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Law, Fugitive Capital, and Karl Polanyi's The Great Transformation

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LAW, FUGITIVE CAPITAL AND
KARL POLANYI’S
THE GREAT TRANSFORMATION

This essay is themed around the law as a central cause and consequence of society in Polanyi’s The Great Transformation: The Political and Economic Origins of Our Time.¹ The November 2013 issue of THE ATLANTIC points out that Pope Francis’ thinking about social inequality and the limits of the unregulated markets is indebted to Karl Polanyi, not to the other more famous Karl.² The basic ideas of Polanyi, a sometimes forgotten thinker, are that an autonomous, self-regulating market is neither natural nor central to society; that social, political, and cultural institutions shape, and should shape, how the economy works; and that such markets have historically been the means used by peoples to serve their individual and societal needs. Polanyi specifically rejects Adam Smith’s “barter, truck, and exchange” as natural, arguing that while essential they were socially marginal. Rather he sees the ordering behavioral principles of society was reciprocity, redistribution, and householding.³

Polanyi was born in Vienna in 1886. He received a Doctor of Laws degree and became a member of the Vienna bar in 1912. In the 20s and early 30s he was an activist socialist thinker who debated with the leaders of what has become known as Austrian economics, Mises and Hayek. Polanyi left Austria-Hungary for England in 1933. While there he taught in the Workers Education Association programs and edited

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² THE ATLANTIC, November 26, 2013.
³ TGT at 45, 49, 55. Also TGT at 276-280. See generally Edward O. Wilson, The Social Conquest of Earth (2012) wherein he presents a biological argument that “our species is not “homo oeconomicus . . . it emerges, as something more complicated and interesting. We are homo sapiens . . .” (p. 251).
Christianity and Social Revolution. In the 40s and early 50s he taught at Bennington College in Vermont and at Columbia University in New York. He retired in 1953 and moved to Canada to join his wife of 40-plus years who had been denied entry to the United States because of her leftist political activities in Austria-Hungary. In his retirement Polanyi wrote extensively on anthropology and economics. He and his wife co-edited The Plough and the Pen: Writings from Hungary following the 1956 revolution there. He died in Canada in 1964.4

While Polanyi was trained as a lawyer, most of his theorizing is about economics and anthropology. In this essay I am trying to form an understanding of the link between law and law reform and Polanyi’s concepts of embeddedness and double movement: Law as a moral idea reflecting the ideals of its society, and also as an instrument of order, or if you will allow, a social glue, operative as an embedding social force. In other words, law as both embedded and embedding, operating as an essential element of the dynamic in Polanyi’s double movement.5

Roberto Mangabeira Unger identified three bodies of animating ideas needed to search for alternative institutional forms to better actualize one’s ideals. A credible theory of social transformation; a conception of the ideal; and a conception of the proper relation of law to society.6 Polanyi’s double-movement and notion of embeddedness certainly are a part of the core dynamic of social change. His socialism, be it Christian

4 This biographical information is from Kari Polanyi-Levitt ed., The Life and Work of Karl Polanyi (1990).
5 Mariavittoria Catanzariti reaches congruent conclusions about Polanyi’s view of the “law.” However, in her opinion Polanyi views the law as more “neutral” and less central to societal dynamics than does this essay. Mariavittoria Catanzariti, Postface in Karl Polanyi, For a New West (Giorgio Resta & Mariavittoria Catanzariti eds.)(2014).
or Owenite, is an ideal. As regards the relationship between law and society, it seems reasonable to conclude that Polanyi sees legal rules and doctrines as defining the basic institutional arrangements of society. Thus The Great Transformation can be read as a template for the search for alternative institutional forms to the current operations of the global market, and of democracy.

