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Embeddedness, Redistribution and Double
Dependence: Polányi-reception Reconsidered

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Abstract¹

This paper is a contribution to the reception of Polányi in the West and the East, more precisely, about the impact Polányi's views had on American and Hungarian economic sociology, which are the contact points between the two, and what research perspectives they offer. It concentrates on the perception of embeddedness and redistribution, leaving aside other views unless they are conducive to the comprehension of certain conceptual connections. It is argued that although new economic sociology contributed to deeper understanding of socio-economic processes, Polányi's substantive theory also remained important. His approach of putting emphasis on political and cultural aspects of embeddedness enables us to compare economic systems and describe the diverging motives of actors in mixed economies. Polányi's intellectual impact started in the sixties in Hungary, that is, in the period of market reforms. This may seem at the first glance paradoxical, but one of the reasons that it could happen was that Polányi was not an enemy of markets in general, as is often believed. What he heavily criticized was the uncontrolled commodification of land, labor, and money. Another reason for his intellectual impact was that the Polányian forms of integration did provide tools for analysis of state socialist and post-socialist processes. The current Hungarian developments can be interpreted in Polányian terms as regulatory attempts on the markets of fictitious commodities. I argue however, that these attempts under the conditions of double dependence do have significant side effects.

Keywords: forms of integration, Polányi, embeddedness, redistribution, fictitious commodities, state socialism, post-socialist transformation, varieties of capitalism, dependent market economy, double dependence.

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1. Introduction

In a fragment—an unfinished review of Galbraith's *Affluent society*—Polányi (2003[1959]) compares Aristotle's and Galbraith's scholarly habits. He attributes common characteristics to them: a combination of critical attitude, a normative element and a genuine capacity to understand and analyze the very nature of their topic. The same is true about Polányi himself: his criticism of the disembedded market system and a search for the normative pillars of a good society are interwoven in his oeuvre with analytical efforts to understand the very nature and historical conditions of economic activity.

In a note of their reader Swedberg and Granovetter (1992: 50) state that Polányi was one of the most influential social scholars of the 20th century. This is a fair account, at least in economic sociology, where the most important contributions of Polányi are the distinction between *formal and substantive meanings* of economy and conceptualization of *embeddedness, double movement, fictitious commodities* and *forms of integration*. Polányi's substantive view (Polányi et al., 1957; Pearson, 1977) discarded all essential postulates of economics: the scarcity postulate, the theses of profit maximizing actors, universal price-making market and stable preferences. Several social scientists, including some economists, also found these postulates unrealistic, or had an aversion to the behavioral patterns and institutions they postulated, but there were few who tried to build an alternative theory upon this aversion. Polányi was one of the few. In his view, the price-making markets are far from universal, as there have always been economic systems that do not align themselves with the logic of the market economy. He says that economic activities are embedded in society, the economic motives appear in combination with a wide range of cultural, political, religious and other effects. If this thesis holds true, the tenet of stable preferences is invalidated, since it is postulated to screen out such effects. According to Polányi the formal meaning of "economic" appears as an optimization task: rational actors choose between combinations of scarce means, under the condition of stable preferences. In contrast to this, the *substantive meaning* of economic action describes how people provide means of material want satisfaction in an interchange with the social and natural environment.

The following section will be devoted to the strengths and weaknesses of the substantive interpretation of embeddedness and its alternatives in economic sociology. Afterwards we shall turn toward the reception of Polányian concepts under state socialism and their theoretical implications in a post-socialist society.

2. To the concept of embeddedness

It is in his critical analysis of the rise of the market economy that Polányi applied the concepts of embeddedness and disembeddedness to suggest how the market mechanisms and their adequate behavioral forms rose to predominance in the 19th century and what social consequences this process entailed (Polányi, 1957 [1944]). For Polányi embeddedness meant that economic and social phenomena are interwoven in most historical societies. Therefore, it is misleading to apply formal economic tools to economies where the market does not dominate society. During

the emergence of modern capitalist society the market seized land and labor, which became the source of grievances and social problems, according to his account. The double movement of market disembedding and social defense is the core of *The Great Transformation* (Polanyi, 1957 [1944]).

The main asset of Polányi's interpretation of embeddedness—the sources of which were the oft-cited works of Thurnwald and Malinowski (see Thurnwald, 1932; Malinowski, 1999 [1922], 1969 [1926]; Firth, 1972)—is the historical localization of societies dominated by market-conform behavior while emphasizing the interpenetration of economic and social processes. When he was working on his research and lectures leading to *The Great Transformation* (Polanyi, 1957 [1944]), the prevalent social scientific stance was that the conceptual apparatus of economics can be applied to primitive and historical formations without fail. While based on rich empirical material all but bursting the conceptual frames, Goodfellow's "*Principles of Economic Sociology*" (1939) laid it down firmly that there would be chaos in the social sciences if the concepts of economics were not applied to the savage economy. Polányi ascribed theoretical and historical significance to the concept of embeddedness. Thus he directed attention to alternative forms of integration, proving that it is not necessary to meet with chaos where the conceptual apparatus of economics ends. The forms of integration considerably promoted the understanding of both historical and contemporary societies, first of all through the interpretation of the appropriation of goods.

It is to be noted that under the instituted process Polányi spoke of appropriative and locational movements, the highly abstract notion of the latter designating the entire sphere of production and transportation, without further elaboration. That is so in spite of the fact that Polányi knew Weber's and Bücher's writings on the division of labor. (A posthumous piece is less noticed in this respect: Polányi wrote the entry on Karl Bücher's work in an early edition of the *International Encyclopedia of Social Sciences* (Polányi, 1968).

The topic of embeddedness/disembeddedness has provoked two tangentially related polemics. One belongs to the domain of new economic sociology (Szántó, 1994; Krippner and Alvarez, 2007), the other has a more general relevance to critical social science.

Granovetter and the new economic sociology focus mostly on contemporary economies and interpret embeddedness in terms of networks, relations between economic actors and/or organizations. He argues in his programmatic article (1992 [1985]) that neither the over- nor the under-socialized concepts of human action are appropriate. Non-market societies are less embedded than substantivists claim and market economies are more so than neoclassical economists claim.

