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# The power of money: Critical theory, capitalism, and the politics of debt

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The question of whether capitalist economic structures and their characteristic forms of power are compatible with democratic principles has again become a matter of heated debate. In the wake of the 2008 financial and then Eurozone crises, in an era of skyrocketing material inequality and highly concentrated forms of corporate power, critical theorists can no longer presume that Keynesian technocratic administration will successfully manage capitalist crises and economic conflicts (Azmanova, 2014; Fraser & Jaeggi, 2018; Jaeggi, 2016; Kim, 2014; O'Neill, 2017; Ronzoni, 2018; Streeck, 2014; Thomas, 2016a). In particular, as capitalist societies have moved from an era of industrial, welfare state capitalism to debt-based growth and consumption (Crouch, 2009; Krippner, 2012; Prasad, 2013; Streeck, 2014), conflicts over the politics of debt, whether at the individual, the national, or, in the case of the Eurozone, the supranational level, have become increasingly important.

This article draws together the social and political theory of Jürgen Habermas and Karl Polanyi to develop a general framework for critically analyzing this contemporary political situation. Advancing a new interpretation of Polanyi's theory, I contend it can help correct shortcomings in Habermas's theory of capitalism. While Habermas's theory seeks to realize social freedom through law, Polanyi argues for the concrete institutionalization of social freedom through democratic self-organization and collective struggle in the economy. Critical theorists have drawn on Polanyi's empirical categories, like the double movement or marketization (Ebner, 2015; Fraser, 2013, 2014). Here, I here reconstruct the broader theoretical concepts that inform his categories and show that, in fact, Polanyi's thought points to a much more fundamental democratic critique of capitalist structures.

Polanyi's theory provides a framework for analyzing the form of current political struggles that could contribute to the democratization of the political organization of capitalism, especially struggles that arise from the politics of credit and debt. Today, there are incipient signs of the sort of political struggles to which Polanyi's theory calls attention—struggles that seek to overcome the separation between democratic politics and core sectors of the economy, such as the banking and financial sector. Movements such as Fed Up: The National Campaign for a Strong Economy (which calls for a more inclusive American federal reserve system) and the Jubilee Debt Campaign in the UK are incipient forms of political movement to democratize the modern monetary and debt systems. Together, Habermas and Polanyi provide a theoretical perspective for understanding the broader significance of these movements for the relationship between democracy and capitalism.

The article proceeds as follows. In the first section I examine the limits of Habermas's analysis of capitalism. I show that by narrowing the modern economy to exchange mediated by money, Habermas's two-level theory of society limits interaction between democratic publics and economic structures to communication through the legal medium. I also consider and reject one line of criticism of Habermas—that we should instead view the economy as integrated through norms and justification—because it leaves critical theory incapable of grasping the objective dynamics of capitalism. I then turn to examine the foundations of Polanyi's social theory. His ideal-typical forms of economic integration—reciprocity, redistribution, householding, and exchange—conceptualize the way that exchange-based market mechanisms interact with norm-laden reciprocal and redistributive economic institutions. Finally, I integrate Polanyi and Habermas's theoretical perspectives and show how, together, they can illuminate many of the central conflicts in financial capitalism as well as the potential avenues for democratizing economic institutions and structures.

## 1 | CAPITALISM IN DELIBERATIVE DEMOCRACY

This section considers whether the strands of democratic theory informed by critical social theory contain the conceptual resources to address the contemporary transformations of capitalism. Focusing on Jürgen Habermas's mature thought, I argue it suffers from construction flaws that limit its ability to analyze the conflicts and crises arising from the above-noted dynamics. In particular, Habermas's two-level theory of society, which distinguishes the lifeworld reproduced through communicative action from the functional integration of the administrative and economic subsystems, narrows the capitalist economy to exchanges mediated by money. As a result, Habermas thinks that the combination of markets plus technocratic counter-cyclical interventions and welfare state pacification has largely solved the distributional and political questions raised by the structure of capitalism (Kim, 2014; Streeck, 2014).

To challenge and expand critical theory, the next section deploys a novel systematic reconstruction of Karl Polanyi's view of capitalism. Democratic and critical theorists have failed to appreciate the full significance of Polanyi's thought because they have interpreted him as primarily an advocate of state regulation. With the publication of his earlier writings, critical theorists are in a position to re-evaluate the connection between Polanyi's economic sociology and his democratic theory, which focuses on the idea of market socialism. Far from being a theorist of state regulation or even of the "statization of the economy" (Cohen & Arato, 1992, p. 425; see also Honneth, 2014, p. 187), Polanyi's fundamental problem was how to extend principles of democratic decision-making to the economy (Feinig, 2018).[1] For Polanyi, the three fictitious commodities—land, labor, and money—are the institutional focal points of the potential democratic reorganization of the economy. Polanyi's idea of the "reality of society" is an important effort to relate the notion of social freedom (Honneth, 2014) to the organization of economic institutions and practices. In place of Habermas's territorial interpretation of the relationship between democracy and capitalism, where the central goal is to ensure that the critical energies emanating from civil society steer economic structures from the outside, Polanyi's theory emphasizes points of direct organizational interaction between democratic movements and economic structures.

Both Polanyi's account of society and Habermas's theory of deliberative democracy are an effort to refashion the idea of popular sovereignty for complex modern conditions. Forged during the heights and then the eventually defeat of Red Vienna (Dale, 2014, 2016, pp. 73–112), Polanyi's thought was centrally concerned with redefining the radical democratic ambitions of socialism so as to make them compatible with the institutional realities of complex societies. In his 1922 essay "Socialist Accounting," Polanyi argues for a version of market socialism in which democratically organized consumers' and producers' cooperatives would negotiate prices and thereby incorporate social justice or normative considerations in market exchanges (Bockman, Fischer, & Woodruff, 2016). Like Habermas, Polanyi undertakes this project by reviving the original normative impulse behind Marx's theory, and like Habermas, Polanyi does so by returning to Rousseau's theory of freedom (Polanyi, 1943).

In *Between Facts and Norms*, Habermas aspires to show that the normative core of Rousseau's political philosophy—that laws are legitimate only insofar as they are produced through a process of public deliberation and participation—can be realized without Rousseau's valorization of the immediacy and self-transparency of the general will. Similarly, Polanyi's notion of society is an effort to consider how Rousseau's understandings of freedom—where freedom "means acting while conscious of the responsibility we bear for our part in mutual human relationships" (Polanyi, 2018,

p. 22)—can be institutionally realized under modern conditions. Yet from this shared normative horizon, Habermas and Polanyi reach disparate institutional conclusions about the relationship between democracy and capitalism, with Habermas restricting the interaction between democratic institutions and the economy to regulation through the medium of law.

