

Karl Polanyi and Eurozone Liberalism - the “antidemocratic virus” revived?

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Where was for Polanyi the “anti-democratic virus”?

- 1) Critique of English thinkers opposition to voting right (e.g. Malthus, Martineau, Owen)
- 2) Hegel’s defence of corporatism → Marx’s critique → Polanyi’s critique of fascist corporatism
- 3) Spann’s “Der Wahre Staat” and “organic” *Ständestaat*
- 4) From “On Capital and Labour” Encyclical (Pope Leo, 1891) to “Quadragesimo Anno” (Pope Pius, 1931)
 - For instance: Pope Pius XI: the State should secure that **“the various classes work together peacefully and socialist organizations and their activities are repressed”** (“Quadragesimo Anno”, Encyclical of Pope Pius XI: On Reconstruction of the Social Order, Vatican Library, 1931)

Polanyi's "Conservative 1920s" and Today's Eurozone

- The 1920s were “deeply conservative and expressed the almost universal conviction that only the reestablishment of the pre-1914 system (...) could restore peace and prosperity” (Polanyi 2001: 23).
- “Geneva acted as the sponsor of a process of rehabilitation in which the combined pressure of the City of London and of the neoclassical monetary purists of Vienna was put into the service of the gold standard” (Polanyi 2001: 28).
- Homologous economic interventions → Austria in the 1920s and Greece since 2010 → economic crisis, international creditors, acceptance of their fiscal-political terms and supervision.

- **1922, Seipel to League:** hyperinflation and insolvent banks
- **2010, Papandreou to Eurozone:** high deficit and soaring of Greek bond yields to record levels.
- International supervision → “politics of fulfillment”
- Austria (“*Genfer Sanierung*”): supervision by League’s Financial Committee League; “**Commissioner-General**” appointed in Vienna.
- Greece (“*Memoranda*”): supervision by “Troika” and subcommittees as the “**Task Force for Greece**” in Athens.
- **Austria: first** to receive League loans in the
- **Greece: first** to receive EFSF and ESM loans
- **After Austria: League loans** to Hungary, Bulgaria, Greece, and Estonia (Polanyi 1933). **After Greece, EFSF** loans to Ireland, Portugal, and **ESM loans** to Spain, Cyprus.

- Deflation in Austria to re-establish and **remain on the gold standard / remain on the “euro standard”** (Dellas/Tavlas 2012) or “*de facto* gold standard” (Streeck 2015) in Greece → cutting down of social services
- First Report: **“The number of Federal Ministries shall be reduced as far as possible and shall be fixed at a maximum of eight”** (League Commissioner, 1923).

Difficulties in dismissals:

- **“With a few days’ delay (...), the Austrian Government has kept its engagements in regard to the dismissal of the first 25,000 officials, (...) but it is clear that, as the process of dismissal continues, the execution of the programme will become proportionately more difficult”** (League of Nations 1923: 6).
- → increase in expenditure (pensions) → new loan tranche

- *“The privations of the unemployed made jobless by deflation; the destitution of public servants dismissed without a pittance...”* (Polanyi 2001)
- Austria-unemployment: **from 9% in 1923 to 26% in 1933** (Tálos/Fink 2008).
- Greece-unemployment: **from 8% in 2008 to 21% in 2018** (OECD 2018).
- Homelessness in Vienna trebled from 1924 to 1934 (Dale 2008)
- Homelessness in Greece increased by 25% from 2009 to 2011 (FEANTSA 2017).
- **Poverty:** Greek places reminding of Marienthal resignation, increase in suicides (Branas et al.)

Seipel (1922) to League: **Control is natural**/Papandreou (2010): “**We lost a part of our sovereignty** due to our economic mismanagement”, Bonefeld (2017): “**With insolvency sovereignty stops**”

“ We have been assured that the Powers which will participate by their guarantee in the work of the economic reconstruction of Austria and **the representatives of international capital** who will assist financially or with credits will continue to exercise a certain control over employment of the credits granted and over our general national economy. I will reply with all the frankness which our situation demands :

(1) **We admit that such a control is inevitable and natural.**

(2) It is understood that such a control will not affect the sovereignty of Austria ; for it would be harder and more humiliating for our people, whilst keeping a semblance of sovereignty, to lose their political liberty than once and for all to renounce their independence and become part of a great political entity, and so obtain a share of sovereignty in that of a great State.

(3) For this reason we earnestly desire that the control over the use of the credits should become effective without delay. There is no doubt that **dependence, unless it really brings relief, is humiliating, but it would be unreasonable to refuse, simply for reasons of prestige,** a remedy which would bring about a cure.

(4) We could not, of course, accept this control unless sufficient credits were granted at the same time. **For nothing could justify the control of an independent State except the real help accorded to her.**

“ Gentlemen, I took the liberty at the beginning of my speech of referring in a few words to a point which I should like to emphasise. **The Austrian problem in its present phase is very largely a political problem.** I explained to you the

League of Nations (1923)→ No weak state domestically (“extraordinary powers”, “will to use them”, “run counter to important sections of the population”)

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The reforms demanded in the Geneva Protocols are so stringent that they can only be carried out by a strong and fearless Government. Moreover, the Protocols were based upon considerations of this nature, for they stipulate that the Government must be invested with special powers throughout the period of reconstruction.

