All these lead to the externalization of social and political costs of employment according to Burawoy.

After the Hungarian economic reform János Kornai (1986) mentioned that state-owned firms in Hungary operated under the conditions of dual dependence: horizontally they depended on suppliers and customers, vertically on bureaucratic coordination (among others on price control).

József Böröcz (1992) enriched the concept from another angle: he applied the term on the external constraints of semi-peripheral state socialist societies depending economically on the core countries of the world economy and politically on the imperial center of the Soviet Union.

The common element of these approaches is that they take into consideration how economic and political conditions and institutions shape the action potential of collective economic actors. In this broad sense we share the common element of viewing double dependency as an interplay between economic and political forces. *Double dependence* rests here on the dual bases of *markets dominated by transnational firms* and *economic redistribution of the state*. The state does more than welfare redistribution or legal coordination of the economy. It takes an active part in investment, it performs group-specific interventions, which entails building up of a clientèle. A network analysis of enterprises has verified that relations between Hungarian parties and economic organizations outline patterns that can be demonstrated in a relatively early period of the post-socialist transition (Stark and Vedres, 2012).

Investments of the government and the state-controlled use of EU development resources are basically distributed according to the mixed criteria of political and

personal loyalty and competence. What we have now is the conflict-laden cooperation of two elements of double dependence: transnational firms and state redistribution. In addition to post-haste laws and orders, the arsenal of economic redistribution includes sectoral surtaxes and tax allowances, group-specific positive and negative discrimination, selective advantages and disadvantages.

The liberal, coordinated and double-dependent economic systems differ as to the recruitment patterns of economic leaders, as to how the criteria of competence and loyalty are combined in the principles of selection. Competence and loyalty are always present among the recruitment criteria of economic leaders, the question is the combination of their operational forms. In the liberal model, recruitment is dominated by the career patterns that document competence and management skills and display inter-organization changes. The corporative elements promote the importance of intra-organization loyalty in addition to competence. Under the conditions of double dependence, the influence of transnational firms also reinforces the aspect of organizational loyalty. In the recruitment of leaders economic redistribution takes political and personal loyalty as the most important criteria. These criteria often complement or overshadow the criteria of competence. Among incentives for managers, competitive wages and bonuses precede long-term contract or the stock-option schemes in importance. The firms in whose headquarters the rules of multilevel coordination are decisive do not insist on sectoral collective agreements here. Hostile takeovers are not infrequent against business partners, and the drive toward sectoral monopoly is also strong. From the perspective of radical social criticism it may appear that predator capital and the rent seeking state have come to grips with each other and it changes from time to time whether they are fighting or supporting each other.

During the Hungarian “small transformation” (Lengyel and Bank, 2014) of 1990 the state facilitated the dominance of transnational firms in the key sectors of the economy including banking via privatization. To win FDI, it competed with other states using selective incentives. First of all, it assured the foreign employers that their viewpoints would be duly responded to by labor legislation. This has provided the favorable combination of highly qualified labor and low relative wage levels in the long run for employers. Trade unions are weak and fragmented, the interest asserting potential of the civilian sphere is low. The broad public displays signs of apathy and responds more easily to populist rhetoric. What we are witnessing in Hungary under the rule of the conservative-populist government is in Polányian terms an *attempt to re-regulate the markets of fictitious commodities*: enforcement of public employment policy, centralized control over the land, increasing state ownership, surtaxes imposed on the banking sector, the price regulation forced on public utilities firms owned by transnational companies are clear signs of this. Critics emphasize that this is an ill-conceived attempt of *decommodification*, since it is interwoven with growing dependence on economic redistribution and strengthening of political patron-client relations as is exemplified by state investments and selective access to land. Patron-client relations fit into a paternalistic view with communicable messages from “salvaging the victims of predatory lending in foreign currency” to the “fight against high overhead costs”. People of lower status and qualifications with less defensive potential are more ready to think that their interests can only be protected by the state

and the constructed organizations, and not by themselves, their family, friends, or the alliance of people similar to them. The state thus appears as a key actor in both market building and in the defensive mechanisms. Under the conditions of double dependence, the defensive potential of a society, which Polányi regarded as the crucial element of the double movement, is weakened.

#### *4. Concluding remarks and questions*

There is a difference between old (substantive) and new economic sociology concerning the interpretation of embeddedness. New economic sociology's network type of embeddedness is embodied in personal and organizational ties. The Polányian vision of social environment on the other hand includes the state, social classes, and groups: the carriers of counter-movements of the society. The recent challenge for economic sociology is to combine empirical evidence on micro and meso level with macro analysis of economic systems. If the focus narrows to meso level networks, the embeddedness-disembeddedness distinction may lose its critical and explanatory power concerning macro level aspects, including state-market connections and international economic relations (so important to Polányi). Meso level investigations therefore may not substitute for the micro-macro link, but they can usefully supplement them. The Polányian substantive theory of embeddedness warns us that one should try to grasp the structural relations as well as motivations of the economic actors in their complexity.

Polányi was described by his contemporaries with two attributes that are hard to reconcile at first glance: he was seen as a prophetic figure and at the same time, a polemicist with a good sense of humor. The former undoubtedly left more of a mark on his writings, the latter was presumably exposed through the medium of the spoken word. Student leader, publicist, teacher and researcher—these mark different periods in Polányi's life, each with its specific features. That may explain why he wrote that one or another period boundary came as a surprise to him. But the motivational basis of the passionate interest in international politics and economy was constant throughout his life. His broad-ranging factual knowledge and concentrated absorption in his chosen theme did convince his listeners not only of the significance of the topic but also of the truth of his position. In a moment of pathos Polányi declared he owed everything to Hungary. What he indeed sucked up from the Hungarian trends of progressive thinking at the onset of the 20<sup>th</sup> century was only the penchant for problem-driven socially critical thinking. There is however a threat of two kinds of dogmatism here. One is that normative thinking might blindfold our sense of reality. The other is that conceptual tools and approaches of economic sociology—or, for that matter, any discipline—might become canonized. Evidently, the concepts and postulates must be duly clarified, as they are necessary and important tools of the accumulation of knowledge. But when the circle of the legitimate questions becomes closed, this might blur the responsiveness to problems.

What does all this boil down to? Economic sociology enriches our knowledge about economy and society, so the importance of our insight into reality that is deepened by this kind of research need not be underestimated. It may contribute to the evolution of a more realistic conceptual apparatus with the help of which we may

grasp reality more sensitively. It may also contribute to the strengthening of the foundations of humanist social criticism. The whole issue is, however, far more complex, for economic sociologists also have their postulates—e.g., about the economic institutions being socially constructed, embedded, and economic activity also being a form of social activity—, but it frequently remains hidden what sort of postulates the empirical investigations apply. The research concepts may also have broader social and political implications, but they are frequently misinterpreted. I argue that Polányi was not a critic of markets in general. That is one of the reasons why his intellectual influence was so important during the decades of market reforms in state socialist Hungary. He was a critic of the idea of the unregulated market economy based on commodification of fictitious commodities: land, labor, and money. Moreover, not only the market, but other forms of integration may also be relevant to understand the real structuring of contemporary economies. The study of economic redistribution can promote the understanding of state socialist and post-socialist transformation and may contribute to the interpretation of the processes of supranational integration as well. During post-socialist transformation a sort of double dependence has been formed. Markets dominated by transnational companies on the one hand and economic redistribution by the state on the other are the two major forces shaping economic actors' space for maneuver.

When the cognitive, cultural, and political aspects of embeddedness are put to scrutiny, an adequate working hypotheses can also be arrived at, or, to put it in interrogative forms: is there any inherent connection between variants of market economies and the specificities of the political regime? Is it true that a liberal market economy has affinities for majoritarian political establishments, while the coordinated type is closer to consensual political regimes, and if so, why? What kind of behavioral patterns and political institutions are associated with the model of double dependence? Are the political institutions of simulated democracy and an inclination toward authoritarianism necessarily in connection with the nature of double dependence and re-regulation of the markets of fictitious commodities?

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CHRIS HANN \*

Cucumbers and Courgettes: Rural Workfare and the  
New Double Movement in Hungary

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### Abstract

The paper is an application of the economic anthropology of Karl Polanyi to contemporary rural Hungary. After addressing the influence of Polanyi's critique of market society and his standing in the discipline of anthropology, the main focus is the community of Tázlár on the Danube-Tisza interfluvium. The paper traces the history of the 'fictitious commodities' of land and labour in this relatively isolated settlement, which was not fully integrated into the national society until the socialist era. The innovative symbiosis of household and cooperative farming was destroyed in the 1990s. In the depressed economic climate of today, workfare schemes are popular because they treat villagers as human beings rather than as commodities to be exploited for maximum profit. The workfare initiatives of populist power holders can be interpreted as one facet of a complex 'double movement' in which postsocialist society seeks to defend itself against the domination of the market.

*Keywords:* Danube-Tisza interfluvium, double movement, fictitious commodities, Hungary, Karl Polanyi, neoliberalism, (post)socialism, workfare.

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*Introduction: thinking with Karl Polanyi*

The oeuvre of Karl Polanyi is remarkable, as is the continued fascination of so many scholars in different fields with his legacies. As a social anthropologist trained in the 1970s, I was obliged to read a few key chapters (his contributions to Polanyi, Arensberg and Pearson, 1957). But most of us felt at the time that Polanyi's economic anthropology had been surpassed, that his 'substantivist' polemics against 'formalists' were old hat, superseded in particular by neo-Marxist approaches. In retrospect, it looks foolish and embarrassing that I made no use of Polanyi in my doctoral project in Hungary (Hann, 1980). In the new century students are once again grappling with those essays, and many teachers of economic anthropology find the approach of Polanyi more inspiring than that of Karl Marx, or Marcel Mauss, or indeed of any other scholar. Of course, the Polanyi revival is not limited to anthropology. *The Great Transformation*, his undisputed *opus magnum* has been republished and is debated in many fields (Polanyi, 2001 [1944]). Gareth Dale has written a best-selling introduction and his biography of Polanyi will be published shortly (Dale, 2010; 2016).

The renewed popularity of the scourge of 'market society' obviously has much to do with trends in 'neoliberal' capitalism in the last four decades all around the world. Even where details of Polanyi's scholarship, for example his analysis of markets in antiquity, have been subjected to much criticism, his general approach retains its appeal. The challenge of Polanyi has been taken seriously even by the proponents of paradigms diametrically opposed to his, such as Douglass North, the most celebrated representative of the New Institutional Economic History (Krul, 2016). In short, Karl Polanyi is evidently *good to think with*. It is only natural that he should be particularly admired nowadays in the country where he grew up. Even though Hungary was not a major focus of his scholarly work following his early exile, Dale's biography uncovers the lasting significance of his formative years in Budapest. Karl Polanyi never ceased to identify as a Hungarian. This was expressed in his final years when he set his scientific agenda aside to work with his wife on English translations of poetry idealising a pre-industrial Hungarian past and left-wing populist ideals for transforming it (Duczynska and Polanyi, 1963). My aim in this paper is to *think with Polanyi* about the contemporary countryside in Hungary. I cannot operationalise every concept in Polanyi's tool-kit. Rather, I focus on the path of postsocialist Hungary with reference to Polanyi's classical analysis of how, in Britain two centuries earlier, the emergence of a market society was accompanied by a 'counter movement' in which society defended itself against the ravages of a 'disembedded' economy. I shall pay particular attention to labour, one of three 'fictitious commodities' in Karl Polanyi's conceptual schema.

The idea behind the concept of 'fictitious commodity' is simple: the 'goods' of land and labour are given in nature (by God?) and not produced for a market. They are therefore of the highest moral value. So if these goods are made subject to the laws of supply and demand and become available for purchase by means of a third, even more sinister, fictitious commodity, namely money, then something is fundamentally out of kilter in that community. In notes titled 'Community and Society' formulated in 1937, Polanyi described the 'treatment of human labour as a commodity, to be

bought and sold, like cucumbers' as a 'grotesque perversion of common sense'.<sup>1</sup> Yet this is what occurred in nineteenth century Britain.

Polanyi's model is too simple for many critics. Historians point out that land and labour have been bought and sold since ancient times. For Marxists, Polanyi's approach does not engage sufficiently with the sphere of production and lacks the rigour of their concept of labour power; for this tradition, his analysis of market society is superficially empiricist, because he fails to show how exactly capitalists exploit workers through the extraction of surplus value (Godelier, 1981). For Nancy Fraser (2014), Polanyi pursues a flawed communitarian approach. Above all, he overlooks the fact that many earlier forms of embedded labour, such as slavery and feudalism, were deeply oppressive. The rise of wage-labour was progressive to the extent that it brought emancipation from these dependencies, even though it was at the same time exploitative, as the Marxists insisted. Polanyi's seductive concept, according to Fraser, must therefore be complicated by a more discriminating approach which pays attention to emancipation and also to individual liberties.

I shall complicate Polanyi's narrative in a different way by focusing on work and the labour market in the *longue durée* of a Hungarian village. The essay is unashamedly personal, because I rely almost entirely on evidence of the village of Tázlár, where I have worked since the 1970s. In my early publications I outlined the complex interdependencies between farming households and a distinctive form of agricultural cooperative, the *szakszövetkezet* (Hann, 1980). Had I used Polanyian vocabulary, I would have described agricultural labour in this village as highly embedded (with the partial exception of an expanding day-labour component in the vineyard sector, though even here, in the hiring of *napszámós*, personal relations usually played a significant role). Though I was highly critical of some features of the socialist community, especially in the political sphere, I made no secret of my sympathy with socialist ideals, even though these were not shared by many villagers themselves. I can remember debating the choices available at the time of the 'system change' both in the village and in Budapest. Few of my acquaintances supported the re-named Hungarian Socialist Party in 1990. The villagers cast their votes overwhelmingly for the Independent Smallholders Party. In the capital, friends argued about the relative merits of the programmes of the Hungarian Democratic Forum and the Free Democrats. Perhaps influenced by my experiences in the countryside, I preferred the soft nationalism of the Democratic Forum to the rhetoric of civil society and market economy espoused by the more 'cosmopolitan' Free Democrats. Having lived through the impact of Margaret Thatcher on society and higher education in Britain, it seemed to me in 1990 that to embrace a 'hard budget' market economy of the kind theorised by János Kornai (1980) would bring no good to Hungary.

The apprehension I expressed at this time about the sudden impact of a new, disembedded market society (Hann, 1990) was perhaps exaggerated. Compared with most neighbours, especially Poland, Hungary's transition in the 1990s was relatively smooth. But unemployment, already a problem in certain sectors and regions in the 1980s, increased almost everywhere. As de-collectivisation proceeded, the problems of 'surplus' labour became especially acute in the countryside. It did not take long

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<sup>1</sup> Cited in Dale, 2016: 168, note 1905.



before the political rhetoric became coarser, reflecting the declining material conditions. As the embeddedness of the old market socialism gave way to the hegemonic forms of neoliberal capitalism, Viktor Orbán out-manoeuvred the leaders of all the right-of-centre parties, eventually transforming the soft nationalism of the Forum into something much more virulent. One tool to theorise these transformations is Karl Polanyi's (2001) notion of the 'double movement': the extension of the market principle evokes mechanisms of defence or protection in the society. Ironically, the marketisation process peaked under nominally socialist governments between 2002 and 2010. It was clear well before Orbán's victory in 2010 that the socialists, bankrupt ethically as well as economically, were haemorrhaging support to new forms of populist reaction even in their traditional core constituencies (Kalb and Halmi, 2011).

I shall ask: in what sense, if any, can the Hungarian labour market be glossed nowadays as *neoliberal*? The first modest schemes to address unemployment through workfare were launched by socialist governments in 2009. Their massive expansion since 2010 stands in sharp contradiction to the principles of a free labour market. Yet some scholars have seen workfare as another facet of neoliberalism. Following Foucault, they argue that workfare serves a vital disciplinary or punitive function that complements the regular labour market (Wacquant, 2012). I shall argue that this analysis is inadequate, at least in the context of the countryside. In Tázlár, workfare schemes have established themselves in recent years. I interpret them not as distortions of some 'pure' labour market nor as the repressive underpinning of that market, but as a relatively benign instance of the 'double movement'. These schemes are popular at the local level because they offer creative responses to the destructive logic of the market.

### *The privatised frontier in Tázlár*

The village of Tázlár, about eighty-five miles south-east of Budapest, half-way between the Danube and the Tisza rivers, took shape as a product of the uneven impact of capitalism in Hungary (Hann, 1980; 2015; Szabadi, 1997). Small settlements existed here in the Middle Ages but they were destroyed by the invasions of the Tatars and later the Ottomans. When the Ottoman Turks were pushed back, Christian feudalism was consolidated afresh. Since the soils of Tázlár are relatively poor, this land was used for centuries as summer pasture by the inhabitants of various small towns in this zone of the Great Plain (classified by Hungarian geographers as the Danube-Tisza interfluvium). In the course of the nineteenth century serfdom was abolished and expanding population pressure, in the absence of urban, industrial employment, led to the colonisation of even such infertile regions. Immigrants bought parcels of land of varying size as private property. They built their new homes (*tanya*) on these estates, but their freedoms remained qualified by geographical isolation and lack of development. Only after socialists came to power following the Second World War was there substantial investment in the infrastructure of a nuclear centre and pressure to give up the isolated farmhouse in favour of a village dwelling with modern facilities. Population peaked mid-century at around 4000.

From 1950, the purchase and sale of land was prohibited and the holders of an above-average acreage were vilified as rich peasants (*kulák*). Villagers came under pressure to join socialist cooperatives, which infringed the remaining property rights of owners in order to establish larger fields, better suited for mechanised agriculture. When they did so, however, they offered individuals compensatory plots elsewhere. Land was suddenly no longer such a scarce resource as many villagers moved away to work in industry. For those who remained, jobs were generally available in the cooperative. But most villagers of the Danube-Tisza interfluvium preferred to continue family farming and, due to the importance of the vineyards and orchards surrounding scattered *tanya*, they were spared the rationalisation imposed in most of the rest of the country.

Tázlár villagers were forced to join a cooperative as members, but they did not have to work for it (beyond a nominal six days per year, which could be commuted into a cash payment). The cooperative helped them, by providing cheap fodder, fertiliser and marketing assistance, to become prosperous family farmers. This symbiosis of cooperative and peasant household was an extreme 'private' variant of a pattern found throughout rural Hungary (Swain, 1985). Elsewhere, villagers generally spent more of their labour time in the collective sector, where eventually, as in urban factories, they were remunerated in wages rather than on the basis of their 'work units'. But everywhere the 'household plot' was a focus for 'self-exploitation' in the manner classically identified by Alexander Chayanov (1986) for the Russian peasantry prior to Stalinist collectivisation. Overall, the Hungarian variant of collectivisation was a great deal more successful than the Soviet prototype, economically as well as socially. Even before the formal adoption of the 'New Economic Mechanism' in 1968, Hungarian agriculture boomed; salami was exported to Italy, and villagers benefited from the conjuncture (and their own hard work) to build lavish homes with bathrooms and even import cars from the West in addition to the standard Soviet models. Iván Szelényi (1988) hailed this process as 'socialist embourgeoisement'. Tázlár was not statistically representative but it exemplified the patterns of market socialism. That is why I chose to do fieldwork there. On the face of it, this was a remarkable story: thanks to the symbiosis of cooperative and household, the diminution of property rights was associated with economic prosperity, contradicting the economists' assumption that efficiency is impossible without strong private property rights.

Despite the success of Hungarian collectivisation, the old ideology of private ownership was tenacious. It became politically decisive with the demise of the regime. The socialist cooperatives and state farms were privatised, a long drawn out process which did not guarantee former owners restitution of their patrimony and frequently led to bitter disputes within communities and even within families (Hann, 2006). With the collapse of the socialist symbiosis, the withdrawal of subsidies, and the disappearance of markets in other eastern countries, farmers have struggled to produce and to find new outlets. Accession to the European Union in 2004 brought the potential for a different source of agricultural subsidies for the new private owners. However, the land in Tázlár produces only a fraction of what it produced in the last decades of socialism. Given the low productivity of local soils, much of the surface is left fallow, overgrown with weeds (including *vad dohány*, which in theory might be

processed illegally as marijuana), and grazed by sheep. The village remains statistically unrepresentative, as it was under socialism. In other regions of rural Hungary the market in land is more active and prices have risen in recent years. Even Tázlár has a few entrepreneurial farmers who have managed to build up substantial businesses through acquiring suitable plots for cash. Grapes and wine are the principal products. The only other lucrative branch of the local agrarian economy in Tázlár is the mass production of poultry and *foie gras*.<sup>2</sup>

### *Labour in Tázlár*

This zone of the Great Plain was resettled following the abolition of feudalism. Some large estates with semi-servile (or semi-proletarian) labour forces working under farm managers persisted into the twentieth century, but the dominant economic form following the large-scale parcellisation of the 1880s was the Chayanovian family-labour farm. The principal determinants of the division of labour were age and gender. A high proportion of what the household consumed was produced by the labour of household members even if the wider economy was becoming increasingly commercialised. Tázlár households marketed their surpluses in the neighbouring towns and as far afield as Budapest, which was easily accessible by railway from the 1880s.

As in the much older settlement examined by the Hungarian ethnographers Fél and Hofer (1969), not all Tázlár households were able to achieve the ideal of the self-sufficient 'proper peasant'. This was never a community of equals. As in the Russian case analysed by Chayanov, some of the inequalities could be explained by the developmental cycle of the domestic group. Households with a high ratio of consumers to workers (i.e. they had many children and/or infirm elderly) had to work harder to produce the food supplies they needed (Sahlins, 1972). An active market in land facilitated the necessary elasticity. Some households purchased or rented an extensive acreage when they had many mouths to feed, without thereby changing their social standing.

But not all inequality was of a demographically-determined kind that evened out in the course of the development cycle. Some of the households most in need of additional plots lacked the resources to obtain them and/or the skills and equipment needed to farm in the first place. Land was the prime determinant of social class, and the transfer of labour was the principal means by which this hierarchy was reproduced. Prosperous households in need of labour to farm their larger acreages could use money to meet their needs by hiring day labourers (*napszámos*) at peak periods (notably when harvesting wheat and grapes). Labourers could also be hired for longer periods. However, more important than such flows of cash was the institution of farm servants (*cseléd*). Poorer households formed links with the wealthy via their children, who were typically allowed to visit their native families every second Sunday and remunerated in kind rather than in cash. These arrangements often persisted over generations. They were not sufficient to alleviate mass poverty,

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<sup>2</sup> It is said locally that much of this produce ends up on the French market, partly because the production methods used in Hungary are deemed inhumane and are no longer legal in France.

especially during the Great Depression. In 1932 the local government provided aid to 331 village residents who would otherwise have faced starvation. The able-bodied were obliged to perform public work (*közmunka*) in return for the wheat they received (Szabadi, 1997: 109).

Such public works programmes were superfluous in the socialist decades. The institution of the *cseléd* disappeared in the course of the 1950s. The practice of day-labouring faded even earlier as the last major landowners were expropriated in the post-war land reform. Most left the village; wealthy farmers who remained were pilloried as *kulák*, the class enemy, in the repressive climate of the 1950s. The problem was that, especially in zones of poor natural endowment such as Tázlár, even the proprietors of relatively large holdings might barely be self-sufficient, let alone exploitative landlords. Communist power holders targeted everyone who met the criteria laid down nationally, and sometimes went out of their way to harass uncooperative individuals irrespective of their wealth and standing. One well-known case in Tázlár was that of Jani, born in 1929 into a family of poor peasants but adopted at the age of seventeen by an unrelated, more prosperous family which lived on a neighbouring *tanya* and lacked a male heir. Jani's rural-proletarian background did not prevent his being classified as 'kulák progeny' in 1950 and sent off to the army for 27 months of forced labour. Back in the village, he again ran into trouble with the authorities in 1956 for allegedly damaging a statue of Lenin. He was imprisoned for four weeks before the charges were dropped for lack of evidence. Eventually he was allowed to resume work on a family farm now reduced in size to ten acres (Pavlovits, 1990: 41-2).

Socialist power holders encouraged cooperatives, an institution hitherto foreign to communities such as Tázlár. The early cooperatives were dominated by poor peasants who lacked the resources necessary for viable family farming. They did not function well. In a climate of political repression, members squabbled over the value of the resources they had contributed, which was often recorded at well below the market price, and of the 'work unit' (*munkaegység*) which formed the basis of their remuneration. Rationing was introduced when harvests failed in the early 1950s. The monetised economy was distorted and diminished in comparison with the pre-socialist era. The majority of 'proper peasants' resisted socialist institutions as long as they could. However, when the government of János Kádár imposed mass collectivisation between 1959 and 1961, virtually all Tázlár villagers were obliged to sign up. Unlike earlier schemes, this time the authorities were careful to nominate leaders who enjoyed the trust of their fellow villagers. To his surprise, given the class background of his adoptive family, Jani was proposed as chairman of one of the three new cooperatives. The institution was named after the Hungarian national hero Lajos Kossuth and not, as earlier cooperatives had been, with an alien socialist name or slogan. Jani served as chairman until 1971. The Tázlár cooperatives fused to form a single much larger entity in 1974, known as the Peace. During my first fieldwork in 1976-7 Jani was still a member of its leadership board and he took a friendly interest in my research project.

Socialist collectivisation generally meant the rapid transition to an 'industrial' division of labour. In most states, remuneration according to work-unit was eventually replaced by a wage-labour regime similar to that implemented from the beginning in

state farms.<sup>3</sup> At the same time, industrial investment created new factory jobs. From the middle of the century onwards the population of Tazlár fell as peasants, especially from the poorer strata, moved away to take their chance in the city. Because housing was in short supply, others commuted to industrial workplaces while continuing to reside in the countryside and engage in farming on a part-time basis. In one way or another, the old ideal of the family labour farm was rapidly supplanted by a system in which at least one member of the household engaged in wage labour. Even these workers contributed significantly to production based on the 'household plot'.

In the absence of any requirement to work more than a nominal six days for the new cooperative, yet supported by new mechanised technologies introduced by the socialist institution, the old populist ideal of the family-labour farm was rendered more achievable than ever before. In practice, most households depended heavily on the cooperative for fodder supplies and mechanical assistance. But I knew some in the 1970s who did their utmost to adapt traditional solutions to avoid the socialist institution, which they mistrusted deeply. The reasons were clear. In the words of the village chronicler, 'There was never any concrete link between the results of the cooperative and the incomes of individual members .... Members remained convinced that the performance of the socialist sector was bureaucratic and ineffective. The leadership could not make working for the cooperative attractive to its members.' (Szabadi, 1997: 140-1) Many, including Jani, continued to plough small plots with a horse in the traditional way. Presumably they found this work satisfying, or at any rate more satisfying than the alternative of working for the socialist institution. As a chairman, Jani found himself spending quite a bit of time coordinating plans in the central *bisztró* with other cooperative officials. His widow recalls that he seldom came home sober on the days when he 'did the chairman's business' (*elnöksködött*). But he and the great majority of cooperative members managed to steer clear of the practices of both the work unit and wage labour. Presumably their satisfaction increased when they stepped up their 'self-exploitation' in order to slaughter more than one pig in the winter, and later to sell more animals through the cooperative for cash, which they then used to acquire materials for house-building and a burgeoning range of consumer goods. The cash economy expanded rapidly. Hungarian 'goulash socialism' diverged significantly from the paths pursued in neighbouring socialist states, and it penetrated the village from its beginnings.