Habermas argues for decentering Rousseau's concept of social freedom. He introduces functional systems theory both as a tool for analyzing the pathologies of capitalism as well as for challenging the idea, inherited from the philosophy of the subject, that society is a meta-subject that could become fully transparent to itself.[2] While Rousseau imagines a society as a meta-subject governing itself through the general will, Habermas argues that public autonomy exists through participation in flows of communication throughout society that slowly congeal and exert communicative power on the political system. Like Polanyi's conception of social freedom, Habermas's idea of deliberative democracy focuses on how we can make societal institutions sensitive to processes of deliberation that incorporate the consequences of actions—the interests of all affected—even when those consequences exceed the intentions of individual actors. Yet for Polanyi the democratization of the economy occurs in tandem with the formation of non-market, coordinating institutions focused on the three fictitious commodities. In contrast, Habermas restricts democracy to the legal regulation of market structures.

The result has been that the problem of capitalism has gradually receded. In Habermas's original formulation the idea of deliberative democracy was centrally concerned with how societal deliberation relates to the institutional structure of contemporary capitalism. In *Legitimation Crisis*, Habermas links his critical analysis of capitalism to a notion that the structure of advanced capitalist societies shields economic actors and institutions from political and discursive questioning (Habermas, 1975). As the idea of deliberative democracy evolved through several waves and scholars have increasingly turned away from meta-theoretical issues to the institutionalization of small-scale deliberation, one struggles to find these original concerns animating deliberative democracy as a form of critical theory. While the scholarly focus on the micro mechanisms of small-group deliberations has provoked recent calls for a return to macro-level processes of system-wide deliberation (Chambers, 2009; Dryzek, 2017; Mansbridge et al., 2012), here I argue that such a return to the macro, as embodied in seminal works such as *Between Facts and Norms*, will not bring capitalism back into theoretical focus. Rather, the structure of Habermas's mature theory leads deliberative democratic theory away from explicitly addressing capitalism and the economy as a problem. Based on the two-level theory of society, Habermas's mature theory integrates the first-person perspective of the lifeworld with the functional analysis enabled by the development of autonomous economic and administrative subsystems. While these two perspectives are just that—perspectives—they have come to correspond to distinctive action systems in modern societies, which undergo a decoupling of systems and lifeworlds (see Fraser, 1989). This means certain societal tasks—most centrally, material reproduction—are increasingly carried out through anonymous modes of interaction characteristic of the economy. The consequence is that lifeworld structures are more vulnerable to discursive challenge, as dissent and disagreement become less costly where necessary economic and political functions have been outsourced to specialized systems.

Here, I argue that the problem is not with the distinction between system and lifeworld as such, but with the way that Habermas construes the economic subsystem, and particularly his reduction of money to a medium for transmitting information. This approach positions money solely as a means of exchange—a view that, so I will argue, accepts the dogma of the market society and is inferior to Polanyi's account of money as a fictitious commodity. Because of his view of money, Habermas overburdens law. In reducing the economy to a subsystem integrated through money as an information-processing medium, Habermas argues that the lifeworld can speak to the economic subsystem only through the legal form and never directly through democratic social movements or other forms of communicative power.

The restriction of political interaction to the medium of law is built into the structure of Habermas's mature theory. Central to his mature theory is the idea of money and power as systemic media. Systems theory, according to Habermas, correctly apprehends the nature of these subsystems but then reduces the rest of society to their environments. Habermas contends we can safely restrict systems analysis to the administrative and economic subsystems, especially once we see that law is the distinctive medium through which they are anchored in the lifeworld. Habermas advances three related arguments: first, that money and power are both "de-linguistifying" media of social integration that enable people to coordinate their action plans without the costly use of communication; second, that both are internally anchored in law; and third, that the fact that each has to be anchored in law enables law to mediate democratically between system and lifeworld.

In Habermas's analysis, the modern capitalist economy rests on the fact that money can replace language as a mechanism for coordinating action: "money has the properties of a code by means of which information can be transmitted from sender to receiver" (Habermas, 1987, p. 264). The institutionalization of the modern economy increasingly enables action coordination that bypasses ordinary language communication. As something quantifiable, transferable, and storable, money can circulate and encode aggregate decisions, and so structure and form a distinctive system of action in which these monetary codes are increasingly important. Habermas thinks power can take on these features of being a code only partially—for him, as for Parsons, money is the original steering medium. In modern societies power comes to resemble and take on the features of a steering medium, as the administrative subsystem relies on authoritative commands backed by the threat of coercion rather than persuasion in implementing its decisions. In modern electoral democracies the quantification of political support through voting comes to resemble money as an "institutionalized procedure for depositing power" (Habermas, 1987, p. 269). But power requires additional legitimacy and so the administrative subsystem, in contrast to the economy, can only partially extricate itself from the lifeworld.

Habermas rejects the effort to expand further the concept of steering media. For him, systems theory should be restricted to the domain of material reproduction, and its empirical validity is made possible by "the major historical event of the emergence of the capitalist mode of production" and the interpenetrating processes of economic and political rationalization (Habermas, 1987, p. 266). The de-linguistification of economic reproduction presupposes the institutionalization of private law. Money must be anchored through private law, which forms an internal connection between money and power, as the functioning of the monetary system presupposes the legitimacy of the administrative system—its ability to enforce contracts and so on. Private law creates a sphere in which individuals are exempt from providing justifications for their actions, providing a mechanism for transferring "structures of mutual recognition that are familiar from face-to-face interactions … in an abstract but binding manner, to the anonymous, systemically mediated interactions among strangers" (Habermas, 1996, p. 448).

However, the law addresses people, not just as anonymous money-users but as citizens engaged in collective self-government. And this reveals how democracy can impact the economic subsystem. As power requires more legitimation than money and so is more deeply rooted in the lifeworld, it is more sensitive to democratic claims. But this all means that democratic social movements and publics, mediated by civil society and the public sphere, can act on the only through the language of law and the medium of power (Klein & Lee, 2019). In the model Habermas proposes in *Between Facts and Norms*, the economic subsystem is steered (or counter-steered, insofar as the economic subsystem places constant pressure on political decisions) from without. And it is steered primarily through the language of law, however fragile and difficult such legal translation between system and lifeworld may be, according to Habermas. Not surprisingly, then, the large body of literature in the second-wave deliberative democracy, which sought to make the theory of deliberative democracy more empirically concrete, focused largely on various mechanisms, such as citizen consultation and minipublics, that would only indirectly make power more responsive to deliberation (i.e., Smith, 2009).

