

# In search of Karl Polanyi's International Relations theory

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**Abstract.** Karl Polanyi is principally known as an economic historian and a theorist of international political economy. His theses are commonly encountered in debates concerning globalisation, regionalism, regulation and deregulation, and neoliberalism. But the standard depiction of his ideas is based upon a highly restricted corpus of his work: essentially, his published writings, in English, from the 1940s and 1950s. Drawing upon a broader range of Polanyi's work in Hungarian, German, and English, this article examines his less well-known analyses of international politics and world order. It sketches the main lineaments of Polanyi's international thought from the 1910s until the mid-1940s, charting his evolution from Wilsonian liberal, via debates within British pacifism, towards a position close to E. H. Carr's realism. It reconstructs the dialectic of universalism and regionalism in Polanyi's prospectus for postwar international order, with a focus upon his theory of 'tame empires' and its extension by neo-Polanyian theorists of the 'new regionalism' and European integration. It explores the tensions and contradictions in Polanyi's analysis, and, finally, it hypothesises that the failure of his postwar predictions provides a clue as to why his research on international relations dried up in the 1950s.

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## Introduction

In 2009, *Foreign Policy* published a list of 'Top Ten Books Every International Relations Student Should Read', selected by Stephen Walt.<sup>1</sup> Some were surprised to see Karl Polanyi's *The Great Transformation* ranked alongside works by recognised International Relations (IR) scholars such as Kenneth Waltz and John Mearsheimer. It was an unofficial canon; one professor's personal preferences. Nonetheless, it was symptomatic. Thirty years earlier it would have been unthinkable.

What had changed? The most immediate answer is the ascendancy of neoliberal ideas and policies that were similar to their market-fundamentalist predecessors that Polanyi dissects in *The Great Transformation*. This development was accompanied by a percolation of Polanyi's writings into International Relations literatures, in four phases. The first, commencing in the 1970s, saw the elaboration of world-systems theory by Terry Hopkins and Immanuel Wallerstein – student and protégé respectively of Polanyi.

<sup>1</sup> Stephen Walt, 'My "top ten" books every student of International Relations should read', *Foreign Policy* (2009), available at: {<http://foreignpolicy.com/2009/04/09/my-top-ten-books-every-student-of-international-relations-should-read/>}.

The second phase was ignited by the IR scholar John Gerard Ruggie. In an essay published in *International Organization*, he drew attention to Polanyi's dichotomy of 'embedded' and 'disembedded' economies. In the former, economic life is submerged in society, while the latter refers to the existence of 'a separate economic system', governed by distinctly economic motives, that is, profit.<sup>2</sup> Polanyi had identified the disembedded economy with 'capitalist internationalism' and had predicted their conjoint postwar demise. Evidently, this conclusion was erroneous, but Ruggie proposed the argument on which it was based was richly suggestive and could be productively reworked. The essence of Polanyi's case was that the postwar international order would have to reflect the changed balance between state and market if the calamities of 1914–45 were not to recur.<sup>3</sup> A new, stable equilibrium had indeed been achieved, in the form of the grand postwar compromise. A liberal international trade and payments regime had been constructed in a manner that permitted a substantial degree of socially protective governmental action in the domestic realm. Ruggie coined the term 'embedded liberalism' to refer to this stable institutionalised compromise between domestic political-economic autonomy and a multilateral trade and currency system. Following publication of his essay, through the 1980s and 1990s, Polanyi's Ruggiesque avatar, a theorist of social-democratic liberalism, was elevated to figurehead status within a torrent of literature in international political economy, much of which proposed that Polanyi's 'double movement' concept had demonstrated that the neoliberal regime was, sooner or later, bound to crash beneath the weight of its contradictions and would give way to an 'embedded' social-democratic capitalism.

From within this phase of Polanyian IR theory, a third direction, representing something of a departure, was initiated by a theorist of 'new regionalism', Björn Hettne. He penned a profusion of articles and book chapters propounding the case that regionalist formations, above all Europe, carry impressive progressive potential as bearers of a counter-movement to the polarising pressures of economic globalisation. Hettne identified a 'new regionalism', which embodied the imperatives of the counter-movement. Whereas the old regionalism 'was created "from above" (i.e. by the superpowers)', its successor emerged from a more 'voluntary [and] spontaneous process "from below"' – where 'from below' is understood, idiosyncratically, as signifying that 'the constituent states themselves are main actors [and are steered by] the imperative of cooperation'.<sup>4</sup> Hettne theorised the 'New Europe' that came into being after 1989 as representing a project of world order, Kantian and Polanyian in spirit, that would rival Washington's Hobbesian-Hayekian paradigm and hold US universalism at bay.<sup>5</sup> The EU represented 'the model case of the new regionalism', for it embodied 'a trend towards political and economic homogeneity' that was 'paving the way for a deepening process of economic and political integration' along social-democratic lines.<sup>6</sup> In identifying the EU as the crucible of a Polanyian counter-movement, Hettne was followed by others, notably James Caporaso and Sidney Tarrow. Their 'Polanyi in Brussels' identified the

<sup>2</sup> John Ruggie, 'International regimes, transactions, and change: Embedded liberalism in the postwar economic order', *International Organization*, 36:2 (1982), p. 385.

<sup>3</sup> *Ibid.*, p. 388.

<sup>4</sup> Björn Hettne, 'Neo-mercantilism: The pursuit of regionness', *Cooperation and Conflict*, 28:3 (1993), p. 221.

<sup>5</sup> Björn Hettne, 'Regionalism and World Order', in Mary Farrell, Björn Hettne, and Luk Van Langenhove (eds), *Global Politics of Regionalism: Theory and Practice* (London: Pluto, 2005), p. 286.

<sup>6</sup> Hettne, 'Neo-mercantilism'; Björn Hettne, 'Europe in a world of regions', in Richard Falk and Tamas Szentes (eds), *A New Europe in the Changing Global System* (Tokyo: United Nations University Press, 1997), p. 17.

European Court of Justice (ECJ) as the headquarters of the counter-movement: the ECJ 're-embeds social regulation at the supranational level'.<sup>7</sup> Other Polanyian theorists published critiques of 'Polanyi in Brussels' – on which more below.

The fourth phase occurred at the turn of the century, in a brief period during which IR theorists began to steer Polanyian discourse in new directions. Hannes Lacher, for example, sought to reclaim Polanyi for socialism. For his resolutely anti-capitalist Polanyi, 'no mere protectionism and state intervention' could re-embed the market; on the contrary, they formed 'part of the pathology of market society'.<sup>8</sup> Another new direction was initiated by Naeem Inayatullah and David Blaney. In essence, they introduced Polanyi to the surging interest in methodology and philosophy that had revolutionised the discipline in the 1990s. For them, his critique of market society's logics of homogenisation was valuable not simply in analytical terms but above all for its methodological fertility. In particular, it revealed methods by which IPE theory could defend 'difference' and become sensitive to the marginalised 'others' of global capitalism.<sup>9</sup> Finally, as if to confirm by negation Polanyi's arrival within IR's halls, a no-punches-pulled critique of his international thought was penned by Sandra Halperin, for the *European Journal of International Relations*. She took Polanyi to task for his 'top-down analysis'. He downplayed conflict and power relations and neglected the determining role of social class structures and processes. This led him to fundamentally misconstrue nineteenth-century Europe's economic system.<sup>10</sup>

Since Halperin's essay of 2004, no fundamentally new departures have been announced, although in each of the aforementioned categories original work has appeared. (A notable example is Christopher Holmes' 'post-structural perspective on Polanyi', which, in its discussion of the double movement as a form of binary problematisation, contributes to the 'methodology/philosophy' stream.)<sup>11</sup> For all the differences between these various interpretations, however, they share essential coordinates. Crucially, their source base is restricted to Polanyi's writings from the 1940s (above all, *The Great Transformation*) and the 1950s (for example, *The Livelihood of Man*). From this flows a particular disciplinary angle: Polanyi is portrayed as a theorist of international political economy, his ideas relevant to debates on globalisation, commodification, and de/regulation, but much less so to the affairs and relations of states.

In this article I draw upon a more extensive set of Polanyi's writings<sup>12</sup> to depict him in a different light: as a figure who possessed the ability and the inclination to make a name in international history and the young discipline of International Relations – including in the subfields that were later to gain definition as International Relations theory, international security, and regionalism and regionalisation – but whose interests drifted toward other pastures, success in which came to overshadow, even to occlude, his earlier work.

<sup>7</sup> James Caporaso and Sidney Tarrow, 'Polanyi in Brussels: Supranational institutions and the transnational embedding of markets', *International Organization*, 63:4 (2009), p. 599.

<sup>8</sup> Hannes Lacher, 'The politics of the market: Re-reading Karl Polanyi', *Global Society*, 13:3 (1999), p. 325.

<sup>9</sup> Naeem Inayatullah and David Blaney, 'Towards an ethnological IPE: Karl Polanyi's double critique of capitalism', *Millennium*, 28:2 (1999).

<sup>10</sup> Sandra Halperin, 'Dynamics of conflict and system change: *The Great Transformation* revisited', *European Journal of International Relations*, 10:2 (2004).

<sup>11</sup> Christopher Holmes, 'Ignorance, denial, internalisation, and transcendence: A post-structural perspective on Polanyi's double movement', *Review of International Studies*, 39 (2013).

<sup>12</sup> The primary materials consulted include Polanyi's unpublished writings contained in the Karl Polanyi Archive at Concordia University (hereafter KPA), the Polanyi Family Papers in Budapest (PFP), the Michael Polanyi papers in Chicago (MPP), and the SPSL Archive (Oxford), as well as his published writings in English, German, and Hungarian.

## Polanyi and the international

Polanyi devoted a substantial portion of his working life to the analysis of international affairs. In the 1920s, when a journalist on the Viennese periodicals *Bécsi Magyar Újság* and *Österreichische Volkswirt*, he reported on the statecraft and political economy of the day, analysing their seemingly inexorable drift from liberal moorings. When teaching in 1930s Britain, his fascination with the derailment of liberal civilisation deepened, and this, the defining puzzle of interwar historiography, became the subject of his masterwork, *The Great Transformation*. Instead of progressing from strength to strength, as contemporaries had expected, the nineteenth-century liberal order had stumbled towards protectionism and nationalism in the century's final quarter, was suspended during the Great War, failed in the attempt to re-establish itself in the 1920s and disintegrated in the 1930s. Explaining this trajectory is the book's central task.

