Fictitious Freedom: A Polanyian Critique of the Republican Revival

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Abstract: Prominent republican theorists invoke anonymous orders such as the market as mechanisms that secure freedom as non-domination. Drawing on Karl Polanyi’s account of fictitious commodities and demonstration of the impossibility of a just and rational market society, this article critically scrutinizes neo-republican assumptions regarding the market, develops an alternate social theory within which to situate the ideal of non-domination, and illustrates the importance of this reconfiguration for the kind of collective agents and political strategies that can be expected to advance republican freedom in the economy.

Taking freedom as non-domination as its guiding ideal, the republican revival has generated an ambitious program of institutional and political reform. The ideal of non-domination identifies subjection to the will of another as the central political harm democratic institutions seek to overcome. But what economic arrangements will secure republican freedom? This article criticizes republican theorists—most centrally, Philip Pettit—for embracing the market as an institutional mechanism for facilitating freedom as non-domination. Drawing on Karl Polanyi’s critique of the market and his substantive view of political economy, this article both identifies the socioeconomic problems the market is meant to solve for neo-republican thinkers and proposes an alternative theoretical framework concerning the economy within which to situate the ideal of non-domination.

Pettit and other neo-republican theorists currently argue for an approach to economic policy that combines competitive markets with apolitical constitutional and regulatory provisions that ensure the price mechanism functions smoothly such that no individual or group can exercise market power. Republican theorists disagree about the extent to which perfect competition can be realized and so about the scope of such regulatory interventions in the market. The following deploys a reconstruction of Polanyi’s thought to argue that republican theory, by focusing on idealized institutions like the market, neglects the economic agents and organized capacities necessary to sustain freedom as non-domination. Polanyi’s account of society engenders different political strategies than those that would be pursued under idealized circumstances. Institutions, such as the well-regulated market, that promise to secure full freedom as non-domination if exogenously imposed can ironically undermine, in the real world, the formation of the ongoing endogenous political forces necessary to reduce domination. As a result, republicans should abandon their search for institutions that definitively eliminate domination and instead turn to theorizing institutions that, equalizing power among organized economic actors, can reduce domination in the economy.

Polanyi’s thought reveals the political and theoretical dilemmas that the market supposedly overcomes for republican theorists. Insofar as Pettit construes non-domination as the absence of subjection to an arbitrary will, he faces a fundamental problem: that any organized agent or group can constrain the domineering
capacities of the powerful would be, as a potentially capricious will, a source of domination (Kolody 2016; Sharon 2016). To escape this quandary, Pettit situates the ideal of non-domination within a social theory that is premised on the possibility of agentless social orders such as the market. The market, much like its political analog, the rule of law, promises to transform all potentially domineering, interpersonal powers into an anonymous background condition for individual agency. Polanyi’s critique of the self-regulating market shows that such an escape from political contestation among organized actors to a quasi-objective economic order is impossible. Markets, Polanyi argues, are distinctive economic institutions insofar as they must treat all inputs and outputs as commodities, and yet it is this assumption that renders the self-regulating market a fiction, such that economic production and distribution always involve political conflict between organized actors.

Polanyi’s alternative approach to theorizing political economy provides a distinctive framework for analyzing the relationship between non-domination and economic policies, institutions, and actors. While republican theorists have advanced imperfection-based (Lovett 2010; Pettit 2006), virtue-based (Daggar 2006; MacGilvray 2011), and labor-based (Arnold 2017; Gourevitch 2015) arguments against the idea that competitive markets realize non-domination, Polanyi provides what I term a power-institutionalist critique of the ideal of the market. Although it arose in response to the breakdown of the market order of the nineteenth century, Polanyi’s theory, focused on the problem of democratic politics in the economy, has continued relevance. His historical analyses are informed by a theoretical account of the relationship between political contestation and marketization—and it is here that his thought, critically reconstructed to draw out its central insights, fruitfully intersects with the concerns of republicans. Polanyi’s substantivist political economy shifts focus from understanding markets as ideal, counterfactual constructs to theorizing them as real, historical institutions for distributing goods. This move grounds his argument that the institutional preconditions of markets are such that markets always require not just an appropriate legal and regulatory environment, but also other, power-based modes of economic coordination.

Polanyi’s social theory suggests a revision, though not a fundamental rejection, of the concerns animating neo-republican theory. While the aspiration to fully overcome domination pushes Pettit to embrace an idealized market system as part of a “constitutional provisions” strategy, his theory also, at times, emphasizes the necessity of an equalization of power, including economic power, and so helps to articulate the normative concerns implicit in Polanyi’s thought. Taking Polanyi’s critique seriously means that republicans should focus on what Pettit calls a “reciprocal power” strategy of reducing domination. Rather than the unrealistic hope for institutions that will render economic power dispersed and anonymous, neo-republicans should inquire into what economic policies will organize and empower the collective agents that can democratize the governance of the economy and thereby advance freedom as non-domination.