In a symposium devoted to Polányi and the topic of embeddedness (Krippner et al., 2004) an intriguing episode shows the often discernible discrepancy between an author's intentions and the impact of their work. On the upbeat of his keynote article Granovetter distances himself from the substantive approach. However, the author's prime intention—as he recalled—was not this, but to supersede the atomistic view of man, that features both in neo-classical economics and in Parson's theory. This he attempted to do by placing the network concept in the focus, arguing that such relations were the channels of the formation of dominance, trust, and cooperation. As

the article was circulated in manuscript form before publication, Granovetter received some feedback remarks that took his message as the revitalization of Polányi's conception of embeddedness. Even if he might have read it earlier, he forgot about the Polányi precedents when he was writing the article, so he inserted a short note in the revised version, to clarify the differences in the use of the notion of embeddedness. That, in turn, has been interpreted by several scholars as the starting point of new economic sociology. More important than this colorful episode is surely Granovetter's statement at the same occasion which says that embeddedness is no more than a *sensitizing umbrella concept*. It points out that any economic act must be viewed in its correlation with the social context. Among others, Granovetter's *Getting a job* (1995[1974]), Useem's *The Inner Group of the American Capitalist Class* (1978) and the analysis of the interplay between parties and economic actors by Stark and Vedres (2012) offer positive examples (see Mizruchi, 1996 and Uzzi, 2005 for further cases). To cite a less known example, the panel survey of Russian entrepreneurs by Batjargal (2003) has demonstrated that under the conditions of the recession business performance did not depend on structural embeddedness, but on weak ties and the actual ability to mobilize social resources.

At any rate, Portes is probably right in pointing out that the Polányian conceptualization of embeddedness as a manifestation of power relations may add more to the understanding of social implications of the market than the structural approach (Portes, 2010: 220 sqq.). Polányi focuses on the micro motives and macro structures mainly in premodern societies. Granovetter and new economic sociologists focus mainly (but not exclusively) on meso-level network structures in contemporary societies. Polányi discarded the formal conceptual apparatus of economics reduced to ends and means relations claiming that it could not be applied under conditions that are not determined by price-making markets. In economies determined by the price-making markets he accepted the validity of the postulates of economics, first of all the scarcity postulate and the tenet of profit-maximizing actors. In other words the substantive version of old economic sociology denied the general applicability of neoclassical economic presumptions and supposed that these presumptions could be considered to be valid if markets are disembedded. At the same time Polányi fiercely criticized the social establishment based on the dominance of the market, arguing that this mode of satisfying material needs defiles nature and society and turns land and labor into fictitious commodities. He also touched upon the other side of the coin: how markets are impaired by the social defense mechanisms.

New economic sociology, especially the sociology of markets, does put the validity of the conceptual apparatus of economics to the test—within the price-regulating markets. What the *new economic sociology* takes as its starting premise is not that there are always price-making markets but that *if there are price-regulating markets, they are always embedded*. So it seems up to now that the presupposition of the embeddedness of markets is a real watershed between substantive and new economic sociology. Reconstructing the conditions under which *The Great Transformation* (Polányi, 1957 [1944]) was written Fred Block concluded that between the preparations and the writing of the book Polányi's position had undergone an epistemological transformation. He realized that markets were always embedded, but he did not make an explicit statement about that. It is implied by his

writing, but there was a pressure of time, and he did not want to be as late with his book as Keynes' advice for the post-WWI peace terms had been (Block, 2003; and Krippner et al., 2004).

To the broader critical implications it is perhaps worth recalling that Polányi's involvement in journalism for more than a decade contributed to this development in several regards. From the vantage point of the end product it is easy to mark off scientific endeavor from pamphlets and newspaper articles. There may obviously be differences in the creative habitus of writing quick sketches or thoroughly deliberated opinions. However, the motivation, interest, and intellectual focus of an author are often the same. That is stressed by Richard Bermann (2006) and—despite several factual errors—by Peter Drucker (2009) writing about the Vienna years.

Little known abroad, Polányi's journalistic crop in the Hungarian language displays his responsiveness to the embeddedness of the economy, his attitude to exploring the political conditions and social consequences of economic phenomena already from the early 1920s (Gyurgyák, 1981). In some 160 articles contributed to the *Bécsi Magyar Újság* [Viennese Hungarian News] he discussed, among many other things, guild socialism, the history of a socialist colony in America, the causes and implications of the decline of the German economy, the magic customs of African tribes, the connection between world trusts and governments, the growing significance of crude oil worldwide. In his article "After The Hague" of 1922 (Gyurgyák, 1981 [1922]) he showed that economic arguments were used to hide the fact that Europe's consolidation was primarily a political issue with the German-French relationship in the center. His press article "Work despised and respected" (Gyurgyák, 1981 [1922]) echoes Ricardo and the theory of the value of labor to prove that the monopolization of land and capital prevents the laborer from receiving a fair counter-value for his work. The apologists of capitalism—Polányi implicitly alludes to the work of Mises—try to put a gloss over this fact by overvaluing the entrepreneurial initiative and intellectual work. These newspaper articles are usually short but mostly highlight relevant contemporary social and economic phenomena with a keen eye and theoretical competence, anticipating in some respects the themes of *The Great Transformation* (Polányi, 1957 [1944]).

The problem here is the following: if the economy is always embedded in society (Block, 2003; Block and Somers, 2014), analysis of the market economy and its supportive ideology may lose its critical edge (Polányi Levitt, 2006). If, however, the market economy is disembedded from society, criticism might lose its analytic apparatus, as—economists are of this opinion—this state can be satisfactorily described in terms of the optimization of the ends and means relations. Polányi claims that disembeddedness is the end of a process in the course of which profit-driven business becomes the dominant form of economic organizations, land, labor, and money become subordinated to the market and gain maximizing becomes the dominant motive of human behavior. What he explicates speaking about the social defensive mechanisms is the presence of motives beyond the market, the existence of non-market institutions. The analysis of the double movement is therefore an analytic strategy to describe the interpenetration of economic and social processes. It may not be the most adequate strategy, for disembeddedness might elicit the association that the effect of the social environment is erased wholly. It may recall the allusion as well

that embeddedness as such is a guarantee of a good society. Besides, the very conceptual construction of the double movement may have positive connotations in favor of these affinities.