Polanyi's talents in the fields of diplomatic history and international affairs are on lavish display in his journalism, but also in *The Great Transformation*. Despite this, to characterise his theoretical approach to international relations is no easy enterprise. He cannot be neatly identified with any of the paradigms familiar to International Relations theorists, and if one attempts to sum up his outlook, elements of paradox abound: 'cosmopolitan patriot', 'Rousseauian regionalist' or 'liberal socialist'. It would not be unreasonable to describe him as a left-leaning forerunner of the English School. Certainly, his methodological holism and his attention to the sociological underpinnings of international law and politics would have been recognisable to Charles Manning,<sup>13</sup> and he would have concurred with Martin Wight on two heuristics: that international relations are shaped as much by ideas as by material interests, and that theorists should navigate a *via media* between realism and 'revolutionism'.<sup>14</sup> In Wight's nomenclature, revolutionists are defined by the desire to construct a homogenous world order, and this project, in any guise, was anathema to Polanyi. Just as the English School hewed to a Grotian middle way while incorporating elements of Kantian revolutionism and meliorist realism, he argued rationalistically but pragmatically for the construction of a cosmopolitan world order based upon international law, while also drawing upon realism and Rousseauian/Marxian class analysis.<sup>15</sup>

During his most conventionally liberal period, the 1910s, Polanyi envisaged progress toward a pacific world order based upon ideas of justice and equality, with moral values underpinning the idea of the rule of law and an entrenched, legitimate role to be played by international organisations. He exhibited a keen interest in the evolution of the League of Nations which, he believed, offered a legally-secured framework for global governance that would enable the great powers to negotiate pacifically at a common table in cooperative pursuit of common goals: free trade and democratisation. He applauded Woodrow Wilson's exploits in geopolitical engineering, hailing him as a high-minded director of the 'pacifist' cause, in opposition to the archaic 'militarism' of aristocratic elites who were given to sponsoring arms races and turning trade into an instrument of aggression.<sup>16</sup> (Towards the

<sup>13</sup> Roy Jones, 'The English School of International Relations: A case for closure', *Review of International Studies*, 7:1 (1981), pp. 1–13; F. S. Northedge, 'In memoriam: Charles Manning 1894–1978', *British Journal of International Studies*, 5:1 (1979).

<sup>14</sup> Martin Wight, *International Theory: The Three Traditions* (Leicester: Leicester University Press, 1991).

<sup>15</sup> KPA/49/3, Karl Polanyi, letter to Carter Goodrich, 11 January 1957.

<sup>16</sup> Karl Polanyi, 'A mi perünk Woodrow Wilsonnal', *Bécsi Magyar Újság* (1924); KPA/1/45, Karl Polanyi, 'Pártjaink és a béke', *Szabadgondolat*, 8:8 (1918), pp. 146–52; Neil Smith, *American Empire: Roosevelt's Geographer and the Prelude to Globalization* (Berkeley, CA: University of California Press, 2003).

president's own aristocratic archaisms – racism, Christian supremacism, imperialist warmongering, and so on – he turned a blind eye.)

Looking back from the 1930s, as the League fiddled while the world burned, the liberal-internationalist vision appeared a deluded utopia. What explained its failure? Many contemporaries, Polanyi included, agreed that the fact that it was built upon an invidious division, with the victors enjoying full rights and status that were denied to the vanquished, contributed to its ineffectiveness. The League, as he put it, represented an apparatus of rule of its fully empowered member states over 'the less enfranchised ones'.<sup>17</sup> A different argument was elaborated by liberals of the Misesian stripe. They maintained that international cooperation was impaired by economic nationalism and protectionism; it was these that breed international tension, and membership of the League should therefore be restricted to states that adhere to the gold standard and free trade.<sup>18</sup> Polanyi took issue with the liberal credo, both in its Misesian form and the Wilsonianism to which he had previously subscribed. He objected in particular to the postulate that pacific and democratic progress depended upon global free trade and the gold standard.<sup>19</sup> He railed at the League over its advocacy of gold standard as a prerequisite of peace, pointing out that it had overlooked 'the intimate causal connection between the chauvinism it feared and the *laissez-faire* it preached'.<sup>20</sup> The taproot of economic nationalism, he had come to believe, is socioeconomic insecurity, and this would only be exacerbated by free-market policies on the global scale. 'Thus the League unconsciously fostered the nationalism of which it complained and at the same time blocked the road to any true solution.'<sup>21</sup> And what was that solution? It was not to convert the League into the enforcer of a free-market system, he explained in a lecture at his daughter's school in the mid-1930s, but to limit its membership to democratic and socialist states.<sup>22</sup>

In the 1930s, Polanyi's thought acquired a pronounced realist edge. This could be seen in his repeated insistence that 'power ... and coercion are inevitable in a complex society',<sup>23</sup> in his acclaim for the realist turn in Moscow's foreign policy, and in his critique of liberal idealism: that it fails to grasp the necessity of frontiers and of 'loyalty to the State' (which he regarded as the *sine quibus non* of settled human communities).<sup>24</sup> It could be seen in his sympathy for Rousseau's view that, in his paraphrase, 'in a free society ... that which serves the survival of the people is right', and that such a society 'can exist only if its citizens are ... prepared to sacrifice all and everything in the service of their country and its free institutions'.<sup>25</sup> It could be seen above all in his approach to winning Americans 'to come to British assistance in the war' in 1940, which he spelt out, in rugged realist idiom, in a letter to his wife:

I steamrolled all superficial evasions by my insistence on national interest as the only conceivable starting point of policy. The idea of philanthropic, caritative or otherwise 'altruistic' help to Britain I freely ridiculed and actually branded as criminal folly or rather showed it up for what it was: a screen behind which to escape for the cruel alternatives set by national policy. In other words, I refused to discuss any sentimental, moral or ideological

<sup>17</sup> KPA/8/6, Karl Polanyi, 'Hot Spots in Europe' (1934–46).

<sup>18</sup> KPA/19/13, Karl Polanyi, 'Enforced Uniformity' (n.d.).

<sup>19</sup> KPA/19/8, Karl Polanyi, 'The Meaning of Parliamentary Democracy' (n.d.), p. 13.

<sup>20</sup> KPA/20/2, Karl Polanyi, 'Tame Empires' (1938–9).

<sup>21</sup> Ibid.

<sup>22</sup> KPA/17/16, Karl Polanyi, 'Great Britain's Foreign Policy To-day', Bedales School (1937). Cf. KPA/18/21, Karl Polanyi, *Europe To-Day* (1937), p. 80.

<sup>23</sup> KPA/20/13, Karl Polanyi, 'The Meaning of Peace' (1938).

<sup>24</sup> KPA/17/29, Karl Polanyi, 'The Nature of International Understanding' (n.d.).

<sup>25</sup> KPA/18/24, Karl Polanyi, 'Jean Jacques Rousseau, Or, Is a Free Society Possible?' (1943).

argument pro or con, as decisions about war & peace should never be taken on grounds distinct from the interest of the groups concerned. That does not exclude (far from it!) the vital relevance of the moral and ideal – but it means that only insofar it is the content of ‘national interest’ does it have such a relevance.<sup>26</sup>

If Polanyi’s international thought evolved in a realist direction, it was of the E. H. Carr variety. He was unsparingly critical of ‘pseudo-realistic’ prejudices, whether in the guise of neo-Machiavellian justifications of force-based international relations, or the idea that moral values are derived from relations of power, or the belief in the inevitability of the balance-of-power system and the perpetual wars to which it had given rise.<sup>27</sup> He was as dismissive of the ‘credulous cynicism’ he encountered among realist American students as he was of the ‘illusionism’ of their idealistic fellows.<sup>28</sup> Pursuit of the national interest and international cooperation, in his conception, belong hand in glove. Foreign policy, he wrote in the 1930s, ‘is the safeguarding of a country’s interest’, but

good policy must take account of other countries’ interests, so as to steer a course which offends as few countries as possible ... To formulate – not in words but in deeds – one’s interests in such a fashion as to make them overlap with the interests of others is the hallmark of good policy. ... As long as a country is able to serve its own interests while serving interests broader than its own, it is justified in formulating that policy in those terms of universal interests, which we call international morality.<sup>29</sup>

As the drums of war beat louder in the 1930s, Polanyi found himself immersed in debates over pacifism, a position that appealed to many comrades of the ‘Christian Left’. He applauded the courage of pacifists such as Bertrand Russell who were prepared to serve time in prison for their convictions, and when younger he himself had espoused pacifist views in opposition to the violence’ of Bolshevik revolution.<sup>30</sup> But now the question at hand was not the violence of the masses in revolution and civil war but that of liberal states against Nazi Germany. In this scenario he advocated non-violence where possible but forceful methods where they were not.<sup>31</sup> The pacifist case, he conceded, embodied two ‘truths’: a heartfelt yearning for peace, and the recognition that the problem of war underlay the ‘struggle between fascism and democracy’.<sup>32</sup> But pacifists were misguided in refusing the command to fight, and this for two reasons. They mistakenly believed that the canons of individual morality can be applied directly to politics, failing to acknowledge that in politics one often has to choose between ‘different evils’ – and in that failure lay an abdication of responsibility.<sup>33</sup> And they were blind to the institutional character of war, and hence to the inevitability of its deployment as a ‘means of settling the boundaries of human communities, in the absence of a supra-national authority’. Polanyi shared the ‘idealist’ conviction that such an institution could and should be created, even ‘in our age’, but unless and until that blessing arrived, war would be inevitable.<sup>34</sup> In addition, he raised a further objection to the pacifist case, of a contingent kind: that it implicitly offered support to Neville Chamberlain’s strategy of appeasement. Britain had been

<sup>26</sup> KPA/59/7, Karl Polanyi, letter to Ilona, 15 November 1940.

<sup>27</sup> Karl Polanyi, ‘A világbéke Dummer August-jai’, *Szabadgondolat*, August-September (1918); Polanyi, ‘International Understanding’.

<sup>28</sup> SPSL/536, Karl Polanyi, ‘Reflections on a Visit to Southern Colleges’, Institute of International Education, Extramural Lectures, Report No.1 (1935), pp. 8–9.

<sup>29</sup> KPA/18/20, Karl Polanyi, ‘Education and Foreign Policy’ (n.d.).

<sup>30</sup> Karl Polanyi, ‘Börtönök ma és régen’, *Bécsi Magyar Újság* (7 July 1922).