Although villagers were suspicious of socialist institutionalised cooperation, they continued to cooperate according to their own norms, free of bureaucratic interference. Work groups were common at harvesting. New forms of cooperation developed to facilitate the labour process, e.g. when Jani joined forces with an unrelated household in the village centre to share the costs of maintaining the single horse that sufficed to meet their farming needs. Voluntary cooperation was most conspicuous in house-building, which peaked during the 1960s-1970s. These were primarily joyous occasions blending productive labour with eating and drinking. Wedding celebrations also required extensive cooperation (Vidacs, 2015). The sums

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<sup>3</sup> The state farm (*sovkhos*) was, according to Marxist-Leninist ideology, a higher form of property than the collective or cooperative farm (*kolkhoz*) in which property was owned by the members rather than by the state.

raised in this way constituted a communal endowment for the new couple. These weddings were a graphic demonstration of material prosperity and of the value attached to the post-peasant way of life (Hann, 2014; Sárkány, 1983).

Not everyone opted to avoid socialist workplaces and the discipline of wage labour. Admittedly, this discipline was generally lax. Workers made redundant for poor performance, or even for the theft of socialist property, generally had little trouble in finding another job which would bring more or less the same remuneration, either in the factories at nearby Kiskunhalas or within Tázlár itself. More white-collar positions were available to both men and women in the Peace cooperative's headquarters in the village centre following the 1974 fusion. Manual jobs as tractor-drivers or labourers were generally a male domain. Men and women worked in the brigades of the Kiskőrös State Farm, which built up large vineyards on the outskirts of the village. Women had other wage-labour jobs available to them for the first time, notably in ancillary units of urban factories and later in small-scale units operated by the Peace cooperative itself. These jobs required little or no skill and seemed on the surface to be extremely monotonous. Yet they were appreciated not only for the income they brought and the pension rights which accrued, but also for their sociality. They were possible because, in line with the general socialist policy, a kindergarten was opened in the village in 1962. All children had their main meal provided at the daycare centre. Patriarchal traditions undoubtedly persisted and women continued to shoulder the greater burden of domestic tasks, including the raising of animals in the yard and tasks in the vegetable garden. Nonetheless, the socialist shift to wage-labour that emancipated male villagers from the dependencies of *cseléd* status was experienced as progress by women as well as men.

Within the cooperative a distinction emerged between members, generally those who took significant items of equipment and land into the collective sector when they joined, and the expanding workforce, most of whom were not members but employees (*alkalmazott*). The labour force of the state farm was more thoroughly proletarian. These employees were much more likely to stem from poorer families (the better-off tended to encourage their children to obtain qualifications and move away from the village). The distinction between the member and the employee had implications for social security entitlements (not until the postsocialist period were farmers who had opted to continue family-farming able to claim comparable pension rights). But neither group could be considered 'precarious' labour. Members were entitled to an 'allowance' (*járadék*) if they handed over their plots to the cooperative when they became too old to work them; but it was also still possible to transfer property to one's children in the traditional way.

By the time of my fieldwork in the mid-1970s, the political vulnerability of the Stalinist years had passed (though not without leaving an indelible mark on its many victims), and the economic precariousness of this poorly endowed frontier environment had been effectively conquered by the 'market socialist' symbiosis. In terms of values, however, the traditional emphasis on physical work in a labour process under one's own control continued to dominate (Fél and Hofer, 1969; Lampland, 1995).

I do not wish to idealise these late socialist conditions. In my first book I highlighted some of the negative aspects of these new divisions of labour (Hann,

1980). Many villagers had punishing routines, e.g. getting up at dawn to commute to a factory job, returning in the early afternoon, and then working till late in the evening in their fields or around the *tanya*. The work they carried out 'for themselves' was not necessarily any less alienating than that undertaken in the factory, e.g. the weeding of vegetable plots (perhaps cucumbers), or the cleaning of pig sties. I argued that a higher form of socialism was desirable in order to curtail the opportunities for such self-exploitation. Few villagers themselves would have agreed with the Western anthropologist: to have more orthodox socialist institutions forced upon them was the last thing they wanted. No doubt they would have preferred to be able reap the same consumer benefits on the basis of more humane working lives and fewer hours of drudgery. High levels of alcoholism and other diseases were additional facets of this 'market socialism'. But people made their choices voluntarily (today we would say that they exercised agency), albeit shaped by status competition and the rising expectations of the younger generation. What business could it be of the anthropologist to critique these patterns – and, worse, propose alternatives which were an ideological anathema to the villagers themselves?

My own diagnosis was also influenced by the fact that, by the time of my first fieldwork in the 1970s, new social inequalities were beginning to emerge within the framework of this socialist symbiosis of public and private. Male and female villagers were again being recruited as day-labourers to meet the needs of prosperous families, especially those who, encouraged and subsidised by the late-socialist state, had invested in vineyards and needed labour at peak periods. Payment was in cash, usually supplemented by generous hospitality throughout the day (food and also drink). This payment was not taxed or officially monitored in any way. Until late in the socialist era it was not legally possible for family farmers to employ workers, either permanently or temporarily. But the 'market socialist' state turned a blind eye to these developments. In my doctoral research, I noted that economic prosperity in this nominally collectivised community was increasingly characterised by stratification patterns and commodification of labour similar to trends in the capitalist West.

In the 1980s, the cooperative began, under new, more technocratic leadership, to operate more and more like a profit-maximising business. It cut back the number of individuals on its payroll. While it continued to provide jobs for several dozen workers, mostly female, in its non-agricultural, sideline activities, it broke up its socialist brigades and privatised its tractors to their operators, who operated henceforth as independent entrepreneurs. Support for household farming continued. The socialist ideological aspiration to build up a 'factory in the countryside' was abandoned in favour of a reaffirmation of the rural household as the key component of agricultural production.

More dramatic shifts followed the 'system change' of 1990. The land was privatised and the assets of the cooperative were distributed according to a complex formula which took account not only of the value of assets contributed but also to the value of produce sold through the cooperative (from which the institution deducted its commission) and the value of the work contributed (by employees, as well as members). The upshot was a rapid decline in employment opportunities in the village. The workshop which produced shoe uppers lasted until the end of the century before it collapsed. The only ancillary unit which has survived down to the present is

an enterprise which produces plastic bags. It was bought out by its managers and, after cutting back on staff, stayed in business by paying wages said to be significantly below the national minimum. In the absence of any alternatives, even these jobs are coveted. The local government has not been successful in attracting investment to the village. A few young men have found work at the new Mercedes factory in the county town of Kecskemét, almost an hour away. Others have sought their fortune abroad, e.g. in the hotel sector in London. My impression is that men are more mobile than women, notably as long-distance drivers; but the latter are by no means immobile. One friend returned to the village after domestic employment in New York and was able to find work at the cooperative's shoe workshop while it was still operating; but she found this work dissatisfying and chose to return to the US after a short period. Eventually she married her much older employer in order to be able to stay on permanently. I have not seen her for over a decade and I do not know what she thinks about her life and work today; some villagers are critical and report that she is much missed by her four children, now young adults scattered around Hungary and abroad.

It is easy to understand why some people make such decisions. If wage-labour jobs can be found locally at all, the wages they pay are typically meagre. But unlike in the socialist era, when wages were similarly low, the labour discipline is now tough. The owners stress that no jobs are secure in this climate, and so there can be no opportunities for relaxed socialising at the workplace as in socialist days. The private owners of the plastics workshop justify this discipline and low wages with reference to cut-throat competition in the sector.

In the socialist era, the factory jobs (the same logic applied to many white-collar workers) were complemented by the persistence of the family-labour farm, i.e. the production of agricultural goods both for auto-consumption and for sale. Here one could exercise more control over one's labour process and, while the work was sometimes gruelling and smelly, the material rewards were considerable. This option is hardly available in the new century. Most households still make some use of their vegetable gardens (primarily women's work, as it always has been) but almost everyone agrees that, since the end of the socialist subsidies, the labour-intensive raising of animals no longer pays. Most families no longer bother to slaughter a pig: if they want to prepare sausage in the traditional way, it is cheaper to buy the meat at a German-owned supermarket chain in one of the nearby towns (Vidacs, 2015). The housebuilding boom came to an end in the 1980s. According to some local estimates, up to one quarter of village houses are now empty and potentially available for purchase – but there are no buyers. The total population has fallen to around 1700. In short, the workaholic village I knew in the 1970s has morphed into a village in which remaining residents of all age-groups spend a lot of their time sitting in front of the television. The range of goods potentially available in the monetised economy is greater than ever before, but village lifestyles are constrained by lack of cash. They get by through transfer payments from the state combined with some minimal gardening.

Very few villagers have the resources to build up capitalised family farms. Those who have succeeded with vineyards or poultry have need of non-familial labour. If they employ others, full time or part-time, they are legally obliged to register this labour. In some cases (in Tázlár there are very few) long-term relationships have been established, apparently congenial to both employer and employed. A wealthy



employer is able to provide a range of supplementary benefits, including housing. Long-term trusting relationships may make it easier to circumvent the rules of the state. For example, it used to happen quite often in the richer villages of the region that a worker was made redundant and replaced by a neighbour. The first man then drew unemployment benefit, before returning to his old employer when his neighbour replaced him at the job centre. The deception lay in the fact that, in practice, *both* were expected to be at the beck and call of the employer, especially at peak periods.<sup>4</sup>

Due to the demand for seasonal labour, the institution of the *napszám* has persisted. In the 1990s and 2000s, this need was met mainly through a seasonal influx from Transylvania. Ethnic Hungarians, but also Romanians and Roma, could earn enough during the summer season in Hungary to keep them going in their native communities for the rest of the year. This was only feasible to the extent that the state continued to turn a blind eye to this illegal employment, as it had in the last decades of socialism. This has changed under Viktor Orbán in the third decade of postsocialism. Under pressure from the EU, the Hungarian state is obliged to control who is working where, and to sanction those farmers who hire labour illegally in order to avoid having to pay their social insurance contributions.

This creates dilemmas. The farmer with the largest vineyard acreage is working with his son and daughter to expand the estate and to develop new bottling and marketing capacities. He employs one full-time worker, skilled in operating all the sophisticated machinery, and pays the prescribed employer's contributions. But in spite of the machines, he still depends significantly upon seasonal labour to harvest his grapes (because not all vines are equally suited to mechanical harvesting). If he were to declare every last *napszám* employed, his margins would be significantly cut. Those who work for him understand this and accept that the money they receive would have to be reduced if their employer were to pay the prescribed contributions. As foreign citizens, they do not consider it likely that they would draw any long-term benefit from completing all the paperwork which the state bureaucracy formally requires them to complete. The daily rate in 2014-5 was less than twenty euros for a ten hour day. The generous provisioning of food and drink which characterised such work parties in the past has been eliminated.

In addition to foreign labour, some local families, too, are dependent on the *napszám* work as a source of income – as was the case before socialism, and again in the last socialist decades. Some of these families have long histories of alcohol abuse (cf. Cash, 2015). Other villagers comment that extending the reach of the state to ensure that every day of labour is recorded, in order to comply with social insurance and pension regulations, does not serve the interests of this vulnerable section of the community. Rather than risk expanding their vineyards and increasing their dependency on such labour, it is said that entrepreneurs will not invest; or they will invest, but only in machine-harvestable vines; or they will hire only foreigners, who are unlikely to object if social insurance contributions are not paid.

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<sup>4</sup> I documented such scams at the beginning of the century (see Hann 2006); since 2010, the rules have been tightened (unemployment benefit is payable for three months only).

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## *Workfare*

As in the 1930s, the local government now organises ‘workfare’ (*közmunka*) in order to help local families in need. After tentative beginnings under the socialist government in power until the spring of 2010, workfare schemes were expanded nationwide under the national-conservative government led by Viktor Orbán. During this period, swingeing cuts have been imposed on social expenditure, including unemployment benefits (Szikra, 2014). However, far from imposing neoliberal principles, the government has explicitly celebrated its illiberal paths in every domain. It has intervened in the economy in drastic ways.<sup>5</sup> National leaders, notably the Prime Minister himself, have evoked the old peasant values and laid heavy emphasis on the moral value of work. Whereas socialist ideology had emphasised the importance of productive labour in conditions of full employment, the message today is that workfare schemes can lead the unemployed back to employment on the regular labour market. Even while receiving less than national the minimal wage, participants receive more than basic welfare allowances. They are supposed to internalise the discipline of labour, setting a good example in their households, and contributing to a national revival. Critics allege that there is no evidence that such schemes do in fact help individuals to find regular long-term jobs. By including such workers in the statistics of those gainfully employed, the government is accused of concealing its poor record in addressing the root causes of unemployment. On the other hand, researchers into rural workfare have documented a high degree of acceptance and even popularity at the local level, especially in small communities where state funding has dried up (Váradi, 2016).

Although workfare schemes have been introduced in urban contexts as well, including the capital city, they have been particularly salient in the countryside.<sup>6</sup> The detailed implementation guidelines have changed frequently and there is considerable regional variation. Schemes typically run for a few months at a time. Activities are scaled back during the winter months, because most of the tasks are outdoor and seasonal. Many are directly connected with the land, including the maintenance of parks and sports fields. The numbers involved also vary. Villages with a large Roma population commonly have high numbers of participants (Szöke, 2012). Although the scheme is nominally administered by the employment office of the district to which the village belongs, in practice the local mayor has the most important voice in determining who should be invited to participate, according to his own assessment of who is ‘deserving’. These schemes have thus placed significant new resources in the hands of local leaders.

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<sup>5</sup> In addition to interference in labour markets, Orbán’s government has not hesitated to address the other ‘fictitious commodities’ of land (e.g. re-nationalising farmland, especially close to the Austrian border) and money (e.g. in assuaging the debts of households that had taken out mortgages in Swiss francs. See Szikra (2014) for further examples of deviations from neoliberal principles.

<sup>6</sup> See Jakab, 2014 for an account of how an intellectual unable to find employment appropriate to his qualifications was obliged to join a poorly organised workfare scheme in Budapest in order to qualify for basic social benefits.

I spoke with the long-serving mayor and with the twelve participants in the Tázlár workfare programme in 2013 and 2014. Men and women were equally represented. Their ages ranged from early 20s to late 50s, and they were certainly not subject to any general stigma in the community. The mayor stressed that he considered each individual case carefully on the basis of what he knew about the individual and his or her household needs. If the worker did not turn up punctually and work in a disciplined manner, dismissal could follow; or, more likely, no new contract would follow when the present contract expired. All contracts are short-term. The men had a small stock of machines and were most visible in the central park and in maintaining pavements and verges throughout the village. The women spent a lot of their time in vegetable production on the twelve hectares of community-owned plots just outside the village. The mayor relied heavily on a male 'brigade leader' to ensure that tasks were carried out as agreed; he was dissatisfied with the performance of the female participants, who he thought spent too much time being convivial. In four years he was not aware of anyone who, on the basis of workfare experience in the village, had proceeded to regular employment.

In 2015 I was surprised to find that, within the framework of the 'Start program', workfare in Tázlár had been significantly expanded from 12 to 34 participants. The community's new mayor (from October, 2014) is a teacher of physics and sport at the village school and a member of the Fidesz party (Hann, 2016). In the summer of 2015, he told me, two workfare participants were carrying out clerical work in the municipal office. As throughout the country, however, the main emphasis of the Start projects was on productive activities on community-owned plots. In Tázlár they had decided to specialise in the labour-intensive branch of courgette (*zucchini*) production. Roughly one third of their output is used by the school kitchen, thus saving the costs of purchase. A further third is sold on the open market, thus generating a small but significant source of additional income for the community. Finally, one third (of inferior quality or at any rate appearance) is distributed among the workforce and consumed by their families or fed to their animals. The new mayor lives quite close to the community plots. He and his wife, who is an elected councillor, supervise in the labour themselves on a regular basis. Like his predecessor, the mayor stresses the need to maintain discipline. But he is also flexible enough to allow a good worker to take holiday time when he is needed for some other, more urgent task as a day-labourer in the private sector (e.g. harvesting elderberries or grapes). It is possible to combine both jobs in the same day. In no sense can the programme be considered punitive. As Monika Váradi (2016) argues, workfare has been embedded in the fabric of the community. It exemplifies the 'human face' of government policy. At one point in the summer of 2015, when the courgettes needed to be harvested every day, the Tázlár mayor requested his workforce to put in an extra shift on Saturday or Sunday. Only 7 out of 34 turned up, despite the assurance that they would be generously compensated with days off in lieu once the peak period was over. The mayor was not pleased, but he was in no position to enforce sanctions. So far only one worker has ever been dismissed ('she only managed to peel five carrots in an entire morning - a hopeless case'). One participant had recently left the programme for a job in the private sector but was made redundant again shortly afterwards.

These villagers work to produce courgettes but they are not themselves substitutable ‘cucumbers’, as Karl Polanyi caricatured the capitalist labour market. Each individual has his/her own history. Let me introduce Berci, the son of Jani, the cooperative chairman, whose biography I introduced above. Berci was born in 1961 and I have known him since he was a schoolboy in the 1970s. At this time his father still lived on his tanya about a mile outside the centre. Berci has lived there alone since 1999. A marriage in the 1980s proved to be short-lived. Berci drinks, though not too heavily (by local standards). He took over responsibility for the family farm when Jani became infirm and moved into the centre with his wife; but unlike his father and younger brother, Berci was not content to become a full-time farmer. He is a skilled worker but his trade (tiler) offers few opportunities locally. He changed jobs frequently before the end of the socialist era, alternating factory work in a nearby town with stints working for the cooperative as a shepherd and as an unskilled worker at the shoe workshop. His longest period of employment was with the local oil enterprise. Made redundant when this firm imposed massive cuts in 2004, Berci has not had a regular job since. Workfare suits him because he generally enjoys the tasks set by the mayor. He is praised by his employer for carrying them out well and setting a good example to the others. As a result, Berci’s contracts have always been renewed. He knows that his job is insecure. During the summer months he knows that he could earn more in ten days as a *napszámós* than he does from working an entire month as a *közmunkás* (just over 50,000 forints or roughly 160 euros in 2014). But he would not consider such an alternative – the discipline and monotony of day-labouring would not be pleasurable at all. Berci’s outgoings are limited, partly because he lunches most days with his widowed mother, who lives alone in the village centre. She cultivates a plot here, while he keeps a few chickens, pigs and sheep at the *tanya*. He is especially proud of his horses, a love he has inherited from his father, though nowadays these animals serve no economic purpose.

Berci’s younger (three years, almost to the day) brother Albert has followed a very different path. Albert preferred to hang out with his grandparents in the village rather than attend vocational school at Kiskőrös. His truancy record was so bad that he failed to obtain any qualifications and has never been employed. Yet like his brother he has always worked. After marriage, he moved in with his in-laws in a neighbouring village and eventually took over their farm. He has been a fairly successful ‘family businessman’ (*családi vállalkozó*), initially specialising in geese and later in ducks. Albert is paying in to health and pension schemes privately. He has raised two children, one of whom qualified as a forester and worked briefly in that branch before being made redundant.

Villagers not taken on for the *közmunka* scheme and lacking other sources of income are obliged to meet their cash needs by working as *napszámós*, legally or illegally. As noted, expenditure can be kept low through subsistence gardening. The concept of *precarial* has been developed with reference to urban, industrial work (Standing, 2011). But it might be extended to rural contexts such as Tázlár, where work opportunities have greatly diminished since the socialist era and migration becomes a very common strategy, especially for younger people. Very few villagers are so vulnerable that their subsistence is threatened, but the hopelessness of their situation is such that even the most uncertain, precarious jobs abroad are preferred to

a rural rhythm which involves some two or three months of intensive labour for new elites and nine or ten months of vegetating. In this context, virtually all villagers welcome the expansion of the workfare programmes. I heard criticism from a successful vineyard owner who deplored the fact that taxpayers were funding a 'social cooperative' (*szociális szövetkezet*). Yet even this individual conceded that working for the community in this way was a healthy form of self-discipline for those concerned, and preferable to the widespread abuse whereby able-bodied villagers drew state benefits while working illegally in the private sector). No one in Tázlár supposes that those employed growing courgettes are more likely to find 'real' jobs as a result of this experience. On the contrary, the job might be a trap, since everyone is conscious that a new government might eliminate the schemes with a stroke of the pen. But for the time being, although no one ever phrased it to me in this way in Tázlár, this public opportunity to work can be seen as a popular response to the dramatic impact of the market over the two preceding decades. It is a significant element of the current 'double movement' (as theorised by Polanyi, 1944): Hungarian rural society, resentful of capitalist market society as it has evolved since 1990, is grateful for this opportunity.

### ***Conclusion: from soft budgets and soft nationalism to the harder stuff***

In the spirit of Nancy Fraser's (2014) revisionist critique of Polanyi's notion of labour as a fictitious commodity, I have considered productive tasks and the form of their remuneration in Tázlár in a long-term historical framework. Traditional peasant farming was characterised by oppression, class exploitation and alienation. In the socialist era, following the quite different forms of oppression which characterised the Stalinist period, a new configuration emerged. This allowed villagers to combine new forms of wage-labour with Chayanovian family farming in which, thanks to new technologies, drudgery levels were significantly reduced; the extent of self-exploitation was largely voluntary and alternatives were readily available. The postsocialist era has seen the intensification of class differences and new forms of precarity. These developments are commonly glossed as neoliberal. However, focusing on workfare, the most controversial policy of the present Hungarian government for dealing with the adverse consequences for employment of the country's weak structural position in contemporary European and global capitalism, I have questioned the usefulness of this classification. Far from being punitive, at least in the countryside these programmes have been almost universally welcomed, both by the participants and by other villagers.

The workfare measures practised in Tázlár in the 1930s and again today are very different from the Speenhamland system of poor relief analysed by Polanyi (2001 [1944]). Today the men and women who receive a job from the mayor are registered in a national scheme, they perform a full working week for the community, thereby accumulating long-term entitlements as well as their daily bread. This employment is not perceived as degrading by the beneficiaries. From the point of view of the economist, the *közmunka* programmes are inherently flawed, a legacy of the decades of market socialism, when Hungary established a welfare state for its citizens 'prematurely', before the economy was strong enough to warrant such generosity (see Kornai, 2007). But it is also possible to view the workfare programmes as the more

benign aspect of a counter-movement to the rise of a capitalist market society in Hungary since the end of the Kádár era. The soft budget constraints and soft nationalism of the late 20th century have morphed into harder variants of both. But, at the local level, malignant nationalism is tempered by benign new forms of embeddedness. For the mass of villagers who vote for Viktor Orbán and sympathise with his populist-nationalist rhetoric (and that of the more extreme Jobbik party), these programmes are a welcome opportunity. The jobs may be temporary and precarious, with little if any prospect of leading to long-term employment on the regular labour market; but communal work in one's native village is widely perceived to be an attractive alternative to the uncertainties of migration or the more strenuous fluctuating rhythms of day-labouring.

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JÓZSEF BÖRÖCZ \*  
Global Inequality in Redistribution: For A World-  
Historical Sociology of (Not) Caring

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### Abstract

This paper decomposes global inequality in redistribution, using data from the World Development Indicators data set of the World Bank. It finds that per capita income has a modest, yet persistent effect on redistribution. More provocatively, the paper also demonstrates that, over and beyond the impact of *per capita* GDP, global inequalities in redistribution over the last generation or so strongly reflect the double legacies of colonialism (improving the likelihood of redistribution in former-colonizer societies and sharply reducing it in erstwhile-colonized, recently independent societies). In addition, it also finds that the history of recent exposure to state socialism increases the presence of redistributive institutions, partly counter-balancing the effects of lower national incomes. The data have been obtained from the World Bank's online open-access data site *World Development Indicators*, <http://data.worldbank.org>.

*Keywords:* capitalism, colonialism, double movement, "Europe", global inequality, Karl Polányi, redistribution, social spending, state socialism, World Bank, world history.

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“Try asking serious questions about the contemporary world and see if you can do without historical answers.” (Abrams, 1982: 1)

## 1. INTRODUCTION

Every scale of social organization, from the interpersonal dyad to the world as a whole, produces inequalities as well as mechanisms to alleviate them. This paper is a modest empirical attempt to map *global* inequalities in the magnitude of *state-level* mechanisms that aim to alleviate *domestic* inequalities through large-scale transfers of economic value through what Karl Polányi and his followers call redistribution. Based on publicly available, global time series data, this paper interrogates what determines the apparent, astonishing degree of state-to-state inequalities in redistribution by examining the power of three additive geopolitical explanations. Best read alongside specific global-, regional- and national-scale, narrative histories of the emergence of redistributive policies, this paper’s central contribution lies in showing that legacies of such *longue-durée* global structures as colonialism and state socialism are palpable in global disparities in redistribution today.

## 2. REDISTRIBUTION—RECONSTRUCTING THE CONCEPT

Reading discussions concerning the sociologies of such redistributive measures, labeled “the Welfare State” (to be abbreviated as the “WE-ST”), from the perspective of world historical sociology, one notices two peculiarities that may have resulted in two corresponding optical illusions, each of which marring the analytical power of related scholarly arguments.

By focusing on a set of specific (in the vast majority of the literature: west European) states whose selection (or, more precisely, the disregard for all others) is never quite explained—ergo: the “uniqueness” of western Europe is implicitly naturalized—such scholarship runs the risk of falling victim to a geopolitical tunnel vision.<sup>1</sup> This might lead to highlighting some cases perhaps too much—while, by contrast, obscuring others, leading to imprecise conclusions on a number of counts.

Meanwhile, by concentrating on relatively recent issues, questions and developments—such as, for much of the last generation, the fate and future of the “WE-ST”—studies often miss the question of the longer-term, global-historical origins of their object. In such a view, the “WE-ST” emerges, by and large inexplicably—like Pallas Athene in Greek mythology, in full armor, from Zeus’ head—as a phenomenon *sui generis*. There is a strong tendency, especially among scholars in Europe, to see this as an organic “civilizational” achievement on part of the “West” (Lindbeck, 1995; Korpi and Palme, 1998; Robinson and Bell, 1978)—an exceptionalist, extreme-Eurocentric perspective sharply criticized by Karl Polányi. If we perceive “WE-ST” as a

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<sup>1</sup> See, e.g., Bartolini, “European Integration and Democracy . . .” as he names the “colossal development of *welfare systems*” as the fifth “major developmental trend in the history of Europe, along with “*state building*,” the “*development of capitalism*,” “*nation-formation*” and “*democratization*” (p. 294) with no regard for the parallel histories of those same phenomena elsewhere in the world, let alone the linkages that have tied “Europe” to the rest of the world throughout the “history” he refers to.

moral phenomenon *sui generis* and, hence, a “civilizational” feature, that implies that the phenomenon requires no proper historical contextualization beyond pointing at—and presumably, celebrating, or, more rarely, from neoliberal perspectives, lamenting—its very existence.

In this context, the very act of raising the question of the world-historical conditions in which the “WE-ST” appeared might appear heretical to some. Be that as it may, for those of us with interests in historical macrosociology—i.e., for scholars who ask, with Philip Abrams, above, questions from the present and aim to find answers in the past (Sarkar, 2008)—the question of the large-scale, indeed, global, contextual conditions, including histories of the specific interconnections (Böröcz, 2009)—under which the institutional patterns we refer to as the “WE-ST” have come to light and existed is quite an important issue that needs to be examined.

