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Jérôme Maucourant

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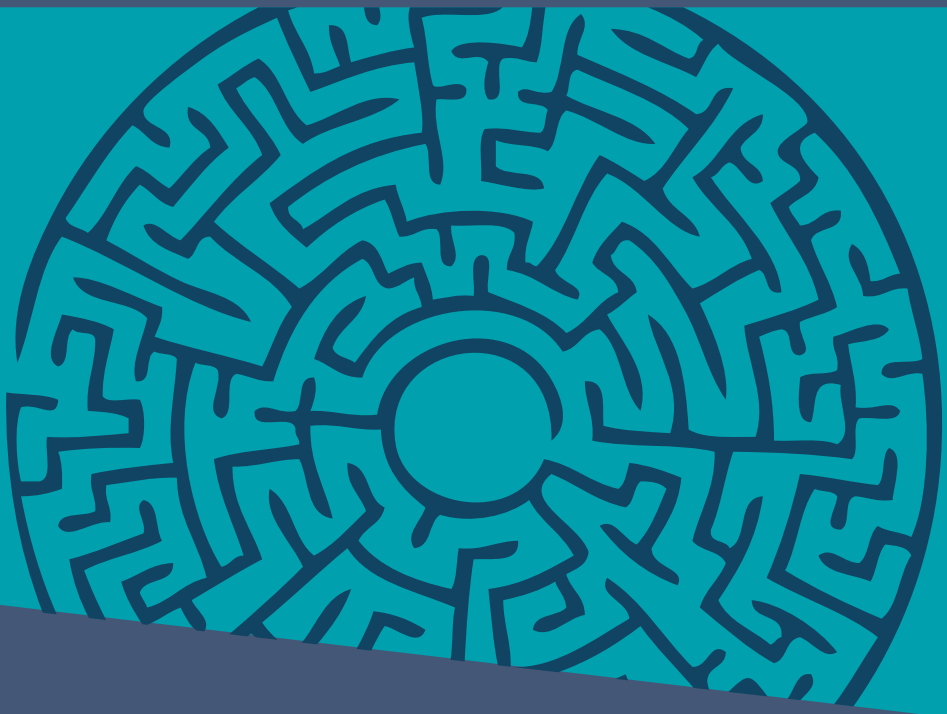

New Understanding of Capital in the Twenty-First Century

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Ivan Matić

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Jérôme Maucourant*

University of Saint-Etienne

MONEY AND MARKETS: LIMITS OF THE MAINSTREAM CRITIQUE

Abstract

A key argument of Karl Polanyi's work is that market society needs policies to emerge, develop and survive, money being an essential institution in this process. But, fictituously transforming that which was not made to be sold into commodities, such as man, money or nature, entails unexpected effects, as State interventions. This total subversion of the liberal view enables new perspectives for understanding the crisis of 2008 and the continuing crisis of the Eurozone. Furthermore, it could highlight the usual critiques of many leftwing thinkers. Actually, they were blinded by the apparent success of globalisation during the 1990's and the cosmopolitical rhetoric of neoliberalism. The case of European Union and Euro is interesting because these social machines are labs of neoliberalism. A time is coming when the consent of free trade and a single currency – which unites many neoliberals, far leftists, "socialists" and some trade union leaders – must come to an end.

Keywords: *money order, Euro, fictitious commodity, Karl Polanyi, Institutional analysis, mainstream Critique, globalism*

* maucourant.jerome@wanadoo.fr

Introduction: an institutional analysis

The current crisis, which began during the summer of 2007, has multiple dimensions. Firstly, it is a moral crisis due to the spirit of excess, which governs the world of money, has encountered rising social disapproval. Next, a political crisis as democracy seems powerless to regulate the economy for the common good. Finally, a crisis for economic thought because theoretical conceptions and practices in this field are evidently obsolete. Nonetheless, historical perspective and the reasoned art of comparison are two useful elements in understanding the most contemporary phenomena, and this understanding is a necessary condition for any action with long-lasting effects. The comparative approach proposed here implies an institutional approach: not everything is possible and history reposes on political choices. To that end, let us remember that social life is based on ideological and normative entities – institutions – which express social compromises and collective preferences. We are not, however, prisoners of current trends inherited from the historical movement, because knowledge of the institutions that are so socio-historically determinant is the source of success for political invention.