<sup>31</sup> Polanyi, ‘Meaning of Peace’.

<sup>32</sup> KPA/18/38, Karl Polanyi, ‘The Roots of Pacifism’ (1953–6).

<sup>33</sup> Polanyi, ‘Meaning of Peace’.

<sup>34</sup> KPA/20/16, Karl Polanyi, ‘Coercion and Defence’ (1939).

'trapped' into appeasement, essentially by 'the traditions of "finance"', with anti-communism providing additional motivation.<sup>35</sup> While admitting the validity of a specific, empirical argument in favour of appeasement, that Britain lacked militarily preparedness,<sup>36</sup> Polanyi opposed the policy in principle. Making concessions to the fascist powers would only strengthen them, ensuring that the war, when it did arrive, would be more prolonged and destructive.<sup>37</sup>

Out of the pacifism debate, Polanyi's new thoughts on world order crystallised. In the long run, he concurred with his pacifist adversaries, the goal of eradicating war was noble and viable, but it could not be achieved without confronting the root cause of 'the danger of war in our age', and that was the existence of global economic interdependence. For, the modern interdependent economy was here to stay. It could not be replaced by, say, a system of autarkic nation states without 'a sudden and fateful drop in the material resources of mankind'. Crucially, it necessitated a global political order.<sup>38</sup> 'Either within the boundaries of a world empire or in those of a world federation', he proposed, 'either through conquest and subjection or by international cooperation, the nations of the globe must be brought within the folds of one-embracing body if our civilization is to survive'.<sup>39</sup> For this tendency to evolve in a progressive direction, 'new forms of economic co-operation' would have to be fashioned.<sup>40</sup> The traditional institutions had irrevocably collapsed, and must be replaced by new structures based upon the principles of 'genuine community' and 'genuine economic co-operation on an international scale', a system that would enable 'the whole of the population to act as a single unit where economic questions are concerned'.<sup>41</sup> If war was to be abolished, 'international order must take its place. But no international order is conceivable without a new international economic order to replace that which is passing away'.<sup>42</sup> In short, Polanyi explained to his students, 'the unanswerable axiom of world division of labour is the strongest argument for *world planning*'.<sup>43</sup>

### **Between nationalism and universalism: 'tame empires'**

Even during his more realist phase, Polanyi's international thought included a universalist strand, but a stronger and less ambivalent thread was constituted by his commitment to regionalisation – 'tame empires', in his parlance. One may reasonably conjecture that affinities existed between this position and his biography. Raised in the Habsburg Empire, he was conditioned to distrust a world organised upon the nation-state principle. For middle-class Jews in particular, the empire promised

<sup>35</sup> KPA/47/10, Polanyi to Mr. Nicholson, 29 July 1940. In this letter, to a British government official, Polanyi links high finance also to 'the most disastrous misdirection of our war effort', namely, that Whitehall called upon citizens to formulate their wartime sacrifices in terms of money, rather than the transformation of 'our habits and ways of life'. The letter concludes by proposing that the Ministry 'make economic enlightenment on the lines of total war one of its main tasks', with funding supplied to lecturers and pamphleteers to propound the case, 'with the utmost vigour, against the traditional notion of money being the sinews of war'.

<sup>36</sup> Karl Polanyi, *The Citizen and Foreign Policy* (London: Workers' Educational Association, 1947), p. 27.

<sup>37</sup> Polanyi, 'Meaning of Peace'.

<sup>38</sup> Polanyi, 'Roots of Pacifism'.

<sup>39</sup> *Ibid.*

<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

<sup>42</sup> KPA/16/4, Karl Polanyi, 'The Theory of Politics' (n.d.).

<sup>43</sup> KPA/15/4, Karl Polanyi, Morley College Lecture XXIII (1936–40), emphasis in original.

inclusion and progress – even if these ideals could only be realised with further liberal reform. This explains ‘the deep irony’ of the late Habsburg period, as Ernest Gellner observes. That

an authoritarian Empire, based on a medieval dynasty and tied to the heavily dogmatic ideology of the Counter-Reformation, in the end, under the stimulus of ethnic, chauvinistic centrifugal agitation, found its most eager defenders amongst individualist liberals, recruited in considerable part from an erstwhile pariah group and standing outside the faith with which the state was once so deeply identified.<sup>44</sup>

Identification with the imagined imperial community, for many Hungarians of Jewish heritage, came rather more easily than identification with the imagined national community. Incorporation into the latter required public performances of repudiation of their heritage and of their allegiance to Hungary. Little wonder that many of them, including Polanyi, theorised nations as socially constructed (not primal) and national identity as voluntarist (not given).

For much of his life, Polanyi’s perspective on nations and nationalism fell broadly within the liberal-nationalist tradition, as elaborated by the likes of Mazzini and the political economists of Germany’s Historical School. The road of Progress, they held, was traversing a landscape of nation states but would later rise to a higher elevation, at which point nations would federate into regional conglomerates. As Polanyi saw it, whereas in the nineteenth century, nation state formation had been the driver of social unification, in the twentieth the national form was becoming an obstacle, and social unification would necessarily advance along new tracks. This perspective did not imply opposition to national consciousness or to nationalism. The issue arose in a sharp form within socialist circles following the onset of war in 1914. Whereas some Marxist currents held that workers have no material interest in fighting one another, Polanyi followed Otto Bauer in arguing that although workers lack a material stake in their nation, they nonetheless form an organic element within the ‘national culture’, and it was this that explained their participation in the war. Rather than oppose nationalism, the labour movement should educate its followers to infusing a *spiritual* dimension into their internationalism, Polanyi maintained. Until that day arrived, nationalism and empire would retain their validity.

Polanyi’s affections were invariably oriented toward big states and empires, the locomotives of historical progress. As a child, Russia, ‘England’, and Germany were to the fore, alongside Austria-Hungary. In the 1930s, Russia remained uppermost in his affections, his partiality for Germany faded, while that for China and especially the USA blossomed. Throughout, his belief was that small states should cease demanding the sort of sovereignty that the great powers enjoyed. What they were entitled to claim was ‘cultural freedom and military safety, but not a type of sovereignty which merely endangers others without being any help to themselves’.<sup>45</sup> Ideally, they would federate, allowing the historical trend toward big polities to coexist with cultural rights for small nations. In 1918, for example, he proposed that independence for Hungary be conceived as a step towards integration into a Danubian Federation<sup>46</sup> – and, had the Habsburg ruling groups recognised this opportunity, overseeing ‘a timely change to a federal form of government with full

<sup>44</sup> Ernest Gellner, *Language and Solitude: Wittgenstein, Malinowski and the Habsburg Dilemma* (Cambridge: Cambridge University Press, 1998), p. 12.

<sup>45</sup> KPA/17/32, Karl Polanyi, ‘United Nations Organization’ (1946).

<sup>46</sup> KPA/1/25, Karl Polanyi, ‘A radikalizmus programja és célja’ (1918), pp. 1–19; KPA/1/48, Karl Polanyi, ‘Radikális párt és Polgári part’, *Szabadgondolat* (November 1918).



cultural autonomy for the minorities', their polity would have survived as a 'Danubian Empire'.<sup>47</sup> Similarly, although sternly critical of Britain's imperialist interventions in Ireland, and of the chauvinism of the Orange Order and B Specials, he saw Irish independence as a transitory detour that would eventuate in reintegration as an equal partner within the British Empire.<sup>48</sup>

Polanyi harboured a certain fascination in the political order of medieval Europe, a 'cosmopolitan' system in which political and social institutions 'bore the characteristics of internationalism at its best'.<sup>49</sup> A similarly cosmopolitan era, he anticipated, could be fashioned in the twentieth century. Yet his nostalgia for medieval Europe did not extend to its *Kleinstaaterei* – its hotchpotch of splintered statelets. As mentioned earlier, he considered processes of territorial agglutination to be progressive. His essay on feudalism, for example, differentiates between 'healthy' forms of 'primitive feudalism' that engage in territorial expansion, and the 'feudalism of decay', in which polities fragmented into scattered local patrimonies. Examples of the former included Polynesian and Micronesian islands in which one tribe united others under its rule, while eighteenth-century France exemplified the latter.<sup>50</sup> With respect to twentieth-century jurisdictions, he proposed that the lesser nations are as anachronistic as duchies and bishoprics had been in the eighteenth. He was brusquely dismissive of 'pseudo-nationalities' such as Azeris and Kurds – nations that had yet to achieve statehood – and of 'small nations' in general.<sup>51</sup> In that category he excluded his own nation but – if his friend Aurel Kolnai is to be believed – included the Poles, whose refusal to unify with Germany or Russia he found perplexing.<sup>52</sup> Indeed, rarely did he deploy the noun 'small nation' uncoupled from the adjective 'nuisance'. 'The nuisance sovereignty of the anarchistic small states',<sup>53</sup> he grumbled, was a major determinant of international instability in the interwar period. No impartial observer could deny either that Europe had 'too many sovereign potentates' or that 'the *liberum veto* of the Lilliputs was at its best a nuisance, at its worst a dangerous breeder of anarchy'.<sup>54</sup> The minatory hazards of Lilliputian anarchy were revealed in the run-up to the 1939–45 war, among the causes of which Polanyi emphasises (alongside the social strains resulting from mass unemployment and market-mediated economic interdependence on the global scale), 'the nuisance character of the small states'.<sup>55</sup>

In the 1930s, Polanyi's thoughts on international affairs were guided by an underlying philosophy of history organised around two postulated transhistorical

<sup>47</sup> Polanyi, 'Reflections on a Visit', p. 11.

<sup>48</sup> Karl Polanyi, 'Az ír polgárháború végnapjai', *Bécsi Magyar Újság* (18 April 1923); Karl Polanyi, 'Az Ir Szabadallam es Ulster', *Bécsi Magyar Újság* (1922), p. 4; Karl Polanyi, 'Válságos napok Irországban', *Bécsi Magyar Újság* (5 July 1922).

<sup>49</sup> KPA/18/35, Karl Polanyi, 'Nationalism and Internationalism' (n.d.).

<sup>50</sup> Karl Polanyi, 'Primitive feudalism and the feudalism of decay', in George Dalton (ed.), *Economic Development and Social Change* (New York: The Natural History Press, 1971).

<sup>51</sup> Karl Polanyi, 'A török köztársaság sikere', *Bécsi Magyar Újság* (14 July 1923).