I am not aware of any study that had explicitly examined the possibility that elements of the institutional patterns we refer to as the “WE-ST” may have emerged elsewhere, outside Europe. And yet, even if we were to conclude that indeed western Europe played a historical front-runner role in inventing “WE-ST” institutions, a few rather powerful questions still remain. Just what is it about western Europe that had produced those institutions? What is the link between the institutional patterns of the “WE-ST” and the geopolitical linkage structures that tied western Europe to the rest of the world throughout most of the modern period? What other consequences have those global structures had on the development *or the lack-of-development* of “WE-ST” institutions? What mechanisms have kept inequalities in “WE-ST” arrangements over time, especially since most global structures in place at the time of their creation no longer exist? Are there no other factors that might have explained the emergence and maintenance of “WE-ST” institutions? This paper will address a modest subset of those in a limited and tentative way.

Regarded through a Polányian conceptual lens, the “WEST” is that major morphological sub-type of capitalism<sup>2,3</sup> wherein the unprecedented, nineteenth-century increases in the power of the market over all other human realms, including “society”, are counter-balanced by a separate “sector” of the economy. The emergence of this separate sector does not affect the overall capitalist character of the system; it “just” helps alleviate some of the most egregious excesses of inequality around the “edges” of the social system. The latter is integrated by “an allocative center” (Polanyi, 2011[1957]: 8) of public power through a socio-economic mechanism called *redistribution*. Polányi defines redistribution, at the most basic level, as a mode of “economic integration” (Polanyi, 2011[1957]) that produces

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<sup>2</sup> For this discussion, let capitalism be defined as *a mode of production characterized by the legally and morally codified hegemony of private appropriation of the product of the labor of others*.

<sup>3</sup> In defining the scope of this study, I exclude state socialist economies simply because, as the by now classical definition concerning the fundamentally rational-redistributive character of state socialist economies implies that, in such arrangements, redistribution is not a countervailing force to the market but social inequalities are *basically* created and structured by redistributive mechanisms” (Szelenyi, 1978: 63, emphasis added). Hence, the experiences of such societies “seems to differ sharply from the experiences of the market economies where the socio-economic inequalities are basically emerging from market situations and they might be restructured, or moderated by redistributive intervention by the State” (Szelenyi, 1978: 63).

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“appropriational movements toward a center and out of it again.” (Polanyi, 2011[1957]: 9)

The emergence of large-scale redistributive structures can be seen as the original, pattern-defining example of one of Polányi’s most radical conceptual innovations, the notion of *double movement*, a dialectical counterpoint to what Polányi famously describes in his masterful, provocative essay, *The Great Transformation*, as a nineteenth-century shift ushering in the overbearing dominance of the market over life in general, including, most prominently, social life. Polányi states the case as follows:

Social history in the nineteenth century was [. . .] the result of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones. While on the one hand markets spread all over the face of the globe and the amount of goods involved grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land, and money. 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—this was the one comprehensive feature in the history of the age. (Polanyi, 1944: 76; Block, 2003; Block and Somers, 2014: 13-14)

In a reluctantly appreciative, part-generous, part-streamlined<sup>4</sup> reconstruction of Polányi’s “modes of economic integration,” institutional economist Douglass C. North argued, in 1977, that redistributive “appropriational movements” had involved “obligatory payments to central political or religious authority which used [sic] the receipts for its own maintenance to provide community services, and as an emergency stock in case of individual or community disaster.” (North, 1977: 707)

From our early-21<sup>st</sup>-century, post-state-socialist point of view, it is apparent that North’s reconstruction is a somewhat restrictive rendition of Polányi’s concept of redistribution. First, by now we know that redistributive arrangements have clearly produced socio-economic and -political practices that include *transfers of value far beyond the scope of money* “payments.” The existence and geopolitical success of very large-scale supra-state organizations, such as the European Union or NATO, for instance, could not be properly apprehended without reference to the some notion of the redistribution of *public power* (Böröcz, 2009). Second, such examples as the EU and NATO also suggest that redistribution can occur on scales greater than the “nation”-state (i.e., in situations where the central authority that controls the redistributive process is not a “nation”-state but a supra-state organization of sorts so that “nation”-states can, and often do quite prominently, appear not among the controllers but the contributors and recipients of such redistribution). To be noted

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<sup>4</sup> North’s reconstruction of this concept, central to Polányi’s work, is enclosed in parentheses.

also is that such supra-state systems of redistribution, which deal primarily in redistributing geopolitical advantage, also draw “into the center” and re-allocate “out of it again,” as part of the geopolitically organized process, large amounts of economic value, especially to the most privileged corporate entities that play strategic roles in maintaining the system (e.g., arms manufacturers, global energy concerns, etc.).

Third, policies that the “WE-ST” has brought about have enabled and stabilized the lives of large swaths of populations well beyond the “political or religious authority[’s. . .] own maintenance” or “emergencies” caused by “disasters” (unless of course we consider the market-subjugated experience of modern, [post-]industrial capitalism an ongoing disaster by itself). Indeed it could be argued that, albeit not in all, but at least in some of the more than two hundred states of the world today, redistributive arrangements have fostered the survival of not only entire populations and their sociocultural heritage but important industries or even branches of “national” economies by providing predictability, stability and a well trained and healthy labor force for capital. As a result, redistributive systems have contributed to political stability and the survival of a fairly large number of states with reasonable capacities to act.

As a counterpoint, Philip Abrams provided the following list as descriptive features of the “WE-ST” in 1982:

[. . .] measures a government takes to protect the standard of living of its subjects in circumstances where the ordinary workings of the market are judged incapable of doing so adequately. Such circumstances typically include old age, childhood, motherhood, illness, disability, unemployment and low wage employment. And the measures will typically include pension schemes, child benefit or family allowance schemes, insurance protection against unemployment, industrial accidents and sickness and some degree of public control of health and education services. (Abrams, 1982: 8-9).

As students of economic sociology would surely concur, fourth, socio-economic life is replete with examples—some of which are quite crucial for the reproduction of social life—that involve transfers of value on scales vastly smaller than what the reference to “national or religious authority” implies: The household and the family both offer truly important cases in point. Finally, fifth, redistribution could hardly be tucked away in the *past* as North’s use of the past tense (“. . . which *used* the receipts. . .”) implies.

### ***3. REDISTRIBUTION RATES IN GLOBAL COMPARISON***

In this paper, my goal is to examine whether any *longue-durée* patterns can be discerned in *today’s* global society-to-society distribution of redistributive practices. The analysis will lead to a critique of the “west”- and Euro-centric “modernization” paradigm for its neglect of the impact of “external entanglements” and global and other supra-state factors in “domestic” structural outcomes. To that aim, below I review quantitative evidence regarding global variance in a single “dependent” variable, (Fenger, 2007; Prasad, 2008; Abu Sharkh and Gough, 2010; Suárez-Berenguela, 2002) a measure the World Bank labels “Social Contributions” and

presents as part of its *World Development Indicators* dataset.<sup>5</sup> “Social Contributions” include

[. . .] social security contributions by employees, employers, and self-employed individuals, and other contributions whose source cannot be determined. They also include actual or imputed contributions to social insurance schemes operated by governments.<sup>6</sup>

Clearly, the International Monetary Fund—the organization that collects these data—and the World Bank—which publicizes them in its famous, and in many ways uniquely useful online data service<sup>7</sup>—labor under the restrictive notion of redistribution that we find in North’s paradigm-setting article: Their interest lies in transfers of economic value in the form of *money*, measured as percentages of *government revenue*, on a *national scale*. In other words, the dependent variable I use here is not perfect (no empirical measure ever is) as it likely underestimates the total role redistribution plays in social life.<sup>8</sup> However, it serves as a useful proxy for the purpose of this brief overview. Clearly, much more detailed work lies ahead in this area.

In terms of the well-known Polányian “mosaic typology,” (Böröcz, 1997; Bodnár, 1998; Bandelj, 2012) it is possible to think of the variable called “Social Contributions” as an empirical measure, expressed as percentages of the Gross Domestic Product, of the amount of economic value the world’s societies allocate for large-scale, macro-societal redistribution by the state. The purpose of this paper, then, is to draw a portrait of the global distribution of the world’s societies according to their practical commitment to redistribution.

Table 1. Global Inequalities in Social Contributions (% of Revenues)— Number of Valid Cases, Means, Standard Deviations and Coefficient of Variation by Income Group—2012. Computed from IBRD. *World Development Indicators*.

	Number of Valid Observations	Mean Social Contributions	Standard Deviation	Coefficient of Variation: Standard Deviation / Mean
Top income half (N=94)	54	24.7	14.4	.72
Bottom income half (N=95)	23	10.2	7.4	.58

<sup>5</sup> <http://data.worldbank.org/indicator/GC.REV.SOCL.ZS> , last updated November 25, 2015, as of December 1, 2015. The data come from the International Monetary Fund’s *Government Finance Statistics Yearbook* and data files (ibid.)

<sup>6</sup> <http://data.worldbank.org/indicator/GC.REV.SOCL.ZS> , last updated November 25, 2015, as of December 1, 2015.

<sup>7</sup> <http://data.worldbank.org/indicator/GC.REV.SOCL.ZS> , last updated November 25, 2015, as of January 1, 2016.

<sup>8</sup> In addition, there is every reason to assume that the ratio of monetary and non-monetary redistribution varies across cases, and this variable only measures monetary redistribution.

The data provided by the two dominant global financial institutions concerning “Social Contributions” span twenty-three years (1990 to 2012). For each year, the data range between an abysmally small to a very small number of observations.<sup>9</sup> This is in sharp contrast to a much more complex measure, the *per capita* GDP: Over the same time span, three to nine times more of the world’s states<sup>10</sup> have reported estimates of their relative wealth than Social Contributions, a key measure of the degree of economic redistribution they engage in.

As Table 1 suggests, (non)-reporting of data about Social Contributions seems to be related to levels of national income. In the last data year of 2012, the states that made up the poorer half of the world’s distribution in terms of *per capita* GDP, only 23 had<sup>11</sup> the wherewithal / willingness / interest even to provide information about Social Contributions. The corresponding figure for those in the richer half was 54.<sup>12</sup> The world’s richer states are almost two and a half times more likely to have / provide information about their redistributive practices.

Even more suggestive concerning the possibility of a national income-related pattern of sorts for redistribution, the societies in the poorer half of the world have considerably lower average rates of Social Contributions than the richer ones,<sup>13</sup> showing a contrast of a magnitude of, again, almost two and a half times.<sup>14</sup>

Based on those initial observations, we can start our analysis by stating that:

1. Redistributive practices are far from evenly instituted among the societies of the world,
2. The global spread of redistributive policies is not random either, meanwhile
3. Purely “civilizational” explanations of macro-scale redistributive policies also appear inaccurate: There seems to be a systematic relationship between rates of redistribution on the one hand and levels of “economic performance,” a measure that is known, on the other hand, to be very much rooted in the *longue-durée*—as a matter of fact, half-a-millennium-long—history of the political economy of global capitalism and geopolitics. This can happen in one of two ways: Either the “civilizational” argument misses the point entirely, or the “civilizational” variable strongly co-varies with global income, so that the latter confounds the argument based on the former.

Let us summarize what we have learned so far. Richer societies—those which, as it stands to reason, have more to redistribute—*do*, by and large, *redistribute more*, while societies closer to the bottom of the global income scale seem to suffer a particularly

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<sup>9</sup> N=23 for 1990; N=82 for 2008.

<sup>10</sup> The range of valid state-to-state observations about GDP/cap in the *World Development Indicators* between 1990 and 2012 was N=163 to N=192.

<sup>11</sup> Computed from IBRD, *ibid.*

<sup>12</sup> Computed from IBRD, *ibid.*

<sup>13</sup> The two means are 10.2% for the poorer half and 24.7% for the richer half. Computed from IBRD, *ibid.*

<sup>14</sup> Computed from IBRD, *ibid.* The coefficient of variation—a simple measure of the within-category dispersion of the distribution computed as standard deviation / mean—suggests that rates of Social Contribution are spread at close to equal degrees in the two groups.

severe lack of redistribution, even when expressed as a percentage of the meager income they have.

#### 4. PATTERNS OF DISPARITIES IN REDISTRIBUTION—GLOBAL INCOME INEQUALITY AND BEYOND

However, would it be accurate to conclude that levels of “economic performance” fully explain global variance in redistribution rates? Does relative position in the world-economy have the power of fate with respect to redistributive social policy? To what extent is *per capita* GDP in and of itself a satisfactory predictor of the percentage of GDP being redistributed through Social Contributions? We can obtain a straightforward answer to those questions by computing a measure of association between the two variables.

Figure 1 Annual Correlations Between *per capita* GDP and Social Contributions, 1990-2012, States of the World. Computed from IBRD, *World Development Indicators* dataset.

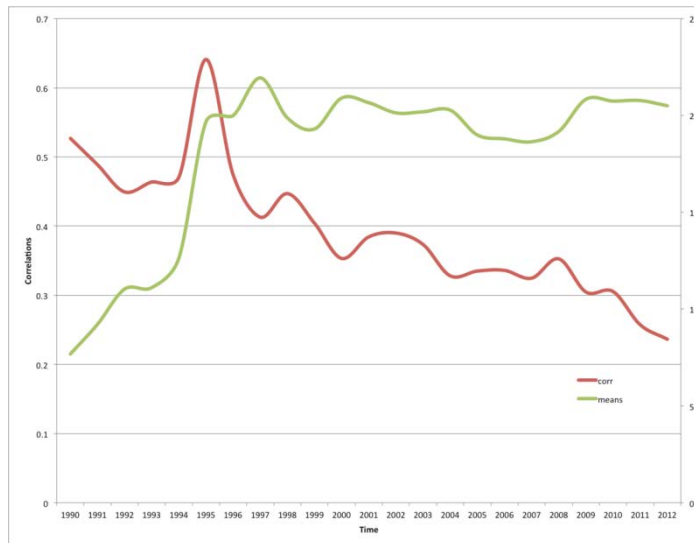


Figure 1 shows two basic aspects of the data. The green line marks the global unweighted means of Social Contributions for the entire period (1990-2012) for which the *World Development Indicators* dataset offers information. From an initial point of about 7.5%<sup>15</sup> in 1990, the world mean in Social Contributions rose to approximately 20% by 1996, and has hovered around that mark ever since.

As is clear at first glance, the magnitude of the correlations between *per capita* GDP and Social Contributions show a short initial period of great fluctuation,<sup>16</sup> followed by an almost twenty-year-long monotonous decline. Between 1995 and 2012, the magnitude of the degree of association between national income and Social

<sup>15</sup> The means are marked on the scale on the right-hand side.

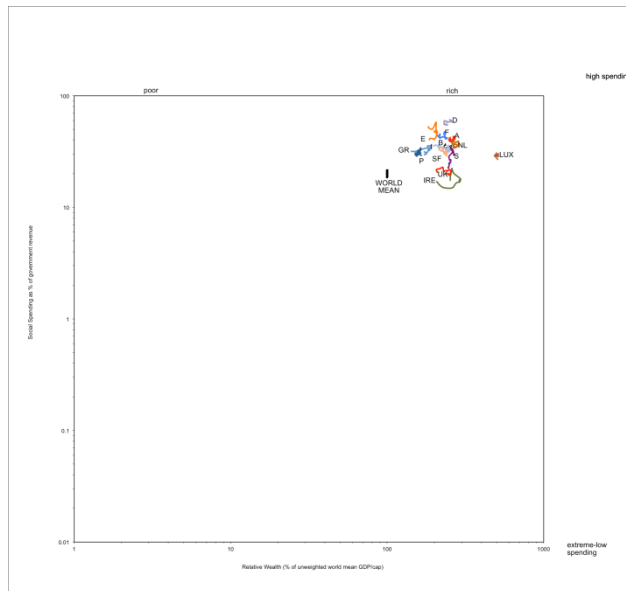
<sup>16</sup> Given that the coefficient of correlation between GDP and Social Contributions shows a “jump” only in a single year (1995), I cannot exclude the possibility that it is the artifact of some sort of corruption in the data.



Contributions dropped by almost two-thirds.<sup>17</sup> Put differently, as we move closer to the present, the position of a particular economy in the world system (measured, here, by the *per capita* GDP figures) determines its rate of redistribution less and less. By 2012, over 94% of the global variation in rates of redistribution was un-explained by *per capita* GDP.<sup>18</sup>

Clearly, something really peculiar is going on. To understand what the data are telling us, we need a more detailed picture of the global distribution of redistributive policy. In what follows, I take a visual approach to that task: I plot the distribution of the world's states in terms of their Social Contributions by their *per capita* GDP in a series of graphs where the former occupies the vertical dimension and the latter the horizontal one. Let's start by observing—as does much of the literature—the west European member states of the European Union as the first group.

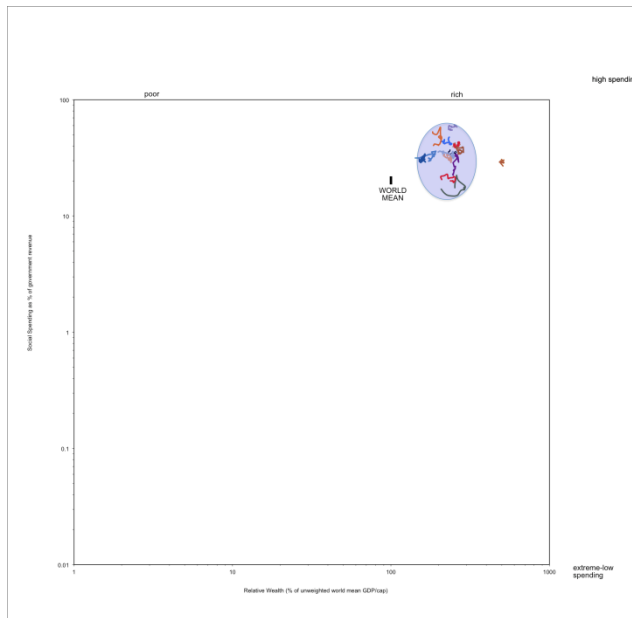
Figure 2 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: "CORE" EUROPEAN UNION 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, *World Development Indicators*.



<sup>17</sup> The correlation efficient for 1995 is .64; for 2012, it is at .24.

<sup>18</sup> For 2012,  $R^2 = .05589$ , at  $N = 78$ .

Figure 3 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: "CORE" EUROPEAN UNION 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, World Development Indicators. Depicted As A Cluster



The western “core” of the European Union (defined as a conglomerate of the EU’s member states until the first step of “eastern enlargement in 2004<sup>19</sup>) indeed constitutes a remarkably consistent, tight-knit group.<sup>20</sup> It is a group coherently together in terms of its *per capita* GDP figures<sup>21</sup> and, more relevant to our interest here, also quite closely together in terms of its Social Contributions figures, ranging between Ireland’s 15% and the UK’s 20% at the bottom of the distribution to Spain’s 58% and Germany’s record high 60%. While a range of the magnitude of three to four times may not strike us as a particularly tight distribution, as we shall see shortly, this is, in global comparison, a remarkably close clustering indeed.

<sup>19</sup> Figure 2 presents the data in the “Westphalian” view, i.e., as if these were fully sovereign, independent states that have nothing to do with each other, and labels each state for easier reference. In contrast, Figure 3 shows the same data in the “EU-as-a-single-entity” modality—i.e., without the labels—with a single bubble representing the “community.” Notice that, switching between those two modalities provides the EU with a special geopolitical advantage, shared by none of its global competitors (Böröcz, 2009).

<sup>20</sup> To be noted is that the scale of the graph is set so as to be able to accommodate all societies of the world, coming up in the remaining graphs.

<sup>21</sup> The *per capita* GDP figures for this group range between Greece’s initial “low” of 142% of the world average to Luxembourg’s 490%.

Figure 4 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: ENTIRE EUROPEAN UNION 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, World Development Indicators.

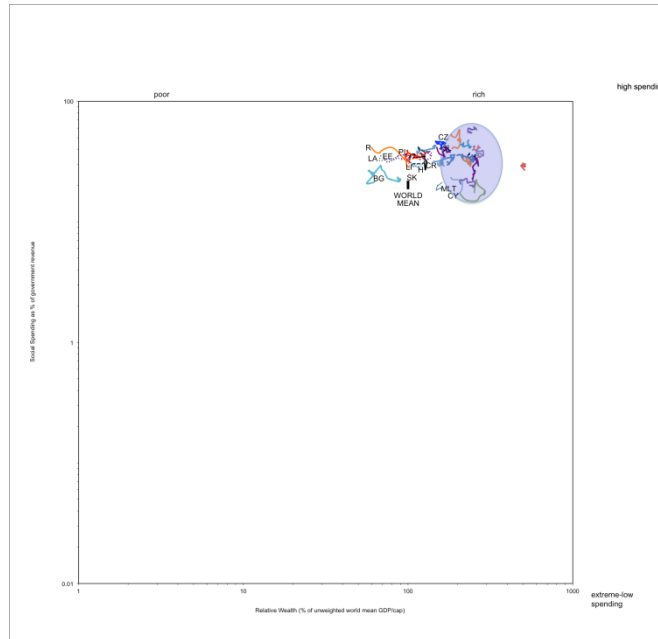
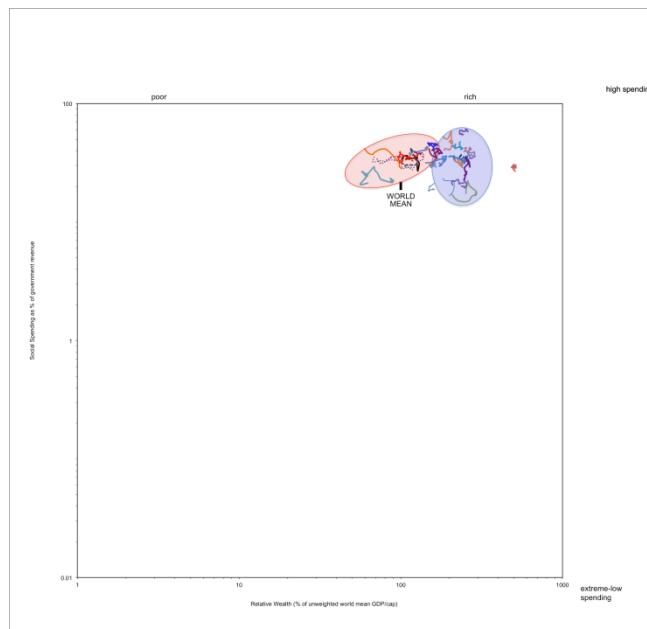


Figure 5 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: ENTIRE EUROPEAN UNION 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, World Development Indicators. Depicted As Two Clusters



Next, let us expand the picture and bring in the non-west-European (i.e., erstwhile-state-socialist plus small-island-Mediterranean) member states of the EU. Figures 4 and 5 perform that task.

The two former British “possessions,” Malta and Cyprus form a small cluster, overlapping with Ireland and the United Kingdom, providing an indirect, nevertheless quite suggestive, indication that we are witnessing some truly persistent historical patterns. Other than those two, the rest of the recent-EU-members—i.e., the erstwhile-state-socialist group of east-central European / Baltic societies within the EU—constitute a group that is as tightly clustered as its west European counterpart.

This must be a truly unexpected finding for those who insist on linking the presence of “WE-ST” policies to *west* European “civilization.” Most EU-member societies—i.e., not just those in western Europe, but those of east-central Europe as well, irrespective of the differences in their levels of national income—show redistribution rates that are, for the most part, above, and in many cases, very considerably above, the world mean<sup>22</sup> during the period in question. (There are only three exceptions—Ireland, Cyprus and Malta—i.e., none of them is in east-central Europe.)

Consequently, in spite of their spread in terms of national income<sup>23</sup>, the redistribution rate of this group of more recent EU-member states *fully overlaps with the mid-range of the spread of their west European fellow-EU-member societies*.<sup>24</sup> From a global comparative perspective, east-central Europe’s erstwhile-state-socialist societies have registered rates of redistribution that are strikingly similar to their west European counterparts, in spite of the obvious, and quite considerable, gaps between the two groups in terms of national income. East-central Europe is resolutely showing the presence of the supposedly “essentially west European civilizational achievement,” at much lower levels of global income (i.e., with much less income available for redistribution).

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<sup>22</sup> Represented by a continuous, vertical thick black line, the world mean in Social Contributions ranged between 18.99% and 22% during the 1995-2012 period.

<sup>23</sup> This ranges from Bulgaria’s 57% to Slovenia’s 180% of the world mean *per capita* GDP.

<sup>24</sup> The erstwhile-state-socialist societies of the EU have reported Social Contributions rates between Bulgaria’s 20% and the Czech Republic’s 46%.

Figure 6 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: EUROPEAN UNION and ERSTWHILE-STATE-SOCIALIST STATES of Northern Eurasia 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, *World Development Indicators*.

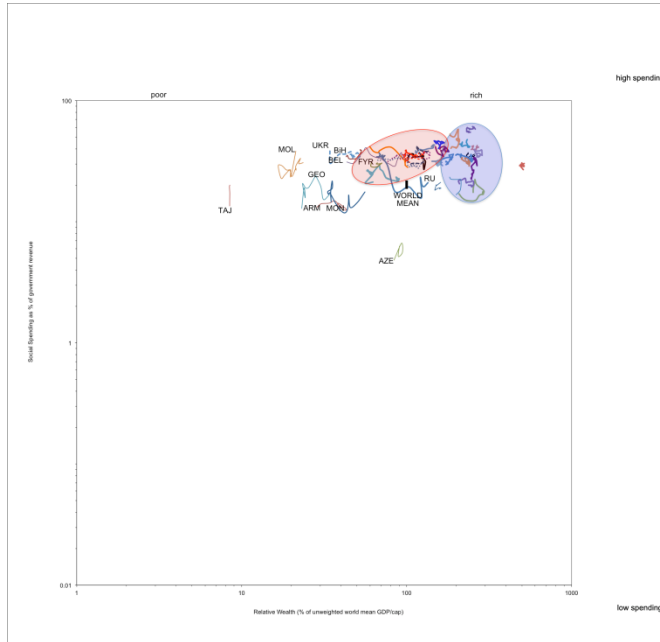
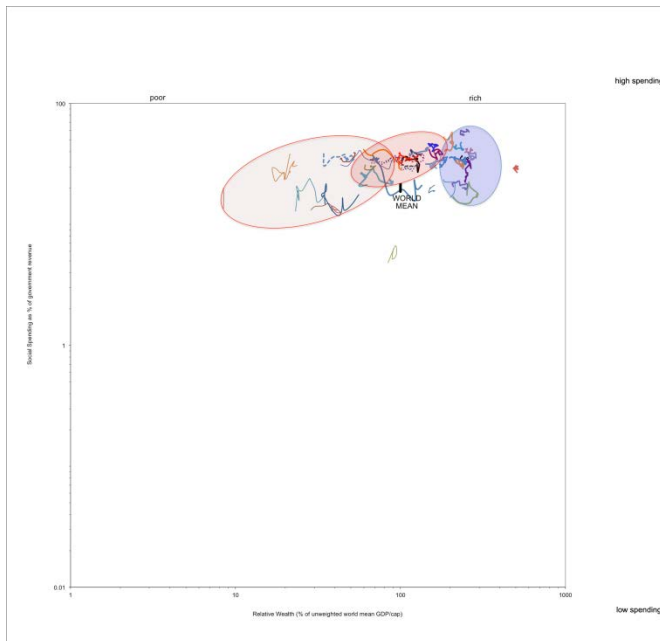


Figure 7 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: EUROPEAN UNION and ERSTWHILE-STATE-SOCIALIST STATES of Northern Eurasia 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, *World Development Indicators*. Depicted as Clusters



As a next step, let's consider those societies of the former-state-socialist bloc that are not members of the European Union. As Figure 6 indicates, even here we see a number of states—Moldova, Ukraine, Belarus, Bosnia-Herzegovina, FYROM,<sup>25</sup> and, for much of the period under study, Russia as well, whose Social Contributions levels are *on par* not only with their fellow-erstwhile-state-socialist counterparts, but also with the west European EU-member states as well. Obviously, all the cases mentioned here are also above the world mean for the period in question. This is so in spite of the astonishing spread of these societies in terms of their national incomes,<sup>26</sup> a result of their catastrophic post-state-socialist trajectories in economic performance.