It turns out that our contemporary difficulties lend themselves relatively well to comparison: the turbulences of the summer of 2007 led to the second global crisis of capitalism, the first having occurred in 1929. It goes without saying that technical, environmental, and cultural conditions have changed considerably since then. However, there is a common trait between the two periods, a strange idea across the span of the human adventure and characteristic of Western modernity: the voluntary submission of a society to a system of self-regulated markets. The very sense of liberal policy in the 19th century was to submerge society in economy, even though the socio-economic systems that were known until that time embedded the economy in society. When Sovietism began to decline at the end of the 1970s, "neoliberalism", under American leadership, merely updated this project that first belonged to the British empire a century and a half previously. We will demonstrate that capitalism needs policies to emerge and to continue, money being an essential institution in this process; and we will underline the weakness of *mainstream critique*, especially in Europe.

To begin, we will expose the nature of the market society, which fictitiously transforms that which was not made to be sold into commodities, such as man or nature. Secondly, we will emphasize the role that money plays as an institution in the dynamics and deadlock of the market society; the self-regulating market system seems indeed to be a utopia and this system must be surpassed in order to achieve a *good life*. Third, and finally, conclusions will be drawn from this description about the dynamics of market societies: the critique has to liberate itself from the myths spread by the ideology of Capital, even though it is itself hidden behind cosmopolitical rhetoric. Viewed in this way, the European Union cannot be considered as a kind of "progress", as we are at a moment in history where this notion has become problematic and because this "union" is a form of neoliberalism, the aim of which is to destroy the very idea of politics and solidarity. The Euro example is of particular interest. The Euro crisis, indeed, provides a way to investigate the mediation between the economic and political realms; this crisis also enables us to criticize the illusions that are common amongst some leftwing thinkers.

1. The role of money in "market society"

In the majority of human societies, the motives driving people to produce a way to ensure their material living conditions are the consequence of a certain number of social obligations. These obligations are linked to kinship, honor, the functioning of social hierarchy, and in certain cases even political rivalry, aesthetics, or religion. The economic system is thus generally *embedded* in social relations (Polanyi 1944, 46). It is a completely different case in our societies.

1.1. "Fictitious commodities" and the case of money

In the market society (such as that which was created in the West two centuries ago), "the fear of hunger and the hope of gain" became "motives for participating in production" (Polanyi 1947, 111). This development, already highlighted by Marx and Weber, is linked to the commodification of a certain number of social relations. At the end of the Feudal Era, a land market was

progressively formed[1]. This means that nature, which is not made to be sold, was treated as a commodity under the name "land": this is a pure fiction. A few centuries later, at the dawn of the Industrial Revolution[2], mankind was treated in the same way under the name "labor", that is to say, ultimately as a "fictitious commodity". The fact is that goods markets are an ancient thing but the fact that "factors of production" (humans and nature) entered into the world of commodities is a sign of a revolution: from then on society was embedded in the economic system. This is why the "market society", globalized by the British Empire during the 19th century, is singular: no other society had ever before used the fear of hunger and the lure of gain as determinant incentives for production.

Of course, money seems to be organically linked to the business world and yet, it is also a fictitious commodity, just as land or labor, as money was not created to be sold. Thanks to anthropological discoveries in the 20th century, we know that societies could have had highly refined monetary systems at their disposal even though markets did not exist or were insignificant. The reason for this is that the monetary institution regulates very complex statutory non-economic obligations within these societies. Tributes, fines, levies, and also "foreign" relations between groups, and sacrificial requirements are at the source of using money as a form of payment. Money thus has a *symbolic* dimension: *alliance*.

