

# Polanyi research in Japan and His Intellectual Legacy to the 21st century: Neo-liberal States, Debt Nations, and Democracy going into Suicide

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## Abstract

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3. Neo-liberal strategy and its destructive consequences: Debt Nations, Fiscal reconstruction nations, and deteriorating Democracy (the rise of populism of the type that destructs "social interests as a whole ")
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## **1. Creation and control of “fictitious commodity” markets : Central device of market economy**

Labor is not the only fictitious commodity not manufactured for sale. According to the Hungarian social scientist Karl Polanyi (1886-1964), land and money are also such fictitious commodities:

Traditionally, land and labor are not separated; labor forms part of life, land remains part of nature.....The economic function is but one of many vital functions of land. It 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 season. (Polanyi 2001 [1944], p. 187)

In *The Great Transformation: The Political and Economic Origins of Our Time* (first published in 1944), Polanyi repeatedly emphasized that

labor is a “part of human activity” rather than a “commodity.” Polanyi called the treatment of labor as a commodity a “fictitious commodity.” The idea that workers would find employment if they reduced their demands and moved and changed jobs according to the whims of the labor market is one that, according to the logic of the market, naturally treats labor as a commodity.

In addition, in contrast to land and labor, “money was free from all hampering measures and continued to develop its capacity of transacting business at any distance at any time” so that, “for international purposes, the currency was the nation” (Polanyi 2001 [1944], p. 215). Polanyi called labor, land, and money the “bare bones of society.” Permitting these bare bones of society to be bought and sold, as fictitious commodities, on the market like other commodities, has pernicious effects on society.

Consider, for example, labor. According to market logic, an industrialist would want his workers to work as many hours as possible, in order to increase profits. However, 24-hour work, if permitted, would lead to industrial accidents and deaths from overwork and suicides. Polanyi explained that, for this reason, labor is a fictitious commodity and employment hours must be regulated. For the same reason, laws were introduced to guarantee worker’s wages and impose on industrialists the responsibilities for safety and sanitation in the workplace.

A “social self-defense,” one that defends against the dangers and pernicious influence of the market economy, emerged to oppose the expansion and deepening of the market economy. In a market society and, above all, in the markets for fictitious commodities, the “double movement” of simultaneously expanding the market economy and implementing social self-defense against the market economy were continuously contested.

Polanyi said that if the social self-defense does not respond to market society then society is unable to continue for even a moment. If society’s ruin proceeds to such an extent that it is not favorable to the market economy, the economy loses its source of profits. Furthermore, if society’s safety net, which is intended to protect, constrains the market economy, society would prevent the market from expanding or deepening. In this way, market society contains within it these fundamental contradictions, as Polanyi points out in *The Great Transformation*:

Our thesis is that the idea of a self-adjusting market implied a stark Utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way (Polanyi 2001 [1944], pp. 3-4).

In this way, Polanyi conceived of the market economy and society's self-defense as existing in a strained relationship and treated that relationship as a fundamental contradiction in market society and a point of vulnerability in the system.

## **2. Emergence of Self-responsibility theory on Poverty and Unemployment : Historical origins of Economic liberalism**

As Polanyi stated, market control over labor meant, "in human terms," "for the worker extreme instability of earnings, utter absence of professional standards, abject readiness to be shoved and pushed about indiscriminately, and complete dependence on the whims of the market" (Polanyi 2001 [1944], p. 185). When had this situation come about?

In the first half of Part Two of *The Great Transformation*, Polanyi clarified that market logic viewed workers as commodities spread in England during the Industrial Revolution and, specifically, during almost 40 years preceding the Poor Law Amendment Act in 1834

In the UK after the 16th century when experienced a transformation period from the feudal society to the capitalist society, the number of the poor increased and the relief became difficult with traditional private charity. The Poor Laws appeared as a public poverty alleviation law that procures the necessary expenses for poverty relief by taxation. The main unit of the poor administration was a parish. Early basic skeletons of the Poor Law were systematized by the Elizabethan Poor law in 1601 and then repeatedly engaged in intense controversy over public poverty relief and important law reforms until a welfare state was established in 1948