<sup>52</sup> Be that as it may, he was prepared to devote some time to learning Polish, while on the front in 1915. MPP, Karl Polanyi, letter to Misi, 15 August 1915; Aurel Kolnai, *Political Memoirs* (Lanham: Lexington, 1999), p. 133. On Jaszi's similar views, see Oscar Jaszi, 'Nationalism and nationalities', in M. B. Schnapper (ed.), *Regionalism and World Organization* (Washington: American Council on Public Affairs, 1944), p. 95; and Nándor Dreisziger, 'Oscar Jászi and peaceful co-existence among nationalities and nations', paper presented to the Ninth International Karl Polanyi Conference, Concordia University, 2003.

<sup>53</sup> KPA/15/9, Karl Polanyi, 'Conditions of Peace' (1944).

<sup>54</sup> KPA/20/4, Karl Polanyi, 'Common Man's Masterplan' (1939–40).

<sup>55</sup> Polanyi, 'Conditions of Peace'.

drives: toward freedom and ‘unity’. The latter represented nothing less than ‘the re-assertion of the nature of human society’.<sup>56</sup> In some texts, he warned that if it were stalled, if the trend toward community was not deepened and the rift between politics and economics was not healed, the world would face ‘destruction’.<sup>57</sup> In others, he proposed that the re-establishment of the unity of society was ‘inevitable’. Either way, the complexity of the division of labour in the modern age ensured that its reassertion would be far from straightforward. No reversion to tribal conditions or to medieval-style governance by Church and corporate institutions could be countenanced. Nonetheless, the tendency to unity would manifest itself. All nations were developing into ‘complete and coherent units, with closely interdependent parts’, and modern society in general was being driven ‘towards totality’ – where by ‘totality’ Polanyi means ‘the increasing integration of society in our time’, as witnessed in forms of economic self-sufficiency such as the New Deal, planned economies, and, in a ‘perverted’ sense, fascism.<sup>58</sup>

If in the societal space the Geist of history was pointing toward totality, on the international stage it was cultivating regionalism. Polanyi had by this stage in his development adopted what he termed the ‘realist method’, by which he meant a form of analysis that

recognizes the objective nature of the process of human history, and therefore, necessarily, implies that the great turning-points of history are not simply the outcome of the wishes or whims of individuals or multitudes, but the more or less adequate response to the objective needs of a civilization.<sup>59</sup>

A prime ‘objective need’ of mid-twentieth-century civilisation was to subdue anarchy by means of politico-economic integration. In a 1930 article on ‘Europe’s new economic order’, he argued that as the free-market organisation of the world economy began to collapse, the coordinates of a regional system would be discerned. ‘Entire continents are gaining sharper, more defined contours’; a new world order was coming into being around regional poles: the USA, USSR, and the UK and its dominions, as well as the nations of Europe which were, albeit tentatively, exhibiting an urge to coalesce.<sup>60</sup>

Later the same decade, Polanyi coined a term to describe the trend: ‘tame empires’. Nation states, he postulated, would over time be supplanted by larger regional polities whose economic and political relations would and should be governed by comprehensive treaties and international law, supervised by international organisations.<sup>61</sup> Each empire would be regarded as essentially indestructible, and their wars merely peripheral, leading to only minor territorial adjustments.<sup>62</sup> Being relatively autarkic, they would experience no compulsion towards cultural uniformity – unlike states within a liberal world market, which are subjected to an ‘enforced uniformity’ of institutions.<sup>63</sup> To oil the wheels of economic cooperation the only prerequisite would be a degree of similarity of the organs that managed their external trade and

<sup>56</sup> Polanyi, ‘Coercion and Defence’.

<sup>57</sup> KPA/21/10, Karl Polanyi, ‘Community and Society’ (1937).

<sup>58</sup> Polanyi, ‘Coercion and Defence’.

<sup>59</sup> KPA/15/3, Karl Polanyi, Lecture: ‘Perilous Europe I’ (1938).

<sup>60</sup> Karl Polanyi, ‘Zur wirtschaftlichen Neuordnung Europas’, *Chronik der großen Transformation*, Band 1, ed. by Michele Cangiani, Kari-Polanyi Levitt, and Claus Thomasberger (Marburg: Metropolis, 2002), p. 113.

<sup>61</sup> Polanyi, ‘Dummer August-jai’; Polanyi, letter to Goodrich.

<sup>62</sup> Polanyi, ‘Tame Empires’.

<sup>63</sup> Polanyi, ‘Enforced Uniformity’.

payments relations.<sup>64</sup> That would obviate the necessity of uniform, universal institutions and would permit polities to be truly free and independent in their internal arrangements. With this, and assuming a suitable international supervisory framework could be constructed, tame empires would supply an indispensable ingredient of a pacific order.<sup>65</sup> This sort of world order based upon relatively autarkic regional bodies represented a 'practicable middle way' between the existing system of sovereign states, which recognised national self-determination but descended frequently into war, and a world government, which offered the promise of peace and order but with individual peoples eternally kvetching beneath the knout of a distant and impersonal power. In short, a tame-imperial order offered a means of transcending 'international anarchy without making us set sail for utopia'.<sup>66</sup>

Polanyi was not alone in proposing a world of regions, but his blueprint was developed prior to some of the better-known rival conceptions. Initially, he conceived of regions as territories that, like the Habsburg Empire of his childhood, are protectionist externally but 'free-trade territories' internally. 'Instead of indiscriminate international freedom of interchange', he argued in 1931,

free trade is working back to the old lines of creating larger free-trade territories, larger than the old national states. Integration is proceeding anew. The United States is the main free-trade territory in the world today. New Russia follows next [!]. The British Empire has been since the war linking up its parts more closely.<sup>67</sup>

As the 1930s wore on, he envisaged a greater role for planning. Although Nazi Germany was demonstrating that planning could be put at the service of reactionary power politics 'in a system of International Anarchy', he came to regard it as an antidote to nationalism.<sup>68</sup> Indeed, in an inversion of commercial peace theory, he theorised its spread as indispensable to the emergence of a pacific world order.<sup>69</sup>

Writing in the late 1930s, Polanyi anticipated 'tame empires' emerging out of 'the USA, Latin America, the British Commonwealth, German Central Europe, Smuts's colonial zones, India, China and other regions'.<sup>70</sup> This may be contrasted to the schemata developed contemporaneously by Hayek, on whom more below, and by the fascist philosopher Carl Schmitt and the Russo-French philosopher and self-styled Stalinist, Alexandre Kojève. The latter tied their regionalist plans to visions of the future hegemonic power of Germany and France respectively. Schmitt anticipated a sphere-of-influence system based on *Großräume*, whereby each *Großraum* – a politico-economic region dominated by a 'controlling power' (or *Reich*) – would issue its own Monroe Doctrine to exclude rival powers.<sup>71</sup> Kojève proposed that France, within the impending US-dominated global order, discover its singular political purpose by assuming leadership of a 'Latin Empire': a political and economic union of the Catholic states of Western and Southern Europe that would control the former

<sup>64</sup> Polanyi, 'Tame Empires'.

<sup>65</sup> KPA/19/4, Karl Polanyi, 'Peace and Policy' (mid-1940s); KPA/20/3, Karl Polanyi, 'Book plan' (1938–9).

<sup>66</sup> Polanyi, 'Nationalism and Internationalism'.

<sup>67</sup> KPA/18/1, Karl Polanyi, 'Austria and Free Trade', *The Nation*, 133:3457 (1931), p. 363.

<sup>68</sup> KPA/12/2, Karl Polanyi, Lecture, 'Fascism: National Planning and International Anarchy' (1935).

<sup>69</sup> On this, Polanyi's friend Peter Drucker disagreed, countering that the claim 'that a planned economy will do away with nationalism is no more justified than the belief of the orthodox economists that free trade will.' KPA/47/15, Drucker, letter to Karl, 21 May 1945.

<sup>70</sup> Polanyi, 'Tame Empires'.

<sup>71</sup> Schmitt, quoted in Stuart Elden, 'Reading Schmitt geopolitically: *Nomos*, territory and *Großraum*', *Radical Philosophy*, 161 (May/June 2010), available at: {[www.radicalphilosophy.com/article/reading-schmitt-geopolitically](http://www.radicalphilosophy.com/article/reading-schmitt-geopolitically)}.

French and Italian colonies of Mediterranean Africa and possibly the Middle East too.<sup>72</sup> He envisaged it as embodying a Third Way between the economic liberalism of Anglo-American capitalism and the Soviet-style command economy, and as one moment within the transition from the age of nations to ‘the epoch of Empires, which is to say of *transnational* political unities formed by *affiliated* nations’ – federally organised blocs of nations characterised by law-governed relations between the member states of each bloc.<sup>73</sup> If, he wrote in 1945, the French-led nations succeeded in integrating ‘their economies and policies (they are on the way to doing so)’, they would supersede the power of Britain and the US, constrained as they were by *laissez-faire* economics and political nationalism, and would shape the character of the ‘universal and homogeneous state’ – the ‘End State’ of history.<sup>74</sup> In the same period, other scholars were elaborating their own regionalist imaginaries. In 1945, the IR theorist (and acquaintance, later friend, of Polanyi), E. H. Carr, presented his version. The world, he ventured, may have to accommodate itself

to the emergence of a few great multinational units in which power will be mainly concentrated. Culturally, these units may best be called civilisations: there are distinctively British, American, Russian and Chinese civilisations, none of which stops short at national boundaries in the old sense. Economically, the term *Grossraum* seems the most appropriate.<sup>75</sup>

In defence of his ‘tame empire’ conception, Polanyi put forward a historicist argument, from historical necessity, and a normative argument, from liberty. The first proposed that his schema was attuned to a global political-economic trend towards self-sufficiency. This was no blanket defence of autarky. He did not deny that one element within the trend consisted of ‘morbid’ nationalism, or that, if implemented globally and on the national scale, autarky would lead to a general collapse in living standards. But was not the recrudescence of nationalism of the 1930s, he wondered, also ‘to some degree the expression of an underlying need for more closely integrated national units?’<sup>76</sup> Moreover, if combined with forms of international economic cooperation at the regional level, it would surely yield prosperity.<sup>77</sup> A further bonus was that it would necessitate, or at least facilitate the rise of, managed international trade – a subject that was dear to Polanyi, and which became a motivating force behind his economic-historical studies over the last two decades of his life.

