Neoliberalism as a real utopia? Karl Polanyi and the theoretical practice of F. A. Hayek

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Abstract: This article interprets Hayek’s theoretical practice with the help of Polanyi’s framework. Hayek aimed at renewing liberalism after the interwar period, thus helping transforming it into neoliberalism, a real utopia instrumentally concerned with the political and moral economies underpinning markets. The distance between neoliberal theory and practice is less pronounced than it is sometimes assumed. The strength of neoliberalismo partially stems from a capacity to articulate an effort to think about real-world mechanisms with na effort to demolish, reconfigure or transform existing structures. Despite his failure to anticipate neoliberalism, Polanyi gives ample intellectual resources to critically interpret the tasks that neoliberals would collectively have to face at the theoretical level, in an epoch of ideological marginality, before their triumphal political deployment at the global level.

Keywords: Hayek, Polanyi, market, neoliberalism, utopia

Neoliberalism has been critically analysed by political economists with the help of the framework that Polanyi (1944/2001) developed to understand the long-term impacts of nineteenth-century liberalism, uncovering, in particular, the seemingly paradoxical relations between state power and market expansion. Mirowski (2009, p. 441) belongs to this tradition when he considers that the following quote by Polanyi (1944/2001, pp. 146–147) ‘deftly captured the dynamic’ that is at stake in neoliberalism:

The road to the free market was open and kept open by an enormous increase in continuous centrally organized and controlled interventionism (...) Administrators had to be constantly on the watch to ensure the free working of the system. Thus even those who wished most ardently to free the state from all unnecessary duties, and whose all philosophy demanded the restriction of state activities, could not but entrust the self-same state with the new powers, organs, and instruments required for the establishment of laissez-faire.

Neoliberalism, as every actually existing socioeconomic system, is, and must be, always embedded, not only politically, in terms of class power, but also institutionally (Cahill, 2014). This critical understanding of contemporary reality is often contrasted with what, following Dugger (1989), one might label the ideological ‘enabling myths’ propagated by neoliberal ideologues. These myths range from the defense of the apolitical and amoral nature of free markets, premised, respectively, upon the separation of the economy and the polity and upon an ideal of neutrality among different conceptions of the good life allowed by market activity, to the related and quasi-naturalistic idea that the self-
regulating market implies a disembedded order arising spontaneously out of the retreat of the state, thereby signalling its attunement to dominant human motives in a context of unavoidable scarcity.

In this context, one of the main intellectual strategies of many critical students of neoliberalism is best exemplified by Harvey’s (2005, p. 19) denunciation of its ‘theoretical utopianism’, reduced to ‘a system of justification and legitimation’, i.e. to an ideology that is meant to mostly hide the mechanisms at work in actually existing processes of neoliberalization. Other critical geographers, for example, have shown that the latter consist of ‘a tendential, discontinuous, uneven, conflictual and contradictory reconstitution of state-economy relations’, within a ‘politically guided intensification of market rule’ (Brenner, Peck, & Theodore, 2010, p. 184). This entails a methodological precept: ‘descend from the mountain top, moving beyond the interpretation of Hayekian encyclicals, and deep into the weeds of everyday market governance’ (Peck, 2010, p. xiv).

While capturing crucial dimensions of what is at stake in the history of neoliberalism and providing a salutary reminder not to reduce neoliberalism to ‘the high-church pronouncements of Hayek and his followers’ (Peck, 2010, p. xiii), an excessive attention to the contrast between its variegated institutional realities and the relatively uniform political myths propagated by neoliberal ideologues has at least one potential cost. By eventually losing sight of the theoretical practice of neoliberalism before its triumph, in general, and of certain facets of F. A. Hayek’s work, in particular, it overestimates the gap between neoliberal vision and the actual processes of neoliberalization. It is here claimed that the gap is narrower than is generally recognized and that it was implicitly anticipated by Hayek himself as an unavoidable feature of the eventual jump of any utopian blueprint to realist political action. As Peck (2008, p. 7) himself put it in his historical excavation of the original pronouncements, neoliberalism is, among other intellectual features, from the beginning ‘framed by the distinctively post-laissez-faire question’ of the much needed positive state interventions to reconfigure society in a certain direction. In an intellectual division of labour among critical scholars, some then need to stay on the mountain top and reinterpret attentively the encyclicals so that the original questions and answers given are not forgotten, even because their intellectual and institutional legacies are still with us.¹