UK society, which played a central role in welfare policy. In the Elizabethan Poor Law Act of 1601, all workers with poor working ability are given jobs and imposed work obligations (penalties are imposed in prisons for poor people who do not work) and labor absence. It is decided that the elderly, the poor such as the sick and the young should be subject to protection. Also, in 1662 when the problem of the burden of poverty in the parish where the poor concentrate was a point of concern, we settled migrants who stayed at rental houses less than 10 pounds a year (likely to become poor in the future). The Law of Settlement, which gave the magistrate the authority to repatriate within days, came into force. How to control the public poverty reduction cost had been always a social problem, and in 1722 Natchble Act was established enacting the condition that the poor are housed in a workhouse and relieved (not relieving outside the workhouse).

However, it did not bring about economic effects so much. Then the Gilbert Act in 1782 allowed outdoor relief and the Speenhamland system in 1795 functioned to compensate livelihood for the low wage workers. The latter functioned both to avoid the radically political effects of French Revolution in England and to delay transformation to the market society. UK experienced an economic big change -- the commercial revolution and the industrial revolution -- from the 18th century to the 19th century, while a lot of people moved from various local places to the industrial cities for laboring in the factory system. However in the case of recessions unemployed moved to parishes functioning salvation system well by the Poor Law, which in result the poverty tax jumped there dramatically. During the Industrial Revolution in the early 1790s to 1830s, as the Poor Law tax appeared to be increasing so "pauperism" became more noticeable as an crucial "social problem". And various discussions over the public relief had piled up. Should maintain the conventional Poor Law administration as it is, (b) should perform fundamental reforms to improve the efficiency of public relief, and (c) Public relief weakens worker's economic independence or encourages early marriages between the poor. The Poor law which increases rather than poverty should be abolished. For example, W. Paley, a theologian and a moral philosopher, who insisted on (a). For example, Utilitarian J. Bentham argued the idea of (b). It was T. Malthus, a classical economist, who claimed (c). About these three views, the controversy over the Poor law involving public opinion and parliament broke out for about 40 years

until 1834. Polanyi emphasizes, among other things, the influence of Malthus' claim of (c).

The revised Act of Poor Law in 1834 included "Inferior principle": pauper should be given lower living standard than the minimum standard of that of workers. It also added the public relief with stigma. In the workhouse, pauper family forced to be admitted separately for adults and children for each gender, and compelled a hairstyle or clothing to be recognized at a glance with residents, or to avoid dignified funeral at the time of residence deaths. The reformed Poor Law tried to lower the reliance on public relief by setting as ruthless and hard treatment content.

Protests against previous Poor Law Act were about tolerant administration of the poverty relief system, and there was ferocious debate about whether to maintain, repeal, or amend it. These debates had been opened not only to intellectuals, such as politicians, clergy, and classical economists, but also to the mass common people. After all, the issue has been converged on the question of how to limit the persons who access public redress and reduce the cost of public relief. The proposition that this problem posed was a severe restriction on the conditions of public relief that was compatible with capitalism.

The old Poor law was accused of interfering with the development of capitalism and the market economy. The important consequences are summarized in the following three. The first is unemployment (whether due to a company's bankruptcy or dismissal, disease, disability or old age), and falling into a poverty situation (whether for accident or for reasons of illness or disability) is the responsibility of the person. A "moral and personal poverty view" like this self-responsibility theory was established. Secondly, "stigma" stamping has been pushed against being subject to official aid Third, qualification examination to prevent unfair receipt (investigation of property and relatives), and management and guidance of living attitudes by the administration, etc. were justified.

During the course of this debate, the idea that unemployment, hunger, and poverty were entirely the responsibility of individuals rather than of society became accepted. These views of poverty and self-responsibility have a very high affinity with the spirit that supports the market society (economic liberalism). In fact, these have become preliminary preparations to arrive at the market society and also the predecessor of the thought of economic liberalism, which insists to force people to participate in the competitive labor market for avoiding hunger and poor

individually, regardless of the bad working conditions. Polanyi argues that public acceptance of such idea was a fundamental factor for pushing the transformation to a market society from non-market societies.