As to the normative case, Polanyi proposed that a regionalised world order would facilitate a leap forward in human freedom. By way of contrast, he pointed to the universalistic world-economic system of the nineteenth century. Its requirement of free trade enforced an unheard of institutional and cultural uniformity: the market economy, an independent monetary system (gold standard), and constitutional government dedicated to budgetary supervision and the guaranteeing of safeguards to foreign bondholders.<sup>78</sup> In the interest of facilitating free trade and capital flows, the

<sup>72</sup> Robert Howse, ‘Kojève’s Latin Empire: From the “end of history” to the “epoch of empires”, *Policy Review*, 126 (2004), available at: {[www.hoover.org/publications/policy-review/article/7118](http://www.hoover.org/publications/policy-review/article/7118)}.

<sup>73</sup> Kojève, quoted in Marc Schulman, ‘The EU and the Arabs II – Kojève’s Latin Empire’, available at: {<http://eurabia.blogse.nl/log/eurabia/the-eu-and-the-arabs-ii-kojeves-latin-empire.html>}; Peter Swan, ‘Alternative juridifications of the New World Order’, in Amy Bartholomew (ed.), *Empire’s Law: The American Imperial Project and the ‘War to Remake the World’* (London: Pluto, 2006); Howse, ‘Kojève’s Latin Empire’.

<sup>74</sup> Alexandre Kojève, *Outline of a Phenomenology of Right* (Lanham: Rowman & Littlefield, 2000), p. 12.

<sup>75</sup> E. H. Carr, *Nationalism and After* (London: Macmillan, 1945), p. 52.

<sup>76</sup> KPA/15/2, Karl Polanyi, Lecture series, ‘Conflicting philosophies in modern society’ (1937–8).

<sup>77</sup> KPA/16/15, Karl Polanyi, ‘Lectures on Modern European History’ (1937–40).

<sup>78</sup> Polanyi, ‘Book plan’; Polanyi, ‘Peace and Policy’.

liberal powers of the era were pledged to globalising these institutions and policies, even where it required interference in the internal affairs of other countries.<sup>79</sup> Hence the 'peaceful imperialism' of that century: under the gold standard the leading powers 'insisted on spreading their business pattern to all countries and forced them to accept their institutions, without which trade was then not possible'.<sup>80</sup> Due to its utopian universalism, however, liberal capitalism had brought about a cataclysm on a global scale: the 'first planetary crisis'. Never before had a crisis arisen, Polanyi observed, 'in which *every part* of the Globe was equally relevant to the situation. ... This is the first time that, in the sense of space and time, there is unity on the planet.'<sup>81</sup> The temptation was to believe that any solution must be equally universal: that the world *must* be transformed along liberal-capitalist lines (*à la* Mises) or along socialist lines (Trotsky). Polanyi considered both of these to be one-size-fits-all programmes that would diminish human freedom.

How, then, did Polanyi's own socialist views relate to his regionalist agenda? Was it itself not, at least implicitly, universalistic? Certainly, he proposed his own universal 'solution'. In a series of pamphlets, lectures, and unpublished essays of the late 1930s, he put forward a class analysis, as Rousseauian as it was Marxian, of the prevailing international instability. Under the current industrial system, he argued, societies do not exist in the form of a 'genuine community' but are divided into two major classes. Because the class of owners and managers does not bear the costs of economic policies, it is impossible 'to make the whole of the population act as a single unit where economic questions are concerned', and this was 'the ultimate reason why our nation-states as at present constituted are inadequate to the task of setting up a new system of international economic co-operation'.<sup>82</sup> By contrast, the 'position of the working class is unique': its 'position can be international and therefore its solution can be the international solution'. Whereas 'capitalist ownership is bound to be organized in national frontiers, the association of working people denies nationality, it is universal in the *medieval* sense'.<sup>83</sup> Happily, there were signs of progress towards this goal. In a lecture of 1937, he suggested that the epoch was experiencing 'the extension of community' not only at the national scale, 'to include all classes of the population in the conscious ordering of social life', but also internationally, towards 'universal community'.<sup>84</sup> When, following the chaos of the 1930s, a new international order arises, it will necessarily 'involve far-reaching economic readjustments' that will impose stresses upon populations around the world. 'The chief task of domestic politics', accordingly, will be 'to equip the nations with a social organization which can stand the gigantic strain inseparable from any major readjustments in the international economic field.' A vital step towards achieving this goal will be 'the transformation of our capitalist nation-states into actual communities by bringing economic life under the control of the common people and abolishing thereby the property cleavage in society'. A cohesive society, characterised by solidarity, planning, and classlessness, would be indispensable. In the last resort, he wrote in 1938, it is the class-structure of society which will prove the obstacle to international economic readjustment, for massive economic sacrifice can be borne willingly only by communities which

<sup>79</sup> Polanyi, 'Peace and Policy'; Polanyi, 'Tame Empires'.

<sup>80</sup> Polanyi, 'Common Man's Masterplan'.

<sup>81</sup> KPA/17/31, Karl Polanyi, 'Britain and Russia' (n.d.).

<sup>82</sup> Polanyi, 'Roots of Pacifism'.

<sup>83</sup> KPA/21/12, Karl Polanyi, 'The Economic Order' (1937). One may note the difference to his earlier Bauerite position.

<sup>84</sup> Polanyi, 'Community and Society'.

are closely united in the service of transcending ideals. This is the abiding source of the forces which make the coming of socialism inevitable in our age.<sup>85</sup>

Again, in the following year, he reiterated the universalism of his vision. ‘Even totalitarian countries’, he rather controversially advised,

are superior to the shameful muddle, waste and incompetence of liberal capitalism. But the authoritarian organisation and blind discipline achieved by them is as nothing to the strength of the socialist society where the means of production belong to all and the future is big with the promise of the final achievement of the *universal community* of mankind.<sup>86</sup>

That this universalistic narrative jarred with Polanyi’s ‘tame empires’ construct, which he was developing concurrently, is evident. For the distinctive feature of the coming epoch of tame empires would be precisely their heterogeneity. A solution to the conundrum lay in the nature of socialist state of the era: the Soviet Union. The impending tame-imperial order, Polanyi predicted, would tend to favour its interests – and by implication those of other socialist regimes too. In discarding Trotskyism (the ‘primitive, universalist form of socialism’), the Soviet Union had confirmed both its immunity to ‘capitalist universalism’ and its ability to pioneer a ‘consciously regionalist conception’.<sup>87</sup> By virtue of its planned economy and its ‘non-marketing mind’, he added, Russia under Stalin was singularly suited (or ‘adjustable’) to a federative world order.<sup>88</sup>

### *The Great Transformation*<sup>89</sup>

In 1938–9, Polanyi sketched a plan for a book entitled ‘Tame Empires’. However, doubtless in part due to the difficulties just mentioned, he abandoned it in favour of an alternative conception, which took shape as *The Great Transformation*. Its central idea was that *laissez-faire* liberalism and the protectionist reactions that it provoked are best understood as a ‘double movement’. In its initial thrust, in early nineteenth-century Britain, the self-regulating market system usurped mercantilism, ‘disembedding’ economic behaviour from the social fabric. The same century also witnessed international order, at least in the West, evolve along ‘peacefully imperialistic’ lines. Its axial institution, the gold standard, obliged countries to adopt policies aimed at securing balanced budgets, stable currencies, and the free flow of capital. Financiers, recognising that their aims could be achieved through the spread of constitutional government, free markets and the gold standard, directed their energies towards peaceful concerns. They were fortunate in that their economic interests aligned with those of political power, in the shape of British hegemony. Invoking a historicised version of commercial peace theory, Polanyi argued that the long peace had been facilitated by the rise of an international economic system the functioning of which required peace, and that the peace interest was supported by high finance.

Peace, stability, and a liberal global financial system; these, the promises of the nineteenth century, disintegrated in the twentieth. The question that *The Great*

<sup>85</sup> Polanyi, ‘Meaning of Peace’. Cf. KPA/16/4, Karl Polanyi, ‘The Theory of Politics’ (n.d.); KPA/20/14, Karl Polanyi, ‘Russia in the World (1939).

<sup>86</sup> KPA/21/32, Karl Polanyi, ‘Compulsion and Defence’ (1939), emphasis added.

<sup>87</sup> KPA/18/25, Karl Polanyi, ‘Friends of Democratic Hungary: America, 1943’; Polanyi, ‘Tame Empires’.

<sup>88</sup> KPA/8/10, Karl Polanyi, ‘What kind of world order are we fighting for?’ (1934–46).

<sup>89</sup> This section draws upon Gareth Dale, ‘Karl Polanyi’s *The Great Transformation*: Perverse effects, protectionism, and *Gemeinschaft*’, *Economy and Society*, 37:4 (2008).

*Transformation* addresses is why the institutions that appeared to underwrite peace and stability in one century begat the opposite in the next. The answer lay in the self-regulating market system. The commodification of land and labour provoked social 'counter-movements', and from these a sequence of contradictions unfolded, interacting with one another and accumulating momentum as the nineteenth century passed into the twentieth. The most basic was the sundering of economics from politics. It destroyed the 'unity of society', causing tensions between state and economy and between the national and international realms. Following the unleashing of the free market, 'society' pressed governments to pass protective policies, such as raising tariffs. These blunted the socially injurious trends of the market and empowered states in their roles as regulator of the economy and guarantor of basic social welfare – but at a cost. In Polanyi's theory, influenced by the Austrian economics of his day, higher tariffs, taxation, social insurance, and wage regulations render the market system unsustainably rigid. The market, to function, depends upon various forms of protection, but the two mechanisms cannot stably coexist. Because the market system requires unemployment and flexible wages, protectionism causes it to operate inefficiently.

This, the defining paradox of the market system, played itself out in the decades around the turn of the century, as *laissez-faire* capitalism gave way to what Polanyi variously terms imperialism, regulated capitalism, and finance capitalism. These manifested tensions between the market system and protectionism. One of these concerned the 'clash between capitalism and democracy'. In Europe at least, he argued, the protective counter-movement was closely connected to democratisation: workers used their newly won vote to demand protection. But the economic system remained the property of the capitalist class; this ensured that the tendency of protectionist measures to point toward the recreation of a truly integrated society was thwarted and challenges to the sway of the market remained haphazard and isolated. Another concerned a dialectic of scale. The self-regulating market had to be institutionalised at the global level, but the protective response contributed to a national consolidation of political-economic life. The drive to international free trade, coupled with adherence to the gold standard, necessitated the implementation of protective measures such as import quotas and capital controls. Thus, the strains emanating from the free market shuttled between economics and politics, between the national and international spheres. On one hand, society had to be sheltered by protective measures from the full blast of market forces. On the other, these same measures aggravated recessions and reduced trade, exacerbating the contradictions that had elicited them and generating further protectionist pressure.