It will be here argued that probing Hayek’s thought with Polanyian lenses before neoliberalism’s political triumphs allow us to underline the plasticity and robustness of a set of ideas in movement, containing constructivist elements from their theoretical beginnings. There is indeed an early recognition of, and reflection upon, the political deliberation that is required to institute a certain economy, with a certain relation to democracy. These are substantivist elements, centred around the role played by institutions, and in Hayek’s thought they are transparently, and one might say realistically, present from the very start in what was also explicitly an utopian project, in the sense of a project aimed at transforming reality in a certain preconceived direction.² Furthermore, the Polanyian lenses also allow us to see a neoliberal version of the double movement that is part of ‘Hayekian dialectics’ (Sciabarra, 1995), i.e. the contradictory interplay between antagonistic forces, where deliberation and spontaneity are intermingled in particular ways.

Despite the fact that there was never an explicit intellectual debate between Polanyi and Hayek and that in their works there are but a few and brief references to each other, it will be argued that part of the intellectual, and thereby political, strength of neoliberalism is rooted in the capacity of one of its intellectual leaders to think anew about some of the failures of liberalism and to take on board from the very beginning, as it were, some of Polanyi’s ideas.³ Reading Hayek with the help of Polanyi’s framework, as done here, offers other potential rewards. First, it shows how Hayek’s political economy, i.e. his analysis of the relation between state power and markets, can be thought of as if incorporating a neoliberal version of Polanyi’s notion of the necessarily embedded economy. Second, it helps uncover Hayek’s moral economy, i.e. his analysis of the relation between institutions and human motivations, showing that it incorporates a neoliberal version of the ‘reality of society’. According to Block and Sommers (2014, p. 228), Polanyi’s conception comprises ‘an ontological
statement about the social nature of human agency and the interdependence of our collective existence'; and so does Hayek's, I argue. Third, this reading of Hayek helps identify new convergences and further clarify divergences between two influential thinkers.

Hayek's real utopia

In an important addition to the burgeoning literature on Karl Polanyi, two of his interpreters have presented an account of how, in his work, the ‘tables are turned’ against the hegemonic ‘market fundamentalism’ through the reasoned denunciation that it is actually based on a utopian idea: the subordination of society to the operation of a self-regulating market (Block & Sommers, 2014, p. 99). Polanyi (1944/2001) defines economic liberalism as the ideology behind the ultimately ‘fictitious’ commodification of labour, nature and money, which are not, in their essence, true commodities. The market society envisaged is utopian in the sense that it was never an historical reality and it never will be. Polanyi is indeed very clear about the main thesis of The Great Transformation being ‘that the idea of a self-adjusting market implied a stark utopia’ since ‘such an institution could not exist for any length of time without annihilating the human and natural substance of society’ (Polanyi, 1944/2001, p. 3).

Given his influence, Hayek’s (1949) transparent plea for a ‘liberal utopia’, five years after Polanyi’s magnum opus, is used by Block and Sommers (2014, p. 99) as the main illustration ‘of the prescience of Polanyi’s rhetorical move’. Nevertheless, Hayek’s (1949) embrace of utopianism was a qualified one and his plea for a ‘liberal utopia’ has to be understood within the context of the two usages of the term throughout his work. Hayek tried to distinguish between what he saw as viable liberal utopias, which he praised, and unviable socialist utopias, which he criticized. He thereby retains the concept of utopia as something worth pursuing, as is visible in the following passage (Hayek, 1973/2003, p. 65):

Utopia, like ideology, is a bad word today; and it is true that most utopias aim at radically redesigning society and suffer from internal contradictions which make their realization impossible. But an ideal picture of society which may not be wholly achievable, or a guiding conception of the overall order to be aimed at, is nevertheless not only an indispensable precondition for any rational policy, but also the chief contribution that science can make to the solution of the problems of practical policy.

Despite his skepticism about the usages of knowledge to effect great transformations (Gamble, 2006), Hayek retains the view that ‘science’ can realistically grasp the mechanisms of the ‘overall order’ and use this supposedly objective knowledge to differentiate between impossible and counterproductive ‘radical designs’ and those that are viable and desirable. This is a very demanding project from an intellectual and political point of view. It was captured, in its positive dimension, by Hayek (1944/2006, p. 18) through a powerful metaphor about the nature of knowledge as power:

The attitude of the liberal to society is like that of a gardener who tends a plant and in order to create the conditions most favorable to its growth must know as much as possible about its structure and the way it functions.

