

# The Political Trilemma of Social-Ecological Transformation – Lessons from Karl Polanyi's The Great Transformation



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International Karl Polanyi Society (IKPS)  
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Foundation)

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# Structure of the Presentation

- **Contextualizing the article**
  - Dependency approach / liberal globalization
- **Karl Polanyi's two concepts of transformation**
  - Short- and long-term analyses (two temporalities)
- **Dani Rodrik's globalization trilemma**
  - Critique of hyperglobalization (from the 1990s onwards)
- **The Political Trilemma of Social-Ecological Transformation**

- **Kari Polanyi Levitt** (2013): From the Great Transformation to the Great Financialization. Fernwoods: London & New York
  - **Dependency Theory:** It is an advantage not to be integrated that much into capitalist world economy => selective closure / regional/collective self-reliance for an autonomous policy space
  - **Critique of globalization:** contemporary attempt to realize the „liberal creed“, the belief that the world should be organized as „One Big Market“ (Karl Polanyi)
- **Karl Polanyi: ambivalent relationship to liberalism** (and the „West“)
  - Defending the great liberal achievements of individual freedom and „the right to non-conformity“ (TGT 263)
  - Criticizing „universal capitalism“ the liberal illusion that a „society is possible in which power and compulsion are absent and in which force has not function“ (TGT 266)
- But Polanyian research tends to be „pro-globalization“ (Ruggie, Burawoy, Patomäki, ...)

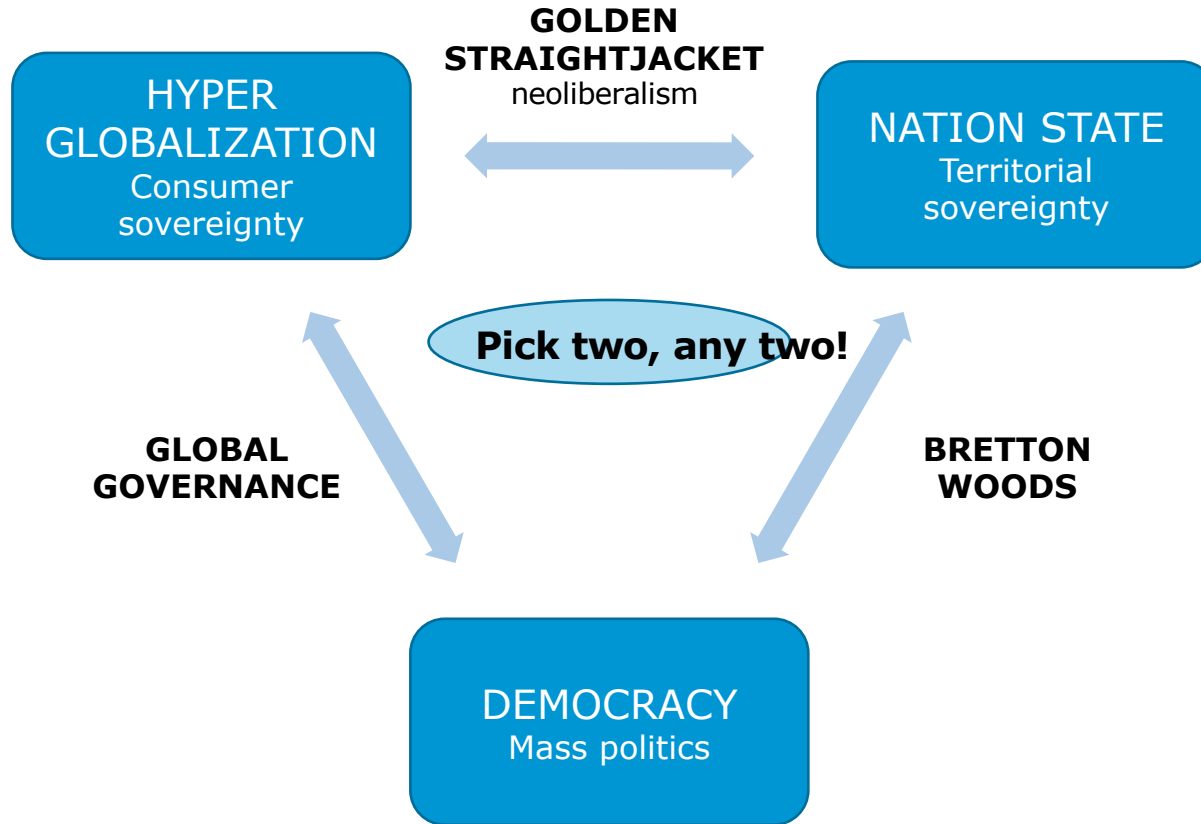
# The Great Transformation (TGT): Multiple changes as evolution / a metamorphosis