The combination of a social welfare policy that strictly mandated that relief provided to people who could not meet the conditions for life and liberty under a market economy be the “lowest in principle” (that the quality of life of those people be lower than that of the lowest class of worker) and an economic policy that introduced a competitive labor market caused labor to be seen as a fictitious commodity and promoted the onward march of a market society. The social policy that supports the market society and the principle of economic liberalism seems to have retired to the background in the prosperous period of the Beveridge-Keynesian welfare state.

However, the social welfare policies of the fiscal reconstruction state, which has fallen from a tax country to a debtor state and is currently subject to drastic reform of neo-liberalism, It can be said that the "dark shadows" of controversy are being cast (Block and Somers 2003).

### **3. Limitation of Democracy in market society : The age of increasing market dominance**

The market economy not only applies market logic to the economic sphere but also extends it to the sphere of livelihood and ethics, the cultural sphere, the public sphere, and the political sphere. The institutional characteristics of the market economy are found not in the markets in which profit is pursued through the exchange of general goods but in those areas of society in which the market has not yet extended its tentacles and from which entry into those new, or frontier, markets could extract enormous profits. For instance, “marketization,” “privatization,” and “fictitious commoditization” could create new “business opportunities” in public spheres, including social security institutions such as education and medicine, state security institutions such as the courts, police, disaster relief, and the military, and regional or national finance institutions, which previously were seen as “non-market spheres.”<sup>2</sup>

After writing *The Great Transformation*, with “the seeds of this economic culture being wound through all of society, and particularly political culture,” Polanyi was concerned for post-WWII “full

employment” society based on the mass-production, mass-consumption and extreme waste (37-11a, 37-11b, 37-11c) The extension of market society to the political sphere, which was noted by Polanyi, recently was connected to a notion of de-politicization which, due to the vast influence of the market economy, political problems are spoken about as if they are economic problems.

In addition, Polanyi warned that, if the disparities in market society were to increase and the poor and workers were to lose any influence over public affairs, democracy would become a mere façade and an oligarchy run by wealthy individuals and large firms would take over. Therefore, he rejected the optimistic forecast that democracy would develop in market society.<sup>3</sup>

In market society, we must ensure that political democracy does not become a façade, that a handful of market economy winners do not control (buy) the government, and monitor why and for whose profit economic, financial, and political policies are implemented. The economic and social system and its rules are not unchangeable. Someone somewhere is intentionally creating and altering the rules. In a market society, power and coercion are always present. Polanyi thought that information about the economic and social system should not be the domain of only experts, politicians, and elite bureaucrats but rather should be communicated to the people by intellectuals, with journalists, educators, and researchers playing a vital role in this educational effort.<sup>4</sup>

If a political democracy functions and its social influence increases, the government can seek to reform the country’s financial system by strengthening its income redistribution function; examples of such efforts are the Tobin tax system to regulate speculative financial transactions, international efforts to prevent tax avoidance by large corporations and wealthy individuals, and various measures to curtail the outflow of public funds from financial markets and fire sales of large companies. These actions are countermeasures by the governments of political democracies—countermeasures to combat the political dominance exercised by the market economy. Polanyi thought extremely important that the logic of political democracy regulate the logic of market excesses in fictitious commodity markets and prevent the control (purchase) of public assets and governments by a handful of market winners.

Economic liberals have tendency to prefer that the government amend its laws to improve the environment for the smooth operation of the market. They would prefer that profit goes to firms and shareholders with the risk go to common people. In emergency, market mechanism itself was not functioning and market players could not be responsible for the risk. Responsibilities of the market players had been intensively shifting to "debt nations" and to the peoples belonging to them. Polanyi argues that the political and economic disasters of the first half of the twentieth century were caused by the precarious global market--especially financial/money market and by the fatal misguides of economic liberal austerity policy. He also insists that the "self-regulating market" was unable to manage risk or uncertainty and resulted in compelling peoples to destruct their livelihood<sup>5</sup>.