I have emphasized how Habermas's mature theory narrows money to a de-linguistifying medium and so positions the legal medium as the only mechanism for communication between democratic social movements and the economy. In the next section I reconstruct Polanyi's social theory and show how it can help overcome these shortcomings. Although my argument builds on other critiques of Habermas's social theory, I depart from them insofar as they tend to reject systemic or structural analysis altogether in favor of the lifeworld perspective. Recent efforts to apprehend capitalism from a broadly Habermasian perspective have implicitly abandoned his dual schema in favor of a hermeneutic approach—all lifeworld, no system. Critics focus on the empirical adequacy of the idea that the economic subsystem is "a block of norm-free sociality" (Habermas, 1987, p. 171). As Timo Jütten notes, "the economy is not norm-free, because its legitimacy depends on its ability to organize the material reproduction of society efficiently *and* fairly"

(Jütten, 2013, p. 595, emphasis in original). This line of reasoning has led recent theorists to abandon the systems-theoretic perspective entirely. Rainer Forst emphasizes how, even in economic structures, actors must presuppose the implicit

> *acceptance of the rules of these structures, as well as of certain justifications offered for them, such as ideas about property, cooperation, or efficiency, but also notions of fairness, desert, and the like … such structures are not "norm-free;" rather, the norms and justifications they rest on allow for certain forms of strategic action that disregard traditional and ethical norms, potentially "colonizing" the lifeworld (in line with Habermas's analysis). (Forst, 2015, p. 112)*

Such structures seem to take on a life of their own only because society is organized in such a way that they are not subject to pressure to justify those foundational norms—the problem is ideology, not reification. Working from a different set of meta-normative assumptions, Axel Honneth also contends that the market

> *cannot be understood as a "norm-free system"; if we regard it as legitimate merely because it meets the legally accepted conditions of negative freedom, then we will entirely lose sight of the degree to which the social acceptance of this system depends on the fulfillment of pre-market norms and values. (Honneth, 2014, p. 191)*

These critics are right to worry that Habermas's mode of analysis downplays how normative expectations and democratic social movements directly impact economic structures, institutions, and actors, rather than influencing them indirectly through law. But in reducing the economy to implicit or sedimented normative assumptions that enable egotistical or instrumentally-rational values, these approaches risk losing sight of the phenomenon in question—the peculiarly self-propelling nature of market rationalities under capitalism and the distinctive crises and conflicts these dynamics create. These self-propelling tendencies interact with the interests of powerful actors who benefit from them and try to legitimate them. But the anonymous, self-propelling aspects of capitalist societies are not reducible to these normative plans of action or linguistic justifications on the part of the beneficiaries of market forces. What these approaches lack is an analysis of the *systemic crises* within capitalism; crises that manifest themselves within the lifeworld but are not reducible to the first-person experience of participants in communicative action. The limits of Habermas's theory arise, not from his introduction of functional analysis to grasp the sources of these systemic crisis tendencies, but in the narrow manner in which he understands the economic subsystem—a narrowing that means his theory leaves no space for the specific sort of capitalist crises that arise from the politics of money, debt, and finance.

## 2 | RECONSTRUCTING POLANYI ON THE POLITICS OF CAPITALISM AND MONEY

So far, I have contended that Habermas's theory, in narrowing the economy to exchange mediated by money, limits the forms of democratic interaction with capitalism to legal-regulatory structures. At the same time, I worry that the prevalent response to the shortcomings of Habermas's theory—the idea that we should view capitalism as a system of normative action—also fails to capture the issue. Habermas was correct in theorizing capitalism as a self-reproducing set of abstracting practices theoretically accessible from the perspective of functional analysis. But he narrows his understanding of capitalism by focusing entirely on the development of money-mediated exchange. If the system/lifeworld distinction contains viable insights for theorizing the relationship between deliberative democracy and capitalism, how should we construe their interaction?

In this section I argue that Polanyi's theory of the fictitious commodities should be reconstructed as a theory of system–lifeworld interaction. Polanyi argues that the three factors of production—land, labor, and money—are all

**TABLE 1** The structure of Polanyi's social theory

| | Internal relation | External relation |
|---|---|---|
| Hierarchical | *A. Redistribution* | *A. Householding* |
| | B. Money | B. Land |
| | C. Interventionist Liberalism | C. Reactionary Authoritarianism/Fascism |
| Horizontal | *A. Reciprocity* | *A. Exchange* |
| | B. Labor | B. None/Real Commodities |
| | C. Socialism | C. Market Liberalism |

A, form of economic integration; B, corresponding fictitious commodity; C, corresponding political ideology and movement.

fictitious commodities, which will never fully behave in the way necessary for the construction of a market society, where all economic production is mediated by markets (Block & Somers, 2014). Rhetorically, Polanyi's analysis of the fictitious commodities evokes the real, lived experience of the individuals and social practices behind each commodity, realities that defy the abstract terms of market exchange. In each case there is a contradiction between how the fictitious commodities should be viewed from the system perspective and how they should be viewed from the lifeworld perspective. The fictitious commodity marks an intrusion of lifeworld concerns into the functional reproduction of self-adjusting systems that have become partially autonomous from the lifeworld. These appear as crises associated with the different fictitious commodities, such as environmental crisis or crises of the reproduction of labor power, that show how capitalist economies depend on background conditions that they cannot themselves reproduce (Fraser, 2013).

Yet there is a deeper theoretical basis for Polanyi's account of the fictitious commodities, one grounded in his analysis of what he calls forms of economic integration. He argues that we can conceptualize the economy, understood as the institutions and processes that sustain the movement of goods and provide for the material reproduction of society, in terms of four basic categories: redistribution, reciprocity, exchange, and householding (Polanyi, 1957). While exchange refers to market forces and householding to the hierarchical, authoritarian direction of the economy, redistributive and reciprocal institutions are modes of organizing economic production and distribution that inevitably have normative, potentially democratic, dimensions.

In this and the next section I argue that Habermas reduces the economy to exchange, whereas Polanyi's categories of redistribution and reciprocal institutions reveal dynamics of democratic interaction with and control over economic activities invisible in Habermas's theory. While Habermas's theory seeks to realize social freedom through law, Polanyi argues that social freedom must be institutionalized through the democratic self-organization of the collective actors that are behind the three fictitious commodities. And that can occur by democratizing the reciprocal and redistribution institutions that Polanyi thinks inevitably accompany exchange. Moreover, this is precisely the direction in which Polanyi hoped that the market society was heading. His concept of the double movement points to the simultaneous "extension of the market organization in respect to genuine commodities" and "its restriction in respect to fictitious ones"—a restriction enacted through the formation of reciprocal and redistributive non-market institutions (Polanyi, 1944/2001, p. 79). Yet ultimately, Polanyi wanted to go beyond the double movement of deregulation and re-regulation and achieve a more fundamental democratization of major economic decision-making (Feinig, 2018).