Hayek then developed what he saw as a kind of real utopia, a way of contributing to a collective and organized project of renovating classical liberalism. For this, he tried to develop a realist understanding of the diversity of human institutions and their essential properties, an epistemological and ontological inclination he shared with Polanyi and which grounds the effort at their ‘partial reconciliation’ at the meta-theoretical level (Migone, 2011; see also O’Neill, 2001). A feasible market society, the utopia to be achieved, realistically required specific and demanding political and moral conditions, an institutional and motivational diversity, which science could help defining.
Neoliberal political economy

In his critical history of nineteenth century liberalism, Karl Polanyi uncovered the contrast between liberal discourses and their political practices aimed at effecting profound institutional transformations. This has inspired many recent critical readings of neoliberalism. But at same time, and much unnoticed in the secondary literature, he also considered that some of the strands of liberal discourse already acknowledged explicitly the spirit of a constructivist political economy: ‘if ever there was a conscious use of the executive in the service of a deliberate government-controlled policy, it was on the part of the Benthamites in the heroic period of laissez-faire’ (Polanyi, 1944/2001, p. 147). Polanyi concludes that there is one consistent position for economic liberalism and recognized that this position had its followers: ‘only such policies and measures are in order which help to ensure the self-regulation of the market by creating conditions which make the market the only organizing power in the economic sphere’ (p. 72). These policies presuppose a theoretical effort concerned with a form of embeddedness whereby polity or morality would be transformed into mere instruments devoted to the construction and ideological justification of a particular version of the market: it is as if ‘social relations are embedded in the economic system’, i.e. they are only justified if they contribute to the expansion of a particular version of that system (p. 60).

Polanyi has failed to anticipate the intellectual rise and political development of neoliberalism as a postwar phenomenon (Dardot & Laval, 2009). But it is also true that in his recognition of consistency within strands of economic liberalism there is an inadvertent, but keen, anticipation of some of the tasks in the domain of political economy that neoliberals would collectively face at the theoretical level. And this in an epoch of ideological marginality, before their triumphal political deployment: how to reinvent the ‘Benthamite’ tradition of interventionism in favour of markets in a new political and intellectual context.

Hayek’s neoliberal political economy is explicitly marked by an effort to pursue the task formulated by Bentham: ‘to distinguish between the agenda and non-agenda of government’ (Hayek, 1948a, p. 17). Hayek had already made clear that ‘the question whether the state should or should not “act” or “interfere” poses an altogether false alternative’ and the term laissez-faire was to be abandoned because it ‘is a highly ambiguous and misleading description of the principles on which a liberal policy is based’ (Hayek, 1944/2006, p. 84). In this vein, his initial answer was to mobilize the idea of ‘planning for freedom’ or ‘planning for competition’ (Hayek, 1939a/1997, 1944/2006), meaning the deliberate assurance of the institutional arrangements of an evolving market order. Hayek, like all relevant neoliberals, was then being consistent in the sense formulated by Polanyi.

For Hayek (1939b/1948) planning for competition involved political engineering with transnational ambitions, a blueprint for a system of ‘interstate federalism’. Ideally, it would be able to create a pro-market bias in economic policy, given the combination of socioeconomic and national heterogeneity and what could be labelled a supranational multi-level governance system whereby a single market and a single currency would be governed by a federal body somehow protected from the pressures of democratic politics mostly located at the now subordinated and constrained national level. The latter level would then be partially hollowed out, given the absence of relevant instruments of economic policy, while it would be exposed, through the freedom of movement, of workers, but mostly of capital, to selective pressures towards liberalization. This would be realized through a process of arbitrage on behalf of capital and through a corresponding process of competition between social formations: virtuous races to the bottom as it were. Meanwhile, without the cement of a national identity, a transnational agreement would be limited in its capacity to recreate the communitarian ethos that would limit and embed markets in a collectivist project (Hayek, 1939b/1948). Inspired by a Polyanian reading of political economy stressing the political power of original ideas, Streeck (2014) has recently pointed out that Hayek was an early exponent of the causal link between deliberate denationalization and the creation of a trend towards economic liberalization.
Neoliberalism, a term that appears in the late thirties, can from the start be thought of as a theoretical practice that aims at advancing institutional arrangements that favour a commodification bias in public policies. This predisposition is particularly effective when a post-democratic structure of constraint is in place at the supranational level compelling national polities to follow a path that leads to market solutions to an increasing number of problems. In a sense Hayek (1939b/1948) is an early theorization of a more robust type of multi-scalar structure, after the exhaustion of the Gold Standard or the imperialism of free trade that was so trenchantly criticized by Polanyi (1944/2001) in the inter-war period. Indeed, what Hayek feared – the disintegration of the capitalist world economy – Polanyi saw as an opportunity for the processes of extension of democracy to the economy.