- Karl Polanyi as an economic historian
- “Industrial revolution” as a long-term => structural context for (short-term) political conflicts (“events”)
- The transformation to this system (the industrial society of the 19<sup>th</sup> century, AN) from the earlier economy is so complete that it resembles more the **metamorphosis of the caterpillar** than any alteration that can be expressed in terms of continuous growth and development” (TGT: 44).

# Great Transformation after 1929 as a political rupture („revolution“)

- Karl Polanyi as an engaged citizen
- Transformation as an abrupt change; politically driven: **What to do? How to intervene politically?** => motivation for Karl Polanyi to write (and finish) TGT in 1944
- “Nineteenth-century civilization has collapsed. This book is concerned with the political and economic origins of this event, as well as with the **great transformation** which it ushered in” (Polanyi, 2001[1944]: 3).
- “In order to understand German fascism, we must revert to Ricardian England” (Polanyi 1944, 32)
  - In order to understand the tragedy of Central Europe in the 1930s, one has to study British political economy, as elaborated from the 18<sup>th</sup> century onwards, refined in the 19<sup>th</sup> century.
  - **Linking an event (short-term) to its underlying dynamics (long-term)**

**Figure 1: Rodrik's Globalization Trilemma**



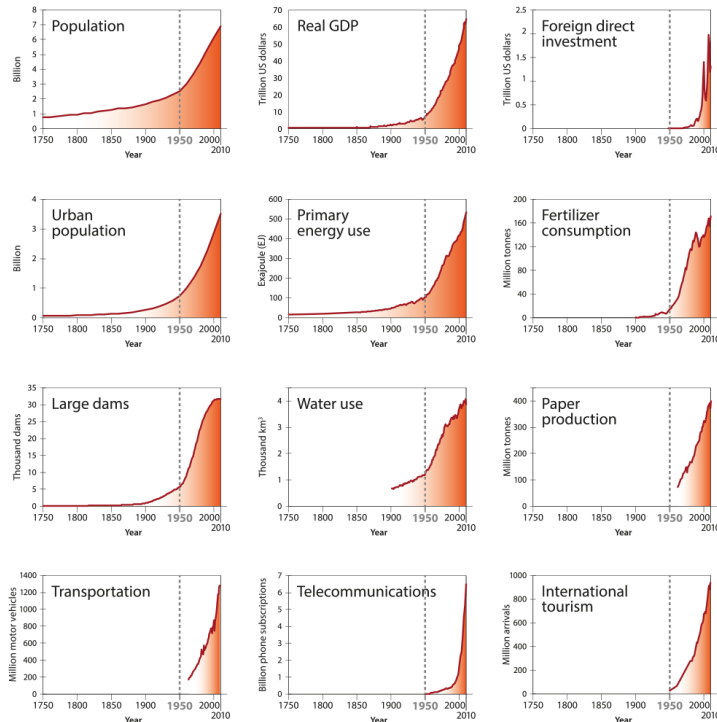
Source: Novy (2020). The political trilemma of contemporary social-ecological transformation – lessons from Karl Polanyi's The Great Transformation. Globalizations, 4.

# Transformations in the 21<sup>st</sup> century

- A profound transformation, only comparable to two previous transformations
- **Neolithical Revolution**
  - From hunters and gatherers to sedentary peasants
  - Agriculture and settlement
  - 5.000 to 10.000 years ago
- **Industrial Revolution**
  - From rural-agrarian societies to industrial-urban societies
  - From feudalism to modern market capitalism
  - England 1750-1850
- **Social-Ecological Transformation of the 21<sup>st</sup> century**
  - „Rapid, far-reaching and unprecedented changes in all aspects of society“ (IPCC 2018)
  - Decarbonization (from fossil fuels to renewables)
  - From growth-centered economies to sustainable economies
  - But how?