Polanyi's categories are ideal-types, deliberate accentuations of social phenomena.[3] These ideal-theoretic categories organize Polanyi's vision of the democratization of economic production and distribution as well as his sociological account of the political tendencies that could help advance such a democratic project. As ideal-types, Polanyi's four categories—redistribution, reciprocity, exchange, and householding—reflect two underlying oppositions (Table 1). The first opposition is based on the sort of relationship between individual agents engaged in economic activities—whether they are what I call *internal*, formed by sustained social ties and normative expectations, or *external*, enabling individuals to view each other as objects towards which they do not owe an explanation for their actions. Reciprocity and redistribution are both categories that apply only to individuals who stand in a sustained relationship of normative justification, while householding and exchange presuppose forms of interaction between strangers (exchange between strangers in the market, householding between distinct economic units or states). The second opposition is between hierarchical and horizontal social structures. Exchange and reciprocity both are forms of economic activities that situate individuals in an egalitarian relationship with each other, while both redistribution and householding characterize a hierarchical relationship within a centralized political structure. Finally, the overarching structure of Polanyi's argument implies that each of the different fictitious commodities corresponds to one of these non-market modes of economic coordination: with labor corresponding to egalitarian, reciprocal institutions, land to hierarchical, householding institutions (state sovereignty), and money to hierarchical, redistributive institutions.

Both axes of Polanyi's typology require further explanation. First, Polanyi distinguishes between modes of economic reproduction are *internal* to social relationships (redistribution and reciprocity) and those that are *external* to them or reflect interactions between individuals or groups who do not have such bonds (householding and exchange). As a point of illustration, Polanyi asserts that market exchange initially arises through inter-society trade. But regardless of the genesis, the upshot is that exchange can function properly only if we treat each other as strangers, focusing primarily on maximizing our individual gain. Similarly, in householding, "the pattern is the closed group" (Polanyi, 1944/2001, p. 55). This describes the hierarchically controlled and directed distribution of goods characterized by householding—closing off the isolated economic unit from sustained interaction with other units.

In contrast, both reciprocity and redistribution refer to modes of economic reproduction in which the movement of goods is "submerged in … social relationships" (Polanyi, 1944/2001, p. 48). Reciprocity refers to the movement of goods based on norms of reciprocal sharing or mutual normative expectations. The classic example is a gift economy. Redistribution also refers to a movement of goods based on normative entitlements and justifications but now such movement occurs through a centralized power that will gather the goods then distribute them based on people's political claims and normative entitlements. In a redistributive system, a ruling group "will often attempt to increase their political power by the manner in which they redistribute the goods" (Polanyi, 1944/2001, p. 53). In each case, the principles that sustain economic production and distribution (symmetry and centricity, respectively) are principles that also help structure social relations in general—there is a homology between the movement of goods and the structure of normative relationships. When one exchanges goods in a reciprocal social organization, one does so for normative reasons that are potentially subject to criticism. Similarly, the movement of goods through redistributive institutions will always involve the justification of those institutions and the legitimatization of claims of various groups for a share of the movement. In both cases, the movement of goods is interwoven with practices of justification—with the use of what Forst calls noumenal power (Forst, 2015)—in contrast to the anonymous, non-linguistic, objectified basis of market exchange as well as the fantasy of total domination characteristic of householding.

The second major ideal-typical distinction is between hierarchical and horizontal structures. Both redistribution and householding are principles of centralized control. In one case, this occurs through normative expectations based on relations of dependency and, in the other, through command. In contrast, both reciprocity and exchange imply a horizontal relationship between ostensible equals. Reciprocal economic structures are based on egalitarian norms of solidarity that ensure that one individual providing goods will, in turn, receive goods in kind in the future. While Polanyi's draws the concept from gift economies, another example is wage solidarity in the labor movement. The non-market organization of labor requires wage compression that means some workers will receive less and others will receive more than their true market wage, such that sustaining the reciprocal norm of centralized bargaining requires non-market reciprocal solidarity amongst workers. In turn, exchange presupposes horizontal agreement embodied in contract. Under ideal market conditions, no individual should be able to exercise market power and unilaterally set the terms of purchase for another. Both redistribution and autarky, as hierarchical principles, are closely linked to the political formation of the state, while reciprocity and exchange, as horizontal structures, are both more closely linked to the voluntary relationships of civil society and the market, respectively.

Although existing scholarship has not recognized it, Polanyi's analysis of the modes of economic production and distribution is the foundation of his account of fictitious commodities and the double movement. Polanyi argues that the formation of industrial capitalism created powerful political constituencies who, allied with the state, sought to create a market society by ensuring that land, labor, and money existed only as a commodity to be bought and sold on the market. They sought to model society on the markets for real commodities.[4] For Polanyi, this complete separation between the political and social spheres and the economy—and the subordination of those spheres to the economy—was impossible, a "stark utopia" (Polanyi, 1944/2001, p. 3). He argues that, while, in the long run, markets can help unleash enormous improvements in productivity, by their very nature they have to screen out the normative expectations informed by everyday moral economy as so many frictions on the market's smooth adjustment. These normative expectations then animate the spontaneous self-protection of society, as the individuals who stand behind the three fictitious commodities organize into collective actors that seek to subordinate economic processes to other principles of social integration and solidarity.[5] But society, for Polanyi, is never a unified whole. Rather, collective actors focused on each of the fictitious commodities self-organize into organized political groups who then act to substitute political institutions for market mechanisms (Klein, 2017).

Crucially, the actors organized around each of the fictitious commodities seek to create non-market economic institutions that correspond to one of the forms of economic integration. The commodification of labor provokes a reaction through the formation of the collective organization of workers who seek to create reciprocal non-market institutions. The commodification of land, at least in Polanyi's historical period, provokes a reaction from the landed elites who seek to create authoritarian statist institutions based on householding. Finally, the commodification of money provokes a reaction through the collective organization of capitalists who seek to create non-market institutions based on the principle of redistribution. In relationship to Habermas's theory, this decommodification of money is perhaps most significant, as, while Habermas analyzes the non-market organization of labor as an important facet of the relationship between system and lifeworld, he fails to develop an analogous account of the non-market politics of money. In Polanyi's story, labor is the first fictitious commodity to seek to shelter itself from full market forces. Workers organize institutions that operate on the basis of reciprocity in order to soften workers' vulnerability to market forces. Labor unions require reciprocal norms of solidarity. This is especially the case insofar as they institutionalize cross-sectorial wage-negotiating institutions. All these institutions interrupt the market-based setting of wages so as to set wages based on principles of solidarity amongst workers (which is why, for instance, in Sweden the results of peak negotiated wage-setting was called the solidarity wage policy).

Polanyi's account of land as a fictitious commodity informs contemporary environmental politics, but his historical narrative focuses on reactionary landed elites. To them, land had a twofold meaning: both the natural environment, threatened by capitalist development, but also the territorial dimension of political communities. Land was a fictitious commodity in part because state sovereignty requires the non-market, political organization of land. Polanyi notes:

> *[I]t had had been forgotten by free traders that land formed part of the territory of the country, and that the territorial character of sovereignty was not merely a result of sentimental associations, but of massive facts, including economic ones.* (Polanyi, 1944/2001, p. 193)

Aristocratic elites positioned themselves as the defenders of land in both senses. "Opposition to mobilization of the land was the sociological background of that struggle between liberalism and reaction that made up the political history of Continental Europe in the nineteenth century," writes Polanyi (1944/2001, p. 194). Here, "the problem of autarchy haunted market economy" (Polanyi, 1944/2001, p. 198). The double movement in land reinforced the non-market, autarkic institutions of the war-making state. This testifies to the organic connection between land as a fictitious commodity, autarky as a form of economic integration, and reactionary authoritarian nationalism as a political ideology. At its extreme, householding—the autarkic organization of the national economy along the lines of a hierarchical household—becomes the basis for fascism, which, like market liberalism, rests on the abolition of society. Fascism accepts the contention of market liberals that freedom and social restrictions on the economy are incompatible and "reject[s] the idea of freedom" (Polanyi, 1944/2001, p. 266).