It is clear that the Government must not only be furnished with extraordinary powers but must also have the will, the courage and the strength to use them in order that the budget may be balanced within the comparatively short time which has been allowed for this work of reorganisation. In short, it is the Government's duty not to hesitate to go forward with the necessary measures, taking no account of any political considerations, even should it be obliged (as I think it inevitably will be) to run counter to the interests and to thwart the desires of more or less important sections of the population. It is the duty of the people, on the other hand, to work towards the common goal by rendering the Government's task as easy as possible.

I have as yet no reason to doubt that the Government shares this view, but I think it well to point out that it is the absolutely indispensable condition for the success of the entire plan.

It is among the duties of the Commissioner-General indefatigably to support the Government to the best of his ability in the great task which lies before it, but it is doubtful whether the goal can be attained unless the Government itself, by its composition and its mental attitude, gives the necessary guarantees of its intention to carry out the required measures.

- “In Austria in 1923 (....) **the Labour Party was “made to quit office** ‘to save the currency’” (Polanyi 2001)
- SDAP: facilitated the *Wiederaufbaugesetz* and League’s control (Berger 2000)
- “The Austrian Social Democrat Otto Bauer **supported the monetary principles** underlying the restoration of the krone attempted by his bitter opponent, Seipel” (Polanyi 2001). → **SYRIZA similar → Euro faith → Memoranda politics**
- Austrian conjuncture nothing to do with that of pre-crisis Greece (“convergence” and “EU-integration”).
- Austria: Dissolution of the Austrian-Hungarian Empire, consequences of war, rise of new states, disposition of feudal aristocracy by social and agrarian revolutions, political turmoil (Polanyi 1933).

- 1922 **Loan term by Entente: *Anschlussverbot*** for 20 years (Berger 2003) → after Creditanstalt collapse ultimatum and pressures to **prevent the German-Austrian customs union** (Aguado 2001) → new Anschluss prohibition under Lausanne loan agreement in 1932
- “The agreement promised a loan (...) in exchange for a conditional prolongation of the prohibition of a union with Germany (...) until 1952. In order to carry through its obligations incurred at Lausanne, **the Austrian Government proceeded to balance the budget by a radical reduction of expenditure. This meant, of course, the curtailing of social services, the cutting down of pensions of the railway employees, etc.**” (Polanyi 1933).
- NO such geopolitics in the Greek bail out

- **Polanyi's “market panic” factor** → Greece structurally important → Kaplan (2013): “Greece, of all places, will provide an insightful register of the health of the European project”.
- “For the League, success in Austria provided the first evidence of its usefulness (...) *Austria stood as a test-case for the fragile post-war order*” (Beyersdorf 2011).
- Was Austrian program successful? Depends on the view...
- Contemporaries → saw it as a *Finanzdiktatur* (Berger 2000)
- After WWII → critique of neoclassical League's doctrines
- Today → League as a successful “money doctor” (Decorzant/Flores 2012).

- “The prestige of Geneva rested on **its success in helping Austria and Hungary to restore their currencies**, and Vienna became the Mecca of liberal economists on account of a brilliantly **successful operation on Austria's krone which the patient, unfortunately, did not survive**” (Polanyi 2001).
- Greece→ lost 1/3 of its GDP; public debt rose from 110% in 2008 to 180% in 2018; first in unemployment and child poverty; wages/ pensions cut up to 50%; health and education cut by 30%.
- Political/Representation crisis→ 7 governments in 6 years
- PASOK→ from 44% in 2009 to 6.3% in 2015
- SYRIZA→ from 4.6% in 2009 to 35% in 2015
- Golden Dawn→ from 0.3% in 2009 to 7% in 2015

- League prevented neither economic deterioration or Creditanstalt collapse, nor the “anti-democratic virus”.
- “It was as a result of [liberals’] efforts that big business was installed in several European countries and, incidentally, **also various brands of fascism, as in Austria**. Planning, regulation, and control, which they wanted to see banned as dangers to freedom, were then employed by the confessed enemies of freedom to abolish it altogether. Yet the victory of **fascism was made practically unavoidable by the liberals’ obstruction of any reform involving planning, regulation, or control**” (Polanyi 2001).

- “The first thing was to get foreign money into the country, the second to persuade international finance (...) that **its money would never be really safe until the power of the Left had been broken down**” and “**Red Vienna swept into oblivion**” (Gedye 1939: 12).
- “**The Government in Austria had never relaxed its pressure against the Left.** The Socialist press, the Social-Democratic Party, social services, rights of collective bargaining, the legal standing of public servants and (...), the finance of the Municipality of Vienna, **all had to suffer**” (Polanyi 1933: 588).
- Polanyi’s critique of the “corporative state”.

- A particularly “Austrian” background, namely the background of the Austrian austerity program to be attached to the separation thesis or the role of the Austrian program to the elaboration of his separation thesis to be recognized → study of Memoranda and Eurozone politics in Greece and European South
- “(...) economic liberals (...) set the sound-currency ideal above that of nonintervention. (...) The stubbornness with which (...), for a critical decade, [they] had, in the service of deflationary policies, supported **authoritarian interventionism**, merely resulted in a decisive weakening of the democratic forces which might otherwise have averted the fascist catastrophe” (Polanyi 2001: 242).
- ***“Authoritarian interventionism” to be continued?***

Thank You!