Meanwhile, Hayek never wavered in his constructivist conviction that ‘government is necessarily the product of intellectual design’ (Hayek, 1979/2003, p. 152). Forty years after the blueprint for ‘interstate federalism’, he would propose a more detailed multi-scalar constitutional blueprint for a ‘limited democracy’, blocking social-democratic outcomes in the areas of progressive taxation or other extensions of democracy to the economic realm, explicitly doubting ‘whether a functioning market has ever newly arisen under an unlimited democracy’ and thus concluding that ‘it seems likely that unlimited democracy will destroy it where it has grown up’ (Hayek, 1979/2003, p. 77).

Hayek (1960/2006) had already established the rule of law as a way to generate principled lines between the agenda and non-agenda of government within a renewed liberalism (Shearmur, 2006). This strict understanding of the legal architecture needed for such a demanding endeavor was of such a nature as to be explicitly compatible with a rather undefined principle of ‘expediency’ allowing many other activities of the so-called service state, his alternative to the welfare state. The state was conceived by him as a ‘piece of utilitarian machinery’ (Hayek, 1944/2006, p. 80). Whenever Hayek poses the question of the state in his version of capitalism, he is then never consistently far from a circumscribed utilitarianism, i.e. from the Benthamite problematic of the instrumental agenda of government better able to institute markets.

When Hayek (1979/2003, p. 65) approvingly quotes Ludwig von Mises (1949) – ‘the pure market economy assumes that government, the social apparatus of compulsion and coercion, is intent on preserving the operations of the market system’ – it is clear that preserving those instrumental operations was a much more demanding task than Mises classical laissez-faire vision of the minimal state was willing to account for (Rodrigues, 2013a). And this is particularly so in the areas corresponding more or less closely to Polanyi’s ‘fictitious commodities’, where the visible hand of the state is unavoidable and the dilemmas it poses have to be clarified, going beyond classical liberalism and its supposedly simple and automatic institutional underpinnings. Money, for example, poses an acute problem once it is recognized that a return to the gold standard, and to the harsh discipline it imposed upon societies, is unthinkable (Hayek, 1937). Hayek then oscillated between the abovementioned demanding political project of monetary unification above the nation-state (Hayek, 1939b/1948), or purely decentralized and private monetary solutions below the state, as if, in the latter alternative, money could still be thought of as a commodity (Hayek, 1978/1990).

Beyond monetary dilemmas, it is also clear that the market economy had to be less pure, institutionally more variegated, for a variety of regulatory reasons. Indeed, Hayek recognizes that modern societies tend to multiply the areas where markets fail without public assistance, a veritable ‘Pandora box’ to use the apt expression of a libertarian critic (Block, 1996). These include unsatisfied basic needs that may undermine the political legitimacy of the market society, and that may justify, for precautionary reasons, a minimum income guaranteed by governments outside the market (Hayek, 1944/2006). That guarantee would even become more necessary given the diagnosed need of fighting trade-unions and at least partially recommodifying labour to ensure the functioning of market adjustments, since otherwise ‘the unions will prevent competition from acting as an effective regulator of the allocation of all resources’ (Hayek, 1960/2006, p. 238). Governments would also have to ensure some forms of so-called generic knowledge so as to diminish the asymmetries of
information among contracting parties or to help achieving more enlightened private decisions with intergenerational impacts, as in the exploitation of natural resources. In this context, Hayek (1960/2006) recognizes that externalities and other pervasive social interdependencies have to be managed, particularly in urban areas where property rights are more complex and intertwined. As Hayek (1960/2006, p. 194) acknowledged in a revealing synthesis of his political economy:

[I]t is the character rather than the volume of government activity that is important. A functioning market presupposes certain activities on the part of the state; there are some other such activities by which its functioning will be assisted; and it can tolerate many more, provided that they are of a kind which are compatible with a functioning market.

The concrete institutional expressions of this abstract concept – a ‘functioning market’ – would have to be defined within neoliberalism as a theoretical practice devoted to the political travails of assuring the institutional underpinnings of a market society. The already mentioned service state is a case in point: there are many goods and services, which should be made widely available, that private initiative through markets cannot efficiently offer, at least at an early stage, without the help from the state, (Hayek, 1960/2006). According to Hayek (1960/2006) the state should do this mostly through public financing instead of public provisioning or, much worse, through the monopolization of the goods and services in question. The goal should be ultimately the promotion of market competition and political decentralization could help in this: ‘Competition between local authorities or between larger units within an area where there is freedom of movement provides in a large measure that opportunity for experimentation with alternative methods which will secure most of the advantages of free growth’ (Hayek, 1960/2006, p. 230). This is of course coherent with the mechanisms already identified in Hayek’s (1939b/1948) article on interstate federalism, conceived as a process of selective centralization to promote an ideal of competitive decentralization. Hayek’s neoliberal political economy is multi-scalar in nature from the start.