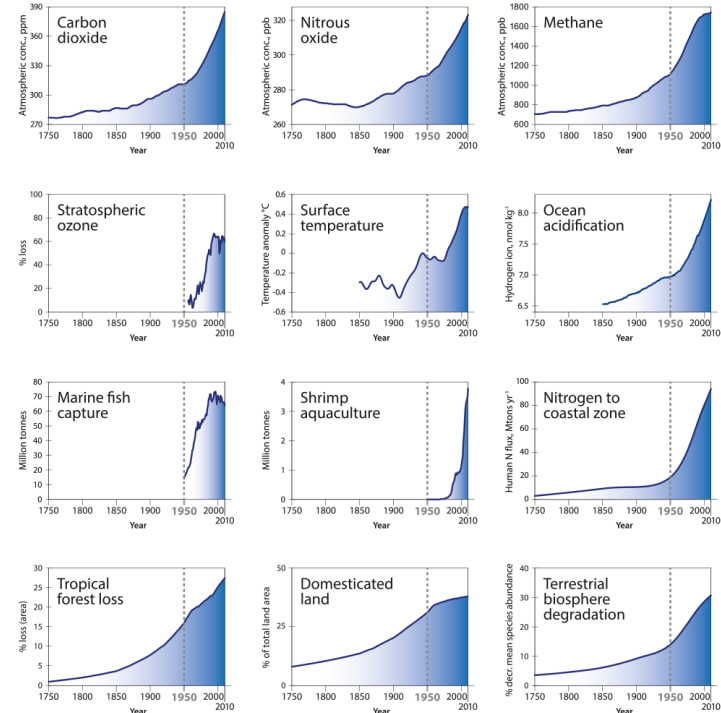
# The great acceleration: exponential growth dynamics