However, in fact, the upswing of the double movement entailing disembeddedness describes the process how the market behavior becomes *dominant*, and *not* how it becomes *exclusive*. There might be slip ups in the terminology, but Polányi had no doubts whatsoever that the idea of a society built on the self-regulatory market was a *utopia*. Not only because its evolution and functioning have important political, institutional, and cultural conditions and supportive mechanisms, but also because human motivations are richer than the sheer drive for profit or what Smith described as “propensity to truck, barter and exchange one thing for another” while searching for the source of the division of labor. This was realized not only by economic sociology but also by the new institutional economics, leading to a solution of the problem by giving up the implausible postulates (Bowles, 2004; Szántó, 1994).

Embeddedness is just as polysemantic as it may be illuminating. Giving a detailed reinterpretation of Polányi’s work, Gareth Dale (Dale, 2010: 189 sqq.) describes embeddedness with the notions of dependence and subordination. These two categories may certainly be included in the concept of embeddedness, but they do not exhaust it. The analysis of the interplay between the economy and the social environment, might also require the terms of connectedness and interpenetration. Dale points out the parallels of Tönnies’ pair of notions *Gemeinschaft-Gesellschaft* with Polányi’s embeddedness and disembeddedness categories convincingly. However, his reasoning, which follows Hopkins, namely that embeddedness ought to be conceived along a continuum, and that in state socialism economy was not dominated by politics but by mechanisms imposed by the global competition is less convincing.

Though economic sociology and critical social science trace the concept of embeddedness to Polányi with all justification, it is also undoubted that this legacy is contested. The catalyst of the turmoil producing different positions is the tenet of the all-time embeddedness of the markets. Some critical political economists hold the view that the re-embeddedness of the markets—the necessity of which was argued for by Polányi as well—has not taken place. Instead of subsistence, the profit motive remained the dominant driving force of the economy, commodification of labor and land has not been changed. What took place instead was the parallel movement of liberalization and protectionism within the frames of the welfare society (Lacher, 2007). This constellation differs from the self-regulating market, nor is the laissez-faire ideology universally valid any more. Now, if the aim is not the elaboration of the future image of a subsistence economy—which might be a legitimate goal beyond the purview of this paper—, but the grasping of the contemporary social-economic processes, then two aspects are to be given thought to.

One is that it is worth examining and typifying societies in terms of how the market is regulated, and whether this process has clearly differentiable variants. Examples are provided by the literature on business systems (Whitley, 1992) and the varieties of capitalism (Hall and Soskice, 2001; Nölke and Vliegenthart, 2009; Bohle and Greskovits, 2012; Bluhm et al., 2014), some aspects of which will be touched upon in the last part of this paper.

The other is that even under the conditions of a market economy it is worth monitoring diverse aspects of embeddedness, as is pointed out by Zukin and DiMaggio (1999: 15 sqq). Beyond the structural aspect, embeddedness has cognitive, cultural and political facets that imbue, form, and delimit the behavior of the economic actors, the working of the market and the place of the economy in society. According to Polányi's approach manifest in *The Great Transformation* (Polányi, 1957 [1944]), the cultural and political aspects of embeddedness may be part of the social defensive mechanism which he set out in the double movement, and depending on the historical context they might facilitate, regulate, or impair the markets. It is worth it to remind ourselves at this point that according to Gambetta (2000) one of the reasons of the emergence of the mafia in southern Italy was the low level of business morals. One has to add that political conditions may heavily influence the weakening of trust and the spread of norm-breaching behavior among economic actors. In the new economic sociology, too, there is a rising trend of research interpreting the markets set in political and cultural contexts (Fligstein, 2001; 2002; 2005; Swedberg, 2005; see also Beckert, 2009; Abolafia, 2005; Dobbin, 2004; Trigilia, 2002).

The typology of forms of integration underwent some transformation in Polányi's thinking. Relying on the academic literature Polányi viewed *oikos* (householding) as a self-contained type in addition to exchange, redistribution, and reciprocity in *The Great Transformation* (Polányi, 1957 [1944]). That the category was omitted from the original set of integrative forms by the time of writing *Trade and Market* (Polányi et al., 1957) is attributed by Schaniel and Neale (2000) to the presumption that Polányi's colleagues had convinced him in the meantime that this form was practically identical with the structural pattern of redistribution. There is no reason to doubt the earnestness of Neale's revision, though I would lay the emphasis elsewhere. The model of centrality is true of both forms, but that is where the similarity ends. *Oikos*, unlike the rest of the forms, does not describe the alternative forms of interaction between economic units but rather it is characterized by the lack of such interactions. It grasps the functioning of an extensive subsistent household but fails to explain what forces of coherence keep the economic system together. Neale also challenges the view that Polányi was prompted to omit the notion of *oikos* for political considerations, because it allegedly elicited associations reminiscent of socialism that were too direct. Neale is right in disagreeing, for Polányi did not bow to political pressure. But the cold war milieu had an influence on Polányi's work which can be pinpointed in a shift of themes. As against the forties when the emphasis was on the double movement of the expansion of the market and the social defensive mechanisms, in the fifties the stress was moved to embeddedness and the forms of integration when he edited *Trade and Market*. There are restrictive remarks to be made at this point. First, it is evident that there is often asynchrony between the printed appearance of a book and an author's intellectual development, just as between written and oral communication. What a reader may infer from the structure or chronology of a work might not coincide with the writer's or his/her intellectual environment's interpretation. In a letter Polányi himself put the shaping of the theses of *Trade and Market* (Polányi et al., 1957) to the period between 1946 and 1950, surprising himself, too, 'in the fervor of a single uninterrupted workday' (Litván-Gyurgyák, 1987: 337).