The subordination of the non-market spheres to the diverse and complex requirements of the market sphere could not be entirely specified in advance. Once it is recognized the problem of the political legitimacy of markets and their institutional and legal malleability and the incapacity of economic actors spontaneously to acknowledge the social costs and benefits of their economic activities, given the existence of externalities and public goods, then the scope of state activities automatically increases. This shows that Hayek ends up being closer to Polanyi’s characterization of the paradoxical link between states and markets in capitalism: the development of markets might demand an expansion of the state. This eventual expansion has to be controlled and guided. It is its ‘character’ of the state, the nature of this political instrument, which is at stake.

Neoliberal moral economy

Karl Polanyi’s moral economy can be read as an effort to show simultaneously what the institutional conditions are that make certain individual motives prevalent and by what mechanisms a society solely based on selfishness is a utopian endeavor that is destined to fail (Rodrigues, 2004). Polanyi considered the plasticity of human motivations when he argued that ‘human beings will labour for a variety of reasons as long as things are arranged accordingly’ (Polanyi, 1947, p. 113), while simultaneously characterizing institutions as ‘embodiments of human meaning and purpose’, affecting those motivations that are prevalent (Polanyi, 1944/2001, p. 262).

Hayek’s moral economy also goes beyond the assumptions of liberal neutrality in political philosophy or the assumptions of homo economicus of neoclassical economics (Rodrigues, 2013b). This means that Hayek’s moral economy contains a double recognition: that ‘man is as much a rule-following as a purpose-seeking one’ (Hayek, 1973/2003, p. 11), and that social theory ‘starts from men whose whole nature and character is determined by their existence in society’ (Hayek, 1948a, p. 6). This is sufficient to distance Hayek’ work from an atomistic view of socioeconomic reality and
to make him further converge to Polanyi’s institutionalist position, including also the way in which the ‘agency structure dilemma’ is tackled (Migone, 2011). Despite their differences, in terms of the concrete causal mechanisms posited, ‘they both believe that agent and structure have an interactive relation that is not deterministic in either sense’ (Migone, 2011, p. 366).

Hayek focuses on the complex patterns of relations between human agency and institutions and argues that the identification of these patterns – ‘the kinds of circumstances which affect human action’ (Hayek, 1967, p. 232) – is part of the proper aim of the social sciences (Rodrigues, 2013b). Hayek then developed an embedded view of the individual dependent upon rules (Davis, 2003). Hayek’s (1948a, p. 12) rejection of the ‘bogey of the “economic man”’ operates both at the level of rationality and to a less recognized extent at the level of individuals’ motivations.

Indeed, Hayek’s neoliberal case for individual freedom through markets is based upon the idea of limited rationality; it ‘rests chiefly on the recognition of the inevitable ignorance of us all’ (Hayek, 1960/2006, p. 29), thereby downplaying to a certain extent the importance of human motivations (Rodrigues, 2013b). Markets are needed precisely because they generate prices that are considered to be unrivaled conveyors of information and incentives, allowing individuals to act also according to the tacit knowledge they possess about their own particular circumstances. This generates a learning process and a concomitant transformation of the way these market participants see the world. It is in this context that one can understand Hayek’s (1948b, p. 106) claims that market ‘competition is essentially a process of formation of opinion’, also nurturing, thanks to the ‘civilizing forces of commerce’, ‘eminently social virtues which smooth social contacts’ (Hayek, 1944/2006, p. 153). The selfish response to pecuniary incentives is a motivation considered to be adequate to the market sphere, but even there it is not enough, since it has to be tamed by an instrumental moral code, the so-called ‘commercial morals’ (Hayek, 1944/2006). In contrast to Polanyi, morality is valued in this sphere as long as it leads individuals to assume full responsibility for their results and to accept the rules, formal and informal, of the market society. Indeed, for Polanyi (1944/2001), markets can become immoral mechanisms, generating individual irresponsibility, particularly on behalf of those with power. Markets can hide from view the social costs that are generated by particular capitalist activities and then transferred to certain subaltern social groups.