Even though the analysis by Polanyi as above would be correct, the economic liberals have continued to take a position to repeatedly oppose the policies and institutions that restrict the market economy. To eliminate market restrictions, proposing policies and systems for deregulation, to make public opinion accept the attractiveness of market economy, promoting young liberal researchers, and creating international networks for liberal leader of political and business fields are constituents of "neo-liberal project". Economic liberalists, among other things, were opposed to tax reforms in Europe and North America after the Great Depression. The reforms strengthened the income redistribution functions and expanding middle class, and increasing public property. Economic liberalists who had predicted such tax system being kept not only during wartime but also after the Second World War have developed excellent liberal researches that were active in the fields of public goods, fiscal policies, economic theory, economic history, management science, and law. They carefully constructed the systematic logic for criticizing Keynesianism as the deficit finance, then during 1970s, they got a global chance to progressively abolish the tax system with redistribution function.

#### **4. Limitation of Democracy in market society : The age of increasing market dominance**

According to Polanyi, money, like labor and land, is not a commodity. He called currencies and bonds fictitious commodities created by the government. In the financial market, the state serves as guarantor for the currency and bonds. In other words, those instruments are created and backed by the population's wealth and restricted by the government's financial policy. If the value of the currency collapses or hyperinflation occurs, the populace bears the risk of a bond crash or other financial disaster.

In Polanyi's era, every nation imposed economic and fiscal policies to support the value of its national currency under the international financial rules of the game: the gold standard, which was later abandoned. Each country borrowed vast amounts of funds from financial institutions to fund World War I (WWI), and after the war repayment became a serious issue. Not only the losing states of Germany and the former Austro-Hungarian Empire but also the victors Great Britain and France, as well as the League of Nations, were forced rebuilding gold standard of preceding the war that Wall Street and City demanded strongly.

After WWI, an enormous financial muscle unchecked by governments gradually emerged, and the wealth of the world poured into financial markets (in pursuit of short-term profits). At the same time, to mitigate the risk of their currencies and national debts collapsing, nations forced to pursue austerity policies, which cut the necessary funds required for postwar reconstruction. As a result of tightened social security budgets, unemployment and working conditions worsened, wages and unemployment benefits decreased, and strikes and protests occurred frequently. However, with no prospect of compromise between employers and workers, due to currency stabilization policies and reduced budgets, these protests were repressed savagely. In the process, political democracy was disrupted. Unable to restrain itself and having accumulated such wealth and power those governments could not restrain it, the market economy (the self-regulating economy) systematized the relentless plundering of public assets and loading of risk and liabilities onto the populace. With national livelihoods ruined and political democracy and constitutional rule destroyed, antidemocratic parties and fascism gained support. In analyzing this situation, in *The Great Transformation*, Polanyi noted the following:

Undoubtedly, our age will be credited with having

seen the end of the self-regulating market. The 1920s saw the prestige of economic liberalism at its height. Hundreds of millions of people had been afflicted by the scourge of inflation; whole social classes, whole nations, had been expropriated. Stabilization of currencies became the focal point in the political thought of peoples and governments; the restoration of the gold standard [in 1925; by author] became the supreme aim of all organized effort in the economic field. The repayment of foreign loans and the return to stable currencies were recognized as touchstones of rationality in politics; and no private suffering, no restriction of sovereignty, was deemed too great a sacrifice for the recovery of monetary integrity. The privations of the unemployed made jobless by deflation; the destitution of public servants dismissed without a pittance; even the relinquishment of national rights and the loss of constitutional liberties were judged a fair price to pay for the fulfillment of the requirements of sound budgets and sound currencies, these a priori of economic liberalism. (Polanyi 2001 [1944], p. 148)

How, in the aftermath of WWI, nations were infected by fascism and led down the path to WWII is described in Parts 1 and 3 of *The Great Transformation*. As Polanyi analyzed in the 1930s, what was decisive for people being infected with the “virus of fascism” was a runaway market economy imposing “democracy’s greatest test” on every nation, with those that failed the test succumbing to fascism. “Economy and Democracy” (1932) is Polanyi’s study of the origins of fascism’s rise. First, he noted that “the attack on democracy was intensified a hundred fold because it was now charged with responsibility for the paralysis of the economy.”