The Market in Republican Theory

Pettit’s republican theory of domination takes, as its paradigmatic instance, the uncontrolled power of one agent over another. He argues that “someone, A, will be dominated in a certain choice by another agent or agency, B, to the extent that B has a power of interfering in the choice that is not itself controlled by A” (Pettit 2012, 50). To be dominated is to be subjected to the will of another; conversely, freedom means not the absence of restraints, but the absence of such subjection to another individual’s will or wills. The intuition driving Pettit’s theory is that if we cash out what is wrong with such subjection, we can develop a theory of freedom that is as precise as accounts that focus on noninterference alone but that demands a much more comprehensive set of institutional protections than negative accounts of freedom. Freedom will require institutional structures that ensure no agent exercises uncontrolled power over another. The achievement of Pettit’s theory is both to demonstrate that the idea of non-domination rests on a coherent view of freedom and, further, to show that achieving such freedom requires a broad range of strong institutional protections. Theorists do not have to make reference to some other principle in conjunction with freedom, such as justice or equality, to explain the need for individual and collective protections from the power of others.

The ideal of non-domination provides an attractive way to spell out the concerns that inform Polanyi’s critique of the market society, which I reconstruct in the next two sections. Yet Pettit and subsequent neo-republican theorists, far from following Polanyi in theorizing the self-protection of society as a realization of non-domination, have instead turned to the market as a potential guardian of freedom. Here, I diagnose, from a Polanyian perspective, the logic of this embrace. For Polanyi, the great appeal of the idea of the self-regulating market resided in its promise to overcome the domineering “passions of nationalism and class war, vested interests, and monopolists” through an anonymous, dispersed system of social power and economic coordination (Polanyi [1944] 2001,
Pettit, despite his avowal of a broadly left-liberal approach to economic policy, inherits this aspiration to overcome the corporate organization of power in the economic domain.

Pettit’s attitude toward markets is complex and, as I will argue, ambivalent. Pettit rejects a strong laissez-faire ideology, where the market emerges spontaneously in the absence of state action (for his rejection of laissez-faire, see Pettit 2012, 271–72). The republican position is better characterized as constructivist—markets facilitate non-domination only under the right regulatory conditions that empower the ability of individuals to enter and exit market relationships. Thus, on the level of policy, Pettit argues for restrictions on employment at will, trade union organization and collective bargaining, collective insurance against various mishaps that leave individuals more vulnerable to domination, regulations of extreme wealth and poverty, and for a minimum income policy (Pettit 1997, 140–43; 2006, 141; 2007; 2012, 112–14). Even extensions of Pettit’s view that argue for a stronger embrace of the market still assume that markets reduce non-domination with external institutions that help reduce transaction costs (Taylor 2017). Nonetheless, Polanyi’s concerns about the lure of the market extend well beyond pure laissez-faire ideology and apply also to Pettit’s constructivist view. This is because Pettit tends to accept the idea of the market in the sense of an “order that is self-sustaining, whether or not self-starting” (Brennan and Pettit 1993, 191).

The appeal of the “self-sustaining” market in this sense leads Pettit and other neo-republican theorists to focus on combining markets with constitutional provisions, which, standing above political conflict, would ensure that markets approach the ideal of perfect competition, where all participants are price-takers. Put differently, Pettit and other republicans tend to systematically exaggerate the role of markets and apolitical, constitutional mechanisms in securing freedom as non-domination, and they exaggerate this role for theoretical reasons deeply embedded in their view of society. To be sure, markets and constitutional provisions can both play a role in realizing republican ideals. But republican theorists overextend this role, and hastily reject countervailing power strategies, because they aspire to definitively transform invasive into vitiative hindrances on freedom.

Pettit’s prescriptions are oriented by his desire to find institutional mechanisms that help transform what he calls invasive hindrances on freedom—hindrances that reflect the will of another—into vitiative hindrances—restrictions for which no agent is responsible and so that are akin to the natural environment. While he endorses these regulations of markets, Pettit’s theory fails to acknowledge how those policies are politically sustained by nonmarket modes of political organization in the economy. As a result, Pettit’s theory of non-domination is ambiguous between a robustly political view of the interaction of organized power and the market and a depoliticized view of the superiority of the market to political contestation. In the second view, the market, much like the rule of law, promises to disperse power through a quasi-natural, anonymous order such that no individual or corporate agent will have the capacity to invade another’s freedom.

Even as Pettit emphasizes “contestatory” institutions and an active citizenry who monitor public and private power for domination, the broader social theory within which he embeds the ideal of non-domination inflects both what agents he ascribes this contestatory role to and which institutional mechanisms he envisions exercising this monitoring. With regard to economic policies, Pettit circumscribes this contestatory role, ascribing it primarily to neutral, constitutional mechanisms such as a guaranteed basic income, leaving republican theory open to appropriation by more pro-market interpretations. Pettit (2004; 2012, 231) has recently retreated from his earlier view that republican freedom requires a “depoliticized” democracy, one where independent agencies such as the courts or ombudspersons would avert the domineering rule of the majority, because he recognizes that such agencies, without robust popular contestation, are sources of domination and elite capture. Yet he remains wedded to a depoliticized view of economic institutions, where the ideal of the market fulfills the same function as the rule of law.