Meanwhile, another group of former-state-socialist states—Tajikistan, Georgia, Armenia, Mongolia and Azerbaijan (as well as another group, comprised of Kyrgyzstan, Turkmenistan, which have not even filed Social Contributions data with the IMF, presumably because of lack of interest or the dearth of state capacity) are showing clear signs of low rates of redistribution. The rest of this analysis will allow us to see those low levels in a global comparison.

Presenting the data in this, step-by-step, fashion affords us a convenient opportunity, next, to examine the power of those ideas which posit a structural similarity between the societies of Latin America and the Caribbean on the one hand and eastern and east-central Europe on the other. This perspective has a respectable history of its own, (Przeworski, 1991; Karl and Schmitter, 1991; Haggard and Kaufman, 2008) and there are many exciting arguments in favor of such comparisons. Perhaps the most appealing of them is the fact that there is a group of societies in Latin America and the Caribbean that have occupied middling, semi-peripheral positions in the world-economy since their independence—i.e., positions that are close to the *longue-durée* historical “locations” of the societies of eastern and east-central Europe. On that basis, it is certainly more appropriate to compare the societies of east-central Europe to Latin America than—as it is customarily done in the post-state-socialist context—to western Europe.

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<sup>25</sup> The Former Yugoslav Republic of Macedonia

<sup>26</sup> Tajikistan shows, for much of the period, *per capita* GDP levels below 10% of the world mean, while the highest figure for Russia—134%—is well within the range of the figures for east-central Europe.

Figure 8 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: EU, ERSTWHILE-STATE-SOCIALIST STATES AND LATIN-AMERICA AND THE CARIBBEAN, 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, *World Development Indicators*.

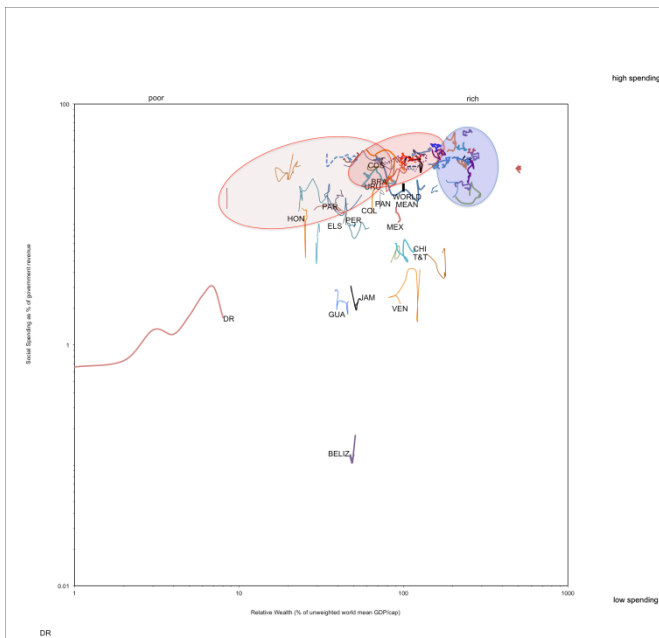
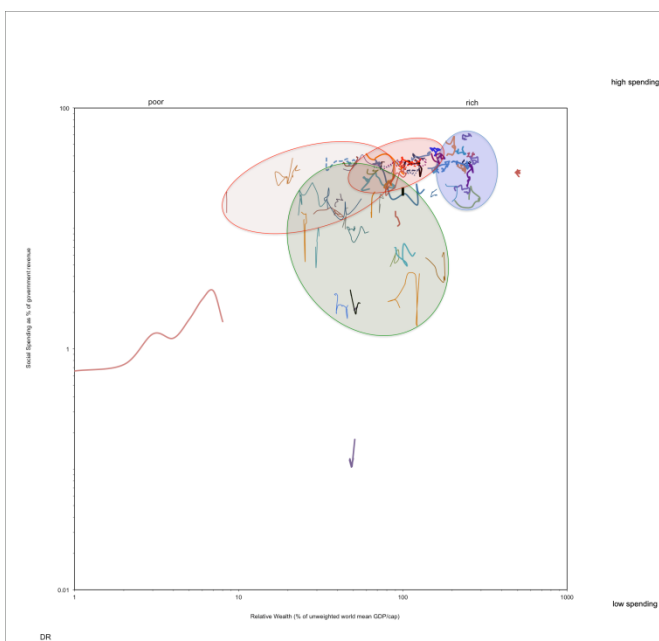


Figure 9 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: EU, ERSTWHILE-STATE-SOCIALIST STATES AND LATIN-AMERICA AND THE CARIBBEAN, 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, *World Development Indicators*. Depicted as Clusters



As it turns out, Latin America and the Caribbean overlap in terms of income quite a bit more with the former USSR and less with east-central Europe. Having said that, it is clear that a few, but not all, Latin-American cases support the idea of a grand similarity between the two areas: Latin America's lines in these graphs fall fully within the "region" of the now-EU-member erstwhile-state-socialist states of east-central Europe. Most of Brazil's profile falls between those of Belarus and Romania; Costa Rica's is between Bosnia-Herzegovina and Russia the last few years, and Uruguay's line cuts through from Bulgaria through Russia to Croatia. I should also add that Argentina's Social Contributions data—which is something that could also have been expected to overlap with east-central Europe—are unfortunately missing from the World Bank data set.

A second group of the societies of Latin America and the Caribbean—namely, Paraguay, El Salvador, Honduras, Colombia and Panama—overlap with the poorer, non-EU-member former-state-socialist group. Perhaps most striking, a sizeable group of Latin American societies—including not only endemically poor Dominican Republic, Bolivia, Peru, Guatemala and Belize, but also clearly semi-peripheral Mexico, Chile, Venezuela, Trinidad and Tobago as well as Jamaica—show abysmally low levels of Social Contributions, far below the "league" of the former-state-socialist group of east-central Europe.

This suggests that, *with respect to the magnitude of redistribution*, the wholesale "Latin America / Eastern Europe" comparison might need specification. What these data suggest is that *a few* Latin American societies—notably, Brazil,<sup>27</sup> Costa Rica and Uruguay—do approximate the poorer group of east European societies. Another way of putting this is to state that only the latter show levels of redistribution that measure up to the world average. All the rest of Latin America and the Caribbean—at least the societies for which we have data—fall below.

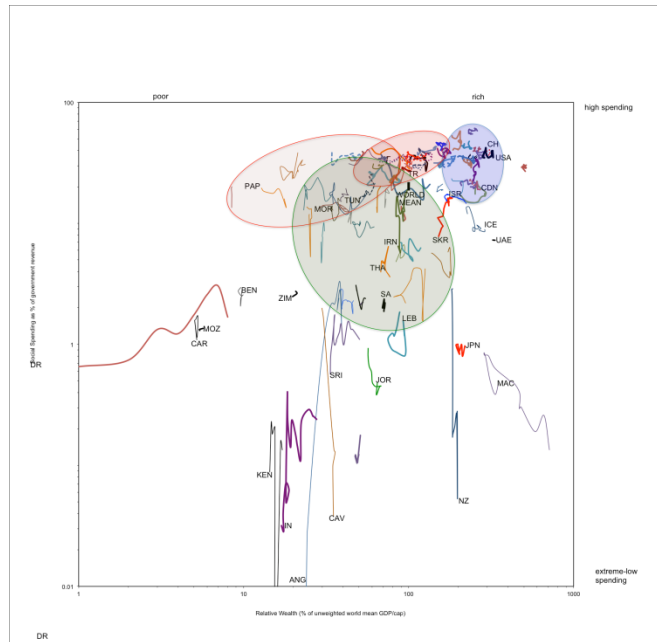
As Figure 9 shows, an enormous patch represents Latin America and the Caribbean: The internal cohesion of the region is thus much less than that of any of the three reviewed above. It is also clearly discernible that most of the "area" covered by Latin America and the Caribbean is below the world average both in terms of *per capita* GDP and Social Contributions. Latin America occupies, by and large, a strikingly different location in the global system of inequalities than eastern and east-central Europe—especially in terms of the level of effective redistributive policies.

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<sup>27</sup> The constitutional coup that removed the pro-redistributionist president of Brazil on May 12, 2016, and replaced her with a neoliberal politician set to impose a set of radical reductions in social services shows the fragility of this structural regularity in the Latin American context.



Figure 10 SOCIAL CONTRIBUTIONS AND GLOBAL WEALTH: ALL STATES OF THE WORLD, 1995-2012, (starting year varies due to missing data) Social Contributions as % of Government Revenue (%) (variable GC.REV.SOCL.ZS) by Relative Wealth (% of unweighted world mean GDP/cap) (variable NY.GDP.PCAP.PP.CD). Computed from IBRD, *World Development Indicators*.



Finally, let's add all the remaining states of the world to the mix. Figure 10 maps their positions. Starting in the top-right corner of the graph, Switzerland, the USA, Canada, and Turkey exhibit levels of Social Contributions that are reminiscent of the west European—east(central) European—other-erstwhile-state-socialist pattern. Israel, Tunisia, Morocco and Papua New Guinea hover not too far below the world mean. Two societies—Iran and South Korea—show spectacular increases in their levels of Social Contributions during this period, almost reaching the world mean in the end. Thailand's, South Africa's and Lebanon's commitment to redistribution seems vaguely similar to those observed in the least redistributive states in Latin America and the Caribbean—i.e., far below the west European - post-state-socialist "vanguard."

Meanwhile, the rest of the world's societies—including such wealthy states as Macao, Japan and New Zealand, middle-income Jordan, and virtually all the remaining, peripheral societies of the world, from the Central African Republic to Sri Lanka, Cape Verde, Angola and India—show low scores in terms of their *per capita* GDP levels and extreme-low levels of Social Contributions.

To recap, had it been the case that *per capita* GDP fully determined rates of redistribution, the plot of the world's societies in the last graph would resemble a single line stretching diagonally between the bottom-left to the top-right corners. Even a cursory look at Figure 10 helps us conclude that that is indeed *not* the case. We do have an area quite densely "populated" by states close to the top-right corner, i.e., where the richest and most highly redistributive societies are located. This

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distributional feature, however, does not support the “west European civilizational achievement” argument, for two reasons.

First, there exist societies that are “western” that *do not* display high levels of redistribution. New Zealand is a case in point.<sup>28</sup> Furthermore, if we expand the meaning of “west European civilization” to include, say, the United States of America, intellectual honesty would compel us to do that for all other white-settler, European-dominated former colonies in the Americas as well. Some of those have relatively high levels of redistribution, others do not. If the US and Canada (which have relatively high redistribution rates) are “European,” in what sense can it be argued that New Zealand, Paraguay or Venezuela (which do not) are not?

Furthermore, the arch-modernizationist (So, 1990) “west European civilization” argument also faces the generic problem of moral geopolitics—namely, the fact that the societies that supposedly constitute the beacon of progress and hope for the rest of humankind in that argument were also those which established their current economic, political and cultural hegemony over the rest of the world by way of subjugating as much of the rest of the world as they could through colonial pursuits. A brief illustration should suffice here.

The literature on the historical sociology of redistribution is very scant on the historical embeddedness of macro-redistributive “WE-ST” measures. Andrew Abbott and Stanley DeViney (1992: 250) is an exception, using a sophisticated data analytical technique to model “the date of the first law embodying each of [. . .] five programs [considered of key importance to the welfare state] in 18 developed countries.”(Abbott and DeViney, 1992: 249) The list of the 18 “developed countries” and the timing of the onset of the welfare policies is presented in a single graph (Abbott and DeViney, 1992: 250). The time span of the emergence of those programs stretches from the mid-eighteen-eighties to the mid-nineteen-seventies.

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<sup>28</sup> Data for Australia are, unfortunately, missing from the Social Contributions data set.

Table 2 Percentages of the World Land Areas and Population in Colonial Powers and Colonies. List of Countries adopted from Abbott and DeViney, "The Welfare State. . .", Colonies data adopted and computed from: Clark, *The Balance Sheets of Imperialism*, Table 1.

	1878 areas	1913 areas	1933 areas	1933 populations
	Colonies % of world total	Colonies % of world total	Colonies % of world total	Colonies % of world total
Austria	0	0	0	0
Australia <sup>29</sup>	0	0	0	0
Belgium	0	1.8	1.85	.66
Canada	0	0	0	0
Denmark	.24	.24	.24	.46
Finland	0	0	0	0
France	3.31	8.46	8.92	5.22
Germany	0	2.25	0	0
Iceland <sup>30</sup>	0	0	0	0
Italy	0	1.7	1.86	.12
Japan	0	.22	1.21	2.9
Luxembourg	0	0	0	0
Netherlands	1.55	1.55	1.55	3.1
New Zealand <sup>31</sup>	0	0	0	0
Norway	0	0	0	0
Sweden	0	0	0	0
Switzerland	0	0	0	0
United Kingdom	18.62	22.03	23.67	22.12
TOTAL	23.72	38.25	39.30	34.58

Table 2 reproduces Abbott and DeViney's list of the "18 developed countries," and supplements it with basic information on arguably one of the most sweepingly significant global geopolitical facts of the 1880-1970 period—namely, the history of colonialism.<sup>32</sup> It seems that the "original" programs proposing large-scale redistribution policies were born in those parts of the world (some of western Europe plus the United States, the "white settler" colony of the United Kingdom), which were most deeply involved in colonial pursuits. The overlap is imperfect, and asks for further specification—which I will attempt in the last section of this paper.

A second way in which this distribution belies the western-Europe-centric, modernizationist / "civilizationist" argument has to do, of course, with the presence of a considerable number of societies—all of which are located, in a spatially contiguous manner, stretching over northern Eurasia from the German/Polish, German/Czech, Austro-Hungarian and Austro-Slovene borders to the Pacific Ocean. Some of them have a long history of claiming "westernness" and running up against "western" denials; others have identity histories of even more complicated, ambiguous relations

<sup>29</sup> Part of the United Kingdom until 1901.

<sup>30</sup> Part of the Danish Monarchy until 1944.

<sup>31</sup> Part of United Kingdom until 1907.

<sup>32</sup> This is a rather peculiar list indeed, as Abbot and DeViney label societies like Finland—which had, according to Angus Maddison's historical economic performance estimates (Maddison, 2010) a mere 117% to 138% of the world mean *per capita* GDP between 1820 and 1913, as a "developed country." If it were so, definitely the Czech Lands, as well as perhaps even Hungary, should have been included in the same category.

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with the “west.” At this point, it would be hard not to notice that the one thing in common among all of these societies is their shared, recent history of state socialism.<sup>33</sup>

There is no space in this paper to review the history of the specific policies and related debates about redistribution a great variety of institutional practices under state socialism. That, however, is not necessary for my argument either. My claim is simply that, viewed from an early-21<sup>st</sup>-century, global, post-state-socialist perspective, it is quite obvious that one of the shared legacies of the now defunct, Soviet-and-east-central-European state socialist rule is that the societies it left behind have retained exceptionally strong redistributive institutions, ergo—as in the measures I have reviewed here—unexpectedly high levels of Social Contributions. Put differently, what distinguishes eastern and east-central Europe from its comparative counterparts in Latin America and the Caribbean is eastern / east-central Europe’s legacy of strong redistributive institutions in the era of post-state-socialist capitalism. One of the morphological features they all had in common as they re-entered unmitigated, (semi)peripheral capitalism one generation ago was their solid redistributive infrastructure. In Latin America and the Caribbean, only one society—Cuba—could lay a credible claim on such a legacy. Cuba, however, is not capitalist today (ergo it falls outside the scope of the empirical material presented here), nor are estimates about the magnitude of Social Contributions available in the IMF-World Bank data.

### ***5. MODELING HISTORIES IN THE PRESENT***

As a last step, I will make a brief attempt to estimate the relative power of the various alternative explanations for the global variance in Social Contributions, with data referring to three time points: 2002, 2007 and 2012.<sup>34</sup> The vehicle for that is a small and parsimonious multivariate regression analysis using Social Contributions as the dependent variable.

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<sup>33</sup> Were it the case that only the former Habsburg lands of east-central Europe had such high levels of redistribution, it could be argued that that is a result of their shared imperial political, social-institutional heritage. The case of the remarkably high redistribution rates in the Czech Lands, for instance, would very much support such an argument. (I thank one of the reviewers for pointing this out.) And, yet, the fact that there is another set of erstwhile-state-socialist societies in this group - many of which are successor states of various parts of the former USSR - suggests either that there are multiple, parallel mechanisms that produce the same outcome, or that it has to do with the one shared feature among them, i.e., the institutional legacies of “Soviet-style” state socialism.

<sup>34</sup> Data availability problems would have caused insurmountable statistical problems with earlier time points.

Table 3 Global Inequalities in Redistribution, 2002: Regression Analysis of Levels of Social Contribution (Coefficients). \*: p&lt;.1; \*\*: p&lt;.05; \*\*\*: p&lt;.01. The analysis not based on sampling; significance levels are indicative of statistical strength of the relationship only.

	Model 1	Model 2	Model 3	Model 4
<i>Per capita</i> GDP, 2002	.0005**	.0003*	.0004**	.0002*
Former colonizer		11.9*	15.1***	11.6**
Erstwhile state-socialist state in eastern / east-central Europe			24.2***	16.6***
Colonial independence since World War II				-12.1**
N	67	.67	67	67
Model R <sup>2</sup>	.15	.219	.54	.60
Model p	.001	.0004	.0000	.0000

Table 4 Global Inequalities in Redistribution, 2007: Regression Analysis of Levels of Social Contribution (Coefficients). \*: p&lt;.1; \*\*: p&lt;.05; \*\*\*: p&lt;.01. The analysis not based on sampling; significance levels are indicative of statistical strength of the relationship only.

	Model 1	Model 2	Model 3	Model 4
<i>Per capita</i> GDP, 2007	.0003**	.0002*	.0003**	.0002*
Former colonizer		10.5**	14.5***	10.4**
Erstwhile state-socialist state in eastern / east-central Europe			20.4***	14.4***
Colonial independence since World War II				-10.9**
N	81	81	81	81
Model R <sup>2</sup>	.098	.158	.461	.537
Model p	.004	.0012	.0000	.0000

Table 5 Global Inequalities in Redistribution, 2012: Regression Analysis of Levels of Social Contribution (Coefficients). \*: p&lt;.1; \*\*: p&lt;.05; \*\*\*: p&lt;.01. The analysis not based on sampling; significance levels are indicative of statistical strength of the relationship only.

	Model 1	Model 2	Model 3	Model 4
<i>Per capita</i> GDP, 2012	-.0862*	-.108**	-.094*	-.073*
Former colonizer		16.2**	20.5**	10.0
Erstwhile state-socialist state in eastern / east-central Europe			17.3**	7.46
Colonial independence since World War II				-22.7***
N	76	76	76	76
Model R <sup>2</sup>	.041	.115	.209	.355
Model p	.081	.012	.0007	.0000

Tables 3, 4 and 5 contain the results for 2002, 2007 and 2012, respectively. The structure of the three analyses is identical: At first, we enter *per capita* GDP as a control variable. Next, we test the effect of having been a colonial power<sup>35</sup> on the level of Social Contributions. Then, we add a predictor variable to mark those societies of eastern and east-central Europe that had been state socialist until 1989.<sup>36</sup> Finally, the full model includes one additional predictor marking societies that had gained their independence from colonial rule<sup>37</sup> in the recent, post-1945 period of colonial liberation.<sup>38</sup>

<sup>35</sup> This is a binary variable, coded "1" if the society had been a colonial power.

<sup>36</sup> This is a binary variable, coded "1" if the society had been state socialist.

<sup>37</sup> As widely known, there have been two waves of colonial independence. The first one began with the Haitian revolution and struggle for independence and emancipation of enslaved people, and ended

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The regression analysis provides strong numerical support to an argument that posits the *longue-durée* historical embeddedness of redistributive policies. Having been a colonial power (with the results presented in Models 2 in Tables 3, 4 and 5) increases the likelihood of redistribution, *over and beyond* the effects of relative income levels at all three time points. Likewise, the addition, in the next step (as shown in Models 3), of the predictor variable “Erstwhile state-socialist state in eastern / east-central Europe” further increases the power of the model, without adversely affecting the estimated impact of a history as a colonizer. Put differently, the institutional developments that three hundred and fifty years of colonial rule ushered in for western Europe were achieved, in eastern and east-central Europe, by the barely two-generations-long experience of state socialism. At this point, having entered only three variables, we have models that have explained 54%, 46% and 21% of the variation in Social Contributions in 2002, 2007 and 2012, respectively. This signifies a conceptual model that is remarkably effective.

The last step of the analysis reveals that, contrary to much European thinking, there have been not one, but *two legacies of colonialism*. One is captured in the rise to global economic, geopolitical and cultural-symbolic prominence of the colonizer societies of western Europe. Equally important, the other has to do with the catastrophic economic, geopolitical and cultural-symbolic destruction that colonialism has left behind in the recently-independent societies. To measure the net effects of the latter, we enter the variable “colonial independence gained after World War II.”

The results of this step of the statistical test are nothing short of stunning. With the inclusion of this variable, the explanatory power of our model rises to 60%, 54% and 35.5%. To spell it out, being a recently-post-independence erstwhile-colonized country shaves off, *ceteris paribus*, 12.1%, 10.9% and 22.7% from a society’s expected level of Social Contributions.

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around the mid-nineteenth-century. This wave has resulted in the independence of most societies in Latin America so that, as a result, Spain and Portugal lost most of their colonial empire. The second, much more momentous, wave happened after World War II, where basically all the now-independent, erstwhile colonized societies of Africa, Asia, and the rest-of-the-world had gained their political independence.

<sup>88</sup> This is a binary variable, coded “1” if it is an erstwhile colonized society that had gained independence after 1945.

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## 6. CONCLUSIONS

There is, clearly, much more to be said about the historical embeddedness of today's global inequalities in redistributive practices. Below I sum up the lessons we have learnt from this brief exercise:

1. The richer a society is, the more likely it is to redistribute some of its income to the needy. The magnitude of this connection is not particularly great, but it holds at two of the three time points I have examined, even after the introduction of three, very powerful explanatory variables in the model.<sup>39</sup>
2. The “western civilizational achievement” argument is bankrupt on two counts: neither do all “western” societies engage in high levels of redistribution, nor are all societies that do have high levels of redistribution un-problematically “western.”
3. Specifically, we have isolated three additional mechanisms that explain the astounding global disparities in redistribution. Two of them have to do with legacies of colonialism.
  - a. Even though the *colonial system* was destroyed two generations ago, former-colonizer societies continue to enjoy a strong global advantage (read: *over and above their advantages in incomes*) in terms of their redistributive institutions. Essentially, the data suggest that national schemes of redistribution have served the purpose of “buying off” domestic working classes and other disadvantaged or disenfranchised segments of society from the global spoils of the colonial loot, even as recently as two generations after colonialism's end.
  - b. On the other hand, the colonial legacy is making itself felt very strongly in the context of erstwhile-colonized, recently-independent societies. In fact, of the two effects of colonialism, the *negative* effects of a colonial history are consistently numerically greater than the advantages derived by the former colonizers. This is true at all three time points.
4. Finally, we have been able to isolate an important additional historical legacy that contributes to increasing the likelihood of effectively functioning redistributive institutions: the institutional inheritance of *state socialism*. The effect of this legacy fades somewhat, as we move away in time from the end of state socialism in the Soviet “Bloc,”<sup>40</sup> but the effects are still there, still statistically significant and point in the expected direction overall.

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<sup>39</sup> At the third, most recent time point, the effect points in the opposite direction, and the overall strength of the models at this time point are the lowest, implying that some new, additional factors are at work. I have no space in this paper to explore this discrepancy further.

<sup>40</sup> The coefficients for erstwhile state-socialist legacies are 24.2\*\*\*, 20.4\*\*\* and 17.3\*\* in Models 3 for 2002, 2007 and 2012, respectively.

In some ways, it ought not to be surprising that “history matters.” Especially not if we approach social reality with a Polányian sensibility.

The main implication of these findings for the poorest, least powerful and most discriminated-against societies of the world are quite dismal. Turning this point back to Polányi’s classical formulation, there is some indication here that the principle of the double movement may not apply in the same way, or to the same extent, across all locations in the world-system, nor is it a trans-historical over-time constant.

It is also quite clear that *supra-state* redistributive processes have not engendered the task of decreasing *domestic* inequality. The charge of alleviating the suffering of their domestic populations and minimizing the impact of the resulting structural injustices continues to fall on the shoulders of “national” social forces—states, nongovernmental organizations and various other nonprofit actors. As our world is organized today, the poorest societies of the world are afflicted not only by an unacceptably extreme level of global disparities in income; they are also less likely to benefit from redistributive policies, especially if they are citizens of not only poor, but (as it is very often the case) also recently independent, erstwhile-colonized states, and do not have a state socialist legacy to rely on. To a large extent, the current moral panic regarding a putatively mass influx of redistribution-dependent foreign populations in the European Union’s Schengen area thematizes these inequalities in a brutally direct way. That is especially so because a powerful theme of the anti-immigration, anti-asylum, and anti-human-rights rhetoric uses a “welfare-nationalist” (Habermas, 1991; Delanty, 1996; Suszycki, 2011) argument.

This is the world that colonial oppression and its twin, neoliberal hegemony, have left for humankind, in a nutshell.

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Sustaining Democracy in the Era of Dependent  
Financialization: Karl Polanyi's Perspectives on the  
Politics of Finance

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### Abstract

With the contemporary crisis of liberal democracy and the rise of illiberalism in the aftermath of the global financial crisis we are witnessing a renewed interest in structuralist theories that conceptualize the inherent tensions of modernization, crises and democracy. In my paper I attempt to show that Polanyi's thinking represents such a framework that can be updated to fit contemporary realities both in core and peripheral countries. After the introduction I reconstruct Polanyi's political stance regarding democracy, socialism and the market based on a reading of his political speeches as well as other non-academic texts. Next I will bring to the fore his often neglected views regarding the commodification of money and the tensions between international finance and democracy. In the fourth section of the paper I introduce the notion of dependent financialization to make Polanyi's theory of money compatible with non-core capitalist economies. The Polanyian theory of money allows us to formulate hypotheses about political dynamics in different varieties of core and peripheral capitalisms as well. In the final section of my paper I conclude that Polanyi's theory of the double movement and fictitious commodification can only be understood and applied to empirical analysis once we bring it into dialogue with his political views. Polanyi urges us to preserve the market by protecting the economy and society from the damages of excessive commodification: markets need to be protected from themselves.

*Keywords:* Polanyi, double movement, fictitious commodity, finance, democracy.