Not only constitutional breakdown, endless governmental and coalition crises, and the degeneration of political party politics, but the

unrelenting decline in prices, production and consumption, and the mounting misery of mass unemployment were laid at the door of democracy..... For democracy, the consequences were particularly tragic: Business circles, which directly benefitted from these policies, were quick to charge democracy with responsibility for the deepening general economic crisis. The charge was led by agricultural interests, by employers, and ultimately by sections of the working classes itself! Unquestionably, fascism was nourished by the failure of economic policies of democratic regimes to satisfy the expectations of the working classes. Politics, political parties, and parliaments lost credibility. Democracy fell into disrepute. Broad strata of the masses, both right and left, turned against democracy. (Polanyi 2002c, Polanyi 2012, pp. 2-3) <sup>6</sup>

The runaway market economy that spread across the globe during the first half of the twentieth century destroyed the livelihoods of nations, encouraged opposition to and the suicide of political democracy, and brought about the world cataclysm of fascism's rise and World War II (WWII). What permitted this runaway market economy was a belief in economic liberalism—that the application of market logic for fictitious commodities to an international system would revive the market and release it from stagnation—and the subsequent failure of economic liberalism. Polanyi detailed all of this in Chapter 21 of *The Great Transformation*.

Polanyi believed that the recognition of labor, money, and land as fictitious commodities—within the structure of the market economy—would provide new hope and possibilities for economic society during the second half of the twentieth century. As is highlighted below, he thought that a mature industrial society would mean that for most people, the search for the good life, rather than economic growth, efficiency, and wages, would become increasingly important.

After WWII, Polanyi focused his research on studies of classical society's economic system and contemporary industrial society's good

life. Because in contemporary industrial society benefits from technological development, even if efficiency is slightly lessened the classical slave system is not necessary. In fact, Polanyi repeatedly emphasized that it would be possible to free our thoughts and systems from economic considerations and thereby regain human dignity.

In “Economic Possibilities for our grandchildren”, British famous economist John Maynard Keynes predicted that although our generation must depend upon the money love and the vice of avarice for its necessary material wealth, but in the perfectly wealthy society of the future the influence of money love would be weakened, with greed seemed shameless, and then short hours labor system would be brought.

Let us turn our gaze from Polanyi’s time to our own. Japan’s current economic policy is Abenomics, the main plank of which is the central bank printing enormous quantities of money, buying corporate and government bonds, and flooding the financial markets with additional funds, such as pension funds. The power of finance and the influence of the market is shown by how market participants steer the course of economic policy while alternating between joy and despair based on daily fluctuation in market prices and ratings of government bonds.

However, in the twenty-first century, we have been separated from the ideal industrial society envisioned by Polanyi and Keynes. The love of money and avarice has not become embarrassing. Rather, disparities have returned to the levels of the 1920s. Hours worked are increasing, and working conditions are deteriorating. Slowdowns and economic stagnation are ongoing and, because rapid globalization and innovations such as the development of AI promise to alter the industrial structure by slashing the cost of labor, the double movement seems likely to reemerge forcefully. Market logic apparently being stronger than society’s defenses will bring about corporatism, in which the state colludes with wealthy individuals and large firms, resulting in such increasing disparities that capitalism largely destroys the values that enable democratic society (Piketty 2014) and “an age of economic determinacy” (Ide 2015) in which the market economy shapes nations, finance, and human lives.

This situation of reducing the “worth of a human”, with convenience enabled at low cost by technological innovation, the use of machines, and economic development, has occurred numerous times through history. In Chapter 3 of *The Great Transformation*, Polanyi called it “Habitation

versus Improvement.” He referred specifically to the process by which economic development and technological progress rapidly alters the structure of economic society and destroys the livelihoods of ordinary people.

