

**PO230 States and Markets: An Introduction to International Political Economy  
Seminar Week 3. Polanyi on Planned Laissez Faire in Liberal Britain**

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**What do we need to constitute a “market”?**

**What is the great transformation?**

**What is the double movement?**

**Lecture question: What would a ‘substantivist’ response to a ‘formalist’ freer labor market argue?**

**Presentation Question:**

- 'Laissez faire was planned'

**What does Polanyi want?**

- He argues that European liberalism’s attachment to market fundamentalism is a barrier to an alliance between democratically inclined liberals and the working masses. To avoid an authoritarian reaction to the ravages of the market, there must be democratic alternative to pro-market liberalism.

Polanyi insisted that the working class had to win leadership of society by representing the interests of society as a whole:

“Indeed, the secret of success lies rather in the measure in which the groups are able to represent - by including in their own - the interests of others than themselves. To achieve this inclusion they will, in effect, often have to adapt their own interests to those of the wider groups which they aspire to lead”

In other words, the working class must forge a "historical bloc" of diverse social groups around a counterhegemonic vision of how socialism can make full use of society's productive forces. Implicit in this line of argument is the belief that if the English working class were to focus only on the militant pursuit of its own class interest, the backlash would strengthen the political right in England and lead to some form of English fascism.

*(Karl Polanyi and the Writing of "The Great Transformation" in Theory and Society, Fred Block; Karl Polanyi, 2003)*

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**What is the difference between Marx and Polanyi?**

**“Markets need to be re-politicised”. What does this mean?**

The fulcrum of the 'embedded liberal compromise' was a new institutionalized and regulated international legal settlement arrived at following World War II. Susan Strange referred to a 'more conscious effort at international management' of the global economy, whereby 'for the first time in history the governments of the leading economies had agreed on a set of rules, on a system of collective management' of the world economy (Strange 1994a, 1994b: 53, 55). Bretton Woods was an effort to avert the extremes of both nationalism and liberalism. As Ruggie put it, the new order sought to 'safeguard and even aid the quest for domestic stability without, at the same time, triggering the mutually destructive external consequences that had plagued the interwar period'. The 'compromise' Keynes and others crafted at Bretton Woods contrasted with both 'the economic nationalism of the thirties' and the 'liberalism of the gold standard and free trade' (1982: 393).

(Clift, Ben. *Comparative Political Economy*, pg. 254)

**But how embedded is the market today? Are markets destroying cultural difference and local customs of living?**

### NOTES:

#### Embeddedness of Markets

One of the central insights of economic sociology is that markets are embedded in nonmarket social relations (Granovetter 1985). By *embedded* we mean that markets coexist with, are shaped by, and depend on other social relations. Market relations constitute but one way for human beings to interact with one another. Social relationships consist of many other types of human interaction, including participation in a religious community, belonging to a family or having a network of friends, having political allegiances and animosities, taking part in professional interactions among coworkers, and having citizenship in a country.

In liberal, neo-liberal, or libertarian visions the seemingly natural emergence of markets often serves to de-politicise what is essentially a normative agenda of market-making. So, markets are turned into the preferred model for organising social life, while the social costs of and political resistances to their creation are ignored. Raising consciousness about the social construction of markets, in turn, means to re-politicise them; to think about the historical and political circumstances of their emergence; and to question the dynamics of power and violence that underpins them. It thus allows us to pose the core questions of political economic research to markets: Who benefits, why, and how might it be changed?

#### **Important concepts to know from Polanyi's work:**

The 'Liberal Creed'  
 The double movement  
 'Laissez faire was planned'  
 The 'self-regulating market'  
 Fictitious commodities of land and labour  
 Haute finance

#### **Next week:**

Do Adam Smith's ideas matter today?