Polanyi interpreted protectionism as, at root, a reactive consequence of the institutional separation of politics and economics and a manifestation of the need for social unity. But its consequence, a regulated capitalism with an ossified price system, was inherently unstable. Its contradictions spilled onto the political stage, as states sought to influence foreign trade. In such conditions, commercial peace theory no longer applied, and economic internationalisation now exacerbated inter-state tensions. Britain, its hegemony haemorrhaging, could no longer lend its weight to the economic 'peace interest', and the great powers, forced by their inelastic domestic price systems to compete fiercely for export markets, raced towards war. In turn, the Great War reinforced tendencies toward state intervention and economic depression.

Polanyi was far from alone in identifying price rigidity as a principal factor behind the Great Depression. For example, a League of Nations report of 1942 argued that

high tariffs had prevented factor mobility and international specialisation. In Polanyi's view, however, the League was itself partly culpable for the conditions of which its reports complained. Acting as if its motto was 'Peace through Gold', it led a foolhardy attempt to recreate the defunct nineteenth-century world system with the gold standard at its centre. He concurred with the liberals in Geneva that free trade was essentially superior to protectionism, and that the latter had exacerbated nationalism and contributed to the collapse of the gold standard. But he did not conclude that the inverse followed: that a return to gold would restore a free trade regime and peace. According paramountcy to fixed exchange rates necessitated freely fluctuating domestic prices as well as international cooperation, neither of which were viable in postwar conditions. The gold standard simply had to go, even though its final collapse provoked further bouts of protectionism and confirmed the division of the world economy into autarkic regions with planned economies. 'The inevitable coming of regulation', Polanyi concluded, must 'lead to a crisis of market-economy which suggests the necessity of planning'.<sup>90</sup>

Ultimately, Polanyi attributed the 1914–45 geopolitical cataclysm to the fact that world political order had been constructed upon a free-trade economic system. The dissolution of the latter precipitated the multiple and interlocking crises of the 1920s and 1930s, unleashing ferocious nationalisms that had hitherto been restrained by the existence of a functioning global economy. Against those who pinned responsibility for the drive to a new war simplistically upon the Axis powers, he pointed to underlying structural factors: an overabundance of 'irresponsible' sovereign states, the colonial scramble, and, above all, the consequences of world economic interdependence organised by market methods: economic instability, resource rivalries, and the doomed-to-collapse gold standard.<sup>91</sup> Because the national and international systems had been shaped by the self-regulating market system, its downfall, when it arrived in the 1930s, was comprehensive.

The diagnosis of the breakdown of liberal society offered in *The Great Transformation* identifies a contradiction between the international stage on which market expansion unfolds and the national level at which protectionist policies were implemented. 'While in imagination the nineteenth century was engaged in constructing the liberal utopia' on the global scale, in reality it was delegating management of its affairs to national institutions, notably governments and central banks.<sup>92</sup> Operating at the international level, the gold standard generated economic and social strains at the national level economies, and these, in turn, demanded state intervention. Implicit in this argument is a theory of nationalism, as the product of the intersection between territorial communities and a world market economy. Nationalism, *The Great Transformation* suggests, constituted one aspect of the protective 'counter-movement' that wards against the chill winds of free-market capitalism.<sup>93</sup> Elsewhere, Polanyi opined similarly that nationalism 'was merely the inevitable reaction of political bodies to the social dislocation caused by the international trade system',<sup>94</sup> 'a protection against industrialisation from outside',<sup>95</sup> and that national consciousness in newly industrialising continents was emerging in

<sup>90</sup> KPA/16/14, Karl Polanyi, 'Lectures on Modern European History', emphases in original.

<sup>91</sup> Polanyi, 'Conditions of Peace'; Polanyi, 'What kind of world'.

<sup>92</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1957), p. 211.

<sup>93</sup> I am grateful to John A. Hall for illuminating this point.

<sup>94</sup> KPA/31/5, Karl Polanyi, 'General Economic History' (1950–2).

<sup>95</sup> KPA/45/17, Abraham Rotstein, Notes of Weekend XXI with Karl Polanyi (1958), p. 1.



order 'to keep control of' industrialisation.<sup>96</sup> One may note *en passant* the resemblance to Tom Nairn's theory of nationalism, but Polanyi did not flesh out the thesis.<sup>97</sup>

### Regional and universal dialectics

In the 1930s and early 1940s, Polanyi's international outlook hovered between radical and realist positions. In the mid-1930s, he was at the hub of a Christian socialist milieu that was aligned with the Labour Left and generally sympathetic to communism, but, in the following years he, together with acquaintances and comrades such as Carr and Harold Laski, veered toward realism, with increasing emphasis upon the need to tame, rather than perfect, power politics.<sup>98</sup> In the same period, as noted above, he was experimenting with different ways of framing the contemporary evolution of world order. In analysing the causes of international instability he experimented with various perspectives. One thesis centred upon the impossibility of community, and therefore stability, in a world riven by social class and geographically uneven economic power. Another focused upon the disruptive consequences of free trade – the thesis that 'national and social protection' had arisen as a counter to the volatility and anarchy of the world market. A third proposed that the anachronism of small nations was succumbing to a world-historical trend toward larger regional polities; and that, following the Second World War, the free-market system and nation-state system would decline, leaving international order to be constructed afresh by the great powers (the US, Soviet Union, and the British Commonwealth). Each of these polities embodied a social system – 'a way of life' – which transcended the national principle. As such, they represented prototypes of 'tame empire'.<sup>99</sup>

Evidently, these three theses were not compatible, and their relationship to Polanyi's posited underlying world-historical trend toward 'unity' was problematic too. If, as he expected, it operated at both national and global scales, in practice, *Gemeinschaft* formed more readily at the national scale while international order remained stubbornly *gesellschaftlich*. Given his thesis that 'the small states have been proven to be utterly impossible' and should, after the Second World War, accept 'mediatisation' by the great powers, how *gemeinschaftlich* would those larger polities be?<sup>100</sup> A further conundrum concerned the role of the US. In the 1930s, Polanyi had advocated a strengthening of 'Britain's links with the US'.<sup>101</sup> He lauded the New Deal, and praised America as a 'generous' nation, one that 'feels itself at one with humanity because it holds but few foreign possessions and seems to have the moral force necessary for relinquishing them'.<sup>102</sup> However, as the war came to an end he began to emphasise instead the reactionary turn of its foreign policy. Washington appeared to be assuming a role not unlike St Petersburg's in the previous century. The US, he wrote his brother in 1943, was hell bent on restoring 'the pre-1914 economic order under which it grew wealthy'. From the point of view of international

<sup>96</sup> KPA/45/15, Abraham Rotstein, Notes on 'Freedom and Technology' with Karl Polanyi (1957), p. 19.

<sup>97</sup> Tom Nairn, 'The Modern Janus', *New Left Review*, 94 (1975).

<sup>98</sup> Ian Hall, *Dilemmas of Decline: British Intellectuals and World Politics, 1945–75* (Berkeley, CA: University of California Press, 2012), p. 115.

<sup>99</sup> KPA/8/10, Karl Polanyi, 'Post-war Balance of Power Outside Europe' (1934–46).

<sup>100</sup> Polanyi, 'Conditions of Peace'.

<sup>101</sup> KPA/16/16, Karl Polanyi, Lecture VII: 'International Affairs' (1938–9).

<sup>102</sup> Polanyi, 'Reflections on a Visit', p. 5.

organisation, he predicted, the postwar cleavage would not be ‘between capitalist and socialist states’ but between US-led ‘liberal capitalism and *any* type of planned or semi-planned economy; between *old style* and *new style* economies. The latter are able to cooperate, the former, not.’<sup>103</sup> In the latter half of the 1940s, he worked up this idea in a series of unpublished commentaries on international affairs, and in an article published in *The London Quarterly of World Affairs* – the house journal of his friend, the philosopher A. D. Lindsay’s New Commonwealth Institute.

The premise of the article, entitled ‘Universal Capitalism Or Regional Planning?’, was that the world stood at a crossroads between two directions of international order. ‘Broadly speaking, the United States fits into one pattern, that of nineteenth century society, while all other powers, including Britain herself, belong to another, which is in course of transition to a new form.’ In a sense, this change ‘was an almost exact replica’ of fifteenth-century Europe, during which the religious-sanctioned universalism of the Middle Ages disintegrated, giving way to a states-system. Washington was playing the role of the Vatican and neoclassical economics provided the liturgy. ‘Liberal capitalism’ had collapsed with the breakdown of the gold standard, accompanied by mass unemployment ‘and unparalleled social depravation’. But it was joined in defeat by two other political ideologies with universalist pretensions: ‘racial domination’, symbolised by the downfall of Hitler, and ‘world-revolutionary socialism’ – the revolutionary Bolshevism of the 1910s that had been ‘overcome by “regional” socialism in the sufferings and glories of the Five Year Plans [and] the tribulations of the Trials’.<sup>104</sup>

Through this lens, the future world order appeared as heralding ‘new forms of socialism, of capitalism, of planned and semi-planned economies ... co-existing side by side’, albeit with one prominent and problematic exception. The US remained a bastion of liberal capitalism and was powerful enough to pursue the utopian and universalist programme that its ‘antiquated liberal economy’ decreed. (Utopian, because ‘the attempt to restore the pre-1914 world-order, together with its gold standard and manifold sovereignties, is inherently impossible’;<sup>105</sup> universalist, because it demanded ‘capitalism in all countries: world capitalism’.<sup>106</sup>) It was therefore the task of ‘the British Commonwealth and the U.S.S.R.’, the two sturdiest bastions within the ‘new system of regional powers’, to hold US universalism at bay. Britain, Polanyi advised, should secure ‘the unique advantages of a regionalism which would enable her to co-operate equally with the U.S.S.R. and the U.S.A.’ – a triangular cooperation that would enable each power to deal hegemonically with their respective ‘subcontinents’. Russia, meanwhile, was drawing ‘her greatest strength from the regionalism to which she was committed’, and was beginning to carve out a sphere of influence, which bore the promise of suppressing a major traditional cause of European conflict: the proliferation of small nations in Central Europe.<sup>107</sup> Moscow’s designs, Polanyi submitted, were impeccably pacific: no ‘bayonets’ would be used.