Nonetheless, there is more to the intellectual climate and the birth of a work than the simple duality of appearance and reality. Nor is the climate homogeneous: each contemporary may recall one and the same aspect differently. Neale, for example, thinks that the activity of The House of Representatives' Un-American Activities Committee 'horrified academia but did not bully it so much as some have since believed' (Schaniel and Neale, 2000: 102). Nevertheless, many found this climate depressing, and many had good reasons to feel so. A work based on archival research has revealed that in addition to C. Wright Mills, even sociologists like Talcott Parsons were also under surveillance (Keene, 1999). In an essay based on survey evidence Lazarsfeld (1993 [1957]) has found that the impact of the 'difficult years' was especially negative on professors of a permissive thinking who were overrepresented in high-prestige colleges. Only a few recalled that they had become more cautious in their research, but the majority thought the collegiate atmosphere had deteriorated, and most of them had withdrawn from roles we register today as public sociology using Burawoy's term (2005).

3. Redistribution and double dependence

The period called 'difficult years' by Lazarsfeld lasted longer and was more turbulent in Hungary and in Eastern Europe than in the United States. Not only that the cold war years—called by later government rhetoric the years of the “personality cult”—were aggravated by the retaliations after the 1956 revolution. The 'difficult years' meaning the political pressure on academia can be extended backwards to the authoritarian regime in the inter-war years. Mutatis mutandis it could be applied to the period of the sixties and seventies as well (Péteri, 2016; Szelényi, 2015).

This section deals with the Hungarian reception of Polányi from the sixties on and with some of the direct and indirect impacts of his oeuvre on recent theoretical developments. First, some aspects of the intellectual climate of the Polányi-reception will be depicted. Next, in the light of the Polányi-inspired debates the conceptual distinction between economic and welfare redistribution is touched upon. Finally, theoretical efforts to describe variants of contemporary market-dominated societies and the concept of double dependence will be highlighted.

3.1. To the Hungarian reception of Polányi's work

The years spent preparing the Hungarian economic reforms of 1968 brought about some political thawing and cautious intellectual opening. That was when András Hegedüs' *Optimization and humanization* (2001 [1965]) appeared, too, registering the need for the empirical examination of the administrative system. The existence of particular interests as against general social interests is an “objective necessity” in socialism, he claims, because there is division of labor and there are commodity relations. Consequently, the optimization of particular interests must be one of the goals of the state administration, which, in turn, would serve material growth. At the same time, said Hegedüs, it implies that the one-sided dominance of particular interests in major decisions must be prevented. How exactly this should happen remained obfuscated however. On the other side, the administrative system must

fulfill another goal: the humanization of the alienated conditions. This humanizing tendency has two implications: on the one hand, it serves the unfurling of the creative potential of individuals, and on the other, it provides a wide spectrum of opportunities for those concerned to take part in the decisions affecting them. Alienation cannot be eradicated in the short run, Hegedüs argued, as it would be opposed to the social goal of optimization and the related goal of material growth. Income distribution according to labor performance results in social inequalities, but there are still measures such as cheap cultural goods and schooling available to broad social strata that can serve the unshackled development of the personality. One of the main obstacles to political democracy, to the spread of involvement in decision-making, Hegedüs argued, was the formerly prevalent mentality that only tolerated the thinking in the alternatives of good and evil.

In the 1960s renescent Hungarian sociology was treading a narrow walk-board despite the reforms and the thawing, for two reasons. It was exposed to the undulation of politics. No sooner had sociology been re-institutionalized in a research group of the Hungarian Academy, than its leader András Hegedüs was replaced as he had been among the few who had protested against the occupation of Czechoslovakia with the participation of Hungarian troops as Warsaw Pact forces in 1968. There is another, more complex reason mainly belonging to the domain of history of mentality: the “new economic mechanism”—introduced in the same year—lifted the theme of market reforms, “market socialism”, “market and socialism” into the focus of professional and public discourse, relying upon concepts which were compatible with the values of economic liberalism. Critical sociologists had a keen eye to explore social contradictions and hidden conflicts, to expose inequalities and poverty. (It aptly illustrates the situation that the concept of poverty was missing from the statistical terminology and was replaced by the category of “multiply handicapped” groups). No matter whether the surge of the reform or the counter-reform had its high tide, most sociological criticism was received by suspicion and skepticism by both the authorities and the market reformers, for different reasons.

Though in 1963, shortly before his death Polányi visited Hungary and held a lecture on American economic sociology—published a decade and a half later (Polányi, 1979)—no direct influence of his upon the early reformist debates of the sixties can be discerned. In theory, the connection cannot be precluded, as it might be based—at the most general level of value choice—on his views of the good society, embedded economy and decommodified labor. A potentially more direct point of contact was Polányi’s conception of the markets and mixed economy which can be inferred from the works, too, but let us now cite a Polányi letter instead.

Letters are inherently essentialist, still they do not necessarily distort the facts or the intellectual-emotional commitments. Quite to the contrary, they try to condense the persuasive force, especially when the addressee is someone with whom the writer shares the intellectual interest and conceptual frame, for whom the basic tenets need not be explained. Also, with whom the mutual intellectual respect and the possibility of an intellectual dialogue remains unimpaired whatever distance might be kept for reasons of political or personal conflicts. One such relationship tied Polányi to Oszkár Jászi. Their Hungarian language correspondence reveals among others that Polányi

felt offended by Jászi's labeling him a "Christian communist". While working on *The Great Transformation*, he wrote to Jászi (on 1 March 1943; original emphases):

'I am no advocate of the totally planned economy. My first paper some twenty years ago on the socialist planned economy is based on that. As a result, Mises attacked me for building castles in the air if I think there is a middle course between **laissez faire** and proper planned economy. Where Mises has come with this view of his is well known. Nothing but middle courses can be seen in real life today.

The real alternative is between **laissez faire** and a regulated economy. The first is characterized by the belief in an automatic market organization (Max Weber's *Selbststeuerung der Wirtschaft*); the other does not believe in it, thereby accepting the duty of regulating the market. The question of property is no longer primary...