To see why the market exercises this pull, I now turn to a central distinction in Pettit’s theory: that between invasive and vitiative hindrances on freedom. Domination always entails a restriction on free choice, but not all such restrictions constitute domination. Some restrictions on free choice are generic in that “they affect the use of your resources for any purpose,” and Pettit (2012, 37) calls these restrictions vitiations of free choice. Such restrictions will not be activated by your particular choices to deploy your resources in a certain way but are part of the background conditions that determine the possible uses of your resources. Such vitiating restrictions include, for Pettit, not just “the limits of your natural environment” but also restrictions on choice resulting from “the aggregate consequences of independently motivated actions by others, or from the actions of another agent that are necessitated in some way” (Pettit 2012, 40). In contrast, invasive hindrances are activated by a particular choice for a certain option. Invasive hindrances reflect a relationship between two wills, where one will threatens to displace the
agency of the other, such that some agent can be held accountable for the invasion. Domination, Pettit contends, is a matter of invasive hindrances on freedom, not vitiative hindrances. In Pettit’s view, only invasive hindrances on freedom evoke the sort of responses that indicate the relationship is normatively salient. We do not experience “reactions like resentment and gratitude . . . towards natural phenomena like the weather or the business cycle” (Pettit 2001, 13).

How to distinguish invasive from vitiative hindrances on freedom? This is a vexing problem for Pettit, one that cuts to the core of his ambition to delineate a society of equals living under conditions of non-domination. Even as the distinction is theoretically sharp, in practice, whether, for example, the business cycle is a natural phenomenon or an appropriate object of resentment will be a central matter of political contestation. In his more recent formulations, Pettit acknowledges the difficulty of disentangling the individual agents of domination from the background conditions that enable their domination: Such conditions may constitute an “indirect or structural form of domination” (2012, 63). Yet this murkiness—the always-present possibility of representing what is currently taken to be a quasi-natural vitiating condition on freedom as actually structural domination—stands alongside Pettit’s continued hope “to establish some accepted standards [of the extent of freedom] whereby, for a given range of choices, we can compare and order the more salient differences found amongst the citizens of a given society” (2012, 47).

Pettit’s account of freedom as non-domination, then, is caught between two imperatives. On the one hand, he hopes to provide a clear, observable demarcation between invasive and vitiative hindrances on freedom, but, on the other hand, Pettit wants to capture the subtle manner in which patterns that appear merely as vitiative hindrances actually enable the capacities of the powerful to intervene in the choices of the less powerful. Pettit’s attraction to the idea of anonymous, self-sustaining orders such as the market is driven by this tension. Institutions like the market promise to overcome the difficulties of distinguishing invasive from vitiative hindrances and so of definitively turning invasive restrictions on freedom into vitiative hindrances. At the same time, markets solve a dilemma: how to constrain the capacities of the powerful without introducing an even greater arbitrary power? In the economic sphere, this comes through in the anxiety that the organization of less powerful actors, such as through unions, will introduce new sources of domination.

This means that, even as Pettit and other contemporary republicans worry about how the commodification of labor can expose workers to the arbitrary power of employers, they express these concerns within a framework that still presupposes the ideal of the self-sustaining market (Lovett 2010, 52–54; Pettit 2012, 140–43). We can see this even in Pettit’s most explicit endorsement of socialist politics. In Pettit and Lovett’s reconstruction, the socialist movement invoked “the republican conception of freedom” when it argued that workers were subject to wage slavery, “exposed to the arbitrary power of masters who could fire them at will and ensure that they were not employed elsewhere” (Lovett and Pettit 2009, 20). Even in this alignment with the socialist tradition, Lovett and Pettit add the qualification that employers dominate only insofar as workers lack the capacity to exit. Elsewhere, Pettit strongly endorses the anti-domination credentials of the market:

Adam Smith was . . . faithful to classical republicanism . . . in insisting that . . . the market could reduce dependency and domination. For example, in a well-functioning labor market (and, of course, it may be very difficult to establish such a market), no one would depend on any particular master and so no one would be at the mercy of a master: he or she could move on to employment elsewhere in the event of suffering arbitrary interference. (2006, 142)

From this perspective, the collective organization of actors in the economic sphere is a residual category, one that should be overcome in favor of functioning markets in conjunction with certain constitutional or legal guarantees of exit. As a result, Pettit’s analysis of economic institutions and policy tends to be doubly insufficient. First, Pettit tends to accept a residual view of political interventions into the market, positioning them as necessary but regrettable responses to market imperfections. Second, and as a result, Pettit fails to provide an account of the organization of corporate agents and collective power within economic institutions—that is, the political constitution of the agents that will pursue the policies Pettit endorses. The twin shortcomings leave Pettit vulnerable reducing both, Pettit’s theory still points to institutions that could transform invasive into vitiative hindrances.

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2This is not to imply that vitiative hindrances on freedom are not themselves worrying, especially when they drop beneath the minimum necessary for exercising basic capacities. Nonetheless, as Pettit argues in his most recent formulation, there remains an “asymmetry” between invasive and vitiative hindrances: “it is inherently worse to be controlled by the free will of another than to be constrained by a contingent absence of resources” (Pettit 2014, 48). Even recognizing that there are reasons to be concerned with
to commercial republican critiques that only the full pursuit of the market will protect non-domination.