Lastly, the effort of fully commodifying money provokes a countermovement on the part of productive enterprises that cannot withstand the deflationary effects of strict monetary policies. This is reflected in the tension between money as a means of exchange and money as a means of payment. The view of money as a commodity is of money as a means of exchange: a stable store of value and equivalences that facilitates market interactions. However, money is also, crucially, a politically backed guarantee of future repayments. Monetary systems evolve to guarantee both the state's access to credit and the solvency of ongoing concerns in the country. Here, political institutions guarantee the present and future availability of credit by ensuring the solvency of financial intermediaries. In contrast to money as a means of exchange, money as a means of payment presupposes both a political authority that can guarantee the solvency of money in moments of crisis and, crucially, norms of mutual cooperation amongst the state, financial intermediaries, and consumers of credit.

Furthermore, money as a means of payment is part of the reality of society insofar as issuing credit presupposes normative judgments of the moral qualities of the recipient. While money as a means of exchange enables interactions that are over as soon as the exchange is secured, money as a means of payment implies the formation of sustained creditor–debtor relationships that involve moral evaluations of creditworthiness. As Polanyi argues in his late fragment "Semantics of Money-Uses," money as a means of payment—as a means of repaying debts—is intrinsically tied to hierarchical social relations (Polanyi, 1971). From this perspective, Polanyi argues, money is tied to punishment and morally charged relations of superiority and obedience. Debt, money, and punishment are linked, as payment reflects a quantified form of punishment: "[P]unishment approximates payment when the process of riddance of guilt is numerable," as when the debt to the community can be discharged through a legally-specified quantity of punishment or else a payment (Polanyi, 1971, p. 182). The need for a medium of payment originates in the need for individuals to discharge their moral responsibilities to the community. Issuing credit then becomes a judgment of the moral qualities of the debtor and it places the debtor in an inegalitarian relationship with the creditor, who thereby gains both material and moral power over the debtor.

The double movement around money reflects the tension between exchange and redistribution. The effort to preserve money as a means of exchange, which requires deflation to preserve the price level, will run up against money as a means of payment, which refers essentially to the future viability of production and so its credit worthiness. As Polanyi notes:

> *[W]hile in the long run, changes in selling price need not affect profits, since costs will move up and down accordingly, this is not true in the short run, since there must be a time lag before contractually fixed prices change. (Polanyi, 1944/2001, p. 201)*

Money reflects a tension between international exchange (recall that exchange for Polanyi is primarily an external mode of economic interaction), which requires a stable medium of exchange, and domestic production, which requires the sustained production and distribution of goods and so a politically guaranteed form of payment. In place of pure commodity money, capitalists organize and push for the creation of the redistributive institution of central banking. At first this takes the form of demands that central banks organize rescues of financial institutions that would otherwise go bankrupt in the face of interest rate shocks. In an era of mass democracy where workers are no longer are willing to face the prospect of rapid wage deflation, this process leads to the formation of central banks that issue fiat currencies (see Eichengreen, 2008). Central banking is a quintessential redistributive institution in Polanyi's distinctive sense of the term. It simultaneously centralizes the money supply while distributing it to various groups in society through political, and not just economic, modes of decision-making. Central banking could "spread the effects of restrictions [in the money supply] to the whole community while shifting the burden of the restrictions to the strongest shoulders" (Polanyi, 1944/2001, p. 203). Discretion, power, and cooperation, both national and international, play an unavoidable role in the management of these redistributive processes in the banking system. Even Polanyi's arch-nemesis Hayek is forced to admit that the creation of money requires non-market political institutions. As Hayek remarks, money is "a kind of loose joint in the otherwise self-steering mechanism of the market" (Hayek, 2011, p. 452)

The imperatives of money then form a second dimension to state formation, alongside those of land-based war making. The state, for Polanyi, is the combination of redistribution and householding, land, and money. Against both stands the labor movement, demanding political democracy and new, reciprocal, non-market economic institutions. Democratic pressures from the workers' movement or other populist movements put constant pressure on the state to increase the money supply in order to limit the effects of deflation and restrictive monetary policy (Feinig, 2018). The crucial question, in Polanyi's analysis, is whether capital and labor would ally in integrating redistributive and reciprocal non-market institutions alongside markets, or whether capital would ally with the reactionary aristocracy and seek to defend their power against the democratic demands of the popular masses. In either case, the struggle was never merely the state versus economy or democracy versus capitalism. Rather, political struggles occurred through and were mediated by the self-organization of the actors that correspond to each of the fictitious commodities (i.e., the labor movement). Insofar as they did not seek to abolish society in favor of either market freedom (market liberalism) or the power interests of the nation-state (fascism), these collective actors sought to create non-market institutions organized along the hierarchy-egalitarian axis.

## 3 | THE FICTITIOUS COMMODITIES BETWEEN SYSTEM AND LIFEWORLD

Polanyi's typology of the different forms of economic integration structures his view of the relationship between democracy and capitalism. While market liberals sought to reconstruct society based on exchange alone, this utopian project ran up against the double movement, through which organized groups constructed non-market reciprocal, redistributive, and householding institutions. To Polanyi, there is nothing intrinsically democratic about this reassertion of non-market modes of economic production and distribution.[6] Rather, his analysis indicates where we should look to see how the social movements and organized collective actors *could* advance democratic demands against economic and state structures shielded from political contestation. In terms of Habermas's theory, each of the three fictitious commodities marks points of communication between the norms and principles generated within the lifeworld and the autonomous imperatives of administrative and economic subsystems. Polanyi's ideas point to a revision of Habermas's theory, one that adds a much broader range of non-market institutions that are perched between systems and lifeworlds. Such institutions are the potential axes of democratic efforts to control and even transform the structure of capitalist economy. As a result, Polanyi's categories shift the way we should conceive of the potential institutionalization of social freedom. Such institutionalization requires more than the legal or social regulation of market exchanges to ensure they meet some set of background normative commitments (cf. Honneth, 2014). Rather, social freedom requires the institutionalization of democratic power in these sites of interaction between market and non-market modes of economic integration.