## 1. Introduction

Financial crises impose immense economic, social and political losses. Financial crises might also lead to the rise of illiberal political forces. Economic crises are found to have a detrimental effect on democratic stability. Przeworski (2000) has pointed out that the likelihood of a democratic breakdown is tenfold in an economic recession as compared with a state of economic growth. In a democratic polity economic woes have political repercussions. With the contemporary crisis of liberal democracy and the rise of illiberalism (Levitsky & Way, 2002; Zakaria, 1997) in the aftermath of the global financial crisis we are witnessing a renewed interest in structuralist theories (Iversen, 2009: 617) that conceptualize the inherent tensions of modernization, crises and democracy. In my paper I attempt to show that Polanyi's thinking represents such a framework that can be updated to fit contemporary realities both in core and peripheral countries.

The first thorough analysis of the politics of finance goes back to Keynes. Liberal economists assert that banks allocate, divide or distribute risk, but do not create it, that is, money is neutral. In contrast to this view, Keynes famously asserted that uncertainty is inherent to a market economy. By creating money through loaning banks infuse the whole economy with uncertainty. Until the 1930s this system was maintained internationally through the gold standard which had profound economic, social and political consequences:

‘The gold standard, with its dependence on pure chance, its faith in ‘automatic adjustments’, and its general regardlessness of social detail, is an essential emblem and idol of those who sit in the top tier of the machine’ (Keynes, 1963(1931): 262).

Karl Polanyi started where Keynes left off (Polanyi-Levitt, 2005), explicitly addressing the political consequences of international money markets in general and fixed exchange rates in particular. Polanyi also draws our attention to the fact that monetary policy is not a technical but a deeply political question with major social implications, demonstrating the domestic political importance of the international monetary order.

Polanyi is mostly cited for his theory of ‘embeddedness’ (Barber, 1995; Gemici, 2008), however, his views on democracy and financial liberalization are rarely invoked. Yet, Polanyi has offered several prescient thoughts on the fictitious commodification of money that could serve as a valuable theoretical frame to analyse contemporary tensions between financial markets and democracy. Economic anthropologists have long recognized the value of Polanyi's work in understanding the nature of money (Graeber, 2009; C. Hann & Hart, 2011; C. H. Hann, 1992; Hart, 2009). However, most of these works have concentrated on his later writings and mainly took Polanyi's article *The semantics of money uses* as point of reference (Polanyi, 1971). As Saiag (2014) shows, *The Great Transformation* differs from his later writings on money in several dimensions, but most importantly, in its analysis of money as part of the historical process of the rise and fall of the fiction of free markets and fictitious commodification. More recently, several leading post-Marxist scholars

have tried to revive Polanyi's theories to reconstruct critical theory. Fred Block and Margaret R. Somers (2014) argue that Polanyi could be the central figure of renewing contemporary Left-wing thinking, echoing Burawoy's (2003) call to reconstruct Marxism on a sociological ground based on Gramsci and Polanyi. Social movement theorists have also rediscovered Polanyi's notion of the double movement to conceptualize movements fighting for a counter-hegemonic globalization (Evans, 2008; Munck, 2004).

Polanyi's work has been subjected to historical-empirical (Duncan & Tandy, 1996) and theoretical criticism as well. It has been pointed out that in *The Great Transformation* Polanyi was sensitive to the moral and the practical limitations of commodification, yet he was less sensitive to the relations of domination present in non-market societies, such as slavery, feudal subordination or gender inequalities (Fraser, 2014). Polemically targeting economic liberalism Polanyi was also less sensitive to the ways in which marketization actually improved the lives of people (Kindleberger, 1974) and thus was too quick to condemn liberal capitalism to death (Polanyi-Levitt, 2005: 175). The recent article by Hodgson (2016) offers a thorough critique of the ambiguousness of the terms society, economy and embeddedness in Polanyi's works as well as pointing out the future direction for possible conceptual clarifications. However, Hodgson also maintains the relevance of the concept of fictitious commodities and the theory institutionalization of the market. Notwithstanding the need for further clarification I will rely on the political economic theory of money as laid out in *The Great Transformation* to offer a structural theory of the tension between financial markets and democracy.

In my article I join the recent scholarship on Polanyi that aims to bring his theory of money to understanding the politics of contemporary financial crises (Block, 2015; Harmes, 2001; Helleiner, 2006; Holmes, 2014; Kara, 2014; Polanyi-Levitt, 2005, 2013; Woodruff, 2016). This literature focuses on the core capitalist countries, mostly the eurozone. By introducing the notion of *dependent financialization* I show that Polanyi's theory can be updated to analyse structural tensions between financial markets and democracy in semi-peripheral countries even without the presence of a fixed exchange rate or an outright currency union like the eurozone. Polanyi was the first political economist to link international financial liberalization to the erosion of democracy. He was also one of the first to forcefully argue that proponents of freedom have to regulate the free market to protect not only society but the productive process itself otherwise wholesale attacks on the institutions of freedom seem to be inevitable. In my paper I intend to show that Polanyi was deeply committed to the principles of freedom and democracy, and his critique of marketization was not meant to completely overhaul the institution of the market but to embed it into social regulation to reconcile it with democratic sustainability. The thrust of Polanyi's argument about the perils of fictitious commodification is that democracy can only be sustained if the operation of the market in general and money in particular is embedded into regulation. Failing to recognize this interrelation leads to the rise of antidemocratic forces according to Polanyi.

The paper proceeds as follows: *The Great Transformation* does not offer a detailed theory of democracy thus we need to look at Polanyi's earlier writings to have a clear understanding of his democratic ideal. In the next section I will reconstruct

Polanyi's political stance regarding democracy, socialism and the market based on a reading of his political speeches as well as other non-academic texts. In the third section I will bring to the fore his views regarding the commodification of money and the tensions between international finance and democracy as laid out in *The Great Transformation*. In the fourth section of the paper I introduce the notion of dependent financialization to show how the structural tensions inherent to liberal finance analysed by Polanyi can be applied to semi-peripheral countries even without a fixed exchange rate regime. The Polanyian theory of money allows us to formulate hypotheses about political dynamics in different varieties of capitalism. In the final section of my paper I conclude that Polanyi's theory of the double movement and fictitious commodification can only be understood and applied to empirical analysis once we bring it into dialogue with his theory of democracy. Democracy can only be sustained in the era of dependent financialization if society reasserts control of money and democratizes the economy.

## *2. Polanyi's theory of democracy*

Before leaving Hungary and devoting his life to social science Polanyi was active in politics. He started his public involvement as an intellectual fellow of György Lukács, Oszkár Jászi and Endre Ady and became one of the most active organizers of the Galilei Circle, a Hungarian movement of progressive university students (see Csunderlik, 2016). As a young intellectual in Budapest he even had a brief flirtation with politics as a key figure of the short lived Civic Radical Party and became its spokesman and secretary general. Polanyi was said to be an excellent orator. In fact, in the turn-of-century Budapest the Polanyi family was at the centre of the progressive movement (Congdon, 1976; Dale, 2009; Litván, 2005).

The civic radicals of the era were fighting for a parallel democratization of the economic and the political sphere. Much in common with social democrats they were not only demanding land redistribution among the rural poor and for limiting class cleavages in life chances but also for the establishment of a modern liberal republic in place of the defunct and profoundly illiberal monarchy of the pre-First World War Hungary. Thus the radicalism of Polanyi and the Radical Party was based on the notion of equality also recognizing that political equality requires certain level of economic equality as well. Although he sympathized with the socialist movements of the era, in his most prominent political speech delivered at the convention of the Radical Party in 1918 in Szeged Polanyi gave a succinct overview of the programme and strategy of the party and also juxtaposed it to the 'scientific socialism' of contemporary Marxism (Polanyi, 1986b). As a central figure of social democratic thinking Polanyi was too much to the Left for the liberals, and too liberal for the radical Left. His progressivism was that of the welfare state, mixed economy (Szelényi, 1991), Robert Owen, social rights and the social regulation of the market (Holmwood, 2000), most closely resembling the Swedish or Nordic model of social democracy (Berman, 2006).

Central to Polanyi's critique of economic liberalism is his ideal of positive or substantial freedom (on the idea of positive freedom see Sen, 1999). His attack on economic liberalism connects the collapse of the gold standard and the rise of fascism

to the rise of the ideal of self-regulating markets. Polanyi considers it to be a grave error to mistake freedom for free markets, for the lack of state involvement. To prevent fascism democratic forces need to abandon the illusion of the self-regulating market and endorse regulation and planning to re-embed the market into society (Polanyi, 1935). According to Polanyi, human freedom and the functioning of the market both require state involvement into economic affairs. The notion of freedom as a lack of state interference as propagated by orthodox economic liberalism conceals '*such brutal restrictions of freedom as were involved in the occurrence of unemployment and destitution*' (Polanyi, 2001[1944]: 266).

Polanyi's strong criticism directed at economic liberalism does not mean a rejection of political liberalism (Kuttner, 2014). Although he eschewed the liberal utopia of self-regulating free markets (calling that 'our obsolete market mentality' (Polanyi, 1947)) and was an ardent supporter of regulation and planning both nationally and internationally, Polanyi was not a proponent of ideologies fetishizing state power. He feared individual freedom would be threatened not only by the dis-embedded economy but by a dis-embedded, non-democratic state as well (Ebner, 2011). Foreshadowing the critical theory of the Frankfurt School, Polanyi thought that '*The Machine Age*', as he called industrial society, is not only threatening freedom through the exploitation of men and nature but through bureaucratic control of human creativity as well (Polanyi, 1947). The last chapter of *The Great Transformation* is titled *Freedom in a complex society*, a text that Polanyi planned to develop into another monograph but did not have the time to do so. Individual freedom (especially 'the right to non-conformity') must be guaranteed in democratic socialism but this can only be achieved if we depart from the notion of freedom as free enterprise into which the liberal idea degenerated according to Polanyi. Freedom can only be fulfilled in and through society: democratic society has to be organized in a transparent way so as to provide ground for the informed and responsible intervention of individuals, who thereby achieve a new and 'positive' form of social freedom (Cangiani, 2012: 45). Therefore, institutions of planning and redistribution at the root of the welfare state, have to be embedded into social and communal coordination according to Polanyi to preserve freedom. As a democratic socialist, he believed that freedom can only be guaranteed through social or communal regulation. For Polanyi

'socialism is, essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society (2001[1944]: 242).

'the class of the employed can defend themselves against the fateful effects of industrial vicissitudes upon their personal lives only by deliberate political interference with the automatic laws governing capitalist markets and currency-systems, interest and wage-rates.' (Polanyi, 1934: 128).



Polanyi devoted several articles to the theory of democratic socialism during his stay in Austria. Following his disappointment with Hungarian politics he left for Vienna, where he spent more than ten years as a journalist also studying economics and sociology. In the 1920s he engaged in a debate with Mises (the mentor and patron of Hayek) and other economic liberals about the possibility of socialist accounting (Rosner, 1990). In his response to Mises Polanyi laid out his theory of functional socialism and did not argue for the elimination of wage labour but wanted to use regulation and planning to curtail unequal income, insecurity or unemployment (Polanyi, 1924). As Sommers and Block (2014: 32) point out, Polanyi believed that politics and other social norms and regulations effectively define the actual meaning of ownership, therefore the question is what those regulations and norms allow and prohibit and not who actually owns capital. In a letter to Oszkár Jászi he suggested that:

'Land, money and labour should not be left to the market. Apart from this the free operation of the market should be left intact.' (Quoted in Litván, 1991: 260)

'The end of market society means in no way the absence of markets. These continue, in various fashions, to ensure the freedom of the consumer, to indicate the shifting of demand, to influence producers' income, and to serve as an instrument of accountancy, while ceasing altogether to be an organ of economic self-regulation.' (Polanyi, 2001[1944]: 260)

This type of socialism resembles a corporatist system of industrial democracy with public property of the means of production that is governed by industrial associations and consumer organisations, and wages and prices regulated in terms of social values through democratic bargaining (Ebner, 2011). Polanyi's theory of democracy rests on his view of the inseparable nature of the economy and polity. Most of his articles on democracy in fact dealt with the extension of democracy to the economy through controlling and curtailing commodification (Cangiani, 2006).

Although Polanyi saw the final guarantee of democracy in democratizing the economy, he was not economic in the sense of equating productive forces, the economic structure, with the base that determines political outcomes. For Polanyi (1947), economic determinism of Marxism is as equally misleading as the liberal fiction of the free market. Influenced by the theory of commodity fetishism in early Marx (see Block, 2003; Brown, 1987), along the lines of humanist, liberal socialism he questioned the whole idea of separating material and non-material interests as driving human behaviour, for him the two are bound together (Özel, 1997). Echoing Weber's non-economic theory of class (Wright, 2009) Polanyi understood that social protection is not only about wages and living standards but also about respect and dignity. For Polanyi, the need for recognition is at least as important as material interests:

'Purely economic matters such as affect want-satisfaction are incomparably less relevant to class behaviour than questions of social recognition. Want-satisfaction may be, of course, the result of such recognition, especially as its

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outward sign or prize. But the interests of a class most directly refer to standing and rank, to status and security, that is, they are primarily not economic but social.' (Polanyi, 2001[1944]: 160)

Economic power yields political power, but politics can be used to act against the interests of economic power holders and to ensure democratic equality. This approach to democracy also means that Polanyi's theory of democracy is of a political sociological nature, treating democracy as a socially and historically contingent phenomenon instead of an abstract ideal (see Polanyi, 1986a). Democracy should be understood in relation to mass politics or working class action. His emphasis on popular action went hand in hand with his life-long commitment to workers education. The ultimate source of democratic political change is not a Marxist or liberal vanguard but the social creativity that lies in the culture of common people (Polanyi-Levitt & Mendell, 1987). His commitment to progressive populism and his belief in the revolutionary potential of common people was also signified by his last book co-edited with his wife, the *Plough and the Pen* (Duczynska & Polanyi, 1963), a volume consisting of works by Hungarian populists.

Understanding Polanyi's political views is vital to comprehending and applying his theory of the fictitious commodification of money and its backlash on democracy. Polanyi was committed to the view that separating the economy and society is an analytical and political error and therefore the theory of democracy has to be built on a theory of the economy. His critique against economic liberalism is based on a positive theory of freedom that can be maintained only if the economy is subjected to political control. Yet, his insistence on a non-economistic conception of democratic socialism is crucial to avoid the pitfalls functionalism that Polanyian analyses of globalization and resistance often fall into. There is no preordained movement against commodification: the outcome of political struggles depends on political organization. This democratic autonomy of the political sphere against democracy can only be fulfilled if it is used to re-embed the economy into social control. The most important element of the economy that drives the deep tensions between democracy and markets is money. Therefore I turn in the next section to Polanyi's analysis of the commodification of money.

### *3. The great transformation of money*

In *The Great Transformation* Polanyi showed that liberal economists have mistaken labour, land and money as commodities leading to a complete misunderstanding of the working of the economy. Therefore, following what Polanyi (1957) later called the substantive view of the economy, economic analysis has to transcend the focus on efficient use of scarce resources and become sensitive to history and social embeddedness of the market. *Fictitious commodification*' is one of the central elements of Polanyi's theory about capitalist crisis. It is not only morally wrong to treat land, labour and money as commodities, but leaving these spheres completely to the market also leads to a breakdown of the functioning of the market and society. Market societies therefore need the state and thus need some form of political decision making to guide state involvement in the economy. Society will in some way react to

the imposition of a fictive free market leading to what Polanyi calls '*the double movement*'. For Polanyi, the most important element of this historical development was in the sphere of *money*. Money is at the centre stage of his historical account of the rise and fall of liberal capitalism. Speaking about the collapse of the order of peace, the collapse of global capitalism and the rise of fascism he writes 'the gold standard proved crucial; its fall was the proximate cause of the catastrophe' (Polanyi, 2001[1944]: 3).

Polanyi's approach to international monetary affairs is clearly at odds with the classical view that separates the 'monetary' and 'real' spheres of the economy. Much of the mainstream analytical efforts to understand money treated it purely as a neutral expression of exchange value. According to this orthodox view of money there are no particular political preconditions and no major political implications of money, that is, money is neutral. *The Great Transformation* questions this view of money and places it in the history of the development of market society as a fictitious commodity. For Polanyi, both the rise and fall of the market system and the political challenges induced by the fixed exchange rate regime of the gold standard cannot be analysed separately from monetary policies and the collective representation of money. In his theory of money Polanyi thus departs both from the subjectivist theory underpinning neoclassical economics and the labour value theory underpinning classical and Marxist economics (Maucourant, 2001). Polanyi's approach to money is non-essentialist and institutionalist: he treats the economy and money as an institution that expresses empirical regularities of social life and as such is linked to the existing social order. From this it follows that money might take different forms and have different functions in society.

In his later writings Polanyi made an analytical distinction between 'special purpose money' and 'all purpose money' (Polanyi, 1957, 1971), maintaining that money had various functions in non-modern societies but in modern market society money has become 'all purpose money' (Melitz, 1970). This view of money in market society differs from that of *The Great Transformation* that treats money as an historically specific institution in modern societies that has social and political functions and cannot be conceptualized as a universal means of exchange (Saiaq, 2014). I agree with Holmes (2014) that we need to follow the logic of *The Great Transformation* and adhere to the special purpose view of money. This way we can conceptualize the power relations within which money as a social relation functions: money is more than a universal means of exchange, it can be a unit of accounting (for debt), purchasing power and also a disciplinary tool of neoliberal governmentality. In fact, as Polanyi points out, economic liberals also recognized the limitations of the view of money as a universal means of exchange and thus a commodity.

As Polanyi describes in the first chapter of *The Great Transformation*, the only exception where liberals tended to openly accept state intervention was the sphere of money. Stable exchange rates between national currencies were central to maintaining the liberal order of the 19<sup>th</sup> century, thus the protection of the exchange rate became one of the most important tasks of governments. Monetary stability was considered a prerequisite for the international expansion of the market, without which the free international movement of goods and capital could easily be jeopardized by sudden movements of the exchange rate. During the first era of globalization in the 19<sup>th</sup>

century, international financial investments (in the forms of railways, colonial companies, or international lending) grew to an unprecedented scale. Polanyi argues that international investors of the era - haute finance as he calls this faction of the economic elite - became strongly interested in the maintenance of peace and monetary stability. They were able to put pressure on governments - who would by themselves not be too much concerned with international peace - through the lever of lending. Thus the system of fixed exchange rates was born representing the highest form of the *fictitious commodification of money*. Yet, money has not been produced solely to function as a universal means of exchange. The whole working of the economy rests on it, therefore the quantity and price of money cannot be decided through the market as that would undermine the working of democracy:

Yet if profits depend upon prices, then the monetary arrangements upon which prices depend must be vital to the functioning of any system motivated by profits. [...] Hence, if the price level was falling for monetary reasons over a considerable time, business would be in danger of liquidation accompanied by the dissolution of productive organization and massive destruction of capital (Polanyi, 2001[1944]: 201)

The creation of the fictitious commodity of money - just as the creation of labour and land as commodities - required a new bureaucratic state and a series of new regulations to protect the functioning of the economy itself. Not only was the creation of the gold standard a result of deliberate political action, but so was the emergence of central banking to ensure the smooth running of the money market. Hence the remark by Polanyi: "*laissez faire was planned - planning was not*" (Polanyi, 2001[1944]: 147). The establishment of the gold standard and the free movement of money not only created problems for the producers but it often involved painful internal adjustment to preserve the value of money and protect fixed exchange rates. Fluctuations in economic processes induced by unchecked market forces went beyond the endurance of society calling forth protective measures of various kinds, from social insurance through social policies to tariffs and protectionism. Polanyi also notes how an internationally interconnected system of national economies might exaggerate these problems:

Under the gold standard—which we all the time assume to be in force—any governmental measure that caused a budgetary deficit might start a depreciation of the currency; if, on the other hand, unemployment was being fought by the expansion of bank credit, rising domestic prices would hit exports and affect the balance of payment in that way. In either case exchanges would slump and the country feel the pressure on its currency.' (Polanyi, 2001[1944]: 209)

The collapse of 19<sup>th</sup> century liberalism and the rise of fascism cannot therefore be understood without looking at the liberalized international economic system of the 19<sup>th</sup> - early 20<sup>th</sup> centuries also encompassing an analysis of the interaction between fixed exchange rates and the inability of the government to react to international economic disturbances and unemployment. Polanyi clearly understood this dynamic

interrelatedness of democratic politics and social protection against the effects of international free markets and the exchange rate. As Holmes (2014: 585) points out, the contradictory goals of sustaining the gold standard and defending the domestic economy led to the final collapse of the gold standard system. Nationalism and the ideology of autarchy took the place of liberal internationalism. There was no international mechanism to protect the economy (the Bretton Woods Institutions were established decades later), therefore national solutions became the only possible form of social protection against the fictitious commodification of money.

The collapse of the gold standard thus was not a result of errant politicians choosing bad policies or self-interested workers looking for protection but rather was an inevitable result of the imposition of the fictitious commodity of money upon society. The countries that were able to survive the thirties with the least inclination to succumb to illiberal forces were the countries first to abandon the gold standard. In the US, the New Deal would have been impossible without the country leaving the gold standard system. Polanyi also points out that in the case of macroeconomic adjustment through internal deflation liberals in effect chose the principle of price stability and the maintenance of the value of the currency and the gold standard over non-intervention and advised governments to push for the reduction of wages:

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. Great Britain and the United States—masters not servants of the currency—went off gold in time to escape this peril.' (Polanyi, 2001[1944]: 242)

Polanyi described three major reactions to the Great Depression. In Central Europe, most notably Germany, the contradicting demands of different classes led to a high levels of debt and a democratic stalemate. Neither the rentier class nor the workers could prevail, inducing a prolonged political crisis and a loss of confidence in democratic politics and thus paved the way to fascism. Fascism according to Polanyi was the negation of democracy and the upholding of capitalism resulting in a disciplinary state. In England, according to Polanyi, democracy could be sustained only because the rentier class was able to defeat the working class politically. Investors thus did not have to fear a political backlash against their interests and could abandon the gold standard to which they had insistently adhered until the fall of the labour government and the failure of mass strikes. Finally, the third way according to Polanyi was that of the United States where Roosevelt building on the restructured Democratic Party was able to defeat the interests of Wall Street politically and abandon the gold standard.

Polanyi thus suggested that by opening up national economic decision making to parties representing working-class interests through the extension of the right to vote clearly played an important role in the fall of the gold standard system. However, the interplay of global finance and domestic politics did not necessarily lead to the collapse of democracy and the rise of fascism. The fate of democracy rested on the fate of the gold standard - the central expression of the fictitious commodification of

money. Governments that went off the gold standard were able to retain democracy. Polanyi points out that the common external factor of the gold standard led to divergent political outcomes in different countries based on local economic and political histories and different policy choices. By abandoning the gold standard and subjecting money to political control, democracy could be rescued. This solution depended on the balance of class forces and the different varieties of societal organization leading to divergent outcomes in response to the Great Depression.

#### *4. The political trilemma of dependent financialization*

Contemporary economists have produced several waves of theories of financial crises, most of them unaware of Polanyi's prescient analysis provided in *The Great Transformation*. Yet, Polanyi's theory is still relevant and can be updated to fit contemporary realities. In a similar fashion to the gold standard, currency pegs and currency unions (binding the exchange rate of one currency to the other) were widely recommended throughout the eighties and nineties to developing countries in the framework of the Washington Consensus. Reinhart and Vegh (1999) find that in most cases exchange based price stabilization was much slower than expected from the fixed exchange rate currency regime. The persistence of inflation differentials however leads to real overvaluation and seriously destabilizes the domestic economy through the loss of competitiveness. The slow convergence of inflation rates fuels a large real exchange rate appreciation which, together with the fall in private saving, leads to large current account imbalances and over-borrowing. This situation brings the Polanyian tensions of the commodification of money to the fore again.

Governments might react in two ways to such a loss of external competitiveness under a fixed exchange rate regime. The first type of reaction follows the suggestion of liberal economists – similarly to the economists analysed by Polanyi – to maintain the exchange rate which requires an internal devaluation to restore competitiveness: cutting wages, cutting social spending, decreasing pensions and cutting internal consumption. The fall in internal prices would restore competitiveness, boost exports and thus the crisis would be overcome. However, workers – as analysed by Polanyi – are reluctant to accept cuts to wages, and their resistance could lead to increasing unemployment and increasing public spending. Internal devaluation, a deflation of prices is always a painful measure to restore international monetary balance. Democratic governments, especially Left-wing governments relying on the votes of those hurt by deflation, are reluctant to allow such adjustment and are inclined to protect society from the pressure emanating from international financial markets. A second possible reaction to the problem of the loss of international competitiveness and currency overvaluation is not internal devaluation but external devaluation through a change in the value of the currency. However, this requires monetary policy autonomy to modify the exchange rate and this autonomy is not present in the system of fixed exchange rates as the gold standard of the 19th century or today's euro and other currency pegs.

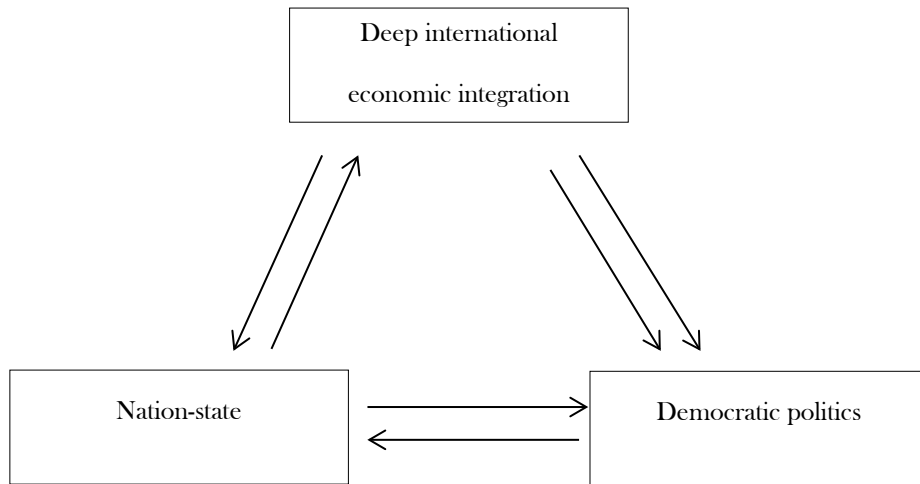
The so called second generation economic models of financial crises address this tension between democratic governance and international financial adjustment (Eichengreen, Rose, Wyplosz, Dumas, & Weber, 1995). The central question for

these theories is how governments will react to the double pressure, one emanating from the international financial market the other from the drive to protect society from the effect of adjustment. Although a government might be able financially to protect the currency against speculative pressures, but the political cost of doing so through internal devaluation (cuts to real wage) might induce the government to abandon the fixed exchange rate (Obstfeld, 1986). Although economic scholarship on financial crises clearly endogenizes political considerations they fall short of a deep political analysis of the tensions between international monetary order and democracy.

Among contemporary economists it was Barry Eichengreen to first note the usefulness of Polanyi's analysis of the collapse of the gold standard and the embeddedness of the monetary sphere into political processes. Inspired by Polanyi, Eichengreen (1996) points out that the stability of the nineteenth-century gold standard was possible because of the lack of mass democratic politics and the insulation of economic policy-making from democratic pressures. Before the mass extension of the franchise it was easier for governments to orchestrate internal deflation of prices as the social repercussions were not directly felt politically. The international macroeconomic model of the impossibility trilemma developed by Dani Rodrik goes even further in integrating political and economic analysis. Updating Rodrik's framework with the Polanyian notion of double movement as a reaction to fictitious commodification offers a powerful conceptual tool for international political economic analysis.