Hayek’s political economy recognizes the potential existence of failures of the market, even as epistemic devices, in dealing with the social costs of economic activities (Rodrigues, 2012). This is one of the reasons why markets have to rely on non-market institutions. If this is so, it is crucial, according to Hayek, for these non-market institutions, particularly at the state level, to be entrusted to an elite, a selected group of individuals who must be intrinsically motivated and committed to a particular view of the common good, understood as the promotion as far as possible of markets or of market-conforming solutions to their limited failures. In a sense, Hayek’s moral economy has to distance itself from the idea that self-interest should be made universal: self-interest is not an adequate motivation for scholars committed to the production of expert knowledge or for judges and politicians who have to exhibit ‘probity, wisdom and judgment’ (Hayek, 1979/2003, p. 112) in their irreplaceable activities. The political and moral economies cohere, as Amable (2011, p. 18) perceptively argues, since ‘in the neoliberal ideology, ethical requirements for elite members may act as substitutes for people’s legitimacy’. This applies to Hayek who even hints that these requirements, which are also epistemic, for elites might be in accordance with, might even be nurtured by, the non-market character of the institutions in support of markets, hinting at particular connections between institutional pluralism and the diversity of motivations and knowledge which are absent from many neoliberal accounts.

Neoliberal political and moral economies: constructed and spontaneous?

Polanyi (1944/2001) considered that the plural countermovement of social protection against markets, therefore tending towards decommodification, was waging an imminently realist struggle,
mostly using the nation-state as its regulatory instrument, countering the social costs generated by certain forms of commodification. While Hayek (1944/2006) considered this countermovement to be induced by a history of insufficient exposition of many groups to market forces, together with the propaganda of socialist intellectuals, Polanyi (1944/2001) viewed it as a spontaneous reaction against liberal planning and its social costs. But both agreed that this trend was an important feature of the capitalism of their time, despite their almost symmetrically antagonistic diagnoses and prescriptions.

Hayek’s highly constructivist moral and political economy becomes even more visible if one is aware of his diagnosis about the resilience of the so-called ingrained political and moral atavisms behind anti-market initiatives (Hayek, 1988). Socialism was considered to be the most recent expression of a historically robust, but reversible, trend. It is here that Hayek tries to turn the tables against authors like Karl Polanyi: socialism is not only utopian, in the negative sense that this word can also have in his intellectual arsenal, but also conservative and ultimately reactionary; an expression of the longing for the ‘tribal group’, of which nationalism is for him a perverse but resilient expression behind all collectivisms (Hayek, 1976/2003, p. 134).

The perceived strength of collectivism can help understand why Hayek (1949) saw himself as part of a countermovement which had to be induced against all odds, which had to be utopian. But this utopianism required, as it was shown above, a theoretical practice deemed realist. Such practice was instrumentally concerned with the uncovering of the mechanisms better able to guarantee the political and moral embeddedness of markets within recognizably elitist institutions with a low degree of democratic participation and scrutiny.

It is in this combination of realism and utopianism that the most important antinomies of Hayek’s thought, in particular, and of neoliberalism, in general, can be pointed out. If, on the one hand, the role of human reason is never in doubt in deliberately forging arguments and (re)forming institutional arrangements so as to guarantee the conditions for the ‘liberal utopia’; on the other hand, the incomplete nature of human knowledge and the spontaneous order of market society is also present in the justification of that same market utopia.15

In Hayek’s own thought this latter dimension points to a somewhat different vision of the market society: a self-generating and self-regulating mechanism, which is separated from the polity and from morality, given its apolitical and amoral nature. The description of a market society as both apolitical and amoral is a facet of Hayek’s thought that manifests itself in the ‘twin ideas’ of spontaneous order and cultural evolution that are part of his meta-historical narrative. According to this, market society, or what he also labels ‘catallaxy’, is the result of ‘human action, but not the execution of human design’ to use Adam Ferguson’s formulation that Hayek often quotes (Hayek, 1960/2006, p. 51). Hayek thus seems to assume a process of cultural evolution in which the most successful groups are precisely those that have ‘stumbled’ on certain institutional arrangements and rules underpinning markets, and were able to preserve and improve them at the margin, benefiting from the crucial aid these market rules provide for individuals to behave as rational as possible within a morally-neutral means-ends framework.