I am for a New Deal that is based on a clear conception, instead of the opportunistic, hesitant, chaotic and unprincipled intervention into everything. My formula would be like this: Since neither money, nor labor nor land are under the laws of the market any more, the best thing would be to remove all three from the play of the market. (1) **Money**: there is nothing else but managed currency today. Gold currency is the fossil of the 19th century. (2) TVA and the excellent conservation strategy of the New Deal prove that **land** cannot be put at the mercy of the market. (3) Today's trade unionism and the welfare policy have removed **labor** from the laws of the market (abuses by the market characterize the situation today). In my opinion, money, labor and land must not be left to the market. **Beyond these**, the liberty of the market must be retained. The experience of every country proves that there is no difficulty here provided that the automatism of the market on matters of money and credit organization has been discarded. The market is **noli me tangere** as long as state credit is entrusted to the money exchange, that is, to the play of the money market. The new "functional finance" has put an end to that. No more fundamental change has occurred since the Poor Law Reform of 1834 created the free labor market...' (Litván and Gyurgyák, 1987: 323-324).

One must repeat: there is no convincing textual proof that Polányi's view of the market like this put any direct influence upon the early reformists of state-socialist Hungarian economy. There are analogies in the articulation of the conceptual apparatus of the substantive approach and of the critical view of optimization and humanization, without direct references. The problem of humanization was inspired by the conception of alienation, a point of contact with the preoccupations of György Lukács, as recollections of Mária Márkus reveal (Rozgonyi, 2007: 73 sqq). The Polányi-Mises debate however appeared in the university curriculum in the first half of the seventies, being taught by a reform-minded scholar, Márton Tardos, in an economic policy seminar.

In fact, the channels of publicity, the published and privately communicated information differed not only in length but often in contents as well. And that does not necessarily mean that published texts were more cautious or ideologically deliberated.

That may be more or less true of the sixties-seventies, but there were ebbs and tides, and there are counterexamples. The writings of Hegedüs were truly outspoken in their time. Actually, oral culture was richer, more polyphonic than can be inferred from the publications. The scarcity of publishing possibilities was an effective filter; the relaxation of these conditions did not come before the second wave of the reform in the eighties.

What is interesting and varied about the Polányi renaissance in Hungary is its unfolding in an intellectual circle whose dominant idiom was that of market reform. Or, to put it more accurately: it emerged under the circumstances of a state socialist establishment in the professional discourse which was concerned about the role of the market. In the light of the above-quoted conceptualization of mixed economies it should not be so surprising; Polányi was not against the market *per se*, but against the marketization of fictitious commodities which had no imminent chance during the reforms of the state socialist economy. However, the majority of published early interpretations approached his oeuvre from another angle. In their introduction János Kis and György Márkus (1971), who launched the Polányi renaissance with the Hungarian version of 'The economy as an instituted process' stressed that Polányi was one of the most influential and most disputed figures of modern economic thinking, whose work has several points of contact with Marxism and challenges Marxist historical philosophy with several questions. József Bognár, who prefaced Polányi's Dahomey book (1972), remarked that it was common experience both in western and eastern societies that society must control the market and not vice versa. He did note that Polányi sympathized with the practice of socialism, in which full employment, inclusive health care and an old-age pension scheme were realized. He did not touch upon the issue that work was not only an opportunity but also a compulsion, which replaced unemployment, the here non-existent existential constraint with the charge of "publicly dangerous idleness" spelled out by penal law. In the otherwise appreciative foreword to a selection of Polányi's studies Tamás Szentes mentioned that the author regarded cultural destruction caused by colonialism far graver than exploitation and saw this as a mistake (Polányi, 1976).

In the launching essay of *Medvetánc*—a periodical in the eighties responsive to contemporary issues and the history of theories—Zoltán Balogh (1981) stressed that Polányi's oeuvre demonstrated the global failure of the free market. He criticized Polányi for identifying economy with its superficial forms, ignoring the labor theory of value, not clearly differentiating between class societies and primitive formations, having a redistribution-centric position, and not discussing adequately the interrelation between society and the natural environment. He mentioned as Polányi's asset his sociological qualities and his acumen with which he grasped the functioning of actual social mechanisms. This was a posthumous, unfinished writing by Zoltán Balogh, who died young. His view was debatable, but his habit had personal authenticity and greatly influenced some students, including the sociologist Bálint Magyar and the philosopher Imre Orthmayr.

Using the conceptual tools of political economy, Béla Greskovits (1982) also critically analyzed Polányi's works. An essential element of his critique was that Polányi had a narrow and normative interpretation of man's ontological specificity, moreover his views were ill-suited to describe historical changes because the

integrative schemes allowed for no combinations: parallel to the dominant form it was not possible to let other forms of integration rise to dominance in certain sectors or areas. All contemporary interpretations, Greskovits claimed, which intended to grasp the developments of the reform process in combinations of the forms of integration were also treading the wrong path.

The above references might suggest that the reception of Polányi at home was mostly critical and distanced. Reality is, however, far more intricate, his effect having more channels and being more lasting than the first impressions would reveal. The enduring influence of the substantive approach is clearly proven, for example, by the conceptual typology of Béla Greskovits three decades later in his book co-authored with Dorothee Bohle (Bohle and Greskovits, 2012). János Kornai in his work on types of coordination made it explicit that the type of bureaucratic coordination—which he contrasted with market, ethical, and aggressive coordination—was inspired by Polányi’s concept of redistribution (Kornai, 1989 [1983]: 35 sqq.). Research inspiration was given by Polányi’s outlook to researchers who tried to exploit the combination of anthropological, sociological, and historical sources. One was Endre Sik’s work on the bee type of work (*kaláka*) and András Kelen’s on the sociology of social work (Sik, 1988; Kelen, 1988).

One area of using the Polányian conceptual apparatus in Hungary was social policy; Zsuzsa Ferge has explicitly referred to and relied on Polányi’s forms of integration in several studies and polemics, claiming that “it is so far the only historically more or less thoroughly deliberated and complete analysis of the relations of redistribution” (Ferge, 1980 [1975]: 290 sqq.), which—she added—ought to be restored to their correlations with production. Ferge studied welfare redistribution from a prevalent viewpoint, notably, how it influenced social inequalities. Her empirical investigations have prompted her to conclude that money allowances (e.g., child-care benefit) reduced inequalities in the whole of society and between individual groups, too. By contrast, indirect benefits (e.g., subventions for culture, health, education or rental housing) tended to increase the gaps between the social groups owing to divergent needs.

