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The Great Transformation by Karl Polanyi is a classic critique of capitalism – but it wasn't an overnight success

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Following its publication in 1944, Karl Polanyi's *The Great Transformation* occupied a marginal role for several decades. Although it gained a following among anthropologists, it was largely unknown to social theorists and political economists, and to socialists. With the neoliberal ascendancy of the 1980s that began to change: Polanyi's book gained relevance to contemporary debates. Its readership soared, and its status as a classic of twentieth-century social theory became assured.

In recent years its reputation has grown further. Citations of "Karl Polanyi," according to data from Google, began to grow rapidly from the early 1980s, a pace that quickened in the 2010s and 2020s. And now in June 2024, *The Great Transformation* has, as a Penguin Modern Classic, achieved its first re-issue since 2001—and the first British edition since 1945.

What explains these changing fortunes of Polanyi's *magnum opus*?

During the great boom of 1950-73 one of its central contentions, that state intervention destabilises market economies, was refuted by reality. Highly regulated variants of capitalism, under various labels (Keynesianism, war economies, import-substitution industrialisation) presided over an unprecedented commodification of society; capitalist corporations and states gained ever-greater control over human society and the natural environment.

Conditions in the following era, by contrast, enabled Polanyi's arguments to resonate anew. Economic globalisation and neoliberalism closely resembled the policy prescriptions of the nineteenth-century market liberalism that is the object of critique in *The Great Transformation*.

Polanyi's charge against market liberalism is that it corrupts human society's natural and God-given condition by disassembling it into "separate economic, political, religious, and other spheres." The determining move was the treatment of land and labour as "fictitious commodities." Nothing could be more contrary to "the traditional organisation of human society," he said, than a system that disposes of land and labour as if they are "cucumbers." In subsuming these vital elements of human life, the market system subjects society to its own peculiar laws. It reduces economic motivation to the fear of hunger (for workers) and greed for profit (for entrepreneurs), and transforms social life as a whole into a competition-driven realm in which all become entangled in webs of coercive compulsion.

In the era that lasted from Pinochet and Thatcher to Koizumi and Obama, Polanyi's critique of free-market economics became a touchstone for activists and leftists of multiple different stripes: socialist, social-democratic, anarchist and religious. Subsequently, however, the tide of neoliberal globalisation slowed. In the wake of the 2008 'Great Recession,' and again during the Covid pandemic, protectionism, industrial policy, 'big government' and Keynesianism made comebacks. Debate arose over whether neoliberalism is still the appropriate term for the dominant global and/or national policy regimes.

Whatever position one took in that debate, it was clear that interest in neoliberalism was no longer central to explaining the still-soaring popularity of Polanyi's book. For an alternative perspective, I suggest we compare the current era with the age in which Polanyi grew up.

Polanyi was born in the late nineteenth century. World order was shifting from British hegemony toward multipolar competition and war. Liberalism was making advances, but provoked conservative and 'populist' backlash. Social anxieties were channelled xenophobically, against immigrants and 'rootless cosmopolitans.' The publication of the Protocols of the Elders of Zion launched a wave of conspiratorial antisemitism.

These developments affected Polanyi directly. He was expelled from Budapest University for having stood up to physical attack by anti-semites. He was chewed up and spat out by the First World War, before being exiled to Vienna from Hungary, now under the proto-fascist regime of Miklós Horthy. In the early 1930s the ascent of fascism in Austria forced Polanyi into exile once more, this time to Britain where he lived through the Great Depression. In the Second World War he lost friends and family, including close relatives murdered in the Holocaust. Finally, in the USA -- his next adopted country -- fascists struck yet again. They barred his wife from co-habiting with him, forcing her to live across the border in Canada.

Why, Polanyi wondered, had the global expansion of market society brought not peace and prosperity, as liberal theory predicted, but war, economic collapse, fascism, and more war? It was in grappling with this puzzle that *The Great Transformation* took shape. Unlike mainstream accounts which sought to blame the cataclysms of the early twentieth-

century on pre-capitalist survivals, Polanyi focused his attention on modern institutions. Was not the rise of nationalism a reaction to the anarchic effects of “universal free trade”? Could the world wars, fascism, and the Great Depression all have been symptoms of a crisis of liberal civilisation? These are the questions that he set out to explore in *The Great Transformation*.

At bottom, *The Great Transformation* makes the case that the liberal agenda of extending the self-regulating market to the world scale—the project known today as neoliberal globalisation—sowed the seeds of its own demise. The events through which Polanyi’s generation was living—world war, fascism, economic slump, and more war—formed an interconnected “cataclysm,” the origins of which could be traced to “the utopian endeavour of economic liberalism to set up a self-regulating market system.”

It is this sense of market-driven “global cataclysm” that explains Polanyi’s resurgent popularity today. The social pathologies that we witness today—from staggering levels of social inequality to geopolitical volatility, virulent nationalism to conspiracy fantasies—are reminiscent of the developments that he analysed in *The Great Transformation*. In recent years, states from Brazil to India, and Israel to Italy, have seen fascists enter government. The US and Britain launched assaults upon countries across the Middle East, Russia invaded Ukraine, and Israel conducted its genocide against the Palestinian people. Above all, the threat posed by climate breakdown now dominates the horizon. “There are plausible scenarios,” suggests [Christine Lagarde](#), President of the European Central Bank, “where we could see a fundamental change in the nature of global economic interactions. We may be entering an age of shifts in economic relationships and breaks in established regularities.”

As in Polanyi’s time, the prospect of dramatic changes in the global order no longer seems far-fetched.