1. The Self-Regulating Market

The political and economic origins of the collapse of 19th century civilization, and the resulting transformation are the subjects of Polanyi’s 1944 classic The Great Transformation. The idea of a “self-regulating market” has to be the starting point of any effort to understand Polanyi’s thinking: economic, political, anthropological, sociological, historical, and jurisprudential. A self-regulating market or simply a market economy, sometimes a market system,

“is an economic system controlled, regulated and directed by market prices … An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains … there are markets for all elements of industry, not only goods (always including services) but also to labor, land, and money … (Importantly) nothing must be allowed to inhibit the formation of markets … only such (regulatory) policies and measures are in order which help to ensure the self-regulation of the market …”

This “utopia,” the self-regulation market was “uniquely derived” from the principle of gain. The self-regulating market, while a central feature of the nineteenth century, operated paradoxically to distort the operation of the other institutions that supported nineteenth century civilization: the balance of power system, the international gold standard, and the liberal state. Polanyi explained that “the gold standard was merely an

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7 TGT at 71-72.
8 TGT at 3.
9 TGT at 3.
attempt to extend the domestic market system to the international field; the balance-of-power system was a superstructure erected upon, and partly worked through the gold standard; (and the liberal state was itself a creation of the self-regulating market).”

These paradoxical relationships between institutions created deep seated strains manifesting themselves in pervasive anti-social ways:

- The exploitation of the physical strength of the worker
- The destruction of family life
- The devastation of neighborhoods
- The denudation of forests
- The pollution of rivers
- The deterioration of craft standards
- The destruction of folkways
- The general degradation of … innumerable forms of private and public life that do not affect profits.

Charles Dickens’ Hard Times illustrates these corrosive consequences of the self-regulating economy.

2. The Double Movement

Polanyi quotes Robert Owen’s concerns that:

The general diffusion of manufactures throughout a country generates a new character in its inhabitants; and as this character is formed upon a principle quite unfavourable to the individual or general happiness, it will produce the most lamentable and permanent evils, unless its tendency is counteracted by legislative interference and direction.

Not surprisingly, at the same time and in the same spaces there was a movement of "social protection" aimed “at the conservation of man and nature as well as productive organization, relying on the support of those most immediately affected by

10 TGT at 3.
11 TGT at 139.
13 TGT at 134.
the deleterious action of the market.”¹⁴ In this “double movement” laws were both protective of the self-regulating market; and protective of people, nature, and productive organizations.

Obviously law is instrumental, is a means to some end. Its legality is determined by what Hart calls the “rule of recognition.”¹⁵ Laurence Claus’ explanation of how “we know what is law” suggests some of the complexity even circularity in that concept. Claus asks his question “why (do) we know what is custom for us,” and answers “law expresses what is custom for us.”¹⁶

Law’s legitimacy is obtained by conformity with proper procedures in declaring the law, and the law’s compliance with ‘higher’ substantive standards (e.g., a Constitution). Reference to “higher” normative criteria suggests that law can also be viewed non-instrumentally; what Tamanaha calls “an immanent ordering,” referring to several streams of thought treating law as such: natural law, customary law, law as science.¹⁷

While as was said Polanyi was trained as a lawyer, questions of a jurisprudential nature like those just mentioned do not figure in his discussion of laws and their significance in The Great Transformation. Yet I think it can be said that he sees the law as a reflection, better, an instrument of the political-economic-social interests behind it. References to law throughout The Great Transformation are to statutes, to legislation, as opposed to adjudication or the resolution of individual claims in courts. If law,

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¹⁴ TGT at 138.
¹⁷ Brian Tamanaha, Law as a Means to an End 21 (2006).
especially as legislation is both a product and tool of society then in Polanyi’s term
society both disembedded and reimbedded the economy through a continuing stream of
law reform.

Silver and Arrighi have summarized the legal sources that were the most
consituitive of the conditions that support the self-regulating market.