What to make of this uneasy coexistence in Hayek’s thought of the spontaneous and the constructed? The former can be thought of as an ideological device directed at his adversaries, part of what Mirowski labels ‘Hayek’s playbook’, exposing the gap between an utopian ideological discourse destined for the ‘masses’, including efforts at naturalizing the social order, and realist practical reasoning, which inspires the elitist intellectual and political investments that would have to be made for a market-conforming moral code and market order to be instituted. With the help of Polanyi’s work, both Mirowski (2009) and Block and Sommers (2014) expose this feature of Hayek’s thought. But there is another interpretation available, according to which the spontaneous and constructivist views can be reconciled by rightly declaring the provision process to be unavoidably an instituted one, ‘the evolving result of deliberative and non-deliberative (spontaneous) elements’ (Samuels, 2002, p. 87). This is not surprising as most authors who have thought about the evolution
of social order have reached the same conclusion (Samuels, 2002). In the spirit of Polanyi’s institutionalism, Finn (2006, p. 123) articulates these two dimensions through a clarification of their respective places, warning that ‘we ought not to confuse the spontaneity within markets with the erroneous view that markets themselves are institutions that have developed spontaneously’.

With the help of Polanyi’s framework, it is then easy to find in Hayek’s thought, between the decades of the 1930s and 1970s, a clear identification of the multi-scalar order that one needs to construct in order to ‘induce’ a spontaneous order, i.e. to create the conditions more favourable to their formation (Hayek, 1973/2003, p. 41), while guaranteeing that market forces, properly framed, produce, unintentionally in the perspective of their agents, as it were, certain overall patterns, thus further entrenching neoliberalism. The promotion of international integration, at the supranational level, on the one hand, and decentralization, at the national level, on the other, were both complementary and instrumental (Hayek, 1960/2006). They would guarantee a desired institutional competition, arbitrated by free capital movements, reinforcing a selective discipline upon states, complementing constitutional rules. That spontaneity has to be constructed, with the help of a properly motivated and enlightened elite, while the construction of a social order has to rely partially on the spontaneous forces of society, is thus a conclusion that can be reached by probing Hayek’s thought with Polanyian lenses.

**Concluding remarks**

There are significant overlaps and zones of possible engagement between Polanyi and Hayek. The route followed here to underline this fact was one of reinterpreting Hayek’s theoretical practice with the help of Polanyi’s framework. Hayek aimed at renewing liberalism after the interwar fall, thus transforming it into neoliberalism, a real utopia instrumentally concerned with the political and moral embeddedness of markets. The distance between neoliberal theory and practice is less pronounced than it is sometimes assumed, given the institutionalist nature of the first. The strength of neoliberalism partially stems from a capacity to articulate an effort to think about real-world mechanisms with an effort to demolish, reconfigure or transform existing structures. Its combination of realism and utopia originated, among others, from an institutional goal whose implications Polanyi can help to grasp: an internationally integrated economy, to be achieved along new institutional lines, was one of the ways to limit democracy at the national level. In Hayek’s hands neoliberalism is a form of institutionalist political and moral economy that ends up recognising in its more transparent moments that the economy is always an instituted process, to use Polanyi’s famous formulation. At stake are the scales and normative goals of such a process.

Despite his failure to anticipate neoliberalism, Polanyi gave us tools to grasp critically its theory and some of the contours of its institutionalization, not to say some of its social costs. He was also aware of the final usefulness of utopianism in the liberal rhetorical arsenal, including the fact that ‘it enabled its defenders to argue that the incomplete application of its principles was the reason for every and any difficulty laid to its charge’ (Polanyi, 1944/2001, p. 149). Whenever the social costs of neoliberalism become clear this idea is never far away today. This is yet another instance of the manifold advantages of reading neoliberalism with Polanyian lenses. And this is even before denouncing its perversities and before thinking about alternatives to its ongoing hegemony.

**Notes**

1. Conceiving neoliberalism as a discourse, enlarging this notion to accommodate ‘a materiality that is both constituted by and constitutive of discourse’, as proposed by Springer (2012, p. 143), can also help to attenuate the aforementioned gap.

2. This does not mean that one is necessarily committed to an idealist position, to the causal primacy of ideas, but that one is attentive to the way neoliberals were consciously aware of the need for ‘ideational embeddedness’, to use Block and Sommers (2014) apt expression, as part of their original
arsenal. This implies for example that people ‘have to learn how to behave in particular market situations’ (Block & Sommers, 2014, p. 96). Hayek was convinced of the need to ‘influence people’s conduct by education and example, rational persuasion, approval or disapproval’ (Hayek, 1960/2006, p. 60). Persuasion is only part of a mix that must also include coercion, pecuniary incentives and a certain moral climate so that market-conforming motivations and actions can become hegemonic (Rodrigues, 2013b).