These deficiencies particularly come through in how Pettit analogizes the market to legal constitutionalism and spontaneous orders. In each case, he starts with the ideal of fully dispersing social power and only introduces more deliberate institutional constraints insofar as that dispersal is unrealizable. Pettit contends that the first goal of republican institutions should be “to ensure that they leave as little room as possible for the exercise of arbitrary power” (1997, 173). To achieve this, Pettit advocates a constitutional arrangement that combines the rule of law, dispersion of powers, and counter-majoritarian bulwarks. Such an arrangement would be “maximally non-manipulable,” by which Pettit (1997, 173) means that they will not be an instrument that can be deployed by any individual or collective agent. Pettit does not use this language, but at its limit a non-manipulable constitutional system would resemble something like a vitiating hindrance on freedom, rather than invasive interference in choices. Subject to no individual will, a non-manipulable constitutional system would be akin to a natural background environment for individual choices. Against this aspiration, Pettit (1997, 183) recognizes that “however well designed, any system of law will leave certain decisions in the hands of different individuals and groups,” which leads him to also endorse contestatory democratic institutions. Similarly, Pettit considers the possibility that collective non-domination could be secured, not through a coercive state, but through communal norms that spontaneously “emerge and stabilize as by an invisible hand.” These would secure non-domination “without imposing the potentially dominating will of a protective agency” (Pettit 2012, 134). Pettit rejects this “attractive” possibility because he worries such norms would likely fail to properly resource basic protections, given that “wealth and power tend to accumulate in fewer and fewer hands,” and because communal norms may “reflect divisions within society and impose patterns that are highly injurious to those on the weaker side” (2012, 135).

In both cases, the tempting possibility is that institutional arrangements could be found that eliminate the possibility of invasive restrictions on choice and, by sufficiently dispersing social power, convert all such invasions into vitiations. The market, for Pettit, represents another such institution. The “property regime” that arises from free exchange “can have the aspect of an environment akin to the natural environment” (Pettit 2006, 139). Such an environment may vitiate your freedom—affecting the range of choices available to you—but will not invade it. The resulting restrictions on individual freedom are not the result of a distinct will, but of “the cumulative, unintended effect of people’s mutual adjustments” (Pettit 2006, 139). The market, like republican constitutionalism and spontaneous social norms, is a form of order that, because it is resistant to the effects of individual wills and choices, promises to turn invasive hindrances into vitiating restrictions that one can view with relatively indifferent frustration, rather than burning outrage. As with the idea of spontaneous social norms, Pettit rejects a full embrace of the market, but only insofar as the resulting distribution has the “contingent effect of allowing domination,” such as through extreme concentrations of wealth (2006, 142).3 Just as Pettit grants the possibility of non-dominating spontaneous norms but then worries about their contingent, external effects, here he assume that the distributive outcomes of markets are quasi-natural, even though a potential source of domination.

The implications of this view are made clear in expansions of Pettit’s theory that, pursuing his own logic, push him to fully embrace the market. Robert Taylor has recently argued that republicans should take perfectly competitive markets as a “regulative ideal” that can “motivate and guide principled political action—and the closer we can approach [it], the closer we will be to achieving nondomination in economic . . . life” (2017, 63). In perfectly competitive labor markets, the capacity to exit ensures that employers cannot dominate their workers and, more generally, that “participants have no capacity to interfere with impunity and at will with the economic interests of other participants” (Taylor 2017, 54). On this basis, Taylor argues against policies that increase workers’ collective market power vis-à-vis employers, as this can produce domination, subjecting disorganized firms to the arbitrary whims of unions. Rather, the focus should be on breaking up monopolistic market power, whether of workers or employers, and introducing policies that facilitate flexible labor markets and move the cost of exit toward zero.

Although Pettit rejects this more expansive free market approach, it captures something important about the logic of his arguments (2014, 90, 218). He worries about the effects of markets, such as on concentrations of wealth, or else on the need to respond to market failures, such as through insurance schemes, without challenging the logic of markets as such. As a result, Pettit’s understanding of neo-republican economic policy rests on the same sort of “apolitical politics” as his earlier adherence to the rule of law (Bellamy 2007, 147–54). In the economic domain, this means endorsing certain limited interventions in the functioning of markets while still accepting their basic

3For the need for specific institutional remedies to this domination by the wealthy, see McCormick (2011).
logic. Yet, as I will argue in the following two sections, this logic is a fiction, such that the corporate organization of power in the economic sphere is unavoidable. Neo-republicans cannot turn to the market to escape the need to pursue what Pettit (1997, 67) calls a “reciprocal power” strategy, whereby you equalize the “resources of the dominator and the dominated.”

Pettit (1997, 67) presents this strategy as a second-best, provisional alternative to the superior strategy of constructing public and neutral “constitutional provisions” that fully eliminate, rather than merely reduce, domination. This supposedly second-best strategy should be central to republican theory and practice. Insofar as theories of non-domination embrace, as a regulative ideal, the possibility and desirability of fully dispersing social power, transforming invasion into vitiation, then the fiction of the competitive market will exercise this pull. Yet, in this case, the institutional realization of the ideal of non-domination will end up producing only a fictitious freedom, undermining the very agents and institutions that are necessary to sustain the struggle for non-domination.

**Fictitious Commodities: Polanyi’s Critique of the Market Ideal**

Pettit endorses left-liberal economic policies, yet his theory tends to position the market as an agentless institution that produces objective, nature-like outcomes—outcomes that we ought to experience like the weather. More broadly, Pettit’s theoretical approach presents contestation between organized economic actors and corporate agents such as unions as a regrettable and temporary concession to the failure to construct institutions that fully disperse power in order to definitely secure non-domination. As a result, republican theorists over-expand the role of markets and constitutional provisions more generally in securing freedom as non-domination. From the perspective of Polanyi’s social theory, this represents the latest iteration of the longer intellectual romance with the ideal of the market—a romance Polanyi views as a dangerous illusion.