In the 1830’s and 1840’s the liberal crusade for free markets
resulted in an outburst of legislation passed by the British parliament
aimed at repealing restrictive regulations. The key measures were the
Poor Law Amendment Act of 1834, which subjected the domestic labor
supply to the price-setting mechanisms of the market; Peel’s Bank Act of
1844, which subjected monetary circulation in the domestic economy to
the self-regulating mechanisms of the gold standard more strictly than it
already was; and, finally, the Anti-Corn Law Bill of 1846, which opened up
the British market to the supply of grain from the entire world. These three
measures formed a coherent (planned) whole.18

In Polanyi’s words, these laws made the commodification of labor (people), land
(nature) and money (capital) possible.

Polanyi in turn refers to a list, compiled by Herbert Spenser, of the legal
interventions in the market that he, Spenser, saw as a threat to the operation, even
existence of the self-regulating market.

In 1860 authority was given to provide “analysts of food and drink to
be paid out of local rates”; there followed an Act providing “the inspection
of gas works”; an extension of the Mines Act “making it penal to employ
boys under twelve not attending schools and unable to read or write.” In
1861 power was given “to poor law guardians to enforce vaccination”;
local boards were authorized “to fix rates of hire for means of
conveyance”; and certain locally formed bodies “had given them powers to
taxing the locality for rural drainage and irrigation works, and for supplying
water to cattle.” In 1862 an act was passed making illegal “a coal-mine
with a single shaft”; an act giving the Council of Medical Education
exclusive right “to furnish a Pharmacopoeia, the price of which is to be
fixed by the Treasury.” .. In 1863 came the “extension of compulsory

18 Beverley Silver & Giovanni Arrighi, Polanyi’s “Double Movement”: The Belle Epoques
vaccination to Scotland and Ireland.” There was also an act appointing inspectors for the wholesomeness, or unwholesomeness of food”; a Chimney-Sweeper’s Act, to prevent the torture and eventual death of children set to sweep too narrow slots; a Contagious Diseases Act; a Public Libraries Act, giving local powers “by which a majority can tax a minority for their books.”

Polanyi also discusses at length “social legislation, factory laws, unemployment insurance, and above all trade unions” as protective of “man” from the market; “agrarian tariffs and land laws” as protective of nature; and the central banks as protective of productive organization (business). He concludes the laws that constitute and preserve the self-regulating market were and are “planned” and those restricting laissez-faire and the market to protect society, were and are spontaneous, or unplanned. As he phrased it “laissez-faire was planned, planning was not.”

Recently the Council of Legal Education of Great Britain’s 1901 report, *A Century of Law Reform: Twelve Lectures on the Changes in the Law of England During the Nineteenth Century* was republished. It describes and comments on those legal changes under eleven headings: common law and the law of persons; criminal law and procedure; international law; the constitution; domestic legislation; equity; procedure and evidence; labour; real property (2 lectures); married women; and joint stock and limited liability companies. In the first lecture appears the following:

But the most marked development in our law during the nineteenth century is seen in the legislation on half of those classes of persons who were under some disability or disadvantage in the battle of life. During the reign of our beloved sovereign, and partly no doubt owing to her gracious influence, Parliament has shown marked concern for all who were unable

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19 TGT at 152.
20 TGT at 186.
21 TGT at 200.
22 TGT at 203.
23 TGT at 147.
adequately to protect themselves. It has interfered on behalf of the weak against the strong, of the workman against his employer, of the woman and child against all who might oppress them. I can only touch briefly tonight on a few of the more striking instances; but these will be enough to show you how wise, how considerate and, I may say, how gentle, is the tone in which our law no deals with such classes of persons.²⁴

Those unable adequately to protect themselves were identified as “infants, lunatics, married women, dissenters, tenants, the working classes, and animals.” While intended to show just the opposite, it seems to me that this list can serve as a description of those victimized by the self-regulating market. It is also reflective of the “pervasive anti-social” consequences of the self-regulating market at the end of section one above. That said it is clear that the legal changes of the 19th century were liberating of and beneficial to especially the folks identified above. At the same time these laws operated to sustain the market. Yet the net effect was a loss both in theory and fact of social interdependence.