To illustrate the persistence of the “difficult years” let me refer to an archival source I chanced upon during an institution historical research. A security official’s report of 1975 reveals that Zsuzsa Ferge held a lecture on Polányi’s and Szelényi’s concepts of redistribution in the Students’ Club of Karl Marx University of Economics in Budapest. An agent who heard the entire lecture thought that “the majority of the audience understood nothing of it whatever” (ÁBTL 3.1.2., File M-37605/Csikós). We may add it was probably fortunate that this was the secret agent’s opinion, for the theory was massively enveloped in suspicion by the authorities. The reason was that in a joint writing Iván Szelényi and György Konrád described the state socialist establishment with sarcastic criticism, which led to their arrest in 1974 and Szelényi’s emigration. The book (Konrád and Szelényi, 1979) was circulated only in audio recording and samizdat typescripts in Hungary before it was published abroad in Hungarian and in other languages.

In this book and at several other loci Szelényi and his co-authors stress that “rational redistribution”, a category combining Weber and Polányi, aptly grasps the essence of the state socialist economy (and, as it turned out later, could be handy to

analyze the post-socialist transition as well). Many recall the context and impact of this thesis in different ways (Verderi et al., 2005), but the conceptual apparatus appears to be practicable. It may suffice to refer to Victor Nee's articles on China (1989, 1991) or to Gábor Vági's work on Hungary (1982). Szelényi also makes it clear—and expounds on it at length elsewhere (Szelényi, 1978)—that the primary source of social inequalities is to be sought in the currently dominant form of integration, while the rest of these forms might compensate for these inequalities. The argument for the compensative effect was in accord with the social scientific aspect of the reform discourse in which János Kornai named “bureaucratic coordination”, and András Hegedüs pinpointed centralized bureaucracy as one of the central sources of the systemic malfunction (Kornai, 1989 [1983]; Hegedüs, 2001[1965]). What does count here is that in this perspective Szelényi linked up economic redistribution as a form of integration with the problem of social inequalities, particularly the class differences between laborers and intellectuals. Though the intellectuals interested in market reforms discarded the idea of being members of the new ruling class, yet the interpretation that it was redistribution, the dominant form of integration that was to be blamed for social inequalities was accepted as plausible by many.

That the context of the dispute over the economic reform was not quite innocent can be variously illustrated. A participant in one of the polemics, Andrea Szegő largely built on Polányi from a social critical position (Szegő, 1977; Szegő-Wiener, 1976; see also Nagy, 1990). She raised in one of her writings (Szegő, 1983) in the effervescence around the reviving reform that the content of market reform was vague without clear positions taken on the property relations, and after the market reforms the swinging of the economic cycles widened, and the country's external indebtedness increased. Besides, tensions arose within the labor strata between those who concentrated their work on the first economy not working outside their companies, and those who also worked in the second economy. Szegő interpreted these developments as the outcome of the ideology and intellectual disposition of the reformists who wanted to get rid of the hierarchy's pressure with the help of the market, advocating liberal, and not humanistic values, and their interests were aimed to undermine the system slowly and not to revive it.

In defense of the reform, László Antal (1983) tagged this position as an ill-intentioned artificial accusation, refuting that indebtedness was an outcome of the market reforms, pointing out that other state socialist economies were also in debt although they did not experiment with market reforms. He doubted that differentiation within the labor class could be well expressed by the dichotomy of skilled workers only employed by the first economy and unskilled laborers working in the second economy as well. Szegő's argumentation reminded Antal of the rhetoric of the class struggle in the early days of state socialism and he thought she was not far from becoming the *ouvrierist* advocate of the *cadre* elite voicing dogmatic-sectarian views. In Antal's view an economic system based on the model of unhindered market economy—which Szegő envisioned as the secret goal of the reformist intellectuals—was an unrealistic ideological formation which in itself is incapable of integrating society either in Hungary or, for that matter, in the advanced capitalist economies.

3.2. *Economic and welfare redistribution*

In his writings Iván Szelényi further elaborated the social implications of embeddedness and the forms of integration, explaining the effect the system-integrating redistributive mechanisms exert upon social inequalities. He has put Polányi's thoughts to scrutiny and concluded that there is no *ab ovo* inegalitarian motif in the market, just as redistribution was not inherently equalizing. At the beginning, as mentioned earlier, his emphatic thesis was that the dominant economic mechanisms were responsible for the social inequalities in the first place. Therefore, in state socialist societies inequalities were mainly produced by the redistributive mechanisms, and the market mechanisms played a compensatory role. He argued that in capitalist societies it was the other way round: the dominant institutions of the market generated the inequalities and redistribution had the compensating effect (Szelényi, 1978). Revising the effects of the Hungarian reform, he modified his views in the mid-1980s. In a co-authored article with Róbert Manchin they concluded that the market—e.g., the housing market—had some compensatory effect, but it also produced certain mechanisms that generated inequalities (Manchin and Szelényi, 1986). Eventually, the redistributive and market mechanisms did not moderate but conversely, amplified each other's impacts.

Manchin and Szelényi disagreed with social reformist Ferge's thesis that "for welfare politics, the more redistribution the better." To their mind, a better solution was for market reformers and social reformers to work out a common platform, which would clearly *differentiate* between *economic redistribution* and *welfare redistribution*, the former obviously meaning the inherent integrative mechanism of the planned economy of state socialism, and the latter meaning the compensative mechanisms of social policy institutions. During economic redistribution the state as the owner wishes to appropriate maximal surplus, while it manifests its responsibility toward the citizens in welfare redistribution.