Habermas's acceptance of the Parsonian settlement, whereby we leave the economy to neoclassical theory and carve out a domain of action accessibly from the viewpoint of sociology—leads him to contract his analysis of the interaction between economic institutions and democratic modes of communicative power arising from the lifeworld.[7] Habermas's mature theory focuses exclusively on the indirect mechanisms through which the demands of civil society impact economic institutions. Their demands filter through the administrative system into the formation of laws that can then exert an indirect effect on the organization of the economy (and which is counter-steered by the efforts of powerful economic actors to shape the law in their interests).

To see the implications of this, consider Habermas's argument that, in modern societies, the steering medium of money increasingly structures the economy. Habermas's argument works only insofar as he views money only as a generalized exchange media, in contrast to Polanyi's argument about the fictitious nature of money as a means of exchange. The uncoupling of system and lifeworld occurs insofar as "markets for goods arise that are steered by symbolically generalized relations of exchange, that is, by the medium of money" (Habermas, 1987, p. 165). Money, in Habermas's theory, is primarily a non-linguistic mechanism for aggregating and communicating information without the time-consuming use of ordinary language. As a result, Habermas accepts the neoclassical description of the economy and strives to demarcate a distinct sphere of communicative action. While Habermas agrees with Polanyi that "money is neither a commodity nor a production factor" (p. 265), the function he assigns to money—facilitating

**TABLE 2** Merging Habermas and Polanyi

| Lifeworld | Non-market economic institutions | System |
|---|---|---|
| Communicative action | Redistribution<br>Political conflict: debtors vs. creditors<br>(Money → power) | Habermas: administrative system (power as medium)<br>Polanyi: householding |
| | Reciprocity<br>Political conflict: labor vs. capital<br>(Power → money) | Habermas: economic system (money as medium)<br>Polanyi: exchange |

exchange—mirrors the commodity view of money. In terms of the broader political implications, the view of money as a systemic steering medium is no different from the view of money as a commodity. Habermas consistently views money as an apolitical technocratic mechanism rather than itself an object of deliberate constitutional design (Eich, 2018, chapter 6). Habermas fails to see how the institutionalization of markets requires actors to treat money as both a commodity (a stable medium of exchange) and a production factor (a means of payment)—and so fails to grasp the tension between the institutionalization of those two functions. In Habermas's image, the evolution of modern societies points to the increasing use of market mechanisms to organize economic production and distribution. The administrative system intervenes only to correct disturbances in the functioning of the economic system, as through Keynesian counter-cyclical policy.

Polanyi's argument suggests a revision of Habermas's two-level theory of society (Table 2). Householding and exchange as principles of economic integration correspond to Habermas's administrative and economic subsystems. The idea that power forms a steering medium akin to money is an important conceptual advance that provides for a more precise account of the administrative state than Polanyi's theory. Yet Habermas's narrow view of the economy leaves no place for reciprocal and redistributive institutions as sites of interchange between system and lifeworld.[8]

Alongside the legal medium, reciprocal and redistributive economic institutions form points of communication and interchange between the administrative and economic subsystems. Institutionalized actors in both domains rely on law, of course. But they also interface directly with the lifeworld through communicative action and administrative power in ways occluded by Habermas's social theory. Furthermore, redistributive and reciprocal institutions form important points of money–power interchange that show that the two subsystems are anchored in the lifeworld through more complex processes than Habermas allows. At crucial institutional inflection points, actors in the administrative subsystem rely on the medium of money rather than that of power and actors in the economic system rely on power rather than money. And these interchanges then structure the political conflicts characteristic of both sets of institutions: between labor and capital in reciprocal institutions and debtors and creditors in redistributive institutions (Table 2).

The key nexus of redistributive institutions, in the technical sense in which Polanyi uses the term, is the modern credit and banking system. While the credit system ostensibly functions to distribute a scarce resource (capital) through market mechanisms, this market perspective fails to appreciate the political role of the sovereign state in guaranteeing credit. Once we emphasize the role of political power in the formation of credit and money, the financial system appears as "a public-private partnership … to dispense a vital and indefinitely extensible public resource: the sovereign's full faith and credit" (Hockett & Omarova, 2017, p. 1147). The redistributive central banking system is a point of power-to-money interchange in the first sense; namely, that the creation of credit depends on the integrity of political power and so on the state's capacity to act as a lender of last resort. Money is backed by political power. And even as the system is legally regulated, central banking involves discretionary decision-making that could be subject to more or less democratic criteria. Redistributive institutions can then become direct targets of democratic social movements. For example, as noted above, a variety of civil society and labor groups have organized Fed Up to challenge the undemocratic governance of money and central banking in the USA.[9] As Fred Block argues, "precisely because money and credit are the lifeblood of a market economy, subjecting them to democratic control presents a uniquely important strategic resource for those who are trying to transform society in a more egalitarian direction" (Block, 2015, p. 16).

But this is only one side of the power to money interchange characteristic of redistributive institutions. Access to credit is also a point of power to money interchange. Accessing credit is not a form of ostensibly egalitarian market exchange (Krippner, 2017a). Rather, it depends on the discretionary power of the creditor.[10] Issuing credit involves a normative judgment of the credit worthiness of debtors; a judgment that is not reducible to market metrics (even as financial intermediaries try to marketize such judgments through securitization, with often disastrous results). Even more than market exchange, these morally charged judgments of creditworthiness will reinforce ascriptive inequalities of gender and race embedded in social norms and historical evaluations of credit worthiness. The increasing centralization of the credit system has exacerbated these discriminatory effects, as large-scale loan processing requires the use of quantitative metrics that compare individuals with statistical norms, rather than the localized judgment of loan officers (Block, 2015, p. 42; Krippner, 2017a). In addition to requiring the discretionary power of financial intermediaries, issuing credit also presupposes a network of supervisory and governance institutions to protect creditors against the moral failings of debtors. The increasing availability and use of private debt, encouraged as part of privatized Keynesianism and substituting for a solidaristic social safety net organized along the lines of reciprocity (Crouch, 2009; Prasad, 2013), propels the formation of a "debtfare" industry. This industry is largely focused on predatory lending to poor communities but also expands into the higher education and consumer lending industries (Soederberg, 2014). Taking on debt means subjecting oneself to the suffocating network of regulatory institutions that reflect the "social power of money" (Soederberg, 2014, p. 6). Credit thus transforms money into power, drawing the debtor into a set of hierarchical power structures.[11] Political conflicts between debtors and creditors—whether international or domestic—are thus crucial crisis points that mark the breakdown of the functioning of the economic and administrative systems and can open up space for the democratization of redistributive financial institutions.