3. Hayek mentions Polanyi twice in his work. The first mention is made in an English edited volume of a collection of essays by German-speaking critics of socialism (Hayek, 1935). There he simply listed Polanyi’s articles in the twenties as among the most important socialist contributions of the Austrian phase of the socialist calculation debate. More than fifty years later, Hayek (1988) would again mention Polanyi to critique his interpretation that the prosperity of ancient Athens might have anything to do with the particular ways through which public authorities framed and controlled the activities of market exchange. Despite the considerable time lapse and the different context of the discussions, there are elements of continuity, which say much about their major concerns: the relation between government and markets and the role and nature of prices. Polanyi, in turn, also mentions Hayek twice: in a critique of what he perceived to be the ‘economistic prejudice’ of the slippery-slope argument of economic interventionism leading to political authoritarianism in Hayek’s Road to Serfdom (Polanyi, 1947) and in the critique of Hayek’s English translation of the first edition of Menger’s magnum opus (Polanyi, 1977).

4. By this Polanyi means the extension of the market mechanism to goods and relations which were notproduced, or do not exist, to be bought and sold:

\[ A \]ccording to the empirical definition of a commodity they were not commodities. Labor is another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power, which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance. (Polanyi, 1944/2001, p. 75)

The market cannot function properly here, or at least not without severe limitations, something which the ‘liberal creed’ is said to be incapable of recognizing. Indeed, the liberal idea of subordinating all spheres of social life and all institutions to the needs of the market mechanism is based on a ‘commodity fiction’, a ‘postulate that cannot be upheld’, but which can be influential to the point that all political efforts can be oriented by it so as to effectively shape the economy in perverse directions (Polanyi, 1944/2001, p. 76).

5. By contrast, in Polanyi’s work the word utopia is always used with a negative connotation, as akin to a dystopia.

6. The expression ‘real utopia’ is taken from Erik Olin Wright’s collective project, systematized in Wright (2010), trying to renovate the socialist imaginary in a context of a protracted crisis for that political project, envisioning an anti-capitalist and socialist strategy capable of articulating normative commitments to utopian post-capitalist ideals with an attention, deemed realistic, to empirical issues of institutional design and their feasibility. These are to be arbitrated by scientific knowledge available about institutions and their impacts. One can reinterpret Hayek’s project (1949) as searching for the same kind of articulation from an opposing camp more than fifty years early: a way of renovating an anti-socialist and liberal strategy, which was perceived at that time to be intellectually and politically against the main ideological trends of the epoch.

7. Hayek’s federal blueprint (1939b/1948) has recently been valued as important anticipation of several mechanisms at work in the European Union, explaining the resilience of neoliberalism there. This has been done by both neoliberal and Marxist historians: see, respectively, Gillingham (2003) and Anderson (2009).

8. See Miller (1995) for a critique of Hayek’s anti-nationality views and for a defense of the importance of the principle of nationality for a decent society, which actually recognizes the validity of Hayek’s diagnosis of national fellow-feeling as a precondition for collectivist projects.

9. Hayek was obviously not alone in this endeavor. In this, he was following Robbins (1937) explicit institutionalist plan to recreate a world economy through a supranational polity that limited the reach of democracy.

10. These alternatives were already framed in his early struggle against ‘monetary nationalism’ and the international instability and inflationary trend it supposedly generates (Hayek, 1937).

11. For textual evidence and critical analysis in all these areas, see Rodrigues (2012).
12. Hayek (1960/2006), for example, supported Friedman’s (1955) plan to institute a state-financed voucher system, combining a certain public financing of education with its private provision through market competition between schools.

13. This is an instance where Mirowski’s (2008) remark should be particularly noted: not all neoclassical economists are neoliberals and not all neoliberals are neoclassical.

14. One of the mechanisms through which endogenous preferences are manifested in Hayek’s thought, and more generally in neoliberal thought, is through the idea that markets tend to foster social virtues, an idea with an ancient historical pedigree (Hirschman, 1977, 1982). Polanyi, of course, shares with Hayek the view that preferences are indeed endogenous, but the emphasis is put on the corrosion argument, to use Hirschman’s (1982) taxonomy: the expansion of markets by promoting myopic selfishness tends to erode the moral foundations of a decent society (Rodrigues, 2004).

15. For an analysis of Hayek’s thought with this antinomy in mind, see, among others, Gray (1998), mobilizing Polanyi for this task.

16. This, of course, includes Polanyi. The interesting distinction then appears in the usages and emphases given to the spontaneous and constructed elements, an aspect I shall not pursue here. Worth mention, though, that it is on these issues where Hayek and Polanyi thoughts become almost mirror images of each other.

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