<sup>103</sup> MPP/17/10, Karl Polanyi, letter to Misi, 9 November 1943. Elsewhere in the same year he proposed that ‘The real cleavage’ in the emergent world order will be ‘between the cooperating and the non-cooperating state: the fascist state and the peaceloving state.’ Polanyi, ‘Friends of Democratic’.

<sup>104</sup> Karl Polanyi, ‘Universal capitalism or regional planning?’, *The London Quarterly of World Affairs*, 10:3 (1945). On Polanyi’s apologia for the Moscow Trials, see Gareth Dale, *Reconstructing Karl Polanyi: Excavation and Critique* (London: Pluto, forthcoming).

<sup>105</sup> Polanyi, ‘Universal Capitalism’.

<sup>106</sup> Polanyi, ‘Friends of Democratic’.

<sup>107</sup> Polanyi, ‘Universal Capitalism’. In this, Polanyi’s views were akin to those of his friend Carr. See Michael Cox, ‘E. H. Carr and the crisis of twentieth-century liberalism: Reflections and lessons’, *Millennium: Journal of International Studies*, 38:3 (2010).

Its regional agenda, democratic-regionalist in nature, would ensure successful, peaceful, and non-revolutionary progress.<sup>108</sup>

Repeatedly, in his writings on world order of the mid to late 1940s, Polanyi advocated a synthesis of the principles of political universalism and regionalism. As he put it in a letter to the Chicago International Relations scholar Quincy Wright, 'a regionalist approach to the problem of peace seems to be more in harmony with the economic realities of our age than a universalist approach', and yet 'cooperation of great regional bodies' should be encouraged within 'the framework of an elastic political organization of a universalist type such as the United Nations'.<sup>109</sup> At least in the short term, regionalism would have to take precedence, with the aim being a balance between the three major powers, each cooperating with the others to fill the postwar 'power vacua', even as each fulfilled its regional duties and ambitions within its own sphere of influence.<sup>110</sup> Given that, if there is one single 'law of political science that holds with absolute rigour, it is the inevitability of conflict between Independent Powers which find themselves separated only by a power vacuum', Polanyi proposed that 'the greatest threat to world peace today' consisted in the lack of great power consensus over the future of two vacua in particular, China and Europe. A speedy resolution of their influence in those arenas was imperative.<sup>111</sup> He applauded the efforts of America and Russia in joining forces to rebuild 'a united China, in order to avoid unwanted war'.<sup>112</sup> He urged that Britain and Russia, as the only two truly sovereign states in Europe, should collaborate in carving that continent between them.<sup>113</sup> Of the two, Britain would require the most prodding. It was 'reluctant, perhaps even unable, to do what is needed, namely, to go ahead and help to fill in the terrifying vacua of the political globe',<sup>114</sup> but it ought to overcome its hesitancy. It should 'try to increase' its influence 'on the Continent, and in the world', for it is 'the natural leader of the new Europe and should feel free to make use of this lead'.<sup>115</sup>

If Polanyi's belief in the necessity of regionalism and imperial spheres of influence as principles of world order was lifelong, his attitude to political universalism varied according to circumstance. In 1946, he maintained that the United Nations represented 'the next step on the road towards the establishment of world government'.<sup>116</sup> Although he had 'never liked the idea of a world-state'<sup>117</sup> (and he was later to describe the proposition of world government as a 'mechanical nightmare', to be avoided at all costs),<sup>118</sup> in the mid-1940s he believed that the problems occasioned by militant nationalism and the threat of the atomic bomb could not be countered by a system of tame empires alone. Imperative, too, were international law and the UN. The latter, indeed, 'must become the nucleus of a new world order'.<sup>119</sup>

<sup>108</sup> Polanyi, 'Universal Capitalism'.

<sup>109</sup> KPA/48/2, Karl Polanyi, letter to Quincy Wright, 10 March 1947.

<sup>110</sup> KPA/17/31, Karl Polanyi, 'Britain and Russia on the Danube' (m1940s).

<sup>111</sup> KPA/20/1, Polanyi, 'A moszkvai konferencia után'; Polanyi, 'Britain and Russia on the Danube'; Polanyi, 'United Nations'.

<sup>112</sup> Polanyi, 'International Understanding'.

<sup>113</sup> Polanyi, 'Britain and Russia on the Danube'.

<sup>114</sup> KPA/48/1, Karl Polanyi letter to Kouwenhoven, 1946. Cf. KPA/9/6, Karl Polanyi, 'Notes on International Crisis' (m1940s).

<sup>115</sup> Polanyi, 'United Nations'.

<sup>116</sup> *Ibid.*

<sup>117</sup> *Ibid.*

<sup>118</sup> KPA/56/13, Karl Polanyi, letter to Irene, 22 September 1960.

<sup>119</sup> KPA/30/2, Interview, Karl Polanyi (1958–60); Polanyi, 'Nationalism and Internationalism'; Polanyi, 'United Nations'.

If it did, what was to prevent the UN following its predecessor into ignominy? In this, Polanyi's hopes were pinned upon two considerations. First, fascism had been defeated. No fascist power would sit on the Security Council or disrupt its work from without. The major powers consisted of the three wartime allies, all of which were either democratic or socialist or both. They had richly demonstrated their ability to cooperate with one another, and this should continue in peacetime, supervised by the UN, which itself would incorporate the principles of both universalism, symbolised by the General Assembly, and regionalism, symbolised by the Security Council, its composition aligned with the logic of great power spheres of influence.<sup>120</sup> (As Polanyi put it, in a handwritten note, 'power cooperation and UNO is possible and desirable'.)<sup>121</sup> Secondly, the League had contributed to its own downfall, as to that of liberal civilisation altogether, through its support for economic-universalist institutions such as the gold standard, which had forced governments to impotently look on as their economies became 'the football of uncontrollable international forces'.<sup>122</sup> Its successor would surely learn from this, Polanyi advised, as he sketched his desired blueprint of international institutions. The UN should oversee political order, with the great powers dominating the Security Council. Its economic counterpart, enjoying equal rank and status, would be a trio of re-engineered Bretton Woods organisations: the IMF, World Bank, and ILO. These would *not* oversee the construction of a liberal international economy – the road actually taken – but instead a system of 'controlled foreign economies'. The task, above all, would be to bend 'economic and financial sovereignty' toward the goal of '*international full employment*'.<sup>123</sup>

### Coexistence and *Co-Existence*

So far, I have sketched the main lineaments of Polanyi's international thought from the 1910s until the mid-1940s. In subsequent years he wrote comparatively little on world politics. Why, we may ask, did he not continue to elaborate his ideas on international relations? The answer comes in two parts, one of which is self-evident: he was increasingly immersed in the study of ancient and archaic economic history. The more complex part of the explanation concerns the politics of his predictions. During the period of his most intense preoccupation with questions of world order, the mid-1940s, his schema for a new world order was predicated upon a set of assumptions and predictions that were, over subsequent years and decades, revealed to have been, respectively, follies and fallacies. *In nuce*, the world turned in a direction that he neither expected nor desired, and he headed for the archives.

The most immediate problem that Polanyi's world order agenda faced in the mid-1940s was the breakdown of the Grand Alliance. His schema depended upon its continuation. Its promise was the refounding of international order upon the twin principles of a great power-dominated United Nations *and* spheres of influence. On this point Polanyi's agenda coincided with Moscow's own, but Russian regionalism soon came to clash with Washington's universalistic aspirations. US universalism was

<sup>120</sup> Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire* (London: Verso, 2013).

<sup>121</sup> KPA/16/1, Karl Polanyi, 'International Affairs' (1945–6), emphasis in original.

<sup>122</sup> Polanyi, 'Roots of Pacifism'.

<sup>123</sup> KPA/8/1, Karl Polanyi, 'Economic and Social Tasks of the International Organization' (1946), emphasis in original.

not anti-imperial *per se*, in that it did not seek to unsettle 'the imperial racial hierarchy or the global colour-line',<sup>124</sup> but it was threatened by a Polanyi-style tame-imperial order – a world segmented into spheres of interest. This was Moscow's preferred international regime, and the ensuing conflict led directly to the Cold War. As the superpower conflict developed, Polanyi's faith in the Soviet Union's pacific and democratic intentions towards its neighbours were sorely tested. Yet his greater enthusiasms, at least from July 1945, were invested not in Moscow but in London. Britain, he thought, held the key to an international socialist future – but the key would begin to turn only if London first stood up to Washington, which it was unwilling to do. That Polanyi hoped for anything else from Attlee and his cabinet seems astonishingly naïve, given that both previous Labour governments, on which he had penned so many column inches for the *Volkswirt*, had been unabashedly, even obsequiously, Atlanticist.

Frustratingly little is known of Polanyi's attempts to grapple with these hanging questions, or with their implications for his theses on nationalism and world order – including his prediction that economic globalisation will accelerate the global trend toward planning, and his assumption that the root of global institutional uniformity lies with the gold standard rather than with capitalism *per se*. Clues exist in respect of his revised conceptions of some specific issues – for example, of Soviet behaviour towards its satellites in the wake of Hungary's 1956 uprising. However, whereas his work in the 1920s, 1930s, and 1940s exhibited a multifaceted, comprehensive, and ongoing attempt to conceptualise international affairs in their global complexity, in the 1950s and 1960s we find mainly fragments, glimpses and generalities. In this later period his focus was almost unswervingly upon ancient and archaic economic history.

In part, this rupture, according to the classical historian Sally Humphreys, was geographically and politically occasioned. Polanyi's move to the US in 1947 was 'from a political world to an academic one'.<sup>125</sup> This coincided with a succession of political setbacks and disappointments, as the postwar settlement lurched toward Cold War, accompanied domestically by the tarring of the New Deal left by McCarthyism. Given that Polanyi's wife was a former communist and the FBI kept its eye on some of his closest collaborators (including Moses Finley, Conrad Arensberg, and Rosemary Arnold), it is plausible that the Red Scare contributed to Polanyi's comparative lack of interest in questions of high politics during the 1950s, although other factors undoubtedly played a part: the stabilisation of international relations following the interwar crisis, and, most of all, his deepening preoccupation with economic history. In the early 1960s, however, he did engage more forcefully in the discipline of International Relations, in what was to be his valedictory project: the foundation of *Co-Existence*, a journal of international affairs.<sup>126</sup>

*Co-Existence* was the vehicle through which Polanyi responded to two interconnected issues that dominated international and domestic politics. One, in the West, was anti-communism. Senator McCarthy's star had fallen but his ideological vendetta was being perpetuated by other agencies. The antidote, for Polanyi, was summarised as *coexistence*, defined broadly as the securing of 'a peaceful frame of existence' for the world's nations.<sup>127</sup> For him, the term connoted liberal-socialist

<sup>124</sup> Adam Tooze, *The Deluge: The Great War and the Remaking of Global Order, 1916–1931* (London: Allen Lane, 2014), p. 16.