## Socio-economic trends



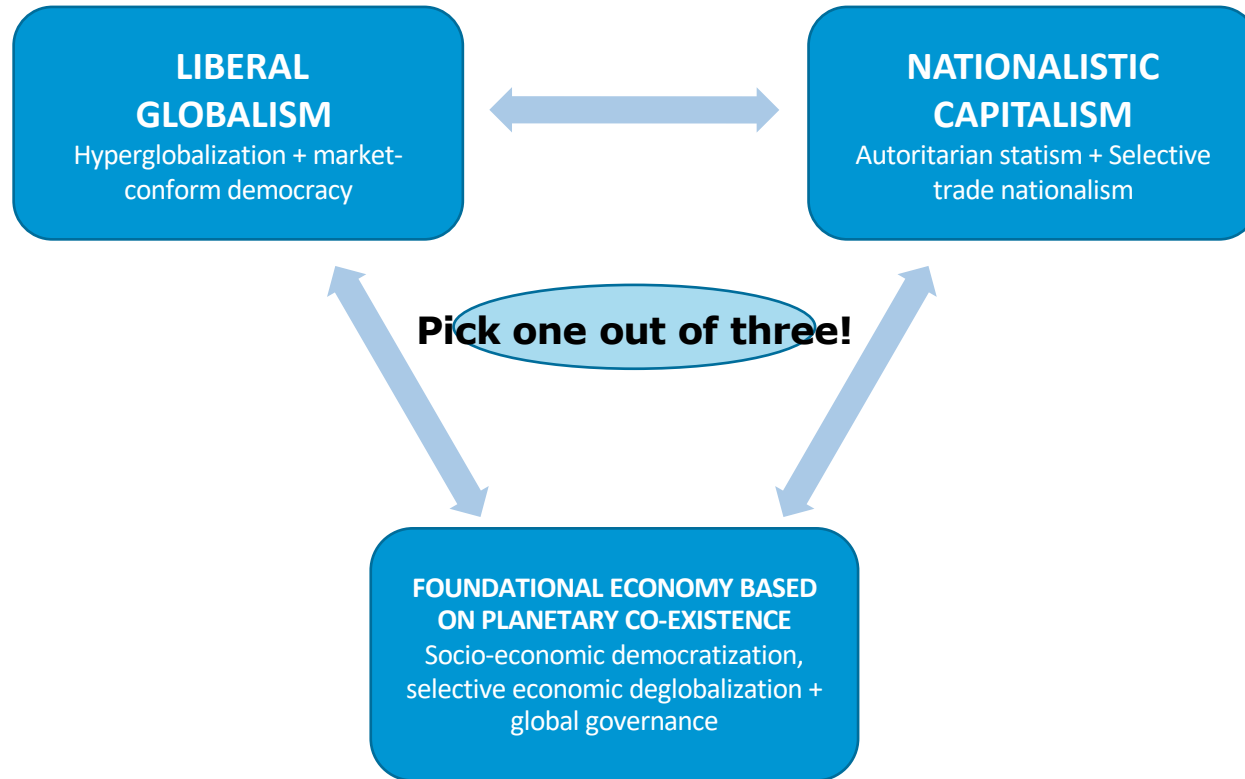
Steffen et al., 2014

## Earth system trends





**Figure 2: Political Trilemma of Contemporary Social-Ecological Transformation**



Source: Novy (2020). The political trilemma of contemporary social-ecological transformation – lessons from Karl Polanyi's The Great Transformation. Globalizations, 11.

- Denies that the trilemma exists (and if not, **sacrifices national sovereignty**: „global problems have to be solved by global policies“)
- Hyperglobalization („transaction costs and tax differentials are minor“)
- **Consumer sovereignty**
  - Negative freedom: freedom from state coercion (human rights as well as property rights)
  - One Big Market: universal money facilitating the exchange of everything (commodification, financialization)
- **Cosmopolitan, elitist and Western**
  - Patriots/Nationalists are the new barbarians
  - Camouflaging socio-political conflict as a spatio-cultural conflict between civilized openness and provincial backwardness
  - „Defending the Western way of life“ (not acknowledging the unsustainability of this mode of living)

- **Strong state and „free“ markets**
  - Aligning Carl Schmitt and Friedrich Hayek (cf. Mirowski)
  - Neoliberalism as an anti-democratic project (cf. Pinochet 1973)
  - Affirming key capitalist values of private property rights and markets
- Key objective: **„We need not change“**
  - Fighting a „cultural war“ against „foreign“ and new modes of living
  - Reactionary: Not only „anti-global“, but first and foremost anti-liberal, anti-enlightenment and anti-humanist
- **Anti-egalitarian authoritarianism**
  - (White) supremacy
  - (national/territorial) sovereignty (according to Rodrik): „I am interested in the state as a spatially demarcated jurisdictional entity“ (Rodrik 2017, 24)
  - **Appropriation of all state/public institutions** (esp. judiciary, police, media; dismantling civil society and countervailing powers)

# Foundational Economy based on Planetary Co-existence

- **The only strategy that acknowledges the challenges of the ongoing social ecological transformations** (linking long-term and short-term transformations)
- Extending the scope of the democratic beyond the political sphere
  - Socio-economic democratization promoting positive freedom (capacity to act, to lead a good life)
  - Changing the basic functioning of the economy (based on social-ecological infrastructures)
- **Planetary coexistence as a form of multi-scalar politics**
  - Borders as barriers to enable policy making (avoiding the unlimited expansion of markets/capital)
- Territorial sovereignty:

# Foundational Economy based on Planetary Co-existence

- **Socially inclusive and coordinated forms of capitalism are more sensible to environmental concerns.** BUT: They tend to be more open economies, exporting their ecological footprint to emerging countries (Cahen-Fourot 2020)
  - Tradeable sector dominated by private corporations transacting on a globalized market is key actor in „green growth“ strategies as well as key driver of unsustainability
- Focus on sufficiency strategies for the foundational economy (satisfying basic needs) instead of efficiency gains in tradeable sector
  - Social-ecological infrastructural configurations
  - Prioritizing the provision of foundational goods and service (health, education, food, care, housing, ...)/ the everyday provision of basic needs
  - **Sufficiency (redefining the good life) trumps efficiency**
  - **Collective provision trumps individual consumption**