3. The Dynamics of Social Change

“Power concedes nothing without a demand. It never did and it never will” Frederick Douglass.²⁵

Polanyi described the forces of social change, of the double movement in some detail, but in a less than clear way. Perhaps these two paragraphs will fairly illustrate the strengths and weaknesses of his description.

Briefly, not single groups or classes were the source of the so-called collectivist movement, though the outcome was decisively influenced by the character of the class interests involved. Ultimately, what made things happen were the interests of society through their defense – and exploitation! (two words and exclamation point not present in the earlier

MacIver edition) – fell to one section of the population in preference to another. It appears reasonable to group our account of the protective movement not around class interests, but around the social interests imperiled by the market (man, nature, productive organization).²⁶

Later in more specificity Polanyi argued

While the crisis of the inherently unstable system was brought on by both wings of the protectionist movement the social strata connected with the land (farmers and peasants) were inclined to compromise with the market system, while the broad class of labor did not shrink from breaking its rules and challenging it outright.²⁷

Without much further elaboration it is clear that Polanyi recognized that some social change movements abandon everything in search of “the new man,” (Marxism) others look backwards to preserve dying ways of life (Luddism), and yet others look both backwards and forwards to seek out progressive change (Chartism). Similarly he sensed the elliptical nature of concepts in public discourse as developed by Reinhart Koselleck (Future Past).²⁸ And, while sometimes with no more than a mere hint, and despite criticisms to the contrary, Polanyi has addressed many of the ambiguities, even contradictions, inherent in people’s understanding of the law; both its legitimacy and its normativity. These understandings were manifested and operative during the 150 years at the center The Great Transformation. Further, it seems to me that the scholarship of James Scott, especially his Weapons of the Weak confirms the existence of the “protective” motivations and socio-legal forces operative in the double movement.²⁹

Craig Calhoun’s recent study of The Roots of Radicalism presents much of the research on social change movements since Polanyi wrote: Charles Tilly on the rationality of crowds; Jurgen Habermas and C. Wright Mills on new voices in the public

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²⁶ TGT at 169.
²⁷ TGT at 200.
sphere, Alain Touraine on identity and cultural transformations; and E.P. Thompson, on history from the bottom. All have enhanced our understanding of social dynamics and power. Calhoun for himself argues as indicated by the title of his book that these and other researchers have missed the “rootedness” in traditional culture and local communities of such movements; thus confirming the “embeddedness” insights of Polanyi.30

4. Anti-Democratic Thought

“Defense” and “exploitation” in an earlier paragraph are important words, especially for their resonance. While economic theory and practice were disembedding themselves from the then political and societal structures, the political, and thus societal structures were themselves in the throes of change. The vast majority of people were seeking some semblance of meaningful participation in governance; what Hirschman calls “voice.”31 These were the early stirrings of democracy as we know it today. At the same time there was active and substantial anti-democracy sentiment. Here in one paragraph is Polanyi’s understanding of the early mid-nineteenth century resistance to democratic reform; with references at the end to the continuity of anti-democratic thought by leading proponents of a self-regulating market.

In England it became the unwritten law of the Constitution that the working class must be denied the vote. The Chartist leaders were jailed; their adherents, numbered in millions, were derided by a legislature representing a bare fraction of the population, and the mere demand for the ballot was often treated as a criminal act by the authorities. Of the spirit of compromise allegedly characteristic of the British system – a later invention – there was no sign. Not before the working class had passed through the Hungry Forties and a docile generation had emerged to reap

the benefits of the Golden Age of capitalism; not before an upper layer of skilled workers had developed their unions and parted company with the dark mass of poverty-stricken laborers; not before the workers had acquiesced in the system which the New Poor Law was meant to enforce upon them was their better-paid stratum allowed to participate in the nation’s councils. The Chartists had fought for the right to stop the mill of the market which ground the lives of the people. But the people were granted rights only when the awful adjustment had been made. Inside and outside England, from Macaulay to Mises, from Spencer to Sumner, there was not a militant liberal who did not express his conviction that popular democracy was a danger to capitalism.  