According to Polanyi, prudent governance regulates the rate of progress in order not to destroy the livelihoods of the population. By contrast, Great Britain’s governance during the Industrial Revolution, which hastily prepared the ground for the country’s transformation to a market society that prioritized the economy and caused social dislocation, in which people’s lives fell into confusion, was foolish governance. Increases in national production through economic growth and increases in company earnings through innovation do not translate directly into increases in people’s happiness or standard of living. Company earnings reaching historic highs do not prevent the expanded use of irregular employees and the deterioration of working conditions. Poverty is spanning generations, and in Japan one in six children does not receive sufficient nutrition and will not receive higher education. While capitalism seeks to justify itself, the equality of opportunity that underpins meritocracy is disappearing.

Unfortunately, economic dominance has created industrial society that seeks to hammer down human worth. An industrial society centered on the economy enslaves everyone within it. Polanyi’s prescription for an ideal society is to “return the economy to its proper place.” In his opinion, the economy is only one component of society and working is only one human activity. This interpretation is impossible to separate from his views on the obligations and freedoms of people living in a society of complex interactions. We address such issues below.

## **5. The three elements of human freedom: Social freedom, civil liberties, and personal freedom for creative life**

Polanyi challenged the redefinition of freedom, the redefinition of the community and the society, and the redefinition of the economy (these are related to each other in Polanyi) as the core of thinking against economic liberalism. Especially very important is the meaning of freedom which is quite different from economic freedom. For freedom, part of its characteristics can be seen even where Polanyi is trying to talk in plural rather than singular.

After fleeing to Great Britain in the mid-1930s to escape the Austro-Hungarian Empire's fascist persecution and restrictions on free speech, Polanyi joined the Christian Left Group and produced many studies on Marxism and fascism. While in Vienna, he had joined a left-wing Christian study group and noted that recognition of the obligations that people cannot escape amid the complex interactions of their own lives was lacking within Christianity. Citing the limitations of both Christianity and Marxist socialism, Polanyi positioned his own social science as a critical synthesis of the two<sup>7</sup>.

According to Polanyi, Christianity advocated that human life given from God is composed of direct relationships among individuals acting within communities. However, this view restricted the issue to an inward-facing question of conscience and did not pay sufficient heed to the fact that individuals live a social existence in which they must experience complex interactions and are hurt by others. Our lives as social beings are related to political issues, such as the dehumanizing effects of the economic system and the persecution of others. Christianity had become apathetic to such issues. In particular, if in a market society all that is required is that we pay money for commodities, we are avoiding our unavoidable obligations as social beings. However, "the Christian Task" is to "face up to the subjects related to society, such as politics and economics."

There are no problems of human life that are not religious problems that are not problems of the relationships of persons. The particular problems of our political and economic life are also in every case problems of the relationships of persons to one another. If, therefore, an attempt is made to solve economic or political problems without treating them as religious problems that cannot be solved. (Polanyi 2012, p. 119<sup>8</sup>)

Polanyi said that self-awareness regarding this point was important. Each of our acts and choices will, even if we are unaware, have an effect—sometimes a violent, destructive effect—on society and on people's employment and livelihoods.

In a complex market economy, there is no direct reciprocal relationships, and production processes being in the complex divisions of

world labors. Interaction between resource and producers is based on rules of private property. Because private property has an essential, the producer will not engage in collaborative labors but rather belongs to isolated ones. Within complex and increasingly specialized interdependent relationships, we cannot avoid enmeshing others in power and coercion, even if an act stems from individual volition or good intentions.

In other words, “the relationship between the property owner and those without property (capital relations), or the mutual relations with other workers in a specialized society in which the laboring humans are divided from one another by the owner’s private capital, in these human relations is the base of a social reality of capitalism—capital, commodity prices, and profits” (Polanyi 2012, pp. 26- 27).