Arguing against this position, Zsuzsa Ferge expressed her doubt about the validity of the tenet that the dominant integrative mechanism was the prime source of inequality in any society. In her view, it is neither the market, nor redistribution that determined the inequalities of life chances, but the relations to property, power, and knowledge, as these were the elements that influenced politics, the market, and redistribution. She left open the question what the relations to property, power, and knowledge depended on. Her data revealed that inequalities increased since the launching of the reform, and after the slowing of the reform, they decreased. She experienced again that money allowances—amounting to 60% of welfare redistribution—did have an equalizing effect, however, allowances in kind did not have any in the mid-eighties. She also established that in both the East and the West the less equalizing redistribution was, the greater the scarcity of the given commodity or service would be, the higher its value, and the greater its significance for the maintenance of the social status quo. She mentioned higher education, special medical treatments, and, as specific to Hungary, housing. She thought the statement about redistribution attributed to her was intentionally misinterpreted. She claimed that it ought to have been clear that she meant welfare redistribution from the start. And that, in turn, must have influenced the chances of the joint platform of market

reformers and social reformers, for the advocates of the market reform opposed plans for welfare redistribution from the beginning, irrespective of their contents (Ferge, 1986).

In later analyses of the post-socialist transition Széleányi used combinations of forms of integration (see e.g., Széleányi and Kostello, 1998). A balanced thesis of the interrelation of integrative forms and inequalities says that the complementary forms are alternative sources of inequalities, which may, but do not necessarily have any compensatory effect. In his retrospection Széleányi gives vent to deeper skepticism, saying:

‘Both systems are bad as they are, within both there are possibilities for correction (...) if the actors of society want to carry out correction. These corrections will benefit certain strata or classes, but others will have to pay the price of the corrections’ (Széleányi, 2015: 93).

3.3. On double dependence

Similarly to Polányi, who in 1943 saw the real alternative between *laissez faire* and *regulated* economy, the “varieties of capitalism” Literature over half a century later proposes paths to explore the types of contemporary market economies interwoven with threads of political and cultural effects. This analytic approach puts firms into the focus and basically distinguishes two models, that of the *liberal* and the *coordinated* market economy (Hall and Soskice, 2001; Estevez-Abe et al., 2001; Krippner and Alvarez, 2007). The former is closer to the Anglo-Saxon economy, the latter to the continental European, first of all German, type of economy. In the former, greater weight is laid on market competition, on arms-length contractual relations between the actors, on the publicly controlled sources of financing and the fluidity of the labor market. The prevalent form of compensating and binding the managers is the stock option scheme. Less emphasis is put on the interest protection of employees, on technology transfer among the firms, while hostile takeovers in business life are tolerated. In Polányian terms this model is closer to a type where exchange, supporting market institutions and *laissez faire* ideological values prevail and are complemented by a less developed welfare redistribution. It is to be added that presuppositions and certain research findings of the new economic sociology do not support this image of the liberal market economy model (Uzzi, 2005).

In the coordinated market economy model in addition to competition, conciliatory moves have a greater role, obligational relations between the actors are more important, and the rights of the employees, particularly of skilled labor are more powerful. In the education of labor, the training of firm-specific skills has a more emphatic role in addition to general competence. The form of binding the managers is not so much the stock-option scheme as the advantageous long-term contract. The limitation on publicly accessible information on financing is counterbalanced by the monitoring of reputation, and technology and know-how transfer between firms is more frequent. On the whole, compared to the great role of minutely detailed enforceable formal contract in the liberal market economy model, in the coordinated

model competition is conditioned by an intention to exchange information at several levels and to reach agreements.

A group of authors (Nölke and Vliegenthart, 2009; Drahokoupil, 2008; 2009; Bluhm et al., 2014) tend to justify the existence of a third type, the model of the *dependent market economy* applied to the East European economies. Coordination and control in this type are realized within the intra-firm hierarchy of transnational firms and investments are largely financed by internationally owned banks or in FDI form. I argue however, that we are facing *double dependence* here. One basis of dependence is undoubtedly the presence and predominance of transnational companies. The other basis is economic redistribution of the budget and the EU resources. *Market, dominated by transnational companies* on the one hand, constraining and promoting *economic redistribution* on the other are the two major coordinates shaping the chances of economic actors.

A conceptual clarification note is appropriate here. The term of double (dual, or twin) dependence appears in social sciences in different contexts, with different meanings. In a study—based on empirical evidence on farm workers in California and miners in South African countries—Michael Burawoy (1976) applied the term of twin dependence on the description of migrant labor. In this context the term refers to the fact that employment and family household belong to different economies or different states. Theoretically it reflects the separation of subsistence and renewal of migrant labor. What appears to be cheap in migrant labor is due to legal regulations preventing full integration of migrants, separating them from their families. All these lead to the externalization of social and political costs of employment according to Burawoy.

After the Hungarian economic reform János Kornai (1986) mentioned that state-owned firms in Hungary operated under the conditions of dual dependence: horizontally they depended on suppliers and customers, vertically on bureaucratic coordination (among others on price control).

József Böröcz (1992) enriched the concept from another angle: he applied the term on the external constraints of semi-peripheral state socialist societies depending economically on the core countries of the world economy and politically on the imperial center of the Soviet Union.

The common element of these approaches is that they take into consideration how economic and political conditions and institutions shape the action potential of collective economic actors. In this broad sense we share the common element of viewing double dependency as an interplay between economic and political forces. *Double dependence* rests here on the dual bases of *markets dominated by transnational firms* and *economic redistribution of the state*. The state does more than welfare redistribution or legal coordination of the economy. It takes an active part in investment, it performs group-specific interventions, which entails building up of a clientèle. A network analysis of enterprises has verified that relations between Hungarian parties and economic organizations outline patterns that can be demonstrated in a relatively early period of the post-socialist transition (Stark and Vedres, 2012).

Investments of the government and the state-controlled use of EU development resources are basically distributed according to the mixed criteria of political and

personal loyalty and competence. What we have now is the conflict-laden cooperation of two elements of double dependence: transnational firms and state redistribution. In addition to post-haste laws and orders, the arsenal of economic redistribution includes sectoral surtaxes and tax allowances, group-specific positive and negative discrimination, selective advantages and disadvantages.