- Cahen-Fourot, L. (2020). Contemporary capitalisms and their social relation to the environment. *Ecological Economics*, 172, 106634. doi:<https://doi.org/10.1016/j.ecolecon.2020.106634>
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# Annex

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# Great Transformation after 1929 as a political revolution

- Political efforts to **(re)embed the economy** with different ideological backgrounds
  - Fascism
  - Communism
  - New Deal (social democratic reformism)
- **Regulatory shift:** from liberal to organized capitalism (welfare capitalism/Fordism/developmental state)
- **Spatial shift:** from hyperglobalization and the Golden straightjacket (Gold Standard) to national economic policies
  - from outward to inward orientation (mass production for mass consumption)

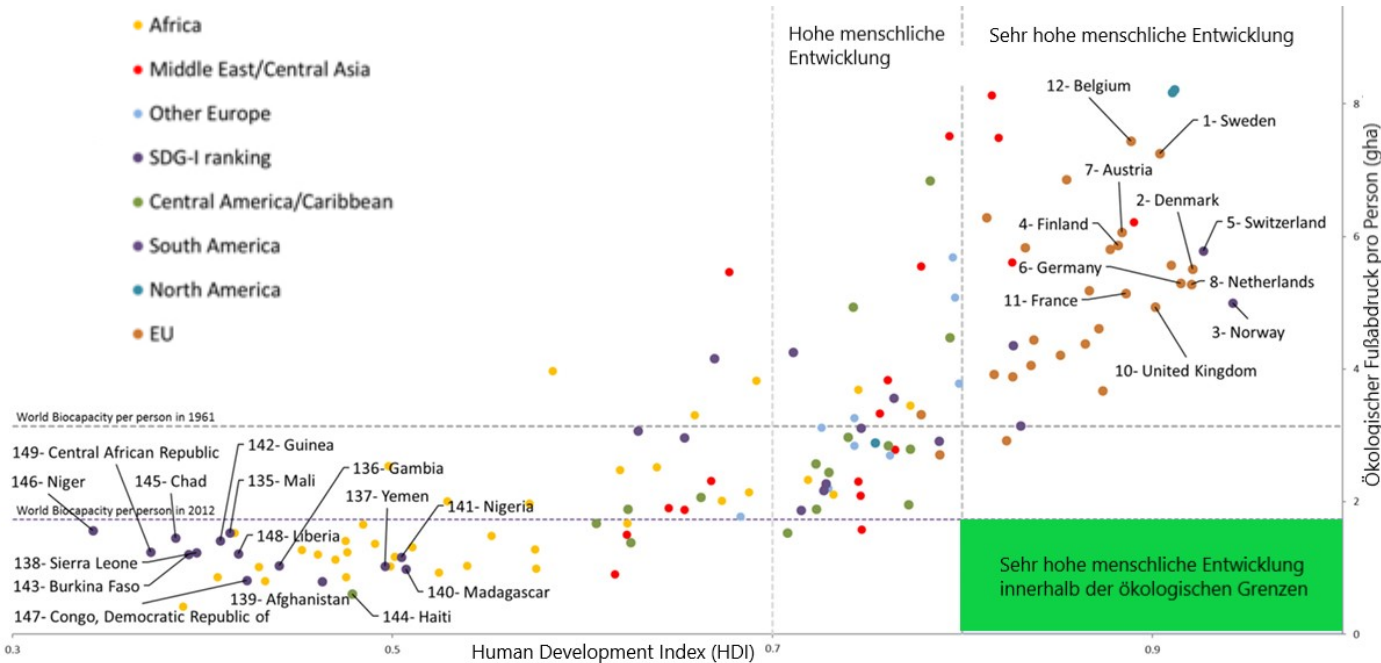
# Times of (De)Globalization – Phases of capitalist development



# Polanyi's concern: The limits of liberalism

- But – as Polanyi (2001[1944]: 265) was well aware - **only “regulation and control can achieve freedom not only for the few, but for all”.**
- **Key role for state agency and communal/social control!** ⇔ might be repressive & oppressive
- Rigid capital control and the abolishment of global financial markets are the single most important pre-requisites for civilizing capitalism. Only curtailing finance capital and disempowering the rentiers have made Keynesian reforms after 1945 possible.