In his paper *The Governance of Globalization* Rodrik (2000) describes the political trilemma of the world economy as the impossibility to simultaneously pursue deep international economic integration, democratic mass politics and the sovereignty of the nation-state. According to the model, we have to choose either to curb integration to retain the nation-state and democratic politics; or maintain integration and the nation-state but abandon democratic politics; or to say farewell to the nation state and re-create democracy and the international level. As opposed to Polanyi, Rodrik thinks in terms of good policies and not in power relations that bring about various institutional orders. Rodrik's model is analytically more rigorous but static, whereas Polanyi's account of the great transformation was less rigorous but more dynamic. We need to be able to conceptualize the trilemma not as a theoretical impossibility of policy choices but as a dynamically evolving tension among the state, international capital flows and democracy that is driven by the structural dynamics of the changing balance class forces. This trilemma can be played out differently according to divergent local political structures. The double movement emanates from the political trilemma but takes different forms in different countries. Combining Rodrik and Polanyi offers a theoretically sophisticated understanding of the various ways in which external and internal political and economic forces shape each other. Figure 1 describes this modified trilemma as updated by the Polanyian notion of double movement.

Figure 1. The double movement dynamics of the political trilemma



Democracy, state autonomy and deep international economic integration are incompatible goals, and imposition of the fiction of free markets leads to social protective mechanisms. Similar political tensions have surfaced with the crisis of the eurozone (Holmes, 2014; Kara, 2014; Woodruff, 2016). Yet, it does not require a fully fledged currency union or a fixed exchange rate for the tensions of fictitious commodification to surface. After the collapse of the Bretton Woods system a new era of liberal finance has started as was described by the literature on financialization (Davis & Kim, 2015; Epstein, 2005). Further research could demonstrate the usefulness of Polanyi in understanding how the growth strategies of several externally indebted countries of peripheral Eastern Europe that could be characterized as *dependent financialization* lead to democratic tensions (Myant & Drahoukoupil, 2012; Roaf, Atoyan, Joshi, & Krogulsk, 2014; Smith & Swain, 2010).

There are significant differences in the way various countries of the European periphery developed their vulnerabilities and reacted to crises. Political structures diverge, different varieties of capitalism (Bohle & Greskovits, 2012) allow different resolutions of the political trilemma inherent to dependent financialization. The tradition of identity politics in the Baltic states allowed more space for political toleration of internal devaluation as opposed to Hungary for example. The trilemma not only developed in countries with fixed exchange rates but in countries where foreign currency debt tied the hands of monetary authorities. Bound to the rule of the free flow of capital in the EU and unable to significantly devalue their currencies due to high levels of private foreign currency debt the only option for the government in Hungary was to follow the logic of deflation: cut budgetary expenses and decrease real wages. The fictitious commodification of money, the uncontrolled flow of cross-border debt and emergence of institutional infrastructure of liberal finance pitted the logic of democratic politics against the maintenance of the confidence of investors. We can conclude with the posing the hypothesis that the collapse of the Hungarian Left and the rise of illiberalism can be understood using Polanyi's notion of the



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double movement as a reaction to the commodification of money in the form of dependent financialization. New empirical research is needed to test this hypothesis.

### 5. Conclusion

Polanyi's analysis of the collapse of the gold standard has many important implications for today's financial crises and the resulting pressures on democracy. Without meaningful intervention and financial assistance to those countries that got into deep trouble during the crisis with their fixed exchange rates, a democratic collapse and a rise of political forces negating freedom can be the result. Fictitious commodification creates similar tensions under the regime of the gold standard, the eurozone or dependent financialization. The crucial question politically as well as analytically is what form the regulation of free markets will take and in what form the double movement emerges. Although monetary policy seems to be a technical problem better left to experts, applying the framework of Polanyi we are able to transcend the narrow focus of classical economics and realize that monetary policy is in fact deeply political with major social implications.

Bringing Polanyi's theory of the double movement into dialogue with his political views we can formulate a non-functionalist theory of the double movement. In the second section I showed that the motivation of Polanyi was to protect freedom including the working of the market albeit in a limited and embedded form. For Polanyi, democracy is only complete if the economy is democratized. If the economy is separated from politics then the power of capital prevails thus reducing the equality of citizens into a mere façade disguising the rule of economic interests. Polanyi's analysis of the tensions between democracy and finance is only complete by bringing in his political views. This way we can better understand his urge to preserve the market by protecting the economy and society from the damages of excessive commodification: for Polanyi, markets need to be protected from themselves.

Polanyi is right in pointing out that people will react *in some form* to dislocations, but this reaction could take many forms falling in three broad categories as famously pointed out by Albert Hirschman (1970): exit, voice or loyalty. That is, even if workers or citizens are hurt by the process of commodification, they still might chose to exit the political sphere, become disillusioned with the possibility of change and not engage in any form of social protection. It is thus far from clear what form the double movement might take. Understanding these reactions requires sophisticated analyses of movement building and political formation. Nevertheless, after stripping Polanyi's theory of its excessive functionalism, treating it as a macro-historical and institutional account of political and economic processes without taking any form of reaction to them as preordained, his main argument about the tension between free markets and democratic politics remains valid and powerful.

In the closing section of *The Great Transformation* Polanyi points out that both fascism and socialism were representatives of the double movement toward social protectionism, but whereas fascism rested on complete negation of freedom, the theory of socialism was built with freedom at centre stage. For Polanyi, socialism essentially means democratic socialism, a strong form of social democracy, with the preservation of markets within a system of public regulation, social protection and

planning. It is a question of local social characteristics, local path dependencies and local histories of class formation and ideological struggle what form the double movement will take. It might induce the rise of illiberal forces, it might result in pervasive withdrawal from politics or might give rise to new progressive forces aiming to deepen democracy through curtailing the fictitious commodification of money. Herein lies the potential of a Polanyian analysis of the commodification of money and the divergent reactions to it.

By securing social rights, supporting trade unions to fight for higher wages, providing public services and social insurance the social burden of international macroeconomic shocks might be eased. However, this will also necessitate the abandonment of completely liberal global financial markets and a return to capital controls and managed exchange rate regimes, and the introduction of international wealth and transaction taxes (e.g. Tobin-tax) as well as strong national and international regulation of lending to curtail the fictitious commodification of money. This way, society, democratic politics and the market based system of production might be protected from the negative effects of fictitious commodification. The real option against illiberalism for political liberals and democratic socialists is to uphold freedom against the illusion of the free market and fictitious commodification to protect society from the market:

‘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.’ (Polanyi, 2001[1944]: 268)

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ADRIAN BRISKU \*  
Empires of Conquest and Civilization in Georgian  
Political and Intellectual Discourse since Late  
Nineteenth Century

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### Abstract

This article explores understandings of the concept of empire in Georgian political intellectual discourses in the pre-Soviet, Soviet and post-Soviet Georgian contexts. Beginning with an elaboration of contemporary political and scholarly understanding of empire, the article then – drawing on the approaches of intellectual and transnational history – distils two meanings: empire of conquest and of civilisation. Both meanings are mainly attributed to the Russian State in its political incarnations as an empire, as the fulcrum of the Soviet Union and more recently as an entity in search of a Eurasian Union. The article argues that while for most of the nineteenth century, the concept of empire embodied by the Russia state was invested with both meanings, particularly by the end of the Soviet period, it came to be singularised to that of conquest. More generally, it suggests that while in contemporary international relations empire, as a political entity, remains discredited morally and legally, the Neo-Gramscian concept of hegemony in IR scholarship elucidates why and when some hegemonic states act as empires of conquest, and while some others can do both, thus mustering their ‘structural power’ as well as ‘soft power’.

*Keywords:* empire, russian state, EU, hegemony, nation-state, Georgian intellectual and political discourse.



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## 1. Introduction

Since the late nineteenth century, Georgian political and intellectual discourse on empire has attributed two meanings to it, mainly but not necessarily only towards the Russian state. The first one is that of empire as a large political centre/space that wields its power and authority (*imperium*) over smaller nations through actual or threatened military conquest. The second one is that of empire as a locus of civilisation (high/religious culture, values and development) that resonates with, dislocates, protects or advances national culture. Georgia's being historically caught between empires and under imperial rule – from the mid-fifteenth century finding itself, a small and disintegrating Caucasian kingdom, under the military conquests and civilisational influences of the Ottoman and Persian empires, divided in half between the two, until the early nineteenth century when the Russian Empire took control of it in their stead for a little more than a century – has conditioned Georgian modern political and intellectual discourse into this duality of meaning. Significantly also, as will become apparent further below, especially with regard to the twentieth and early twenty-first century, one particular understanding – mainly attributed to the exercise of power by a reconfigured Russia as an Empire, the Soviet Union and as a Federation over Georgia – namely empire as one of conquest becomes hegemonic in Georgian political and intellectual discourse.

While advancing an intellectual history approach, thus seeking to reconstruct an account of the concept of empire in the modern Georgian context – a perspective and theme addressed neither by contemporary Georgian nor wider historical scholarship – the argument put forward here that the concept of empire exhibits two meanings, of conquest and of civilisation, can also be anchored in an IR, Neo-Gramscian approach such as the one suggested by Robert W. Cox. It is not the goal of this article to provide a detailed account of Cox's introduction of Gramsci's concept of hegemony in IR or an overview of the intricate exchanges between realist, liberal and constructivist approaches on the concept of power and consent in the international order. Nevertheless, Cox's sensitive appropriation of Gramsci's historically-bound insights on the concept hegemony for IR theory, namely Gramsci's use of Machiavelli's image of power as a Centaur (half-man and half-beast, thus consent and coercion), of the mechanics of hegemony which Gramsci drew from the thinking within the circles of the Communist International that 'workers exercised hegemony over the allied classes and dictatorship over enemy class' (Cox, 1996[1983]: 126), or of more direct IR categories such as 'structural power' and 'soft power' (Cox, 2004: 313) can serve as elucidating metaphors and categories. This is particularly so when discussing, as below, the assertion that nowadays the concept of empire remains a political taboo, whereby few scholars or politicians are keen to promote the Centaur's 'half-beast' side. They are useful also in reading the empirical part of the article where Georgian political and intellectual discourse reveals not only this duality of the concept of Empire, mainly being about the Russian state, but also points to contemporary shifts in Georgia's historical, relational and structural positioning vis-à-vis the Russian state articulated as a rejection of Russia's exercise of its 'structural power' and its 'soft power'.

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## *2. The concept of empire today: a political taboo and a scholarly curiosity*

It is hardly possible to find contemporary political or public intellectual figures, either in Georgia or elsewhere, making the case for establishing an empire as a political project of conquest (*jus conquestus*)<sup>1</sup>, except perhaps for the main proponent behind the post-Soviet Russian idea of New-Eurasianism, the ultra nationalist Russian thinker Alexandr Dugin (Shekhovtsov, 2009: 1-2), or much earlier for the senior British diplomat and adviser to Tony Blair's government, Robert Cooper, who one year after the 11 September 2001 attacks in New York called on Western European states to consider embracing a 'new imperialism' (one that 'brings order and organisation but one which rests today on voluntary principle') (Cooper, 2002: 17-18). This is because territorial conquest remains a political taboo and more importantly is prohibited under international law (Balouziyeh, 2014: 1). The rather unanimous condemnation by the international community of the annexation of the Crimean peninsula – part of the internationally recognised borders of Ukraine – by Russia in early 2014 was an illustration of the unacceptability of the use of military force and occupation of a territory of a country even though Russia had its own interpretation under the same body of international law (*ibid.*). It is also because of the obvious historical reasons having to do with the rise of nation-states and the collapse of many empires on the European continent in the wake of the First World War as well as the de-colonisation around the globe after the Second World War. At the heart of this modern history of human and military violence and political (re)birth of new states was the struggle against imperial conquest and subjugation of smaller nations' political will. Seemingly, nation-states share a universal desire to preserve sovereignty (political independence and territorial integrity) – a desire that empire as a political project transgresses.

However, these negative sentiments that the 'nemesis' of the empire, the proponents of the nation-state hold are intrinsically linked to the other meaning of empire, namely that of empires as civilisation – advancing, sharing or dislocating the culture (religion, values, arts, literature/language) to and of the incorporated peoples, and nations and bringing in development (science, education, infrastructure) as well as exploitation, violence and war to their territories. This layer of meaning, which at best is ambiguous, in turn, makes it possible to talk indirectly about empires in terms of 'legacies' – legacies that nonetheless cannot brush aside a Gramscian critique of cultural hegemony (Adamson, 1980) in the sense that they continue to strongly influence the national identity and self-understanding of post-colonial nation-states. In this regard for instance, the British Commonwealth functioning as a voluntary forum for former colonies and the imperial core to interact in terms of cultural exchanges is one of the vestiges of the British imperial legacy that does not generate adversarial sentiments from former colonies but that influences them nonetheless. It was to critically reflect on this British imperial civilisational legacy that a body of literature under the title of post-colonial studies emerged in the 1970s. Interestingly, nearly forty years after its emergence as a field of enquiry, post-colonialism has been criticised

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<sup>1</sup> For more on this see Pocock (2003[1975]: 368-389).

from within for obsessing with cultural critique of this legacy rather than seriously engaging with a political and socio-economic analysis of empire. A renowned voice in post-colonial studies, Neil Lazarus, took on this field of academic enquiry for its 'constitutive anti-Marxism; disavowal of all forms of nationalism... [having] a hostility towards "holistic form of social explanation" (towards totality and systemic analysis); an aversion to dialectics; and a refusal of an antagonistic or struggle-based model of politics' (Lazarus, 2011: 21).

Yet while there are scholarly ambiguities with regard to the legacies of the British Empire as civilisation, no one would take seriously the proposition of restoring the British Empire as empire of conquest, given also the 'ascent of democracy' as the normative political framework for world politics (Dunn, 2005: 13). However, when former colonial powers, now liberal democratic states, intervene militarily in countries that used to be former colonies, reactions along the line of this proposition emerge. It might seem counter-intuitive that an imperial behaviour of a country can co-exist with its democratic credentials, however as has been already been noted as early as in seventeenth-century English intellectual thought that the England of that period, for instance, could do both: be an empire and a democracy; by being 'democrats at home and conquerors abroad' (Pocock, 2003[1975]: 392). Nineteenth-century British and French liberal thinkers, while perhaps aware of the implications of liberal/constitutional monarchies as Britain and France (with episodic recourse to republican forms of government), did not see a contradiction between empire and democracy when their respective countries made a conscious 'turn to Empire' (Pitt, 2005) and imperial projects in the world. For one, Alexis de Tocqueville widely seen as a liberal thinker and 'the first serious thinker of democracy' in the words of another nineteenth-century liberal, the British philosopher John Stuart Mill, exemplified this seemingly paradoxical juxtaposition between democracy at home and empire abroad. It was Tocqueville who while writing his famous book *Democracy in America* between 1833 and 1837 was also writing essays, one entitled 'How to Have Good Colonies', in support of French imperial expansion in Algeria and Northern Africa (Duan, 2013: 74-75). To be sure, he insisted in 'Essay on Algeria' (1841) that France had to continue with its imperialistic control of North Africa for otherwise 'in the eyes of the world, such abandonment would be clear indication of our decline' (Tocqueville, 2001: 24). In contemporary scholarship this discord of terms is brought together in the phrase of 'liberal imperialism' in which imperial conquest and empire building came to be justified by nineteenth-century liberal thinkers such as Tocqueville and Mill. One scholar noted that:

Scepticism about both particular imperial ventures and general unlimited expansion was, by the 1780s, almost received wisdom among liberal intellectuals. Just fifty years later, however, we find no prominent thinkers in Europe criticising the European imperial project. Indeed, the greatest liberals of the nineteenth century, including J.S. Mill and Tocqueville, were avid imperialist (Pitts, 2005: 296; in Duan, 2013: 76).

It is from this strand of thinking that Robert Cooper sought to make the case for a liberal empire. Noting a lack of 'imperial urge' among Western democratic,

postmodern (meaning not using war as a foreign policy instrument) states after the Second World War, he asserted that they had 'to get used to the idea of double standards. Among ourselves we operate on the basis of laws and co-operative security. But when dealing with more old-fashioned kinds of states... we need to revert to... force, pre-emptive attacks, deception, whatever is necessary to deal with those who still live in the 19<sup>th</sup> century world of "every state for itself"' (Cooper, 2002: 16).

So then when it comes to juxtaposing imperial projects in terms of conquest and military expansion, there is a fine line between liberal and illiberal empires. As Landers lucidly showed in his book on nineteenth and twentieth-century American and Russian imperialisms, in their drive for imperial control and global ambitions these states similarly engaged in military conquests and clandestine intrigues. Their main difference was a civilisational one, in the 'mechanics' of empire: the 'American Empire' was driven by corporatist imperialism, whereas the Russian/Soviet Empire by the communist one (Landers, 2010). Thus in contemporary international political discourse, given the historical and ideological legacy of the twentieth century, mentioned above, military interventions of the US in Vietnam (1964), Iraq (2003), of Russia in Afghanistan (1979) or as the discussion was here on France with its interventions in civil conflicts in Ivory Coast (2011) and Mali (2013), received scathing criticism by left-wing groups of a sheer demonstration of neo-imperialism (Charles, 2011; Cunningham, 2013) – a neo-imperialism that seeks to appropriate natural resources of these post-colonial countries (Guzman, 2014: 1). Such reactions questioned cultural and linguistic influences of the *Francophonie*, which in turn are positively recognised in the French former colonies and beyond.

The same ambiguities and suspicions can be found when dwelling on imperial Russian and Ottoman legacies and their respective successor states, the Russian Federation and the Turkish Republic, which at differing scales have yet to prove their liberal democratic credentials at home and abroad. As historical and civilisational legacies, these entities enjoy a contested discursive reality – nonetheless not entirely negative and dismissive as would be the case if one spoke of an empire as a political project. Turkish foreign policy's examples of the 2000s in evoking the Ottoman historical and cultural legacy, wrapped in a concept of 'strategic depth' (Davutoglu, 2001), as way for Turkey to forge closer relations with countries that were part of the Ottoman Empire spurred strong reactions in some of these countries which pointed to the emergence of neo-Ottomanism (Birnbbaum, 2013) – this, of course, from nationalist perspectives is being conceived as inherently negative. Meanwhile, Russian President Putin's project of the Eurasian Union (as an economic project, complimentary to European integration) during the 2012 Russian presidential election campaign – a project which began in earnest with the signing of a treaty of customs union between Russia, Belarus and Kazakhstan in May 2014 – raised suspicions to those who saw behind this project the attempt of resurrecting the Soviet Empire, under the new banner of Eurasianism, as mentioned above. For the proponents and also for many supporters of the Soviet system and identity in the post-Soviet republics, however, this process of integration was about promoting 'common Soviet civilisational values' and reviving 'infrastructural legacies of the USSR' (Oskanian, 2013: 1).

The European Union as a political and economic project of integration also has not escaped the analogy with an empire. Promoting itself as a democratic and voluntary union of nation-states coming together on the basis of peace, economic prosperity and common values, the EU with its Eastern Enlargement, for instance, triggered strong responses in this regard. Political scientists such as Jan Zielonka in his book *Europe as Empire* concluded that the expansion of the EU borders and “the aggressive” export of EU rules to its neighbour’ had showed that ‘the EU is (or is becoming)[sic] an empire of some sort’ (Zielonka, 2010: 13). Others, from the perspective of critical historical sociology, have found confirmation to the analogy of the EU with empire<sup>2</sup> not only by reference to the Eastern Enlargement (Böröcz, 2001: 5), but also in the utterances by the higher echelons of the European Commission. Indeed, the former Commission’s president, José Manuel Barroso, in a press conference on 30 July 2007 on the text of what became the Treaty of Lisbon (2009) described the EU as ‘non-imperial empire’.

Sometimes, I try to compare [...] the European Union as a creation to the organisations of *empires*... The *empires*... Because we have [the] dimension of empires. But there is a great difference. The empires were made usually through *force*. With a centre that was imposing a *diktat*, a will on the others. And now we have what some others are calling the *first non-imperial empire*. We have... by dimension ... twenty seven countries that *fully* decided to work together to pool their sovereignties, if you want to use that concept of sovereignty, and work together to add values. I believe it’s a great construction and we should be proud of it – at least we in the commission are proud... of our union (in Böröcz, 2010: 9).

What the President of the Commission was pointing to in describing the EU as an empire and yet drawing a ‘great difference’ to the concept is a distinction used in this paper with regard to Georgian modern discourse on empire, namely that between the empire of conquest and that of civilisation. It does not take much to discern from this utterance a political attempt to positively resurrect the notion of empire but of course with sharp qualifications, namely, an empire of conquest which uses force and imposes diktats is inherently an unwanted creature, as confirmed by history; however, an empire of civilisation that is all about values, ‘the non-imperial empire’, is a construction that generates pride, at least in Barroso’s understanding.

Even though a lone political voice in the EU context, Barroso’s positive take on the notion of empire goes against a well-established view on it as political taboo, ‘a dirty word’ (Lieven, 2000: 4) that was in place for most of the twentieth century, due to its association with political conquest as well as human and economic exploitation. The notion of empire was discredited – particularly by Marxist academic circles and official propaganda of communist countries, not least by Lenin himself in his booklet *Imperialism, the High Stage of Capitalism* (1917) and the state, the Soviet Union, that he helped to establish – not only as a political project for undermining the will of smaller nations but also for its cultural and economic imperialisms. So, why is there an

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<sup>2</sup> For a recent recapping of this significant body of scholarship see H. Behr and Y. A. Stivachtis (2016)

emerging scholarly curiosity on empires, given the negativity with which the concept has come to be understood? One explanation is that the notion is employed as to criticise – from perspectives of the nation-state and underprivileged groups within it – any political, cultural or economic pressures that fall upon a smaller state or former colony by external forces, be they former colonial powers or new regional, multi-state formations. Another explanation has to do with the much-trumpeted proposition in globalisation theory that the paradigm of the nation-state as a self-sufficient political, economic and cultural unit has come under strain, while some other, much larger formations/units are emerging, such as the ‘non-imperial empire’ of the EU, the Russian sponsored, Eurasian Union, or even more boldly and teleologically suggested, a world state (Wendt, 2003: 491). Therefore, reflection is needed on thinking ‘beyond the nation-state’, as intellectual history – the approach taken in this article – along the lines of transnational history approach (Patel, 2010). This, in turn, links us with the realm of the ‘international’ – an analytical framework that operates with concepts such as empire, inter-state order, international law and transnational markets (Hopkins, 2014: 33). The assumption is that if the early twenty-first century increasingly resembles the nineteenth century – and this line of thought is being suggested for instance in regard to rate of wealth and capital accumulation in British and French empires in the nineteenth-century and the British and French societies of the early twenty-first century (Piketty, 2014: 114) – then engaging with the concept of empire positive as well as negative lessons can be learned for the rather confused post-nation- and quasi-imperial state that many countries on the European continent seem to find themselves in.

Such scholarly work that tries to examine imperial experiences for positive and negative aspects has already been under way. An edited volume entitled *Imperial Rule* – a comparative study of how imperial rule operated in four imperial settings with multi-ethnic populaces, Habsburg, Ottoman, Hohenzollern and Russian – was largely conceived as a reflection on integration processes of the EU and the question of governing in multi-ethnic societies (Miller and Rieber, 2005). Also, a more recent edited volume entitled, *Comparing Empires: Encounters and Transfers in the Long Nineteenth Century*, analysing British, Habsburg, Ottoman and Russian empires, in the context of political conflict, infrastructure development and war experiences, examined the limits of imperial integration, and drew two significant points on empires, namely that empires were not predestined to fail and that they foster ethnic pluralism (Leonhard and Hirschhausen, 2012). A shorter contribution considered the extent to which a notion of cosmopolitanism understood in terms of cultural and economic openness could be descriptive of the nineteenth-century Ottoman and Russian empires cultural and economic discourses (Brisku, 2014). Furthermore, there is a vast literature on each of these empires and their individual attempts to exert control over their multi-ethnic territories as for instance is the case with the book *The Russian Empire: A Multiethnic History* (Kappeler, 2001), which is relevant for the case of Georgia. Thus, in this larger context, exploring modern Georgian discourse on empire – a small country that historically has found itself wedged between empires – allows us to observe this fluctuation overtime between an understanding of empires of conquest and that of civilisation and the implications of such positioning, particularly

when both meanings were ambiguously interwoven as was the case in the period of the late nineteenth and early twentieth century.

### *3. Soviet and post-Soviet Georgian understanding: the empire of conquest*

Thinking beyond the nation-state in modern Georgian political and intellectual discourse entails precisely reflecting on larger political and economic regions while considering the place and positioning – political, cultural and economic – of smaller nations within them. For Soviet and post-Soviet Georgia, the political, intellectual as well as historiographical discourse on empire has been largely informed by an understanding of it as a set of destructive and unequal encounters and relations with bigger neighbouring states – encounters that have brought about political domination and subjugation as well as national cultural relegation within larger cultural spaces and hierarchies.

To begin with, contemporary Georgian political discourse on empire is one that underscores its conquering and subjugating aspects. This is certainly addressed towards Georgia's northern neighbour, the Russian Federation. Speaking to a group of student cadets at the Museum of Occupation in Tbilisi on the 25 of February 2011 – marking the 19th anniversary of independent Georgia's occupation by the Red Army – Georgian President Mikheil Saakashvili drew strong parallels between the early Soviet Union acting as an empire of conquest and the Russian Federation of the twenty-first century. He reminded them that, 'Significant parts of Georgia are still occupied [referring to the separatist regions of Abkhazia and South Ossetia, which are under Russian military protection]. The same empire, which carried out February 25 of 1921, is dreaming about abolishing Georgia's sovereignty' (Saakashvili, 2011). For Saakashvili this contemporary, 'new' and yet 'dying Russian Empire' wielded its 'waning' conquering imperial impulse on small Georgia, while showing no features of a civilised entity. In his last speech to the United Nations Assembly in September 2013 as Georgian president, touching on Russia's project of Eurasian Union, he strongly reiterated the conquering aspect of this new empire – thus one without civilisation. 'It makes me sick,' he declared, 'when KGB officer Vladimir Putin lectures the world about freedom, values and democracy. But this new project [the Eurasian Union] is much more dangerous than his lectures. The Eurasian union has been shaped as an alternative to the European Union and unveiled by Vladimir Putin as the main project of his new presidency – the new Russian Empire' (Saakashvili, 2013). Certainly, the rise of ethnic nationalism among Georgians and other ethnic groups within post-Soviet Georgia and the role of Russia in undermining the territorial integrity of Georgia fuelled this contemporary political discourse on Russia as a new empire of conquest, while also being a 'civilisational-less' empire. Yet, unsurprisingly, it goes back to the late Soviet period and even further back in time.

The first post-Soviet Georgian president, Zviad Gamsakhurdia, represents that link in the political and intellectual discourse on empire between contemporary and late Soviet periods. As a politician in the early 1990s he would see Russia as the heir to the Soviet Union, the former imperial power, from which 'Georgia's ills' derived (Jones, 2013: 67). And as an intellectual, he would insist on describing the Soviet

Union as an empire. One particular exchange, in the early 1980s, between literary critics Guram Asatiani, Akaki Bakradze and Zviad Gamsakhurdia was a case in point. The debate was triggered by Asatiani's book entitled *At the Origins*. In it, among others things, he reflected on cultural/civilisational influences of empires on Georgian culture, arguing that Georgian culture was a synthesis of Western and Eastern traits (Asatiani, 1982: 7-8). Bakradze, meanwhile, shifted his analysis from the discourse of empires of civilisation to that of conquest.