The liberal, coordinated and double-dependent economic systems differ as to the recruitment patterns of economic leaders, as to how the criteria of competence and loyalty are combined in the principles of selection. Competence and loyalty are always present among the recruitment criteria of economic leaders, the question is the combination of their operational forms. In the liberal model, recruitment is dominated by the career patterns that document competence and management skills and display inter-organization changes. The corporative elements promote the importance of intra-organization loyalty in addition to competence. Under the conditions of double dependence, the influence of transnational firms also reinforces the aspect of organizational loyalty. In the recruitment of leaders economic redistribution takes political and personal loyalty as the most important criteria. These criteria often complement or overshadow the criteria of competence. Among incentives for managers, competitive wages and bonuses precede long-term contract or the stock-option schemes in importance. The firms in whose headquarters the rules of multilevel coordination are decisive do not insist on sectoral collective agreements here. Hostile takeovers are not infrequent against business partners, and the drive toward sectoral monopoly is also strong. From the perspective of radical social criticism it may appear that predator capital and the rent seeking state have come to grips with each other and it changes from time to time whether they are fighting or supporting each other.

During the Hungarian “small transformation” (Lengyel and Bank, 2014) of 1990 the state facilitated the dominance of transnational firms in the key sectors of the economy including banking via privatization. To win FDI, it competed with other states using selective incentives. First of all, it assured the foreign employers that their viewpoints would be duly responded to by labor legislation. This has provided the favorable combination of highly qualified labor and low relative wage levels in the long run for employers. Trade unions are weak and fragmented, the interest asserting potential of the civilian sphere is low. The broad public displays signs of apathy and responds more easily to populist rhetoric. What we are witnessing in Hungary under the rule of the conservative-populist government is in Polányian terms an *attempt to re-regulate the markets of fictitious commodities*: enforcement of public employment policy, centralized control over the land, increasing state ownership, surtaxes imposed on the banking sector, the price regulation forced on public utilities firms owned by transnational companies are clear signs of this. Critics emphasize that this is an ill-conceived attempt of *decommodification*, since it is interwoven with growing dependence on economic redistribution and strengthening of political patron-client relations as is exemplified by state investments and selective access to land. Patron-client relations fit into a paternalistic view with communicable messages from “salvaging the victims of predatory lending in foreign currency” to the “fight against high overhead costs”. People of lower status and qualifications with less defensive potential are more ready to think that their interests can only be protected by the state

and the constructed organizations, and not by themselves, their family, friends, or the alliance of people similar to them. The state thus appears as a key actor in both market building and in the defensive mechanisms. Under the conditions of double dependence, the defensive potential of a society, which Polányi regarded as the crucial element of the double movement, is weakened.

4. Concluding remarks and questions

There is a difference between old (substantive) and new economic sociology concerning the interpretation of embeddedness. New economic sociology's network type of embeddedness is embodied in personal and organizational ties. The Polányian vision of social environment on the other hand includes the state, social classes, and groups: the carriers of counter-movements of the society. The recent challenge for economic sociology is to combine empirical evidence on micro and meso level with macro analysis of economic systems. If the focus narrows to meso level networks, the embeddedness-disembeddedness distinction may lose its critical and explanatory power concerning macro level aspects, including state-market connections and international economic relations (so important to Polányi). Meso level investigations therefore may not substitute for the micro-macro link, but they can usefully supplement them. The Polányian substantive theory of embeddedness warns us that one should try to grasp the structural relations as well as motivations of the economic actors in their complexity.

Polányi was described by his contemporaries with two attributes that are hard to reconcile at first glance: he was seen as a prophetic figure and at the same time, a polemicist with a good sense of humor. The former undoubtedly left more of a mark on his writings, the latter was presumably exposed through the medium of the spoken word. Student leader, publicist, teacher and researcher—these mark different periods in Polányi's life, each with its specific features. That may explain why he wrote that one or another period boundary came as a surprise to him. But the motivational basis of the passionate interest in international politics and economy was constant throughout his life. His broad-ranging factual knowledge and concentrated absorption in his chosen theme did convince his listeners not only of the significance of the topic but also of the truth of his position. In a moment of pathos Polányi declared he owed everything to Hungary. What he indeed sucked up from the Hungarian trends of progressive thinking at the onset of the 20th century was only the penchant for problem-driven socially critical thinking. There is however a threat of two kinds of dogmatism here. One is that normative thinking might blindfold our sense of reality. The other is that conceptual tools and approaches of economic sociology—or, for that matter, any discipline—might become canonized. Evidently, the concepts and postulates must be duly clarified, as they are necessary and important tools of the accumulation of knowledge. But when the circle of the legitimate questions becomes closed, this might blur the responsiveness to problems.

What does all this boil down to? Economic sociology enriches our knowledge about economy and society, so the importance of our insight into reality that is deepened by this kind of research need not be underestimated. It may contribute to the evolution of a more realistic conceptual apparatus with the help of which we may

grasp reality more sensitively. It may also contribute to the strengthening of the foundations of humanist social criticism. The whole issue is, however, far more complex, for economic sociologists also have their postulates—e.g., about the economic institutions being socially constructed, embedded, and economic activity also being a form of social activity—, but it frequently remains hidden what sort of postulates the empirical investigations apply. The research concepts may also have broader social and political implications, but they are frequently misinterpreted. I argue that Polányi was not a critic of markets in general. That is one of the reasons why his intellectual influence was so important during the decades of market reforms in state socialist Hungary. He was a critic of the idea of the unregulated market economy based on commodification of fictitious commodities: land, labor, and money. Moreover, not only the market, but other forms of integration may also be relevant to understand the real structuring of contemporary economies. The study of economic redistribution can promote the understanding of state socialist and post-socialist transformation and may contribute to the interpretation of the processes of supranational integration as well. During post-socialist transformation a sort of double dependence has been formed. Markets dominated by transnational companies on the one hand and economic redistribution by the state on the other are the two major forces shaping economic actors' space for maneuver.

When the cognitive, cultural, and political aspects of embeddedness are put to scrutiny, an adequate working hypotheses can also be arrived at, or, to put it in interrogative forms: is there any inherent connection between variants of market economies and the specificities of the political regime? Is it true that a liberal market economy has affinities for majoritarian political establishments, while the coordinated type is closer to consensual political regimes, and if so, why? What kind of behavioral patterns and political institutions are associated with the model of double dependence? Are the political institutions of simulated democracy and an inclination toward authoritarianism necessarily in connection with the nature of double dependence and re-regulation of the markets of fictitious commodities?

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