Moreover, when the economic origin of monetary uses seems obvious (through debts), it is indeed the extreme precariousness of living conditions which leads to livelihood loans: the entrepreneurial spirit is not the root cause of debts. (Renger 1994).

Money, as a unit of account, is thus first of all a means of social codification which gives an institutional measure to obligations

1 This pivotal moment in Western history took place towards the middle of the 15th century. See Bois (2000) and Braudel (1985).

2 This phenomenon took place during the latter half of the 18th century, which does not mean that it was integrated easily into institutional coherence to assure its viability. Polanyi cites the year 1834 (which saw the introduction of the *Poor Law Amendment Act*) as a point of dynamic convergence between the effects of both liberal capitalism and the Industrial Revolution. It is interesting to note that in his work, Douglass North talks of a delayed start to the lasting growth of per capita production, following the transition from *Natural States* to *Open Access Orders*: aligning with Polanyi's studies in discontinuity with regard to the rapid emergence of a true "market system". It is also worth noting that North abandoned the celebrated "transaction costs" (the use of which earned a "Nobel Prize", a tool which in the past should have allowed him to overcome the challenges posed by Polanyi's analysis … See North, Wallis, and Weingast (2009) et North (1977).

between humans, social groups or between humans and gods; then, as a means of *payment*, it *appeases* relations, as etymology indicates. The market society seized on this largely pre-commodity institution, which dates back thousands of years, to create a means of exchange. Nevertheless, despite its non-mercantile origins, money has been completely transformed by its use within markets, and the question of its origin is considered of little importance by an author like Ludwig von Mises (1949). From this perspective, the only issue that matters is that money facilitates economic exchanges in complex societies. The necessity of exchange is hence at the origin of the function of money as a unit of account and a store of value. Polanyi's "genetic" reflections on monetary function would therefore be of little interest in explaining modern economic structures.

Has our modernity really expelled any political and symbolic dimension from the institution of money? If money is a pure market institution, it is legitimate to remove money from the influence of political power. It would also justify printing European Central Bank notes with no reference to historical figures, events, or monument referring to the European culture. In other words, it seems that if market society is the world of the "icy water of egotistical calculation" (Marx and Engels, 1948) it would be possible to institute the society by the logic of self-interest. However, even during the gold standard, this golden age of liberal capitalism, money was not this commodity that was more exchangeable than others (to the point that it was liquidity itself). Indeed, as Polanyi wrote: "Now the institutional separation of the political and economic spheres had never been completed, and it was precisely in the matter of currency that it was necessarily incomplete; the State, whose Mint seemed merely to certify the weight of coins, was in fact the guarantor of the value of token money, which it accepted in payment for taxes and otherwise. This money was not a means of exchange, it was a means of payment; it was not a commodity, it was purchasing power; far from having utility in itself, it was merely a counter embodying a quantified claim to things that may be purchased" (underlined by Polanyi 1944, 196).

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Nowadays, transforming dubious private debts into State debts or money (another form of State debt) is easy for countries (Sapir 2012) like the US, because it sees itself as a political community. The main creditor of the American Treasury is no longer China but the Federal Reserve System, an American institution. Such a monetization of debt would surely cause endless problems if money was merely an image of commodity, as supporters of European neoliberalism believe. On the contrary, it took a long time before the European Central Bank dared to give in the use of *quantitative easing*, the practice only becoming effective in 2015 some seven years after the crisis.

1.2. The double movement: about some paradoxes

As the case of the monetary system during the *Belle Epoque* illustrated, the separation of the economic and the political is thus an illusion. That being said, this utopian belief in an autonomous functioning of the economic sphere produces "effects of reality", to refer to Pierre Bourdieu's expression. We note however that these behaviors, beliefs, and institutions resulting of this utopia will not necessarily make a viable society. Treating entities as commodities, which they are not, necessarily leads to *perverse effects* involving forms of social self-protection. An uncertain dialectic, the *double movement*[3], is born from this commodification *movement*, to which *counter-movements* of protection-institutionalization – necessary for the perpetuation of nature (land), humankind (labor) and money

3 Polanyi (1944, 76) described in this way the "social history in the nineteenth century".

(society)[4] – respond. Policies aiming to "*liberate*" "*market forces*" clash with the following evidence: "For the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this peculiar commodity" (Polanyi 1944, 73).