These two positions, however, are reflected in the historiographical literature on Georgian nationhood. On the one hand, like most of the twentieth-century political and intellectual discourse, as just mentioned above, much of Georgian historiography on country's political history and its external encounters is written also from the perspective of Georgia surviving subjugation by great empires (Brisku, 2013: 15). Yet both dimensions of empire, conquest and civilisation, are part of the discourse, which, in turn, accounts the national historical experience as one of martyrdom and resilience. Georgia's all three historical, regional empires, the Ottoman, Persian, and much later, Russian, are primarily seen as empires of conquest, which by default, through their civilisational markers (religious, cultural) profoundly dented the political and civilisational nature of Georgia in terms of dismantling its medieval monarchical order and of infusing religious and cultural diversity – as a place in between empires. A brief sketch of this historical account illustrates this – an account that can be traced back to the collapse of the Byzantine Empire and its consequences for the medieval Georgian Kingdom. Seeing the Byzantine Empire as an empire of civilisation rather than conquest with which it shared a religion as well as cultural norms, the complete separation of medieval Georgia from Christendom (primarily Byzantine) followed by the occupation and division of the kingdom into western and eastern zones of influence respectively by two Muslim empires, Ottoman and Persian (Clot, 2005: 162), is narrated as a tragic event and even as an act of martyrdom for Georgia. The tragedy of course comes from the fact that these conquering/civilising empires established different occupying regimes, from direct rule to tributary regimes in the case of the former, and indirect – through viceroys – in the case of the latter, as well as civilisational pressures on the Georgian population, in terms of the Christian religion. While there was a difference between the two imperial regimes, in which the Persian Empire allowed for the existence of a political and religious community in the eastern part of the former kingdom, namely that of Kartli-Kahheti, the two empires exerted religious pressures on the Georgian political and economic community – linking the maintenance, or expropriation of property by the indigenous nobility on the condition of conversion to Islam. For instance, Persian law of the time permitted all the converted to take control of the property of relatives who remained Christian. Significantly also, eastern Georgian monarchs could not keep their throne if they 'did not outwardly profess Islam' (Gvosdev, 2000: 2-3).

Georgian historiography accounts this position of a divided medieval Georgia in-between the two Muslim empires as enduring yet unsustainable. The political drive of eastern Georgians, a drive that they could amass especially under Georgian monarch Erekle II (1720-1798) – vassal to the Persian throne – following the collapse of Persian rule there, was for political independence. This was to be with the help of



an empire that exhibited similar civilisational properties with eastern Georgians, as was then perceived the Russian Empire. In this, king Erekle II was successful in convincing Russian Empress Catherine the Great's favourite Prince Gregory Potemkin and her secretary Alexander Bezbordko to enter into a Russian-Georgian alliance – both, Potemkin and Bezbordko, were keen supporters of the idea of Russian expansion in the Caucasus – that an alliance with Georgia would serve not only as military base against the Ottoman and Persian empires but also as a new trade route in Asia. King Erekle's message to Catherine the Great was to underscore the civilisational similarities, Orthodoxy, between imperial Russia and his kingdom. 'Our requests', he wrote, 'are useful to the service of the Great Russian monarchy and to the benefit of many Christian peoples' (*ibid.*, 53-54). The outcome of this Russo-Georgian rapprochement was the Treaty of Georgievsk of 24 July 1783. What ought to have been – from a Georgian perspective – an encounter with the Russian Empire based on shared civilisational traits turned into an encounter of annexation, i.e., conquest. In the Treaty, the Russian Empire recognised the independence and territorial integrity of the Kartli-Kakheti kingdom, the Georgian dynasty's hereditary rights and its supremacy in domestic affairs, and the Georgian Church got a seat on the Synod of the Russian Orthodox Church. In return, king Erekle II recognised Russian suzerainty, renouncing the Persian one, which meant that his foreign policy would be conducted under Russian supervision, while when needed the Georgian military would come under Russian command. However, the newly crowned Russian Emperor Alexander I in issuing 'The Manifesto to the Georgian People' in 1801 made the annexation of the kingdom of Kartli-Kakheti a reality (*ibid.*). Thus the desired encounter with the empire of civilisation turned into the reality of an encounter with one of conquest. The imperial Russian move with regard to Georgia's annexation opened up divisions, hence debates among Georgians on its legality at the time of the event as well as among subsequent generations. For those who saw it as an annexation by a conquering empire, the case was made for restoring the Georgian state nearly a hundred years later to the European/international community at the Hague Peace Conference in 1907, separating it from imperial Russia as well as nearly eight decades after that in 1991 from the Soviet Union.

Returning to the intellectual debate of the early 1980s mentioned earlier, the understanding of empires as one of conquest, thus, trumped that of civilisation, which was of a second order. In this debate, Bakradze discarded the idea of Georgia's cultural flexibility. Historically positioning Georgia as a land between empires, he could see only its historical resilience and survival against conquering world empires. This resilience manifested itself throughout time – evoking the Jewish/Biblical imagery of David and Goliath – whereby Georgia did not have 'relationships with nations of its size, but it always stood against the world's Goliaths.' Bakradze continued with a list of unequal encounters that the Georgian nation had to endure and survive.

Georgia and the Roman Empire

Georgia and the Byzantium

Georgia and the Caliphate of Arabs

Georgia and the Persian Shahinshati

Georgia and the Mongolian Hordes

Georgia and the Ottoman Sultanate

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Georgia and Russian Tsarism (Bakradze, 2006: 227).

Meanwhile, Gamsakhurdia's intervention in this debate was to ask Bakradze why he did not include the Soviet Empire as the contemporary Goliath that Georgia had to face (Brisku, 2013: 140-141).

But seeing the Soviet Union from within as an empire was indeed a marginal position in late Soviet Georgia. Outside however, Georgian intellectuals, such as Mikhako Tsereteli, who escaped Soviet rule after the fall of the First Georgian Republic in 1921, had no difficulty in describing the Union for what it was, an empire of conquest. Writing in the early 1950s, at the height of the Cold War, Tsereteli, in a similar way as president Saakashvili, warned the 'West' that the Soviet Union represented not only an imperial danger to the Georgian nation but to the whole West. As he put it figuratively, the 'whale of Eurasia [was] ready to devour the West' (Tsereteli, 1990: 282) – interestingly, the notion of Eurasia was already used in a pejorative sense in the Georgian context. For a brief moment as well – that being the early years of the Soviet Union, more precisely in the late 1920s – the emerging tensions between the high-ranking Georgian Bolshevik party members such as Budu Mdivani and Philippe Makharadze and Soviet central rule were framed as imperial-colonial relation manifested through political processes of Russification and economic colonial exploitation of the Georgian nation. This was a brief moment for it happened in the rather specific context of a power struggle between Leo Trotsky and Stalin's factions for the control of the Bolshevik state after the death of Lenin in 1924. After winning the contest in 1929, Stalin branded these proponents as 'nationalist deviationist', brutally suppressed them (Brisku, 2013: 88) and with this the view that the Soviet Union as the sole political entity that Georgians had to live with, exhibited the properties of an empire exploiting and negatively transforming the cultural make up of the Georgian nation swiftly disappeared.

Part of the weakening of the vocabulary of empire as civilisation in Soviet Georgia, for most of the communist period, was due to the secularist and atheist position of the Soviet state vis-à-vis religion. In this regard, what had been the common civilisational marker for Georgia and Russia, i.e. Orthodoxy, while culturally still important, had become politically irrelevant. Adding to this was also that the historical territorial and existential threats from the former Muslim empires, modern Turkey and Iran, no longer constituted such dangers. In fact, tensions between Moscow and Tbilisi exacerbated by the emphasis of cultural (linguistic) differences in the late 1970s between the two centres when Georgian Communist Party leader Eduard Shevardnadze, in the spring of 1978 sought to implement a policy 'dictated by Moscow [of withdrawing] the traditional clause in the Georgian constitution affirming Georgian as the sole state language' (Ekedahl and Goodman, 1997: 23) yet failing to pursue it due to mass student demonstrations (ibid.). A renewed Georgian ethnic nationalism in the late 1980s as well as the ethnic wars in post-Soviet Georgia in which Russian troops took control of the regions of Abkhazia and South Ossetia finally stripped off discursively Russia (late Soviet or post-Soviet) of any civilisational elements, while reinforcing an understanding of it as re-emerging empire of conquest, reasserting its influence not only within its federal territory, as in the case of the Chechen Wars (1994; 2000) but also in Ukraine, Moldova and so on.

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This has remained so for most of the two decades of the new millennia, even though an undercurrent of the much-contested Huntingtonian thesis of the ‘clash of civilisations’, which divides the world in a number of religious based civilisational clusters predestined for conflict, seemed to have gotten some traction among some segments of the Georgian populace toward the ‘Slavo-Orthodox’ civilisation. In the words of a prominent analyst of the Caucasus, Tom de Waal, despite recent history, there is a historical affinity between Russians and Georgians.

The bitter political conflicts with Russia over the past 20 years have obscured a deeper historical reality: ordinary Georgians feel a closer affinity with Russians than they do with many other nationalities, including Americans. Probe below the surface and you find an older ‘other’ in Georgian cultures: the Turks, not the Russians. Over history, the Ottomans threatened Georgian nationhood far more than Russia did, while the Russians periodically protected Christian Georgia from Muslim Persians and Turks (De Waal, 2012).

Thus Orthodoxy, again, could be that vocabulary which positively rekindles the view on Russia a bearer of a common civilisation with Georgia and a defender of Georgian civilisation not only from its historical ‘civilisational enemies’, but also from a ‘heretical’, contemporary European civilisation (Asatiani, 2014: 78-79). Already, as it appears in the early 2014, in its political discourse Russia is doing its bid towards this in the face of a small but growing scepticism in Georgia towards the country’s Euro-Atlantic perspectives (the EU and NATO). To be sure, results of a poll for April 2014 showed support for EU membership falling by 3 percent to 65 percent from the 68 percent that it was in November 2013, whereas positive opinion for a Russian-led Eurasian Economic Union was 16 percent, up 5 percent from the November 2013 (Fix, 2014: 4). With a small but increasing number of Russian supporters in the country, an offer is made in the Georgian public discourse of ‘Civilisation. Choice. Peace’ to all those ‘forces of pro-Russian apologia, anti-Western conservatism and religious nationalism [that] have began to unite after years of gradual convergence’ (Cecire, 2014: 2-3). In the cultural (religious) discourse, the Georgian Orthodox Church, which ‘represents of the central domains of [the] nationalist discourse’ in the country, preaches to its flock about how the West is a ‘de-nationalised, sinful space that threatens Georgian national uniqueness and traditions with obliteration’ (Asatiani, 2014: 78-79). These views of the Georgian Church ‘are largely determined by its ties with the Russian clerical space... [which through its] religion-driven Russian messianism or the metaphor of Moscow as the “third and ultimate Rome”... opposes heretical Europe’ (ibid., 79).

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#### *4. Late nineteenth- and early twentieth-century Georgia: Russia a 'benevolent' and yet to be 'democratic' empire*

There was a period of time, however, in modern Georgian intellectual and political discourse – the late nineteenth century – in which empire was vested with both meanings: conquest and civilisation – loaded equally and ambiguously with positive and negative connotations. For the ‘father’ of modern Georgian nation, writer, thinker and public figure Ilia Chavchavadze (1837-1907), who exerted great influence on the Georgian intellectual and political scene from the 1860s till 1907, it was clear that with an emerging modern Georgian nation, and in the context of an inter-state order in the hands of empires, a choice had to be made as to which alliance benefited Georgia politically, economically and culturally. Seeing Georgia as a historical nation wedged between empires and under their constant political and cultural pressures, the choice to be made was between an alliance with a benevolent empire, such as the Russian Empire, or relapse under the rule of the two empires, Ottoman and Persian, with which it did not share the religion nor the prospects for a modern civilisation. To him, the much-contested Russian act of incorporating the Georgian kingdom in 1801 was not an act of conquest but one of alliance – one, which ensured peace as well as offered a window to modern civilisation.

Chavchavadze’s semantic shift of calling Russia’s act of annexation in 1801 one of benevolent patronage rather than conquest was helpful for him in portraying Russia as a benevolent empire – adhering to the same religion as the Georgians and a backer of Georgia’s stability. As perhaps the most poignant critic of Russia’s imperial policies in Georgia, Chavchavadze, nonetheless, supported Russia’s ability to fend off constant threats from the Ottoman and Persian Muslim armies. Georgia was better off within Russia – which, for him, was an important power in Europe – rather than outside it. He clearly articulated this position in an article entitled ‘Hundred Years Ago’, published in 1899. Evoking events a century before, when the first Russian army came to assist the Georgian kingdom threatened by the Ottoman and Persian armies, Chavchavadze underscored the double benefits from the Russian Empire: peace and civilisation, as opposed to the war with the Ottomans and Persians. He wrote, Russia ‘opened the doors of the Enlightenment ... [and] Georgia found peace. The patronage of our fellow believers quelled our fear of the enemy ... The constantly warring, exhausted country became tranquil, freed from havoc and devastation and rested from war and struggle’ (Chavchavadze, 1987: 186). In this dramatic historical context, king Erekle II’s decision to seek Russian help when faced with threats from the Ottoman and Persian empires had been just and right. Russia and Georgia shared the same religion and the former was Europe not only in geopolitical terms but also in a cultural sense (ibid., 178-80). Chavchavadze was highlighting the most crucial benefits for the Georgian nation in being under Russian imperialism and hence undergoing a ‘colonial experience’, an experience which according to prominent analyst of Georgian modern history, Stephen F Jones, after losing its political ‘rights’ were balanced by them getting access to education, national security and imperial glory. In fact, for Jones there was a parallel to be drawn between the experience of Scots in the British Empire and that of Georgians in the Russian Empire who similarly were ‘in the vanguard of imperial officer corps, fighting in battles and sharing its victories’ (Jones, 2005: 2). Under the

Russian imperial banner, the territorial disintegration of medieval Georgia was reversed after the 'gathering of the lands' – the last territories to be reincorporated in Tsarist Georgia (which then was divided into two *gubernias*, Tiflis and Kutaisi), were the regions of Batumi and Kars, following the 1877-1878 Russo-Ottoman war – and Georgians could have the 'benevolent' empire to thank for that.

If in Chavchavadze's understanding the Russian Empire ranked rather highly to Georgia as an empire that fostered an alliance with it rather than conquered it, defended its religion while supplanting it also with elements of modern European civilisation, in the thought of Georgian enlightenment figure Niko Nikoladze (1843-1928) – another intellectual and public activist of the period – this positive duality of benevolent and civilised empire required more qualifiers. For one, he was more ambiguous than Chavchavadze on the 1801 political move. He considered Russian and Georgian political relations marked by violence even though for him, too, the 1801 act was a union and an alliance rather than an annexation. Nikoladze was also convinced, expressing this in an article written in 1873 entitled 'Life in Russia: A Survey', that 'our fatherland's fate and future is entangled with the Russian condition and Russian social and political life has influence on our country's luck' (Nikoladze, 1966: 358). And while a supporter of the Russo-Georgian alliance, past and future, he argued that this alliance could be improved by either a 'constitutional' negotiations with the imperial structures or by establishing political alliances with 'progressive' forces in the imperial centre. In an article written in 1897 titled 'Kossuth and Deak', he suggested the former by a way inference to the 1867 Austro-Hungarian Compromise, which led to the establishment of the Dual Monarchy. The Georgian nation within the Russian Empire could have what Hungary got in this compromises – control over its own finances, its parliament, laws and army (Nikoladze, 1997: 186-213) – thus gaining equal rights as an independent state like Austria while sharing the same emperor (Kann, 1980: 333). Failing in this, the Russian Empire would continue to exert its imperial autocratic authority (political, legal) on the Georgian nation and hence lose its appeal among Georgians in the context in which the superiority of the modern European civilisation was in the ascent. Or, another alternative was that of forging an alliance with Russian 'progressive' and 'democratic' political forces (socio-liberal), which could rebound the Russian Empire as a civilised one. This latter alternative was embraced by Georgian Social Democrats – the largest and the most successful political party that led the Georgian nation to independence in 1918 until the incorporation of it in 1921 by Soviet Russia (Jones, 2005: 9) – including their leader Noe Zhordania, who also became the prime minister of the First Georgian Republic (1918-1921).

The appeal of Europe in the Georgian discourse of this time was that even though it was largely seen as a set of conquering empires per se, these empires were not perceived as such with regard to Georgia. On the contrary, Europe represented the most advanced form or even the source of modern civilisation (political, economic, and cultural), while the Russian Empire was losing its appeal as a benevolent political power and empire of civilisation, worse – it came to be relegated as 'Eastern', thus backward, together with the Ottoman and Persian empires. Zhordania, unlike Chavchavadze, considered Russian culture as Eastern and stuck in the past. The social democrat recognised that over the centuries Georgian culture had

greatly been influenced by Eastern civilisations: Persian, Ottoman and Russian. Yet, accordingly, these civilisations had kept Georgia outside of the European sphere and the 'idea of European culture - which we sought to embrace' (Zhordania, 1990: 90). With a growing Eurocentrism in Georgian intellectual discourse, particularly in the second decade of the twentieth century, Europe's civilisational rise was seen directly correlated to the decline to 'barbarity' of Eastern civilisations: Persian, Ottoman and Russian. Therefore the time had arrived, according to literary criticism of the time, for Georgian society to embrace Europe, and open itself up to European influences for the sake of Georgian national cultural development (Brisku, 2013: 59).

They used to say that 'the light comes from the East'. And truly it was like this, while in the East, the Persian, Arabic, Syrian and Byzantine cultures flourished, and Western Europe, on the other hand, represented a less populated and developed country [sic]. But it has been quite some time now that the world's illuminations to humanity have come from the West... Russian culture is still new [in comparison to the European one], but as Russian writers themselves rightly point out, ... it is already showing signs of old age and degeneration... It is already centuries that Mongolian Hordes altered the nature of Russian people into the Eastern spirit (Kikodze, 1997: 331-332).

The discourse of European civilisational superiority and the backwardness of 'Eastern' empires were strongly articulated by the prominent Georgian cultural movement of symbolist poets called *tsisperkhantselni* (1915-1930). For one of them, being stuck between empires generated restlessness and motion in Georgian culture and politics, whereby the desire was to part with the 'dormant Orient' and join the Western space (Robakidze, 1997: 275). The more the Russian Empire was losing its appeal, as a civilised entity in the Georgian discourse, the less evident became its political benevolence. This appeared to be so when the independence of the First Georgian Republic was declared in 1918, after the Russian Empire succumbed to dissolution and a new state was born, Soviet and Communist Russia, that threatened conquest and imposition of a new civilisation, the Soviet, on a fragile Georgian state. Seeking to garner support from important European states in 1920 for de jure recognition of Georgian independence when also faced with an offensive by the Red Army, Georgian Foreign Minister of the time, Akaki Chkenkheli declared that: 'we stand by our thinking that Georgia is for itself and so is Russia. They [Western Europeans] need to help us to show to the European societies the truthfulness of our requests ... I consider that the question of Georgia ... should be examined separately, without Russia ... They cannot force us to become part of Russia' (Chkenkheli, 1920: 6-7) - recognising thus that the ambiguities vis-à-vis Russia as a benevolent as well as a democratic and multi-ethnic state were no longer there.

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## 6. Conclusion

Georgian historical experience and modern political and intellectual discourse offer a profound familiarity with the notion of empire – a notion which, as noted above, fluctuates between an understanding of it as an empire of conquest or exercising its ‘structural power’ and one of civilisation, promoting its ‘soft power.’ For most of the twentieth century, the ‘age of nation-states’, not only in the Georgian discourse, but also in the wider academic literature and political discourse, the notion of empire lost its ambivalence of meaning because of a strict reading of it in terms of conquest and political subjugation and economic exploitation.

This was not the case, of course, in the nineteenth century Georgian discourse, especially during the ‘age of the empire’, in which empire, in this case the Russian State, was equally and ambiguously loaded with the political attributes of a ‘benevolent’ empire, attributes largely shared by Russian imperial and intellectual elites (see Jersild, 2002; Layton, 2005[1994]; van der Oye, 2010) and the prospects of a ‘democratic’ future, with the markers of modern civilisation, all these contrasted with the pressures of conquering Ottoman and Persian empires, and as Europe as a civilisation drawing the political and intellectual imagination of an emerging modern Georgian nation. Fast-forwarding to the twenty-first century, what appears to be a transitory period of nation-states and regional politico-economic formations, Georgian discourse is in and in-between position again but with rather reversed political actors. One the one hand stands the former ‘benevolent’ empire, Russia, with which the Georgian nation shares the same civilisation markers, which now ‘conquers’ and undermines the territorial integrity of the country, while on the other hand stands the European civilisation of the EU, which could offer the country peace, prosperity and a democratic future.

And while Georgia’s northern neighbour is clearly seen as a re-emerging conquering and uncivilised empire, time will show if the Europe of the EU – which is not about diktats or territorial conquest but certainly is about economic and legal expansion beyond its evolving borders – as an ‘empire of civilisation’ – for as Europe as a civilisation has long been there in its modern discourse (Brisku, 2013: ix) – the *non-imperial empire*, will enter Georgian political and intellectual vocabulary. What is clear, generally speaking, is that in the wider, contemporary international political and intellectual discourses is it easier to point to large powerful, multinational states behaving as empires when they lack ‘soft power’ hence resorting to their ‘structural power’ of coercion in a classical imperial territory-grabbing style as opposed to others that combine both, or to those that go by exercising only their ‘soft power’; as entities that embody civilisational and democratic values.

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## Book Review

### *The Enigmatic Life of Karl Polanyi*

**Gareth Dale: A Life on the Left. New York: Columbia University Press. 2016. 400 pages.**

Karl Polanyi<sup>1</sup> is an enigmatic figure of world social science. He became really influential well after his death, and his fame is a result of a single book. Many researchers and the few biographers now have to realise what an extraordinary life he had and how many more famous contemporaries he was connected with in various chapters of his life.

His life course, which took him through Hungary, Austria, England, and North-America, and covered two world wars, is a real challenge to any researcher, because of the need for language skills and other resources for the study of his upbringing and his scientific as well as political career, and private life.

Furthermore, Polanyi is not the person who would fit easily into the categorization of social science. Sometimes he is described as an economist, or an economic historian, but also as a sociologist and anthropologist. His name is often misspelled and he is sometimes referred to as an Austrian.

Against this backdrop, one can only start with appreciation speaking about the biography written by Gareth Dale, senior lecturer at Brunel University, London. Dale had previously published widely about the thoughts of Karl Polanyi, about German history, the political economy of the East European transition, as well as about other issues like labour migration.

This time he volunteered to write a biography of Karl Polanyi. One may argue that such a research project would have been extremely hard, if not impossible, before globalization. Dale had to arrive late enough to be able to reach out to all venues and sources within a short period. But he also had to be early enough to meet and interview persons who knew Karl Polanyi, starting with his daughter, Kari Polanyi-Levitt. For the last quarter of a century, she has been a leader and patron of the global intellectual movement promoting the legacy of her late father. Dale also benefited from consulting a number of students and followers of Polanyi.

On the other hand, the complexity of a Polanyi biography also comes from the multi-disciplinary nature of Polanyi's education, activities, and contributions. Apart from history, one needs to deal with concepts of sociology, philosophy as well as economics, which Gareth Dale does in a convincing and consistent way.

Those who decide to read this biography will most likely already have read Polanyi's main work: *The Great Transformation*. They already know about double movement, embeddedness and fictitious commodity. Dale's biography is a guide to the origins of these concepts and the magnificent book itself. We can learn from him what sort of studies, and indeed what kind of life experiences produced it.

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<sup>1</sup> The Hungarian rendering of Karl Polanyi is Polányi Károly.

Dale tells the story of Polanyi from youth, war, revolutions, and chapters of emigration that create the elements of such a major achievement in social science. On the other hand, the two decades that follow the publication of the book, i.e. the period of American emigration give him the chance to apply the philosophy of *The Great Transformation* to teaching and anthropological research as well as editorial activity.

The book that was written by Polanyi in Bennington (Vermont, USA) explains the contradictions of the 'self-regulating market' and the 'Gold Standard', which are held responsible for the human tragedies of the 20<sup>th</sup> century. It provides deep economic and social analysis, but not a political program, so it 'can legitimately be read either as an anticapitalist manifesto or as a social-democratic bedtime story.'

We learn from Dale that the title that made Karl Polanyi so famous actually came from the publisher. The provisional title from the author was '*Origins of the Cataclysm: A Political and Economic Inquiry*'. Another possibility was: '*Anatomy of the 19<sup>th</sup> Century: Political and Economic Origins of the Cataclysm*'. Further versions were '*The Liberal Utopia: Origins of the Cataclysm*' and the most simple one: '*Freedom from Economics*'. In combination, these varieties speak volumes and carry the key messages in a more concrete way than the eventual '*The Great Transformation*'.

Together with a biography of Karl Polanyi, the reader gets two other draft biographies integrated in this book: those of Ilona Duczynska, his wife, and Michael Polanyi, his brother, who also becomes a world famous scientist. Both very strong characters, both in constant exchange of views with Karl through many decades, despite sometimes being separated by long distances, for example the Atlantic Ocean.

Love of each other and of freedom connects them, though politically they are very distinct. Ilona is more consistently communist, and Michael is more consistently liberal. Karl is the socialist in between the two, close to the British Fabians, appreciating the New Deal, and assuming that European social democracy remains committed to its 'maximum program'.

While on the one hand Polanyi remains more moderate in politics than his wife, he does not agree with his brother Michael either when the latter starts writing critical observations about the Soviet Union. Indeed, Ilona and Michael are so close to Karl and so important in his life that one would expect to read a little about what happened to them after Karl died in 1964. (Michael lives until 1976 and Ilona dies in 1978 in Canada.) However, since this is primarily an intellectual biography, the *Epilogue* is about the continuing relevance of the ideas of Karl Polanyi at the time of globalization. Polanyi may have thought that free market doctrines will never come back again in a dominant role. However, since the 1970s, neoliberalism revives many elements of pre-Keynesian economics.

Dale is right to highlight the relevance of the Polanyian critique of self-regulating market in the context of global neoliberalism. His argument could be made even more powerful by adding that Polanyi's critique of the Gold Standard is also highly relevant in the context of the ordoliberal Economic and Monetary Union.

Neoliberal globalization explains why in the 1990s *The Great Transformation* is published in many more languages and editions, and Karl Polanyi becomes a star, if not a cult figure for social scientists outside a privileged mainstream. Surely, readers of

his book may ask where the author came from and how his very complex and sophisticated masterpiece was written.

Karl Polanyi's life is a trilogy. Volume one is about his upbringing and the years of youth in Austria-Hungary, with serious studies and fighting, and the development of political consciousness feeding on the fall of the liberal order and the rise of romantic socialism. Volume two begins with emigration from Hungary, and it covers the decades of European emigration, when the rise of fascism is the key issue of politics, economics, society and eventually the international order. Volume three is the American emigration, when the ageing Polanyi continues his research in economic history and anthropology but also engages in the intellectual dialogue on the cold war and peaceful coexistence.