This enthusiasm for “economic” democracy, i.e., the market, was coupled with a contradictory resistance to political control, even participation by “the people”. These same anti-political democracy views have manifested themselves from the New Deal to the recent “great recession”.

5. Homo Socius

In the final analysis Polanyi’s book is about the nature of the human person; about freedom and the human condition. Polanyi hardly mentioned the democratic stirrings of the 17th century; or the struggles of the “moral economy” of the 18th century. Yet as was pointed out earlier he importantly foregrounds reciprocity, redistribution, and householding as the “ordering” principles of society through human history while recognizing there have always been markets, but peripheral until the 19th Century.

Let us make our meaning more precise. No society could, naturally, live for any length of time unless it possessed an economy of some sort; but previously to our time no economy has ever existed that, even in principle, was controlled by markets. In spite of the chorus of academic incantations so persistent in the nineteenth century, gain and profit made on exchange never before played an important part in human economy.

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32 TGT at 234.
34 See text at footnote 3.
Though the institution of the market was fairly common since the later Stone Age, its role was no more than incidental to economic life. He goes on to explain

Nineteenth-century civilization alone was economic in a different and distinctive sense, for it choose to base itself on a motive only rarely acknowledged as valid in the history of human societies, and certainly never before raised to the level of a justification of action and behavior in everyday life, namely gain. The self-regulating market system was uniquely derived from this principle.

Hobbes described life as “solitary, poor, nasty, brutish, and short.” He pointed to self-interest as key to human motivation. Subsequently Robert Townsend gave primacy to the “animal side” of the human person in his 1786 Dissertation on the Poor Laws. In turn Ricardo & Malthus argued that the “laws” of society and human behavior were “natural.” These determinist views obviously limits if not eliminates the scope, and most significantly, the value of human freedom.

Today one hears even more aggressive defenses of “gain” as a social value in lines like “greed is good” from the movie Wall Street. While muted, Townsendian arguments that social policies based on reciprocity, redistribution, and householding are counter-productive, if not actually evil, continue. In America’s last election and since, it has been argued by “respectable” people that for instance a minimum wage (dare one mention a “living” wage) would harm both the wage-earners and the entire society.

35 TGT at 45. “The Law Merchant . . . governed a special class of people (merchants) in special places (fairs, markets, seaports); and it also governed mercantile relations in cities-towns. It was distinct from ecclesiastical, feudal, manorial, urban, or royal law . . . (and had) the qualities of objectivity, universality, reciprocity, participating adjudication, integration, growth.” (emphasis added) See Harold Berman, Law and Revolution: The Formation of the Western Legal Tradition 341 (1983). Compare Fernand Braudel, The Wheels of Commerce – Civilization and Capitalism 15th-18th Century (1982) at pages 223-230 wherein he discusses Polanyi’s understanding.

36 TGT at 31.

37 TGT at 119-121.
6. Reconnecting politics and the economy to society

If all human societies are regulated by law, law is a statement of societal consensus backed by the power of authority. It is both embedding of politics and the economy in society and at the same time embedded therein. It is both limiting and liberating. There is a debate among those most closely committed to Polanyi over whether the dynamic of society is best understood as a series of disembedding and reimbeddings or a permanent state of embeddedness. Without addressing those different understandings, it is clear that “capital” has become a fugitive from the law. It seems to operate at the whim of increasingly smaller numbers of people; people who operate without nationality and thus beyond the reach of the nation-state.

*It has been recently pointed out that:*

““The world’s largest company, Wal Mart Stores Inc., has revenues higher than the GDP of all but twenty-five of the world’s countries. Its employees outnumber the populations of almost a hundred nations.

The world’s largest asset manager, Black Rock, controls assets greater than the national reserves of any country.