As for money, it is striking to note that in spite of the ideological delusions relating to competitive currencies, which have been in place until now, repeated crises led to the US instituting a central bank in 1913 even though they had been reluctant to do so for a long time. This was followed by a true monetary policy in 1919[5]. Long before this, the British had already rationalized the gold standard system as much as possible. Conscious organization of declining prices through rising interest rates ensured that the constraint of converting gold into national currencies was not an economic disaster. Undoubtedly, the liquidation of the "least efficient firms" was the price to pay for this policy (Polanyi 1944, 195) but the national Central Bank thus isolated the internal economy from dangerous exterior shocks. Because monetary policy is a form of social protection, Polanyi wrote: "social protection was the accompaniment of a supposedly self-regulating market" (Ibid, 102).

When active liberalism clashes with reality, unexpectedly rising forms of social self-protection from all social strata can take the form of collective compromises sanctioned by the State. This makes capitalism tolerable and paradoxically ensures its viability in a given space for a certain time. We understand that capitalism is condemned to the continued expansion of its space, in an *extensive* or *intensive* way. Otherwise, capitalism could collapse under the weight of the regulations which are its paradoxical condition of possibility. However, little by little, counter-movements hampered the self-adjusting capacities of *One Big Market*[6]. As for the end of the

4 Polanyi did not state it explicitly, but we owe it to Jean-Michel Servet to have logically pushed this point of reasoning (Servet 1993). Nonetheless, this reasoning only applies when there is a monetary order (Maucourant 2005).

5 As explained by Commons, after the First World War the Federal Reserve System attempted to ensure the success of the State note by offering banks the possibility of benefitting from a lower discount rate than that offered to the commercial paper market (if these loans were secured by the State note as collateral). This rate became the market reference rate. This was the birth of modern monetary policy in the United States. See Commons (1934, 593)

6 Following Hawtrey, Polanyi (1944, 72) wrote: "In practice this means that there must be markets for every element of industry; that in these markets – and they are numberless – are interconnected and form One Big Market".

19th century, Polanyi (1944, 218) remarked: "Less and less could markets be described as autonomous and automatic mechanisms of competing atoms. More and more were individual replaced by associations, men and capital united to non-competing groups. Economic adjustments became slow and difficult. The self-regulation of markets was gravely hampered" (Polanyi 1944, 218).

However, let us not be mistaken on the nature of these hindrances in market mechanisms: the suppression of these cannot eliminate inherent tensions in the market society, as these hindrances themselves make capitalism coherent and viable in the medium-term. This reasoning presupposes a specific type of technical, demographic, and ecological constraints which are imposed on capitalism: any modification of these data could give further impetus to increase or depress the dynamics of capitalism. But, what of the supposedly "self-adjusting" capacities of the market, if they mean that the cost of labor must be lowered below a vital standard of living or a certain cultural level incompatible with human dignity? After the Great War, it became impossible, according to Polanyi, to reduce the value of human labor as in the heyday of liberal capitalism, when inhumanity was rightly denounced by Marx[7]. It has become clear that the economic sphere is not an autonomous domain of society as the liberals thought.

At this stage of reasoning, it is worth remembering that no society can survive if its political and economic functions do not align in any way. This is why, disappointed by a democracy that was too weak to regulate the economic order held by the owning classes (Polanyi 1932, 354). The masses increasingly turned to the idea of fascism, which continued to increase in popularity at the end of the 1920s and reached its height in 1933. For Polanyi, fascism was a modality of the *Great Transformation*, this major change which suppressed the old competitive capitalism. From contradiction, which turns to antagonism between the economic and the political, fascism can be defined as the absorption of the political by the economic.