<sup>125</sup> Sally Humphreys, 'History, economics, and anthropology: The work of Karl Polanyi', *History and Theory*, 8:2 (1969), p. 175.

<sup>126</sup> The name was later changed to *International Politics*.

<sup>127</sup> KPA/51/5, Karl Polanyi, letter to Schlesinger, 31 January 1961.

convictions (mutual respect, cooperation) but also a realist recognition of the inevitability of difference. The second issue was a geo-ideological tack by the Khrushchev administration. For the world's media, 'peace through coexistence' was its summary soundbite. It signified a recognition that Moscow, while keen to retain its territorial gains of the 1940s, was aware that in an era of potential nuclear annihilation prospects for further expansion by military means were not at hand, and the stabilisation of existing borders was therefore to be underlined. Polanyi was conscious of the propagandistic aspect to the Kremlin's coexistence campaign, and was cognisant of Russia's 'great power chauvinism'.<sup>128</sup> Nonetheless, he was convinced that Khrushchev's *démarche* was basically genuine. Coexistence appeared to express a perfectly reasonable case: that the socialist countries 'be able to "co-exist" with the free economies without having tacitly to accept the universalist market eschatologies adhered to in those countries'.<sup>129</sup>

The question of coexistence appeared to Polanyi, furthermore, to link to, and to provide justification for, his historical studies of pre-capitalist societies. Researching ancient regimes that had successfully combined methods of planning and market exchange would, he hoped, provide stimulus for twentieth-century policymakers. 'The truly historical topicality' of the methods that he and his collaborators had presented in an edited collection (*Trade and Market in the Early Empires*), he wrote, springs from the 'coexistence initiatives of the Russians', for these made the conceptual elaboration of the 'distinction of trade and market' not only 'a vital need for the West' today, but possibly also 'the key to a peaceful co-existence tomorrow'.<sup>130</sup> A goal of *Co-Existence*, therefore, was to create an arena of political dialogue and intellectual collaboration across the Cold War divide that would enable the concerns elaborated in *Trade and Market* to be aired, with a view to uptake in the policy domain. In particular, Polanyi was confident that the methods he proposed for the mediation of international trade by government organisations would be adopted forthwith, and would enable practical strides to be taken toward global cooperation.

### Polanyian versus Hayekian regionalism

In Polanyi's later writings on international affairs, the most puzzling lacuna concerns the question of tame empires. The 1950s and 1960s witnessed national liberation movements undermining the traditional empires, including Britain's, while the colonial nations of Western Europe, urged on by Washington, organised themselves into a regional ensemble. On the latter question, Polanyi's silence is intriguing. When young he had ardently supported 'the idea of a United States of Europe' in the belief that it would prevent a repetition of Europe's Great War and because the rapidly growing US economy suggested that a continent-wide customs union represented the highroad to prosperity.<sup>131</sup> In the 1930s, he came to regard a European customs union as impossible, given that it would depend upon the 'utter utopia' of political union.<sup>132</sup> Remarkably, however, in the postwar decades he expressed little interest in this, *the* regionalist experiment of the century.

Did Polanyi regard European integration as an inherently social-democratic counter to market liberalism? As discussed above, many of his followers do – notably

<sup>128</sup> KPA/30/2, Karl Polanyi, 'Polanyi on Polanyi' (1958–60).

<sup>129</sup> KPA/50/1, Karl Polanyi, letter to Goodrich, 12 February 1957.

<sup>130</sup> PFP/212/326, Karl Polanyi, letter to Misi, 23 February 1956.

<sup>131</sup> Polanyi, 'Pártjaink és a béke'.

<sup>132</sup> Polanyi, 'Zur wirtschaftlichen', p. 113.

Hettne, whose approbation of the EU as an institution that aspires to construct stable and 'compatible patterns of coexistence' within an 'interregionalist' world order carries a distinctly Polanyian ring.<sup>133</sup> In the EU's drive towards economic and political integration, Hettne believed that he could descry an emergent social-democratic colossus. This was a delusion. From the outset, Europe's institutional foundations were powerfully influenced by ordo-liberal theoreticians and policymakers, and the Treaty of Rome itself has been described, with the barest of hyperbole, as 'a triumph for German ordo-liberalism'.<sup>134</sup> When its imperial and ordo-liberal contours could no longer be overlooked, in the 2000s, an alternative reading of the European project gained popularity among Polanyi-influenced scholars such as Wolfgang Streeck, Armin Schäfer, and Martin Höpner.<sup>135</sup> In their eyes, the European integration process has revealed itself to be driven by capital, particularly German capital, the purpose of which, in Streeck's formulation, is the conversion of the EU into an 'Einlagensicherungssystem und Inkassobüro für Staatsschulden'.<sup>136</sup> The EU, they suggest, increasingly resembles the 'Hayekian' model of integration, as outlined by Hayek in his paper on 'The Economic Conditions of Interstate Federalism'. In this text of 1939, Hayek maintained that although a major purpose of interstate federation would be enhanced international security, a profoundly important side-effect would be to effect a region-wide swing toward liberal political economy governed by the principle of negative integration through law. The heterogeneity of EU member states, he argued, would tend to thwart market-restricting regulation at the regional level, while the supranational division of competencies would guard against excessive taxation and undue interventionism. Supranationalism, by limiting the effect of popular democracy upon political decision-making, would tend to protect capital from the unfortunate tendency of human beings to seek resource redistribution.

In the analysis of Streeck, Höpner, and Schäfer, the EU has largely succeeded in turning Hayek's blueprint into reality. From its inception, integration was pushed by judge-made law and by technocratic politics, with democracy sidelined. Of the subjects that normally feature prominently in democratic social struggles, such as trade unions and social movements, *none of them* took active part in the supranational integration process.<sup>137</sup> Constructed from Hayekian and ordoliberal materials, launched as a programme of market unification, and secluded from popular accountability, Europe's supranational economic and legal order was naturally assimilable to the neoliberal regime when it entered its ascendancy in the 1980s. Then, in the Eurozone, a set of institutions was created that replicated the gold standard (against which Polanyi had inveighed), with its enforced institutional uniformity and constitutional governance dedicated to budgetary supervision and safeguarding the interests of bondholders. If any doubts still lingered concerning the innate social-democratic configuration of the

<sup>133</sup> Björn Hettne, 'Development beyond market-led globalization', *Development*, 53:1 (2010), p. 40.

<sup>134</sup> Bernard Moss, 'The European community as monetarist construction: A critique of Moravcsik', *Journal of European Area Studies*, 8:2 (2000), p. 260. For discussion: Gareth Dale and Nadine El-Enany, 'The limits of social Europe: EU law and the ordo-liberal agenda', *German Law Journal*, 14:5 (2013).

<sup>135</sup> Martin Höpner and Armin Schäfer, 'Embeddedness and regional integration: Waiting for Polanyi in a Hayekian setting', *International Organization*, 66:3 (2012); Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (London: Verso, 2014).

<sup>136</sup> Wolfgang Streeck, 'Das ende der Nachkriegsdemokratie', *Süddeutsche Zeitung* (2012), available at: {[www.sueddeutsche.de/wirtschaft/ein-neuer-kapitalismus-das-ende-der-nachkriegsdemokratie-1.1427141](http://www.sueddeutsche.de/wirtschaft/ein-neuer-kapitalismus-das-ende-der-nachkriegsdemokratie-1.1427141)}.

<sup>137</sup> Marco Dani, 'Rehabilitating social conflict in European public law', *European Law Journal*, 18:5 (2012), p. 629.

European project, they were laid to rest in the opening decades of this century, most spectacularly during the Berlin-led sado-liberal evisceration of Greece.

That Polanyi's concepts of double-movement and regionalism provide ammunition for such divergent arguments concerning the nature and trajectory of the EU – for some Polanyians, a chariot of social democracy, driven onward by the ECJ; for others, a bastion of market fundamentalism, presided over by the ECJ – speaks of the fact that he was a major thinker who produced seminal ideas that inspire adaptation in diverse directions. But it also attests to the inchoateness, malleability, perhaps even incoherence of both concepts. Heuristically, intuitively, the notion that economic liberalisation provokes forms of social resistance makes a good deal of sense. However, if institutions that have evolved to attend to the interests of capital accumulation – such as the EU, which in Perry Anderson's phrase, is 'overwhelmingly about the promotion of free markets'<sup>138</sup> – are theorised as deliverers of a putative social 'counter-movement', political and theoretical discombobulation ensues when they behave in accordance with capitalist imperatives. Polanyi envisaged tame empires as social counterweights to US 'universal capitalism', but did not apply critical attention to their own capitalist character, or indeed to the hierarchical nature of empires. This latter aspect has been coming to the fore in the case of the EU, where movement toward political union has tended to promote imperial hierarchy more than transnational solidarity. Finally, Polanyi failed to consider whether capitalist regional formations would be susceptible to the 'clash between capitalism and democracy' that he theorised elsewhere. Here too, recent developments in the EU have provided food for thought, with the troika-led removal of elected governments in Italy and Greece in 2012 and their replacement by technocrats, and the conversion of Greece into a debt colony.

With this in mind it was, arguably, wise of Polanyi, during the postwar decades, to shift his attention away from the 'double movement' and 'tame empires', and indeed political and international affairs in general, and toward ancient economic history. For, although his understanding of the dynamics of world order was, as I hope to have shown in this article, richer than is generally supposed, his most vital research was in the field of economic history, where he advanced a number of seminal theses on the nature and workings of ancient and archaic economies, and elegantly despatched one of the prevailing mythemes of the present: that the forms and norms of market behaviour, as witnessed in modern capitalism, reflect natural human inclinations.

<sup>138</sup> Perry Anderson, *The New Old World* (London: Verso, 2009), p. 109.