Redistributive institutions point to how money becomes power through mechanisms like issuing credit and governing debtors. Reciprocal institutions, conversely, indicate the ways that collectively generated power can become money. In both cases, there is a disconnect between economic cooperation and market mechanisms. But the similarities end here: while redistributive institutions such as the monetary system are inherently centralized, reciprocity occurs through decentralized processes like wage bargaining, which have to be artificially coordinated through centralized wage institutions. Here, a point of terminological clarification: while most theoretical perspectives understandably identify labor unions and the welfare state as redistributive institutions, in terms of Polanyi's schema they are quintessentially reciprocal institutions that have redistributive monetary effects. Indeed, the concept of reciprocity helps to capture the fact that welfare states lower inequality through wage compression and universal services rather than post hoc redistribution (Korpi & Palme, 1998). Such institutions reflect the intrusion of the collective power of both organized workers and democratic majorities into the economy—each seeks to get a larger piece of the pie then they would under counterfactual ideal market conditions. The labor movement labor is organized on a reciprocal rather than market-exchange basis. In the ideal cross-sectoral workers' movement, workers in the high-skilled sectors accept wage compression (receiving less than their market wage) in exchange for workers overall receiving a larger share of economic surplus. Through this reciprocal system workers disconnect their wages from the market and instead organize it on the relative power of capital and labor.

Alongside the organization of labor on the basis of reciprocity, social welfare institutions and social insurance are also forms of reciprocal economic integration that protect the basis of labor power—human beings. Classic accounts of welfare state formation point to the mutual role of trade unions and democratic welfare institutions, as unions push for institutions that will increase workers' reserve wages and forge alliances on the basis of cross-sectorial exposures to social risk. At their most ambitious, the vision was to manage capital itself on a reciprocal basis through the formation of institutions like wage-earners' funds that would gradually socialize productive enterprises. But even where democratic control was less pronounced, the point remains that in all these cases people receive, on the basis of collective power, monetary benefits that exceed the market mechanism. They thus have redistributive effects even as the institutions are not organized on the basis of the mechanism of redistribution, in Polanyi's sense.

## 4 | CONCLUSION

One of the overarching stories of democratic politics since the 1970s has been the gradual receding of reciprocal institutions and the increasing importance of redistributive institutions, in Polanyi's sense, such as credit and debt. Indeed, credit and the monetary system proved to be the weakness of the labor movement's project of transforming capitalism, as inflation became a powerful reason for reasserting the autonomy of capital vis-à-vis the power of workers and the demands of democratic majorities. If money forms the loose joint in the vision of a frictionless market society, then so too did it form a blind spot in democratic projects that presuppose only reciprocal economic institutions. The long counter-assault on the democratic gains of the post-war period focused, in large part, on strengthening the independence of monetary institutions from democratic control. Habermas failed to answer the question of capitalism because he narrows capitalism to market exchange mediated by money. He assumed that the interlocking economic-administrative systems had solved, through a combination of corporatism, welfare provisions, and Keynesian planning, the problems of inequality and domination arising from the economy. As a result, in Habermas's view the central crises potentials of advanced capitalism would arise from new social movements advancing post-materialist needs and sensitizing us to legitimation deficits for the political system (Habermas, 1989).

In contrast, Polanyi understood the double movement as planting the seeds for the potential reorganization of economic production and distribution along democratic principles. Today, that means integrating diverse economic conflicts so as to question the hierarchical, authoritarian practices governing so much economic decision-making. Polanyi's economic sociology, and in particular his twin categories of non-market redistributive and reciprocal forms of economic coordination, expand the conceptual toolkit of critical theorists in conceptualizing the relationship between democracy and capitalism. In general, critical theorists have focused unduly on the labor movement as the bearer of democracy in the economic realm, and so have accepted that, with the decline of the organized labor movement, conflicts have shifted to other, non-economic spheres. Lacking a sufficient theory of the relationship between democracy and the monetary system, they failed to recognize the extent to which that long trajectory shifted conflict into the realm of debt (Streeck, 2014). My analysis provides a set of socio-theoretic categories for understanding that shift and seeing why struggles over credit and debt take a different form from those in reciprocal institutions.

Methodologically, this article stands as an alternative to recent efforts to revive a critical theory of capitalism. For example, Honneth's defense of socialism combines his analysis of social freedom with a call for an experimental, democratic ethos. Rather than searching for a singular bearer of the socialist ideal, he argues that socialism is embodied "wherever trace elements of desired progress in the expansion of social freedoms can already be found in existing institutions, in altered legal structures and shifts in mentality that can no longer be rolled back" (Honneth, 2017, p. 73). On this point, my analysis complements Honneth's. Both reciprocal and redistributive institutions mark points of potential expansion of social freedom that subordinate economic institutions to democratic processes. Yet Honneth then downplays the power-ridden nature of struggles over such democratization of the economy. He appeals to the normative assumptions already embedded in capitalist market exchange, assuming a linear, progressive unfolding of these normative ideals (Allen, 2016). He writes:

> *[W]e should proceed by attempting, in an idealizing manner, to uncover the path in the historical development of capitalism that has led to a gradual realization of its underlying principle of social freedom, principles that secure its legitimacy and have emerged under the pressure of social movements, moral protests and political reforms. (Honneth, 2014, p. 197)*

Social movements press claims that embody the already existing normative assumptions—assumptions of fairness and reciprocity—that undergird market exchange. Polanyi concurs with Honneth's analysis insofar as he thinks concerns about normative expectations and reciprocity, status and entitlement, fuel the double movement towards regulation. But the double movement itself does not, in this analysis, lead to the realization of democratic socialism. Rather, applying the ideal of social freedom to redistributive and reciprocal institutions would require a more fundamental redistribution of political power. Without an account of these axes of conflict, Honneth cannot fully explain the "misdevelopment" of the post-1970s social order away from the ideal of social freedom (Honneth, 2014, p. 252). Far from a misdevelopment, that trajectory embodies the enduring conflict between democratic ideals and the forms of power characteristic of redistributive and reciprocal institutions. The post-war welfare state settlement was always only a partial democratic victory, one that rested on decommodifying the labor of workers in core sectors. But that was easily undone by the breakdown of both the single-male breadwinner family model and the post-war monetary order that sustained the wages of those core workers. As a consequence, democratic struggles cannot simply focus on restoring these reciprocal institutions. Rather, the democratic counter-steering of the economy, in Habermas's sense, requires a democratization of both reciprocal institutions—the typical focus of critical theorists—*and* redistributive institutions such as monetary systems.

Such democratization certainly should embody an experimental ethos. A critical democratic theory should specify the formal principles and sociological tendencies that could animate such experimentation. The democratization of redistributive institutions places my theory alongside recent calls for property-owning democracy or a right to credit (Herzog, 2017; Meyer, 2018; O'Neill & Williamson, 2012; Thomas, 2016b). In contrast to welfare state income redistribution or wage compression, a property-owning democracy focuses on a right to access productive assets. While its defenders frame property-owning democracy as a form of distributive justice, my theory positions it as a vision for the reorganization of the monetary system on the basis of intersubjective, democratic justification. In terms of my theory, welfare state egalitarianism stands for the democratization of the economy through reciprocal institutions and property-owning democracy for its democratization through redistributive institutions. The various institutional proposals to realize a property-owning democracy—from capital grants to public banking—are all mechanisms, in the end, for democratizing finance and the monetary system, subjecting it to rights claims and demands for democratic justification.