Polanyi expresses this argument in his landmark work, *The Great Transformation*, where he advances a critique of the “stark utopia” of “the idea of a self-adjusting market” ([1944] 2001, 3). Here, I develop one crucial aspect of his argument—the claim that land, labor, and money constitute fictitious commodities because the aspiration to move closer to perfectly competitive markets will be dangerously self-defeating, such that it will, in the end, expose less powerful individuals to domination without producing a counteracting dispersal of power. The upshot of Polanyi’s discussion is that, just as there can be no total marketization of society, so too can there be no market outcomes as such. The dynamics of markets are not akin to the natural background for our actions, merely vitiating our freedom. Rather, in his power-institutionalist view, markets always require other, nonmarket institutions to sustain the distribution of goods in society— institutions that are structured by the relative power of organized, collective actors. Self-adjustment, as an ideal, is only coherent insofar as we reject individuals’ social ties, collective organization, and normative expectations as so many frictions on the functioning of the market.

Polanyi argues that “the commodity description of land, labor, and money is entirely fictitious” because they are “no produced for sale”; “the postulate that anything that is bought and sold must be produced for sale is emphatically untrue in regard to them” ([1944] 2001, 75–76). The significance of this claim comes out in relationship to Polanyi’s substantivist view of the market. The idea is that classical and neoclassical views of the market (as accepted by neo-republican thinkers) tend to conceptualize markets in formal terms—as mechanisms for managing relative trade-offs under conditions of scarcity. In contrast, Polanyi conceives of markets as real institutions for managing “a continuous supply of want-satisfying material means” (1957, 248). Polanyi’s approach focuses on the *substance* of the economy—the need to procure material sustenance in society—rather than the *form* of economic decision making. Markets are just one of many possible economic institutions that “sustain the interdependence of the movements of [goods] and their recurrence” (Polanyi 1957, 248–49).

The formalist and substantivist views lead to divergent conclusions regarding the market. From a formalist perspective, the market is just an idealized, counterfactual construct, to be approximated in reality, for managing scarcity through the price mechanism. We can...
progressively approach the ideal of perfect competition through various constitutional and regulatory mechanisms. The substantivist perspective leads to a contrary conclusion: The full of marketization of society is not only impossible in principle, but efforts at marketization will produce a reactive self-organization of actors in the economic domain. Polanyi systematizes this argument with an insight into the unique nature of markets as economic institutions, one that rests on his distinction between an economic “form of integration,” a “principle of economic action,” and a social institution. A form of integration is a general pattern for the stable and recurrent movement of goods in a society (Polanyi 1957, 250–56). A particular form of integration implies a principle that guides individual economic behavior in the context of that broader pattern. Institutions refer to the specific set of practices, structures, and rules, formal and informal, that structure a society. These distinctions have a sociological purpose as well as normative implications. Sociologically, they mean not taking the market as the default mode of distributing goods and so viewing all other economic institutions as deviations from the market—as, for example, a response to high transaction costs. Normatively, these distinctions enable Polanyi to provide a compelling argument against the ideal of the market society.

Polanyi’s central claim is that the “principle of economic action” behind the “form of integration” of exchange—truck and barter—produces only a single institution, whereas the other possible principles of economic action can overlay a variety of political and social institutions, thereby interweaving the ongoing distribution of goods with the political organization of society. Polanyi identifies four forms of integration—reciprocity, redistribution, householding, and exchange—with four corresponding principles of economic action—symmetry, centricity, autarky, and truck and barter ([1944] 2001, 45–48; 1957, 250–56). Polanyi argues that while each form other than exchange implies a principle that “merely pattern[s] out existing institutions, exchange relies on a specific institution—the market pattern—that is “designed for one function only” ([1944] 2001, 59–60). He writes, “Barter, truck, and exchange is a principle of economic behavior dependent for its effectiveness upon the market pattern. A market is a meeting place for the purpose of barter or buying and selling. Unless such a pattern is present . . . it cannot produce prices” (Polanyi [1944] 2001, 59).

For the principle of barter to be effective, the movement of goods must occur where thick normative ties do not relate individuals—their only goal must be to find the price of the good in question through barter. Unlike the principles of symmetry or centricity, the principle of barter requires a specific institution that can provide for the mix of proximity and distance that will enable buyers and sellers to determine prices—which is why, Polanyi argues, markets first arose for intermittent trade between societies rather than the continuous movement of goods within societies (Polanyi [1944] 2001, 61). The peculiar nature of exchange as a principle grounds Polanyi’s claim that markets, unlike reciprocal or redistributive institutions, have an inherent, self-propelling dynamic, as markets, and markets alone, require that all aspects of the movement of goods be specified in an economic language, in terms of prices. Otherwise, markets will not be able to adjust to new information in their environments: “Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods . . . but also for labor, land, and money” (Polanyi [1944] 2001, 72).