# Living well or living sustainable?



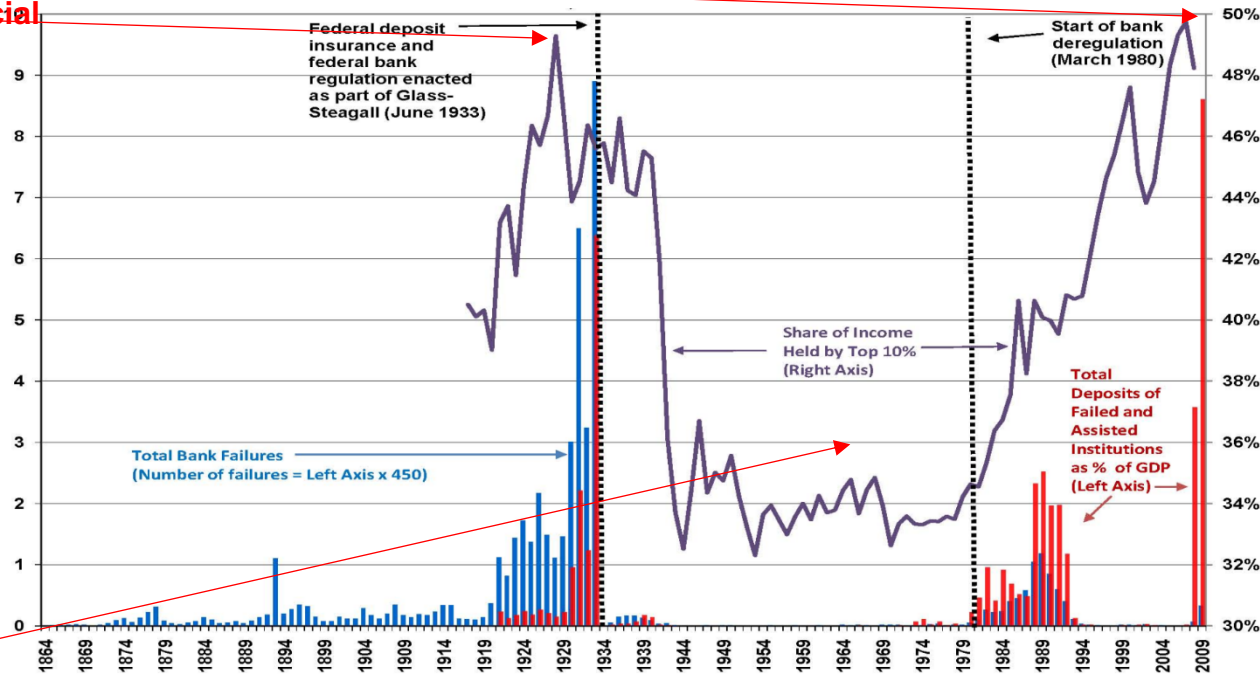
Wackernagel M, Hanscom L and Lin D (2017) Making the Sustainable Development Goals Consistent with Sustainability. *Front. Energy Res.* 5:18

Is there a mode of living that can be universalized, offering a good life

# Bank Failure, Regulation and Inequality, USA

Before the financial  
crises 1929 and  
2008 inequality  
reached a peak

During welfare  
capitalism,  
inequality was  
lower and there  
were no banking  
crises



Moss, D. (2010). Bank Failure, Regulation and Inequality. Retrieved from [www.tobinproject.org/.../BankFailures\\_ChartwithComments\\_Moss.pdf](http://www.tobinproject.org/.../BankFailures_ChartwithComments_Moss.pdf)

# Shifting center of the world economy



**Figure 2.** *The World's economic centre of gravity.*

Source: Based on [The Economist \(2018a\)](#); the economic centre of the globe is calculated using an average of a countries' locations weighted by their GDP.