Yet this utopian normative horizon is only ever embodied in concrete political struggles, here and now, and it is the task of a critical theory to illuminate those struggles, situating them within a theoretical account of the broader dynamics of the tense, unsettled relationship between democracy and capitalism. New forms of political conflict in capitalist societies partially embody these normative aspirations to democratize capitalism. The breakdown of the welfare state settlement has produced novel axes of conflict within capitalist societies, such as between private debtors and creditors, conflicts that are mediated by the choices of the public monetary system. The crucial question is whether and under what conditions economic conflicts can propel more systematic critiques of the undemocratic nature of current capitalist institutions. For example, while debtors' demands may focus on debt relief or other ameliorative measures—demands for ad hoc redistribution—they can generate a more systematic critique focused on the public authorization of the monetary system. In sociologist Greta Krippner's terms, they can go from demands focused on a logic of connections, where the extension of credit is based on moral standing that demonstrates creditworthiness, to a logic of collateral, which is based on claims to ownership of the property that secures the extension of credit (Krippner, 2017a, p. 13).

For broader struggles over redistributive institutions, this marks a shift from demands for debt relief that are justified because they will better enable the debtor to repay debts in the future to a claim based on the idea that, as the public authorizes the monetary system, financial intermediaries ultimately rely on the collateral of the state's democratically legitimated authority. This latter sort of claim marks a potential shift from a structural critique, which focuses on the unequal relationship between debtors and creditors, to a systemic critique that focuses on the undemocratic nature of the monetary system as such (Azmanova, 2014). Yet even as recent capitalist crises have restructured the institutional relationship between the state and the economy, they have not generated political movements advancing such systemic critiques. Crises such as the 2008 financial crisis generate an expansion of the power of monetary authorities, yet without a corresponding expansion of democratic oversight or administration of bailed-out institutions. The politicization of money after crises does not necessarily lead to its democratization—as evoked in the widespread political complaint that post-2008 bank bailouts prioritized Wall Street over Main Street.

Yet today, in the shadow of that crisis, alternative visions of the relationship between democracy and capitalism are vital; visions that would subordinate the power of money to the demands of a democratic society, and one task of a critical theory of society is to help develop such a vision.

## NOTES

[1] While I build on their views, my emphasis on democracy in Polanyi's thought distinguishes my approach from those who focus on Polanyi's critique of the ideology of the self-regulating market (Block & Somers, 2014) or the idea that capitalism fails to reproduce its own societal preconditions (Fraser, 2013).

[2] Habermas uses systems theory to develop a view that contrasts with critiques of capitalism that approach it as an internally contradictory totality. He thus does not assume that society is a meta-subject that could become fully transparent to itself in the future. When he was young Polanyi accepted such a position but later he abandoned it. In his early reflection on freedom he argues that "we will have only attained the highest stage of social freedom when the social relations of human beings to each other become clear and transparent, as they have in a family or in a communist community" (Polanyi, 2018, p. 25). But in *The Great Transformation* he argues that "power and compulsion" are inevitable insofar as society will never be fully transparent, and so we need political institutions to help coordinate our actions (Polanyi, 1944/2001, p. 266).

[3] For example, Polanyi makes it clear that he downplays the role of political inequality and domination, "deliberately disregard[ing] . . . the vital distinction between homogeneous and stratified societies" (Polanyi, 1944/2001, p. 55), so as to accentuate his critique of market liberalism (cf. Fraser, 2013).

[4] According to Polanyi's substantive analysis, real commodities are those goods that are suited for trade—that can be withheld from the market until their market price can be found. In contrast, because land, labor, and money point to ongoing human activities, their reproduction is disrupted by price-finding market processes. In each case, the ideal of the market society demands that actors act *as if* they were produced for trade, thereby screening out the social and relational dimension of social actors and collectivities. Labor, for example, will always fail to be a full commodity insofar as individuals need to work to eat and so cannot withhold their labor until the appropriate price is revealed.

[5] While a full consideration of these debates is beyond the scope of the article, my analysis here aligns with those who take Polanyi to be arguing for an "always-already embedded" view of markets (for the debate on embeddedness, see Beckert, 2009; Block & Somers, 2014; Gemici, 2008; Krippner et al., 2004; Krippner, 2017b). However, democracy, rather than social embeddedness, is the key normative concept in Polanyi's thought. Here it is also crucial to distinguish between exchange as a mechanism of economic integration and the ideal of the market society, which is a comprehensive normative and political ideology. That is, while the ideal of the market society sought to reorganize all social relationships along the lines of market freedom, the formation of markets in the three fictitious commodities was always an ongoing, conflictual, and incomplete process; one that empowered certain actors and institutions rather than creating seamless markets. The separation between politics and economics, then, was an ideational construct developed by advocates of the market society rather than something that could ever be institutionally realized.

[6] I thus both fully concur with Fraser's concern that Polanyi's analysis, on its own, fails to provide a moral-egalitarian critique of capitalism, insofar as his concept of society does not specify forms of domination within society. Yet I also think his analysis of the double movement is more value neutral than Fraser's reading suggests, insofar as it is not meant to position all regulation as equally desirable.

[7] In Habermas's reconstruction Parsons focused on how "neoclassical economic theory had conceived the economy as a system" and searched for the "noneconomic parameters of the economic process" (Habermas, 1987, p. 257). Habermas's theory of the economic subsystem integrated through the systemic medium of money follows the same path.

[8] To some extent Habermas introduces reciprocal institutions in his discussion of corporatism and labor law. But Habermas presents these phenomena as part of the absorption of economic conflicts by the administrative system. Habermas's vision of democratizing corporatism, again, relies almost entirely on legal media, with the idea of the reflexive continuation of the welfare state whereby legal instruments will enable the self-determination of individuals engaged in these negotiations by shaping their capacities and competencies rather than determining substantive outcomes (Habermas, 1996, pp. 427–447).

[9] The movement's goals including having the Fed appoint "genuine representatives of the public interest, including labor and consumer advocates" to regional boards as well "a transparent, inclusive process for deciding whether to reappoint any of the 12 presidents and choosing their replacements" (Coalition Priorities, https://populardemocracy.org/campaign/building-national-campaign-strong-economy-fed).

[10] Block notes: "There is no way to avoid this gatekeeping function in the organization of capital markets. . . . Effective gatekeepers are in a position to extract detailed disclosures from those raising capital that market participants are not eager to reveal more broadly" (p. 39).

[11] Although a complete discussion is beyond the scope of this article, a full analysis of the credit–debt relationship would also have to examine how the institutionalization of debt presupposes the existence of householding at the individual level. Debt circulates between the political community as a whole and individual households, both of which are structured by the need to access credit. There is thus a parallel structure between national householding and family householding, both of which exist to manage debt. For an analysis of the relationship between debt and the household, see Montgomerie and Tepe-Belfrage (2017).

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