The Gates Foundation spends as much worldwide on health care as does the World Health Organization.”

James Meek’s recent description of the presence and impact of global, what I’m calling fugitive, capital in a small resort town in Kent, England communicates the breadth and depth of its impact on local communities. The school, airport, model train factory, pharmaceutical research lab, amusement park, 95% of the shops and

38See Fred Block & Margaret Somers, The Power of Market Fundamentalism: Karl Polanyi’s Critique, Chapter 3 (2014).
restaurants, the off-shore wind farm, and the water and drainage systems are all owned directly or indirectly by foreign companies or national chains. Since this increasing complexity of modern life requires access to capital, human solidarity, both economic and political, is threatened by fugitive capital.\(^{40}\)

How then to capture the fugitive capital, to embed it in society so it is responsive to the needs and sustainable wants of free people becomes the central challenge. In addressing this challenge Polanyi clearly envisioned a next great transformation which would include decommodification of nature, man, and money, deprivatization and restoration of the commons.

Thomas Piketty argues in *Capitalism in the Twenty-first Century*, that throughout modern history the rate of return (r) on private capital has more often than not exceeded the rate of economic growth (g); meaning that wealth inequality has been increasing and will continue as long as \(r > g\) continues to be so.\(^{41}\) This has evoked overdue attention to how legal policy and institutions affect distribution of wealth and economic growth. However, Piketty’s primary policy recommendation, that of a global wealth tax, is merely an ex post “solution” to the distributive justice question.

Shi-Ling-Hsu has since highlighted several United States laws and legal institutions that “are biased in such a way as to over-promote the formation of capital by enhancing returns to private capital” without enhancing growth. He briefly outlines as examples how oil and gas subsidies, “grandfathering”, and electric utility regulation protect, even enhance, return on capital without comparable positive impacts on

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economic growth. Hsu thus favors a more ex ante approach to remedying wealth inequality and enhancing distributive justice.\textsuperscript{42}

One especially troubling aspect of globalization is that it is developing a “fugitive” legal order within the growing ever more unified economic order. This growing “global, commercial legal order” is comprised of customary commercial practices, international arbitration, international investment agreements, the rise of multi-sovereign bodies such as the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), and regional economic integration such as the Association of Southeast Asian Nations (ASEAN) and NAFTA.”\textsuperscript{43} So rather than the economic order being (re)embedded in the social (legal) order, there is a risk that the social-legal order will be embedded in the global commercial order. This growing recognition of the “discrepancy between highly globalized economies and weakly globalized political structures,” long ago highlighted by Polanyi, has led to increasingly urgent calls for “recognition of extraterritorial state obligations to protect the human rights of third-country victims against corporate violations.”\textsuperscript{44}

7. Conclusion

\textsuperscript{42} Shi-Ling Hsu, \textit{The Rise of the One Percent: Considering Legal Causes of Inequality}, 64 Emory L.J. Online (2014).

\textsuperscript{43} Bryan Druzin, \textit{Anarchy, Order, and Trade: A Structuralist Account of Why a Global Commercial Legal Order is Emerging}, 47 Vanderbilt Journal of Transnational Law 1049, 1051 n. 2 (2014). These treaties and international agreements have contributed to further disembedding capital from societal controls. Re-embedding it into “democratic” institutions requires much further study and debate. Such work centered on Polanyi’s insights has recently begun. See Christian Joerges and Josef Falke, eds., \textit{Karl Polanyi: Globalization and the Potential of Law in Transnational Markets} (2011).

Polanyi’s analysis of the Great Transformation of the 19th-20th centuries provides some essential ideas for addressing these and other 21st century struggles. The primacy of human solidarity (embeddedness), the corrosive effects of “scientific management” of society (disembeddedness) and the elliptical nature of social change (“double movement”) link to Unger’s animating ideas for radical institutional change. Mark Blyth argues in his book, extending Polanyi’s concept of double-innocent through a study of 20th century American and Swedish political-economic institutions that ideas matter!45 In trying to understand the dynamics of political-economic forces Polanyi’s idea of society is equally operative. And as was said in section one, Polanyi has empowered us with further ideas to help reconnect both politics and economics with society.