Gareth Dale organizes this trilogy into seven chapters. The first two deals with the early years (the second devoted to world war one alone). Chapters 3-5 cover the decades of European emigration (Vienna and London), and lead us up to the publication of the *opus magnum: The Great Transformation*. From the last two chapters we learn what happened after World War Two, and in an *Epilogue* Dale elaborates on 'a lost world of socialism'.

Dale provides an excellent overview of the world of assimilated Jews in Hungary, and how this social background impacted on the intellectual development of young people growing up in Budapest (and more precisely in Pest). It is just stunning how many famous social scientists emerged from this Budapest environment; outside the Polanyi family, Georg Lukacs (György Lukács), Karl Mannheim, Arthur Koestler, Bela Balazs (Béla Balázs), with a great variety of often adventurous emigrant careers. (The only thing even more astonishing is how many leading natural scientists came from the same city in the same period: von Neumann, Teller, Szilard (Szilárd), Lanczos (Lánczos), Karman (Kármán).)

Karl Polanyi, who is today a general point of reference for socialist and green intellectuals and activists, did not come from a working class family. Why and how he became part of a left-wing intellectual movement in Budapest is a legitimate research question. University, a 'bastion of anti-semitism' accelerated Polanyi's radicalization. He was expelled from the law faculty in Budapest because of a fight and had to continue his studies in Kolozsvár (now Cluj-Napoca in Romania). After returning to Budapest, he became the first president of the Galileo Circle (Galilei Kör), a group radical scholars and students formed to deepen and spread their thoughts. He was introduced into the Freemason's lodge, but more importantly, he took on the leadership of the Committee for Workers' Education.

The Galileo Circle had many Social Democratic members, but it was not affiliated with the Social Democratic Party at all. Monist theoretician Ernst Mach had great influence over the young Polanyi in the Galileo period, together with authors like Chesterton, Dostoevsky and Tolstoy.

In Dale's book, there is more focus on why and how he became left-wing, as opposed to why and how he became so well educated and intellectually creative. What concerns language skills, we learn from a half paragraph that the young Polanyi grew up with German and Hungarian, and very quickly learned English, French, but Latin and Greek as well.

In 1914 Polanyi finds himself hesitating between three possible careers: lawyer, sociologist, or politician. In the same period he also had to do more to support his family. 'Habsburg Jews' (people of Jewish origin living in Austria-Hungary) supported the war and Polanyi finds himself among the young men in military service in Galicia. The war remains his preoccupation and his subsequent scholarly activity is partly driven by this experience. However, there are still many episodes in between.

Readers can use the first chapters also as a short introduction in Hungarian history around the turn of century and world war one, and familiarize with some of the crucial names of this period: Tisza, Károlyi and Kun. In the shadow of these 'big beasts' of politics, you find the great intellects who influenced the young Karl Polanyi in Budapest: Erwin Szabo (Ervin Szabó) and Oscar Jaszi (Oszkár Jászi). The librarian Szabo is the father figure for Marxists, anarchists and syndicalists of the time, while Jaszi is the beacon for progressive liberalism.

Polanyi becomes the first leader of the Galileo Circle where Szabo is so influential. By the time of the war, Polanyi considers himself a liberal socialist, in the footsteps of German thinkers like Eduard Bernstein and Franz Oppenheimer. For him liberal socialism was a phrase interchangeable with reformism and radicalism. When Oscar Jaszi established the Radical Bourgeois Party (Polgári Radikális Párt), Polanyi was his 'right hand man'.

What was Polanyi's relation to Marxism and what kind of socialist he was is an important question. Dale needs to focus on this in the early years but also in later chapters of political struggle and academic development. For many contemporaries (Lukacs is an example) Marxism comes after an intellectual journey, under the revolutionary experience. Polanyi does not become a Marxist either before or after the revolutions of 1917-1919. He distanced himself from orthodox Marxism, mainly because it was considered fatalistic.

In the 1918-19 revolutionary period, Polanyi remained in a polemic relation with the Leftist of the Marxist, soviet democratic orientation, namely (Eugene) Varga and (Georg) Lukacs. But the issue was not settled with emigration. The question kept coming back in the 1920s, amid the lively debates in Vienna and to some extent the political activism of his wife, Ilona Duczynska.

It is mainly due to the publication of some earlier writings of Marx that Polanyi starts looking at him in a more favourable light, and appreciate the 'Christian content' in his works. He tends to agree that the market economy is embedding class divisions within society.

Based on Duczynska, Dale suggests that by the time of moving to England, Polanyi already 'hates' the market system, which was not the case when he was a young liberal socialist in Budapest. The actual experience of capitalism, together with the greater appreciation of Marx, may have contributed to this ever stronger condemnation of the market, which he associates with chaos and suffering, rather than efficiency and justice.

The book is not littered with dates, and since Dale focuses on explaining the evolution of thoughts and the complexity of life situations it is sometimes difficult to figure out what happened to Polanyi and Duczynska and when exactly, though we are left with no doubt that for instance a decision about moving from one country to another was really difficult.

It is certainly not only a matter of curiosity when Polanyi leaves Hungary in 1919. The point is, however, that he left for health reason, to get medical treatment in Austria (from mid-June). Of course, even if he left because of ill health, return is completely excluded after the Commune is overthrown and a white counter-revolution takes over.

It is in (Red) Vienna where Polanyi marries Duczynska (in 1923), and starts working as an editor of an economics journal, the prestigious *Der Österreichische Volkswirt* (*The Austrian Economist*). He becomes familiar with, and a critic of the Austrian School of economics, represented among others by von Mises and Hayek.

The move from Austria takes three years for the whole family. Polanyi has to leave after the Nazi takeover of Germany (1933), while his wife remains for a little longer to continue political work in Vienna. In England Polanyi works as a journalist and a tutor, and carries out extensive research and collects most of the materials for the book.

The move from England, to the US is also very complicated, since despite Karl having an appointment at Columbia, Ilona is not given a US visa (due to her earlier political activity and her unreconstructed views). Eventually, they end up living in Canada, from where Karl commutes to New York to teach.

In the 1940s, it is not only Ilona, with whom Karl has to discuss their family relocation, but also with their daughter, Kari (born in 1923) as well. (She does not like the idea of moving to America at all. True, the US gave a chance to Polanyi to write his *The Great Transformation*, but it also remained a bastion of market capitalism, despite the New Deal.)

And indeed, at least theoretically, the US is not the only option after 1945. The end of World War Two is again a start of a new era when, as we learn from Dale, Polanyi and Duczynska did not easily agree on where they should continue their life. Fascism was defeated, but they were witnessing the 'Sovietization' of Hungary. Ilona, as a Hungarian communist, hailed this process, while Karl remained rather critical. They visit Hungary, but gradually abandon the idea of moving back.

The *Great Transformation* does not make Polanyi world famous at once, but it brings him authority in the academic world, and we find that Columbia and Chicago universities are practically competing for him. In the end, Columbia offers more than Chicago. For sure, either would definitely offer more than returning to the Hungary of Mátyás Rákosi (who happened to be a member of the same Galileo Circle as Polanyi, as Dale rightly mentions).

At Columbia, he finds himself in company with the *crème de la crème* of post-war sociology: Robert Merton, Seymour Martin Lipset, and C. Wright Mills. And it already happens here what haunts Polanyi and his work ever since: for sociologists he is too much an economist, while economists consider him a sociologist. He writes critically about his adversary: Talcott Parsons.

In the 50s and 60s, Polanyi turns to economic history and anthropology which produces his book *Dahomey and the Slave Trade* (published posthumously in 1966). But he also engages with the key debates of the time: the effects of new technology, industrialization and modernization in the area of economic sociology, and the cold war in the area of international relations. He works hard to launch a new journal,



*Coexistence*, with fellows like Joan Robinson, but his terminal illness prevents him from seeing this project blossom.

In Dale's book, Polanyi comes across as a principled but open minded person. He admires many things: books, colleagues, political developments, but draws a red line when something is against a principle he considers fundamental. For example, he is thrilled by the 1956 Hungarian uprising, but he refuses to cooperate with fora where the CIA is suspected to be in the background. Working on *Coexistence*, his endeavour is to bring together authors from both East and West, thus deepening mutual understanding and convergence.

The book mentions several outstanding authors who were in direct contact with Polanyi at Columbia as students: David Landes, Abe Rotstein, Terence Hopkins, Immanuel Wallerstein. But if you look at Wikipedia, there is a long list of economic sociologists and post-Keynesian economists who are considered to have been influenced by him.

Polanyi's life becomes inseparable from politics, but he always remains a scientist, a researcher, and a professor. From youth, he is inspired by Hamlet, which also has an influence on his method: complex analysis, but refusal to 'set the world right'. Such explorations in Gareth Dale's book help understanding Karl Polanyi's life, the origins of his main book, *The Great Transformation*, and the meaning of social science in the 20<sup>th</sup> century.

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## Book Review

*Fred Block, Margaret R. Somers (2014) The Power of Market Fundamentalism: Karl Polanyi's Critique. Cambridge, MA: Harvard University Press. 312 pages.*

Theodor Adorno in his *Three Studies on Hegel*—and particularly in *Skoteinos*—proposes considerations of principle in the task of illuminating Hegel's main works: "Immanent fidelity to Hegel's intention requires one to supplement or go beyond the text in order to understand it. [...] Rather, one must uncover Hegel's aim; the subject matter should be reconstructed from knowledge of it. He almost always has certain issues in mind even when his own formulations fail to capture them. What Hegel was talking about is more important than what he meant. The circumstances and the problem have to be developed from Hegel's program and then thought through on their own. In Hegel's philosophy the primacy of objectivity over the intended train of thought, the primacy of the specific state of affairs under consideration, constitutes an authority in opposition to his philosophy." (Adorno, 1993: 131) We think Adorno's considerations can, and should apply to all cases when one reaches out to greats of the past<sup>1</sup>, greats such as Karl Polanyi.

Fred Block and Margaret R. Somers do—for the most part—heed Adorno's advice in their excellent book, *The Power of Market Fundamentalism—Karl Polanyi's Critique* (hereafter TPFM), a collaborative effort to "construct and make available a usable form of Karl Polanyi's social theory." (p. ix) The reason we have begun our review the way we have, was to express the authors' general attitude toward Polanyi, but also because the cited wording of their aims is a bit of an understatement, and thus slightly misleading, concealing the greatest virtue of the book. Not only do they embrace Polanyi's "Great Narrative" and show us how our time and our predicament would look through Polanyi's eyes, but also respect the strength of Polanyi's work by maintaining a critical attitude toward his specific analysis. Again, Polanyi is treated by Block and Somers the same way Adorno suggests treating Hegel: "No reading of Hegel can do him justice without criticizing him. The notion that critique is a second level erected on a foundation of understanding, an idea derived from pedagogical platitudes and authoritarian prejudice, is in general false." (Adorno, 1993: 145)

*The Power of Market Fundamentalism* is a great book, a "must read" to all expressing at least a slight interest in Polanyi and his works. When critics inflate minor mistakes, and focus their attention on what is missing instead of acknowledging what is of value in the book is a clear sign of excellence. We will try to restrain from such practices but since there is much more to gain from criticism—even if unjust at times—than praise, we will be more generous with the former, and parsimonious with the latter.

On the one hand, the logical meta-structure of the book reflects the attitude described above, following a motion from a clear and concise reconstruction of

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<sup>1</sup> An idea originally put forward by Slavoj Žižek.

Polanyi's most important concepts, invoking the motives behind his viewpoint through embedding them into the context of his life, to a Polanyian analysis of the Speenhamland system of poor relief in nineteenth century England and recent changes in US social policy. The textual structure on the other hand is less clearly ordered, especially when read in one breath from cover to cover, with lots of redundancy, and diversions from the main themes of the chapters toward "by-plots", which can be attributed—as Anne Mayhew points out in her review of the book (2015)—to the fact that most of the chapters are adaptations of previously published articles by the authors, who fail to mention this important detail anywhere in the book. It is obvious that TPMF could not have been written without a "decade-long" immersion into the works of Polanyi by Block and Somers, and it truly is a culmination of their efforts which would have deserved a more meticulous editing.

Out of the eight chapters of the book, the first four serve as an introduction to Polanyi's most important ideas through *The Great Transformation* (hereafter GT), and place these ideas into the context of Polanyi's life. With repeated and overlapping themes and argumentations, each chapter stands on its own, mostly differing in what elements of Polanyi's work and life they focus on. In agreement with Mayhew, either one these chapters—excluding the fourth, which we'll discuss later—would be a fine source for undergraduates encountering Polanyi for the first time as a supplement to an original piece—perhaps a few chapters of GT or from a major compilation of Polanyi's works, *The Livelihood of Man*.

Besides setting the tone of TPMF, chapter 1—*Karl Polanyi and the Power of Ideas*—, also draws an interesting comparison to one of Polanyi's great contemporaries, John Maynard Keynes, that helps to understand Polanyi's peculiar scientific and political position. Both Keynes and Polanyi developed their arguments—at least partly – based on economic crises of earlier periods, and believed that the austerity measures taken to handle these crises were not only ineffective but deepened and worsened social problems instead of easing them. Both were guided by a strong moral compass, and shared the belief that "the economy was a means to an end, not an end in itself." (p. 24) The difference, according to Block and Somers, was Keynes's willingness to formulate his ideas in the ruling language of economics orthodoxy. Accepting the notion of the autonomy of free markets granted him the opportunity to have a major influence in setting up the Bretton Woods system, a restructuring of the international commercial and financial institutions after World War II. Polanyi insisted that disembedding markets from society is too steep a price to pay, since it necessarily results in ceding democratic control of the economy, a complete opposite of the desirable condition, in which the industrial civilization would "transcend the self-regulating market by consciously subordinating it to a democratic society." (p. 26)

The authors devote chapters 2 and 3—*Beyond the Economic Fallacy* and *Karl Polanyi and the Writing of the Great Transformation*—to reconstructing the genesis and selected notions of GT through the context of Polanyi's life-course, providing "material in this chapter that will likely be new to those who know The Great Transformation well. This material aids in understanding the complexity of the intellectual voyage that Polanyi made from his early days in Vienna, to his recognition of the parallelism between market liberalism and Marxism, and the reliance of both

approaches upon the same utopian vision of a self-regulating market.” (Mayhew, 2015: 602) Without recapping the content of these chapters, we argue that it would have been better if they assisted the reader in placing their account of Polanyi's life among the other works available, because *there are* some others available, even if those—just as Block's and Somers' chapter—do not fit the criteria of a “full biography”, but the fact is that some of the sources they cite as “secondary writings on GT”, and some others they fail to mention<sup>2</sup>, *do* discuss Polanyi's life in great detail, and it is not obvious what differentiates their biography from others.

Chapter 4 - *Turning the Tables: Polanyi's Critique of Free Market Utopianism* - is a transitional chapter between the two parts of the book. It discusses Polanyi's relation to Marxism and libertarian market theory, and his idea that a parallel can be drawn between the two, namely that both refer to a ‘stark utopia’, meaning literally an impossible social formation devoid of the coercive powers of the state. This is the last chapter that is concerned with Polanyi and his ideas as its subjects. The remaining four offer case studies by the authors, arguably done in a Polanyian spirit—all valuable, but not necessarily adding to our knowledge of Polanyi. The authors' choice to include a less subtle, undergraduate version of Polanyi's biography can be respected, because it doesn't essentially alter its meaning for understanding Polanyi—the latter part of which cannot be echoed for this chapter.

In our opinion, the hardest and most intriguing problem from a theoretical standpoint is to reconstruct the uniqueness of Polanyi's “economic anthropology”, which unfolds from his argument with Marxism and “market liberalism”. Consequently, to be able to form a mature theoretical attitude toward the Polanyian theory, one has to treat its “opponents” with the same respect, and hold all to the same standards, which is not satisfied in this chapter of TPMF. We think Block and Somers conflates different types of discourses: political (pragmatic) and scientific (theoretical)<sup>3</sup>, which is especially odd since in chapter 6 and 7—as part of their own analysis - they *do* address the relationship between scientific and political ideas. Unfortunately in chapter 4, they uncritically follow Polanyi in his vulgar treatment of Marx, and concentrate on some of the policy proposals of economists from the Austrian and Chicago Schools, treating those as theoretical arguments. The introduction to the book *Az archaikus társadalom és a gazdasági szemlélet* (Szentés, 1976: 7-47) is a noteworthy and just criticism of Polanyi's simplification of Marx's ideas.

Chapters 5, 7 and 8—*In the Shadow of Speenhamland, The Enduring Strength of Free Market Conservatism in the US* and *The Reality of Society*—are genuine analyses by the authors of how market fundamentalism was able to trump protective welfare policies in two completely different historical circumstances. In chapter 5 Block and Somers revisit Polanyi's analysis of the Speenhamland system—this time with a critical view—doing an “excellent job of reviewing the literature on Speenhamland available to Polanyi and on the extensive literature that has been

<sup>2</sup> See *Karl Polanyi* in *Papers on the History of Hungarian Sociology 2*, edited by János Gyurgyák.

<sup>3</sup> Of course, the notion of such a separability is problematic in itself, but Block and Somers do not get so far as to be able to confront this problem in the case of Polanyi.

produced since then. They conclude that while Polanyi was wrong in his conclusions about the effects of Speenhamland, he was right to think that ill-founded conclusions about the poor that emerged from the efforts at Speenhamland cast a long and powerful shadow on welfare policies today." (Mayhew, 2015: 604) Chapters 7 and 8 mirror chapter 5 in applying the same Polanyian perspective seen in the case of Speenhamland to contemporary US policy debates, focusing on *how* current propagators of the free market ideology draw successfully from the same Malthusian ideas used by supporters of the New Poor Law two hundred years before.

Chapter 6 is where the authors venture furthest from Polanyi and elaborate their own epistemological theory on *why* ideas at the core of market fundamentalism became and remained so potent throughout the centuries, and on "the *causal mechanisms* [emphasis in original] that allow certain ideas to exert extraordinary political influence." (p. 151) They introduce the notion of "ideational embeddedness", an extension of Polanyi's market embeddedness, that includes "ideas, public narratives, and explanatory systems by which states, societies, and political cultures construct, transform, explain, and normalize market processes." (p. 155) Market fundamentalism can be so influential, because it has a comparative advantage over "institutional pragmatism" that tried to shield society from destructive market forces. Block and Somers describe three properties that empower ideas—like market fundamentalism—with "epistemic privilege": "they have [to have] their own internal claims to veracity" (p. 156), employ a "theoretical realism" that makes them immune to empirical evidence, and finally a "conversion narrative" which helps people convert to the idea by providing "an explanation for how intelligent and well-meaning people could have been so misled." (p. 175) Block and Somers ultimately trace back market fundamentalism to Thomas Robert Malthus and his *Essay on the Principles of Population*, the ideas of which are returning, re-wrapped over and over again through the past centuries, a piece that still provides the fundamental ideology of free market capitalism. The authors are aware of course that for "sociologists it may be difficult to ascribe so much importance to a single individual" (p. 164), and try to soften their approach by later admitting that "market fundamentalism's internal causal powers are not sufficient to explain its triumph," (p. 186) which is obvious, and even they rely heavily on external forces in their analysis of Speenhamland, for example noting that "the 1832 Reform Bill radically expanded the franchise [so] the middle class electorate become large enough to oppose the Old Poor Law," (p. 159) simply because it was in their immediate interest. After thoroughly building their theory, reverting back to a more Polanyian substantive analysis is actually a huge positive, and proves that Block and Somers genuinely believe that Polanyi, his ideas and methodology are not to be forgotten.

The strengths and richness of *The Power of Market Fundamentalism* far outweigh its minor weaknesses. The book provides anyone who cares to pick it up with inspirational ideas, and most importantly with a feeling that looking at the world now with Polanyi's eyes can illuminate a world *skoteinos*.<sup>4</sup> Joseph Stiglitz writes in his introduction to the 2001 edition of GT, that "Polanyi wrote *The Great*

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<sup>4</sup> I.e., full of darkness.

*Transformation* before modern economists clarified the limitations of self-regulating markets. Today, there is no respectable intellectual support for the proposition that markets, by themselves, lead to efficient, let alone equitable outcomes.” (Stiglitz [Polanyi], 2001: viii) To paraphrase Milton Friedman from 1965, we are all Polanyians now, but just as Keynesianism soon lost ground to Monetarism and the neo-conservative economic liberalism of Reagan and Thatcher, so can the ideas of Polanyi fade away if, at least, there are not more books like this.

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## Book Review

*Tove H. Malloy, Aleksander Osipov, and Balázs Vizi (2015) (eds.) Managing Diversity through Non-Territorial Autonomy: Assessing Advantages, Deficiencies, and Risks. Oxford: Oxford University Press.*

Despite the broad field of autonomy studies, Anglo-American scholarly research has paid little attention to models of non-territorial autonomy (NTA) at least until recently. Overshadowed by the much broader field of study of territorial autonomy (TA), NTA potential as a policy tool for effective accommodation and promotion of ethno-cultural diversity through public institutions has been largely unexplored. However, recently NTA arrangements have been argued to be capable of consolidating the state and promote social unity through accommodating ethno-cultural demands.

*Managing Diversity through Non-Territorial Autonomy* is an exception to the research on autonomy studies and in this short article I review this recently published volume edited by three prominent specialists in minority rights and non-territorial autonomy studies – Tove H. Malloy, Alexander Osipov and Balázs Vizi. *Managing Diversity through Non-Territorial Autonomy* is the first in a series of five books founded on the output of a major programme initiated by the European Centre for Minority Issues and a number of partner organisations. As the main editor of the series Tove H. Malloy explains in the Introduction, the central aim of the book is to initiate the production of conceptual knowledge of NTA in law and the social and political scenes, which may be particularly useful for policy-makers.

As the title of this book suggests the book offers a discussion of the possible approaches to diversity management through various models of NTA and critical evaluation of these arrangements in terms of empowering minority voices. Guided by the Ruth Lapidot's argument for self-regulating institutions that ensure the protection of personal (cultural) autonomy for minorities living dispersed among the majority population, the volume focuses on three key approaches of NTA functions that devolve power to ethno-cultural groups living dispersed within multicultural states, which the authors defined as **voice** (realised through strong minority self-government institutions); **quasi-voice**, (enforced through minority self-management institutions); and **non-voice** (refers to minority symbolic participation in their own affairs and within their community). The book is divided accordingly into three parts, each dedicated to assessing various degrees of power devolution in terms of the strength of voice that ethno-cultural groups have in their own affairs and within their community. This volume uses a number of existing examples of NTA arrangements in different regions of the world, from Canada to the post-Soviet space, through Western Europe, Central and South-Eastern Europe, and the North of Scandinavia.

Part I (*Minority Self-Government*) focuses on the aspect of the strongest form of NTA approach – **voice**. Sherrill Stroschein starts the section with possible strategies of accommodation of ethno-cultural groups, such as territorial autonomy and non-territorial autonomy. She uses examples of NTA arrangements in Belgium and

outlines the benefits of NTA as a peaceful solution to inter-ethnic settlement, which can be implemented in states like Kosovo, Ukraine, Bosnia and Herzegovina instead of TA. The section continues to focus on the aspect of *voice* through institutions of self-government. Chapter 2 by Balázs Vizi details the unique Hungarian system of minority self-government, its historical development and its strengths and weaknesses. In Chapter 3 Antonija Petričušić describes NTA arrangements such as the national minority councils in Croatia. Chapter 4 by Thomás Korhecz, similarly to Antonija Petričušić, discusses national minority councils in Serbia, where they have proved to be more efficient than in Croatia but are still requiring more empowerment and recognition from the authorities. Miran Komac and Petra Roter in Chapter 5 analyse the Slovenian NTA arrangements for Hungarian and Italian minorities that enable their participation in decision-making processes. Adam Stępień, Anna Petrétei and Timo Koivurova conclude PART I by analysing the success of the institutional model of self-government of Sami Parliaments in Finland, Norway and Sweden, however, the authors note that currently the success of the Sámi Parliaments depends largely on access and relationship with municipalities and ministries.

Part II (*Minority Self-Management*) explores the weaker notion of autonomous public institutions to ethno-cultural minorities, and is termed by the authors as *quasi-voice*. In Chapter 7 Daniel Bourgeois describes the model of self-management of minority education in Canada, which is still waiting to realise its full potential. Chapter 8 by Detlev Rein discusses the institutional framework for the Sorbian minority in Germany through strong civil society umbrella organisation and public law foundation for financial and assets management. In Chapter 9 the main editor – Tove H. Malloy finalises the section with a cross-national analysis of functional NTA arrangements between Denmark and Northern Germany, which proved to be somewhat more effective than the classic NTA agreements in terms of minority influence on the government control.

PART III (*Symbolic Participation*) discusses the weakest form of autonomy in the context of two cases, which represent what the authors have termed *non-voice*. The section starts with Aleksander Osipov's chapter on NTA legislation without any self-governing or self-management empowerment of ethno-cultural groups in a number of post-Soviet countries. Vadim Poleshchuk in Chapter 11 analyses the National Cultural Autonomy legislation for the Russian minority living in Estonia, which was once successfully used during the inter-war period but now serves as an example of symbolic participation of ethnic communities without any real value. Finally, in the concluding chapter Levente Salat recaps the institutional approaches introduced by the authors and offers a classification of NTA institutions regarding their strengths.

What makes the book inspiring and important, is its overall contribution to the field of autonomy studies and the innovative perspective that it offers for minority rights experts and policy-makers on the disputed issue of diversity management, accommodation and promotion. For example, some policy-makers may find that diversity management through the *voice* approach or minority self-government like in Hungary, Croatia, Serbia, Slovenia and Scandinavian countries is an appropriate way to manage minority claims. Or some may determine that *quasi-voice* or minority self-



government model like in Canada, Germany and Denmark is an alternative and lower-risk approach to diversity management. And finally, some may build on the *non-voice* or symbolic participation of minority communities experience in the post-Soviet space and introduce a much more efficient way to establish a meaningful relationship between the state and its minority communities. The differentiated NTA approaches are richly illustrated by a range of historical and contemporary cases. I especially enjoyed the concluding chapter by Levente Salat, which provides not only a summary of the volume itself but it also offers a very useful typology of the discussed country cases in terms NTA arrangements, which can be useful for policy-makers and policy advisers alike.

At the same time, the volume compresses a lot of contextual analysis that demands constant thinking and understanding of domestic legislation, forms of autonomy and issues associated with effective implementation of various NTA arrangements. The variety of NTA approaches and theories chosen by the authors makes it somewhat difficult for the reader to keep track of the arguments put forward in this volume. Additionally, after reading all of the country cases of diversity management, some may question the efficiency of what seem to be NTA arrangements. Most of the examples are far from ideal and call for further empowerment of minority voices. Contrary to the legal reality of NTA arrangements, even what the authors termed as the strongest NTA approaches seem to significantly lack efficiency in practice and have no real value. Although Levente Salat provides an analysis of the value of various NTA models and their possible use in the concluding chapter, this issue can be resolved if each chapter were to state clearly the value of the described NTA arrangements to policy-makers and encourage or discourage its use in other situations.

The book is well structured and is essential reading for those working in the area. It applies an original approach that provides informed contextual knowledge on the basis of which decision-makers and policy experts may determine the viability of NTA as a diversity management tool in multicultural and multi-ethnic states. While the book is aimed at the specialists working in the field and policy-makers, this study is also very useful for those who believe that the potential of NTA arrangements has not been fully realised and the ideology behind the concept can offer a lot to society.

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has become increasingly important in his engagement with contemporary economic and political crises in Europe.

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