At this point, though, exchange and its institutionalization via the market run up against the fictitious commodities. Each of labor, land, and money is a fictitious commodity because each reflects and requires social institutions whose economic functions are interlaid with other, noneconomic functions. None of the three commodities can act as though they are produced for the market—that is, to be stored, transported, and withheld from sale until their true price is revealed. Since they cannot function as market commodities, they each imply and require a form of integration other than exchange. Polanyi contends, “labor and land are no other than the human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market” ([1944] 2001, 74–75). While labor can be expressed in a commodity form via wages, labor itself “cannot be detached from the rest of life, be stored or mobilized” like goods brought to the market (Polanyi [1944] 2001, 75). Similarly, the mobilization of the land for commodity production privileged land’s “economic function” over its social and cultural significance: While land “invests man’s life with stability; it is the site of his habitation; it is a condition of his physical safety; it is the landscape and the seasons,” on the market it can only be perceived in terms of prices and rents (Polanyi [1944] 2001, 187).

Money, while in some ways the least obvious of the three fictitious commodities, is also the most important, as it marks the political limit of the effort to construct a market society free of collective social agents engaged in constant political struggle. While the market requires that money appear as a means of exchange, in reality, Polanyi argues, it is a politically secured “means of payment” for
individuals and firms to meet their future obligations ([1944] 2001, 205). For the market society to function, money had to be regarded as “a purely economic category,” part of an economic system divorced from the political sphere, yet such “institutional separation . . . had never been complete, and it was precisely in the matter of currency that it was necessarily incomplete” (Polanyi [1944] 2001, 205). The most brute manifestation of this fact is that “the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society” (Polanyi [1944] 2001, 76). The development of central banking reflects the social, noncommodity aspect of money as a means of payment. Central banking, by providing political guarantees for the repayment of debt, enacted a redistributive form of integration by softening the effects of deflation “in such a way as to absorb the shock and spread its burden over the whole country” (Polanyi [1944] 2001, 203).

Seen in this way, the issue does not reside in the empirical fact that certain commodities, such as labor, are not initially produced for sale. It is that they do not behave as if they were produced for sale. To ask individuals to treat themselves as commodified labor power, land as a bundle of commodities, and the state as a mechanism for ensuring the smooth function of the market is, in Polanyi’s view, to ask individuals to abandon all the cultural and normative expectations that constitute human existence. Yet for participants in market exchange, “every element is regarded as having been produced for sale, as then and only then will it be subject to the supply-and-demand mechanism interacting with price” (Polanyi [1944] 2001, 75).

Indeed, such a counterfactual assumption is built into the very nature of exchange, insofar as everyone must assume everyone else is willing to withhold goods from the market until their reservation price is found. Here, Polanyi’s argument is not only against the naturalness or spontaneity of markets. Rather, it is based on the observation that in the absence of these markets for the factors of production, crucial prices—such as wages—will be subject to destabilizing political manipulation (from a “purely” economic perspective) that undermines the calculation of gain necessary for exchange. Polanyi’s concerns also apply to contemporary constructivist views that accept the need for various regulatory supports for markets so as to ensure wages are not artificially low due to job market frictions, as the hope is still to find constitutional mechanisms to prevent market “distortions.”

In sum, economic processes can never be separated from political struggle between competing social groups, as, even at the limit, the state will intervene, through central banking, to prevent the self-undermining of the market. Political contestation between social forces represented by collective agents is not a second-best, provisional mode of balancing powers, to be overcome through the constitutionalization of a market economy, but a basic feature of complex modern societies. First, then, Polanyi’s theory challenges the neo-republican attraction to markets in conjunction with depoliticized constitutional provisions. Shorn of the implicit notion of self-regulation, the market will not be able to fulfill the political function with which neo-republicans invest it: dispersing social power to overcome the need for powerful corporate actors that, even as they protect certain individuals from domination, wield extensive private power. Second, Polanyi’s theory provides a socio-theoretic account of political economy that can flesh out Pettit’s alternative reciprocal power strategy. In particular, any reciprocal power strategy will entail some combination of economic institutions structured through reciprocity (e.g., solidaristic wage-sharing institutions) and redistribution (e.g., centralized state social provisions and management of the credit system).

In contrast to exchange and the market, these forms of economic integration presuppose and require the organization of collective actors who would advance freedom as non-domination. Polanyi’s theory, then, focuses neo-republicans on how the organization of corporate actors within economic institutions, interacting with state institutions, can further or hinder the collective capacity of the less powerful to contest and influence the governance of the economy.

Crisis and Collapse: Polanyi’s Double Movement

While Polanyi’s core contribution, for my purposes, is his theoretical critique of the ideal of the market, his work also influentially deploys this theory to analyze the ultimately destructive dynamics of nineteenth-century European politics. Polanyi calls this dynamic the double movement. The double movement is the political complement to Polanyi’s theoretical critique of the self-regulating market. Just as the aspiration to construct the market requires an institutional separation of the economic from the political, the double movement entails the (re)organization of economic relationships on the basis of nonmarket, political concerns. Rather than look to idealized institutions that seek to overcome the vagaries of political conflict, Polanyi focuses attention on the dilemmas and opportunities faced by political actors engaged in conflict over economic policies and institutions. I turn now to Polanyi’s account of the double movement as an exemplar for a
possible neo-republican approach to political economy, which I will develop for contemporary conditions in the final section.