These relationships among individuals at the base of capitalism were understood by Marx in the nineteenth century as not “human” and by Polanyi as “unfree.” In contrast to Adam Smith, who in the eighteenth century viewed freedom as provided by an exchange society based on specialization, in the twentieth century Polanyi saw specialized capitalist society as unfree. Polanyi argued that the modern proletariat was restricted by financial relationships and spurred to work by the fear of unemployment and hunger and the instability of a daily life tied to capital. He further stated that not only this class but the entirety of society was unfree: Workers are separated from the wealth and resources that they produce, and these separated wealth and resources are converted by what, for the workers, is a “distant authority.” In this capitalistic relationship, the workers are controlled via humiliation, “which damages the individuality of those submitting” (Polanyi 2012, p. 26).

In a lecture called 'On Freedom' written around 1927, Polanyi said that "unfreedom arises from the ethical nature of 'capital relations' ". Workers are separated from the labor products they produced. The labor products should be of the workers themselves, however in capital relations; on the contrary they control workers by becoming "production means of other people" or "estranged power" that wage workers must rely on. In this capitalistic relationship, the workers are controlled via humiliation, “which damages the persona of those who submitting to them” (Polanyi 2012, p. 26).

However, Polanyi also thought that not only market society but any

society would be imperfect: “There is no perfect society” (Polanyi 2012, p. 132). He explained that “power and value are inherent to society” and “human cooperation in any form will be characterized by political and economic coercion.” Even if, as William Godwin had desired, we were to cease all the production and consumption arousing our greed and excessive desires and labor just enough to fulfill a simple life, toil and obligations would result (even in a cooperative). Even in non-market societies, people cannot escape coercion, power, economic valuation, and public opinion.

In his criticism of the utilitarian model of *homo economicus*, Polanyi presented the attitudes of Malinowski and Thurnwald’s primitive societies toward work, noting that they did not conform to the current glorification of labor. He thought that, even in a socialist society that abolished private property or in a communal association, human toil would exist. This was one of the features that separated Polanyi from Marxism.

When we are confronted with power or coercion, according to Polanyi, a number of choices present themselves. The question is what is implied by these choices, what can be included within these choices, why has a previously available choice disappeared, and which choice should be selected. People cannot choose to not produce power. Nor, if power has emerged, can they choose not to be affected by it. Polanyi proposed public opinion as an example of this type of power. When an opinion is not required, whether you answer “none of the above” or clearly state your opinion, your answer will affect public opinion. No one is able to escape participation in public opinion.

Furthermore, to the extent that our economic lives depend on goods and services, everyone values such goods and services, whether highly or not. Polanyi stated that public opinion and value are symbols of power and coercion and that people living in a society cannot escape from that type of power or coercion. However, the ways in which we relate and participate in them is not uniform. That is, the forms that power and coercion take are not uniform. Polanyi elaborated that choices between various types, or between different ways to exercise power, are part of the inescapable choices of being human. Through the accumulation of such choices, an enormous social power and coercion is formed. Polanyi has been known as a radical critic of the market society, but he did not believe that the abolition of the market and private property and a shift to a planned economy would lead to a perfect society. Every form of

non-market society that combined mutual earnings, redistribution, and exchange, whether the cooperative society called for by Robert Owen or the associative society called for by the ‘guild socialist’ like G.D.H. Cole, would be imperfect and involve power and coercion. However, if a form of power and coercion preferable to that of market society were selected, that society would be better than market society.<sup>9</sup>

It is important to emphasize that one pole of Polanyi’s concept of freedom was that “social freedom” was based on individual recognition of unavoidable “obligations” as part of social existence. Polanyi thought that freedom was to bear responsibility for satisfying my, and only my, conscience and that bearing this responsibility was the condition for the expression of freedom. Therefore, having freedom within society meant accepting the fact that we are participating in the mutual interaction of human society (including its inconvenient truths and disasters) and acting “in full awareness that this responsibility must be borne” (Polanyi 2012, p. 34). One’s individuality is truly tested by personally taking into account and choosing obligations (Polanyi 2012, pp. 30-31). However, for those of us living in an economic society, the complex interdependency and personal responsibility toward those obligations are concealed from us. In an economic society, a free society cannot be realized by people demanding that the essence of humanity is to live as an individual “ethical subject.”