Let me offer some random thoughts on how the application of Polanyi’s ideas might help do just that. Politics can be embedded, reembedded in society by increasing the links between the elected and the electors – more time in the home district; term limits; more screening of candidates by forums and debates. Politics can be embedded, reembedded in society by requiring greater public rationality in law-making, for instance, single issue legislation; and formal legislative findings in support of bills. More broadly, rethinking the entire political – electoral – legislative – implementation processes from the perspective of the 18th century understanding of corruption would open thought to new methods of redistricting and officeholder selection.46

45 Mark Blyth, Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century (2002).
46 See Zephyr Teachout, Corruption in America from Benjamin Franklin’s Snuff Box to Citizen’s United (2014).
Economics can be similarly put and kept in its place as servant of society by decommodifying people, nature and money. For instance, instead of the norm of at-will employment, assure everyone of some minimum job security (e.g., a written statement of reasons for termination; reasonable notice; reasonable severance pay); make a “living” wage the minimum wage.

As regards nature, recognize that nature is the common heritage of humankind. More narrowly, require for instance that land use decisions, especially of an extractive sort, consider the negative externalities, spillover effects. More fundamental, rethink traditional ownership rules and limitations with particular attention to excessive accumulations (Locke’s “enough and as good” and his “as much as anyone can make use of …” as limitations). 47

And as regards money itself, reinstate usury laws to limit predatory lending; increase access to government sources of credit either as direct loans, or at least loan guarantees; separate commercial from investment banking; establish community cooperative sources of credit; and rise the leverage of employee pension system to change corporate practices.

8. Coda: Polanyi, Owen, and “Communal Industrialism”

As mentioned at the beginning Polanyi thought of himself as a “socialist.” But despite the brilliance of his analysis of “capitalism” he never quite developed what his socialist (reembedded political economy) would look like. He does however several times refer to Robert Owen in effusive terms as the “one man alone” to perceive the

47 John Locke, Second Treatise on Civil Government (Chapter 5, Sections 27, 31 (1689).
“reality of society” in modern times.\textsuperscript{48} In an earlier essay I quoted Anthony F.C. Wallace’s outline of the governing principles of an Owenite town in Rockdale, Pennsylvania. These principles perhaps can serve as an answer to the question “What kind of a socialism did Polanyi envision”?

1. Mutual agreement and cooperation, rather than selfish competition are the basic principles upon which to found the institution of a good human society.
2. Man is a product of learning in a physical and social environment; the community can produce good, or depraved, men and women, depending upon the education of children and social conditions of adults.
3. Reason and experiment, not revealed religion, are man’s only proper guide.
4. Rank, social class, and the bonds of matrimony are unimportant as a principle of social organization and in a good society can be dispensed with.
5. Local economic decisions, as well as political decisions at all levels, should be made by democratic procedures.
6. Real estate and machines should be owned and controlled by the community, not by individual proprietors.
7. Small rural communities, combining in a balanced way both agricultural and industrial pursuits, are the natural context of human economic, educational, and social institutions.
8. Such communities can be largely self-supporting insofar as food, fuel, and other necessities are concerned, but should also engage in specialized production and trade in a national and international system of exchange.\textsuperscript{49}

\textsuperscript{48} TGT at 133
\textsuperscript{49} Walter Kendall, \textit{The Republican Revival Debate: Private Economic Power, the Forgotten Factor}, 16 U. Dayton L. Rev. 363, 375 (1991). Polanyi was much more traditional than Owen on social matters. I am sure he would give more weight to religious norms and family matters. See Karl Polanyi, \textit{For a New West} at eq. 71, 84.
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