Polanyi begins *The Great Transformation* by declaring that “nineteenth-century civilization has collapsed,” and the double movement is his name for the political dynamics propelling Europe toward that cataclysmic end ([1944] 2001, 3). The central force pushing European politics during this time was the simultaneous expansion and contraction of market institutions: “Social history in the nineteenth century was... the result of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by a restriction in respect to fictitious ones” (Polanyi [1944] 2001, 79). The dynamics of the self-protection of society corresponds to the three fictitious commodities, with the workers’ movement organizing to protect labor, reactionary protectionism to defend the land, and the political organization of the state as a whole working to protect national currencies.

With the development of machine production, mercantilist states in intense competition saw that global survival required the forced creation of internal markets that could unleash the potential of the industrial age. Yet these efforts quickly faced resistance and, as workers organized themselves and the landed classes won tariffs, domestic markets became increasingly inelastic. Ruling elites faced revolution if they did not expand the franchise, which channeled the demand for protection into the political system. The demands of workers increasingly came into conflict with the stability of currency, which required wage levels to adjust in response to global market pressures. The institutional separation of markets from society then became a polarized struggle between economic and political power, with workers occupying the heights of the state and capitalists the fortress of the economic system. European states pacified this internal war through imperialism, and the construction of market societies could be politically sustained so long as imperial ventures opened up new land and new export markets. Yet the reckoning could only be delayed, and, as the returns on imperialism diminished, the only politically viable option was to turn to protectionism, break with the interests of finance, and destroy the bulwarks of European peace in the nineteenth century: the balance of power system and the gold standard. Fascism and socialism stood as the only two political ideologies that could break the deadlock of the market society.

For Polanyi, the defining feature of the double movement is the paralyzing tension it produces between the demands of society and the institutionalization of the market economy. Yet this does not mean society, for Polanyi, is some distinct entity with independent normative value. Society, in Polanyi’s account, is metaphorical shorthand for a diverse set of institutionally mediated political actors. There is no society as such, only individual actors whose political opportunities and identities, in industrial societies, are determined by the contradictions inherent in the ideal of the self-regulating market. As recent commentators argue, “the effort to make sense of large-scale historical change requires frameworks that are able to link together a variety of concrete processes,” and Polanyi succeeds in this task because of “the way he moves back and forth between metaphor and metatheory and a series of concrete causal arguments” (Block and Somers 2014, 67). The notion of society enables Polanyi to draw nonreductive connections between these disparate events, describing the potential pathways of political action open to various actors.

In particular, the needs of society are only ever expressed through the agents that react to the threat of commodification via the fictitious commodities—the labor movement, the agrarian classes, and, in some cases, all members of a national community. The fate of those political movements is always influenced by their ability to connect their claims to broader interests: “class interests offer only a limited explanation of long-run movements in society... the chances of classes in a struggle will depend on their ability to win support from outside their own membership, which again will depend on their fulfillment of tasks set by interests outside their own” (Polanyi [1944] 2001, 159). The notion of the double movement seeks to capture the opportunities classes faced, at various points in time, to represent such broader, societal interests. Whether they took advantage of those opportunities is a more contingent matter of political leadership and strategy. As Polanyi’s narrative vividly demonstrates, there is no necessary resolution to the class warfare produced by the double movement. It can just as easily lead to deadlock and collapse as to class compromise and democratization.

Relatedly, we should note that Polanyi’s presentation of the double movement, far from celebrating all reactions to economic rationalization and so evincing nostalgia for integrated societies, is ambivalent. And neo-republican advocates of the market are willing to grant that there are communitarian considerations that compete with concerns about non-domination (Taylor 2017, 62). Far from neglecting domination in society and only focusing on the threat of commodification (Fraser 2013), Polanyi’s analysis reveals how the lure of idealized social fictions like the market obscures a realistic analysis of power and domination. Polanyi worries that the attachment to the market and the political order designed to sustain it makes
it difficult to develop a democratic-egalitarian response to
the double movement, ceding the terrain to move-
ments that contend that protection requires hierarchy and
autarky. Mediated as it is by the domestic balance of
forces, the global system, and political institutions, the
double movement can play out in any number of ways,
many that would increase domination, both within and
between states. The demand for protection, no less than
the advancement of marketization, can lead to the obliter-
ation of society, as vividly attested to by the fascist solution
to the impasse of democratic capitalism (Polanyi [1944]

Polanyi’s double movement, then, does not pro-
duce a directly affirmative normative justification of anti-
market, protective social reforms in all circumstances. It
is both more and less than this. Less in the sense that the
double movement accounts for a variety of possible polit-
ical responses to the destabilizing dynamics produced by
the effort to construct a market society, not all of which are
normatively desirable. More, though, in that it provides
a general socio-theoretic framework within which to sit-
uate republican ideals, clarifying the structural, political
tendencies that may provide political openings for move-
ments that could pursue freedom as non-domination. More
also in that Polanyi’s account of the double move-
ment provides a reminder that such political movements
and contestation in the pursuit of non-domination are
not transient, second-best alternatives to the construction
of ideal institutions like the market. Rather, institutional
guarantees of freedom survive only insofar as they orga-
nize the political collectivities that can preserve and ad-
advance freedom as non-domination against the trenchant
recalcitrance of dominant social classes and powerful
actors.