Polanyi’s theory of freedom is pluralistic. One pole, social freedom, already has been noted; another pole is “personal freedom” as “a creative response,” which Polanyi describes as the freedom by which an individual overcomes the limits of his material existence and internalizes a link with eternity. Finally, another pole is “civil liberties,” which he positioned between social freedom and freedom as a creative response.

According to Polanyi, civil liberties—people’s freedom to act within society—are emerged from institutionalized freedoms. He stated that the first freedom in the list of civil liberties to be institutionalized was a protection of the “right to nonconformity”. The marker of a free society is whether "objector" could "be offered a niche" to which he/she "can retire" and could be prepared “a second-best choice” for him/her living in such society (Polanyi 2001/1944 p. 263-264; Wakamori 2011, p. 249).

Thus, Polanyi defined freedom as including three elements: social freedom, civil liberties, and freedom as a creative response. All three of these elements were reflected in the research he conducted, toward the

end of his life, into “the good life in industrial society” (Karl Polanyi Archive 37-11c (Mar. 13, 1959)).”

In his later years, Polanyi came to think that freedom was shown a person by endeavoring to reduce his power and coercion over others and prevent unintended social problems such as exploitation and violence. A free person is someone who, in personally choosing how to proactively behave in society, as mere flesh and blood, as an individual being, and as a social being, overcomes society’s current limits and participates in the process of its transformation.

In April 1960, conscious of his mortality, Polanyi wrote a letter to his daughter Kari (Karl Polanyi Archive 59-2). He explained to her the essence of his thinking about human freedom as being composed of ① social freedom, ② civil liberties and ③ personal freedom. The last element of human freedom could be meant by human creative response to “callings”.

The revealed reality of death is the ultimate source of the excuses for an empty life. The response of the creative man is to fill that void through work and the permanence of achievement. Hence, art and poetry, science and philosophy, the lone sacrifice of the true soul...<sup>1 0</sup>

Polanyi explains the first element of human freedom, which is dispensable for human to be building freedom again as beings of the world through an understanding of the reality of power and material values, without demanding some fantastical freedom, disturbing the lives of others, or denying their significance. The functional analysis of our creation of power and material values is also an analysis of the possibility for us creating freedom.

Polanyi’s words grant our generation, living through the upheavals of the twenty-first century, thoughts on survival.

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<sup>2</sup> I argue this problem in “The fiction of a market utopia” in chapter 3 of Wakamori (2015).

<sup>3</sup> I argue this matter in “The birth of Economic Sociology,” chapter 5 of Wakamori (2011), and in “Overcoming market society, towards a human economy,” chapter 5 of Wakamori (2015).

<sup>4</sup> Capitalizing on his firsthand experience as an international journalist, Polanyi gave many talks to laborers and often visited the United States to give lectures on political and economic disasters in the twentieth century. See Wakamori (2011), pp. 36-38.

<sup>5</sup> See “Deteriorating neoliberalism,” chapter 4 of Wakamori (2015).

<sup>6</sup> Quotations are from

[http://www.karipolanyilevitt.com/wp-content/uploads/2013/10/5\\_KP-Economy-and-Democracy.pdf](http://www.karipolanyilevitt.com/wp-content/uploads/2013/10/5_KP-Economy-and-Democracy.pdf)

<sup>7</sup> Polanyi's sociology includes at least politics, ethics(religion), history and economics, and its meta theory is based on integration of “community” and “society” (21-22 (1937) in Polanyi, K. 2012).

<sup>8</sup> Quotations are from <http://kpolanyi.scoolaid.net:8080/xmlui/handle/10694/764>

<sup>9</sup> For additional detail regarding Polanyi's understanding of the difference between cooperativism and communism, see “Today, what do we need – One response,” chapter 16 of Polanyi (2015), and the second explanatory essay written by the editor.

<sup>10</sup> See <http://kpolanyi.scoolaid.net:8080/xmlui/handle/10694/764>

This quotation is from the original letter “Notes on premature resignation,” April 25, 1960 (Karl Polanyi Archive 59-2 ;Wakamori 2011, p. 268)