Toward a Polanyian Republicanism

Neo-republican theorists such as Pettit situate freedom
as non-domination within a broader social theory that
specifies the political institutions and strategies that will
best support and advance freedom. Yet this social theory
too readily accepts the ideal of the competitive market as
a potential solution to theoretical dilemmas inherent to
the ideal of non-domination. Hoping to definitely turning
invasive restrictions on freedom into vitiative hindrances,
republican thinkers look to the market, suitably regulated
through an apolitical, constitutional mechanism, as an
anonymous order that renders economic outcomes into
a nature-like background condition for individual deci-
sions. Against this view, Polanyi’s power-institutionalist
analysis compels neo-republicans to accept the reality of
society and theorize a republican political economy on
that basis. As Polanyi insists, “power and compulsion are
part of that reality; an ideal that would ban them from
society must be invalid” ([1944] 2001, 267). Since mar-
kets remain embedded in larger, more complex modes of
economic governance, and not just legal-constitutional
structures, the effort to construct markets will only em-
power some classes at the expense of others. Taken to-
gether, Polanyi’s perspective demands the articulation of
a republican political economy, one that incorporates the
dynamics of society into its theoretical architecture. Such
a perspective would take as a guide for action not the
ideal institutional forms that transcend conflict among
organized economic interests, but the concrete, histori-
cal political dilemmas and opportunities that arise from
the structural features of capitalist societies. In short,
Polanyi’s thought encourages republican theorists to con-
nect the ideal of non-domination to an analysis of the
contemporary manifestations of the double movement,
to which I turn now.

While republican theorists focus primarily on legal-
regulatory interventions in response to market failures
or to ensure markets function smoothly, a Polanyian re-
publicanism shifts focus to how such policies organize
or undermine the collective agents who could pursue
non-domination. For instance, a wide range of republican
thinkers endorse a basic minimum income as a response
to market failures (Casassas and De Wispelaere 2016;
Lovett 2010, 196–203; Pettit 2007). Such policies are at-
attractive to neo-republican thinkers because they promise
to achieve the goals of many redistributive programs with-
out the attendant rent-seeking and upward redistribution
toward the middle classes that plague current institutions.
No doubt, in many circumstances, a guaranteed min-
imum income would mark an advance over inadequate
and stigmatizing social welfare. But it would also threaten
the coalitions between the organized working class and
white-collar professionals that have historically been key
to institutionalizing anti-market, solidaristic social poli-
cies (Baldwin 1992). Important research attests to how
substantial economic redistribution to the poor requires
some degree of upward redistribution to the middle class
through universal nonmonetary social benefits, as these
policies generate their own supporting political coalitions
(Korpi and Palme 1998). Further, by reframing these class
conflicts and potential class coalitions as a matter of indi-
vidual bargaining power, a guaranteed minimum income
fails to account for the need for political solidarity among
similarly situated individuals to collectively organize and
use political institutions to equalize power in the eco-
nomic sphere (Gourevitch 2016).
More broadly, current republican approaches to the economic sphere tend to focus on market outcomes, treating such outcomes as quasi-natural facts to which policy must respond. Republicans worry both about the failure of markets to resource individuals such that they are not vulnerable to domineering relationships, or else they worry about how inequalities generated by the market may translate into domination in the political system. A Polanyian perspective, in contrast, treats such outcomes also as effects of power relationships within the economic sphere. As markets always interact with nonmarket, political modes of ensuring the continuous production and movement of goods, the distributive outcomes of economic processes are themselves indicators of domination. Recent analyses have shown, for example, how post-1970s increases in inequality were initiated by a business counteroffensive against the profit-sharing institutions created after World War II, dynamics that can then be amplified by the growing political influence of those wealthy constituencies (Hacker and Pierson 2010; Hung and Thompson 2016; Streeck 2014). Rising inequality is here a manifestation of the increasing power of certain actors to influence and control the course of production and the resultant distribution of goods. Since this is only possible by weakening the democratic, political constraints on those powerful actors, such as the countervailing power of labor unions, inequality is a symptom of the growing domineering power of capital owners.

Finally, a Polanyian perspective focuses on how the organization of collective actors in the economic domain furthers or hinders the inclusive, democratic governance of the economy. Elizabeth Anderson (2015, 50) argues that republicans should worry about the “government of productive enterprises” rather than individualized labor contracts, and Polanyi’s analysis extends this from the level of the firm to that of productive systems as a whole (see also Rahman 2011). In particular, republicans should worry about whether economic governance institutions, such as unions, wage-setting regimes, corporate governance structures, and labor market policies, encourage inclusive, intersector solidarity, or whether those institutions reinforce dualities in the economy that enable some workers to collude with employers in dominating other workers. Polanyi’s double movement can play out in such a way that the self-protection of society reinforces rather than undermines economic and political hierarchies. In dualized labor markets, workers in less commodified jobs collaborate with businesses to create a periphery of more commodified labor, such as through increasingly flexible and precarious work regimes (Palier and Thelen 2010; Rueda, Wibbels, and Altamirano 2015). Marginal workers have their interests systematically ignored and work at the whim of agreements between unionized workers and their employers. Even in cases of high worker solidarity, such as in Scandinavian countries, powerful actors can exploit sectoral divisions among workers, such as conflict between the public and the private sectors, to encourage some workers to abandon wage solidarity and expose other workers to market forces (Pontusson 1992). The republican answer to these exclusions should not be to turn to the utopia of the market and foreclose the democratic governance of the economy. Rather, the response should be to build inclusive institutions within the economy that collectively organize and mobilize the less powerful, thereby constraining the powerful and ensuring that economic activities serve the interests of all.

References


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