7 This was the belief of Polanyi, writing in the 1930s. However, starting from the in the 1880s, workers began to resist strongly any reduction in wages during the depressions. The unionization of the workforce forced capital to become concentrated, which gave rise to a new age of capitalism. See Dockès and Rosier (1983).

Polanyi thus wrote: "The fascist solution of the impasse8 reached by liberal capitalism can be described as a reform of market economy at the price of extirpation of all democratic institutions, both in the industrial and political realm" (Polanyi 1944, 237).The liberals' opposition to any form of intervention accelerated the rise of authoritarian demands: "Freedom's utter frustration in fascism is, indeed, the inevitable result of the liberal philosophy, which claims that power and compulsion are evil, that freedom demands their absence from a human community". (Ibid, 257). Liberalism, as a policy and as a representation of the world thus contains in itself a fascistic drift, which it is often reluctant to recognize and which explains the strong hostility of certain liberals to Polanyi's works. It is evident that only violence can create a type of society that liquidates political rights. In these conditions: "human beings are considered as producers, and as producers alone […] Representation is accorded to economic function: it is technical and impersonal" (Polanyi 1935, 393). Fascist corporations absorbed a good part of the "Political State" specific to the traditional liberal system.

And yet, how was a community formed in this fascist world which was as dehumanizing as it was hyper-modern? Let us not forget that collective mentalities were shaped during the Nazi period: the importance given to the role of the producer implied a "worry about output and efficiency" as the great German historian, Norbert Frei, wrote, that was still "useful" during the reconstruction of Germany. This simple reminder shows the extent to which inhumanity can be inscribed in the industrial developments which came from a market society. Polanyi never ceased to insist on this point, much to the displeasure of a number of liberals (Maucourant 2011, 205). In this radically reified world, German fascism produced community by the exaltation of race, as other totalitarian forms can do with religion. This type of ideology attempts to deny history by finding a purity *before* history. Politics, understood as a common space in which men can discuss and construct their destiny, is denied in the name of a mythical life where even a personal conscience has no place.

Capitalism, which emerged from the *Great Transformation* in the 1930s, was much less liberal than its predecessor. A certain

8 In French in the text.

number of factors explain these facts: the fragility of the European economies, which would not have supported the shock of a rapid liberalization of international flows of capital, and the serious Soviet threat, which was not without effect regarding the position of labor in the existing balance of power with the capital. It is clear that the consolidation of social rights and the continued rise of wages were crucial ways to fight against the Soviet influence. This was characterized by the relatively self-centered aspect of growth, which allowed the emergence of State control. In South Korea and Japan, only marked governmental interventions (various policies to promote and protect national capitalisms) were able to hatch out prosperity there where it was strategically useful.

2. Crises of the market society: an institutional point of view

The very success of the Keynesian era itself paradoxically allowed a qualitative modification to update what Polanyi called "the reactionary Utopia of Wall Street" (Polanyi 1945, 89). The evolution towards the second market society is, in part, an *involution* allowed by a certain number of factors occurring during the three decades from 1980-2010: the trans-nationalization of markets, the mobilization of unskilled labor disqualified at the global level, the dismantling of protections which caused the emergence of dynamic capitalisms in the South, the transition towards capitalism in the East, and the coming of age of new information and communication technologies. Thus, this "American inter-century"[9] actualized the potentialities that American hegemony contained which, in 1945, claimed to come back to British heritage. However, as we will try so show, society must satisfy the payment of a set of debts which are essential for the perpetuation of social relations; and, as was the case for the British Empire, the present crisis of American hegemony (obvious in 2008) comes from an impossibility for the global market system to ensure the payment of theses debts. Money thus appears to be a sociopolitical institution regulating political conflicts that structure society, because these debts have a meaning in term of class.

9 To take a notion used by Jacques Sapir.

2.1. Rise and fall of the social foundations of the first market society

2008 marked the immoderation of the capitalist spirit which, in its financial and global form, only found a limit by collapsing. Without the massive intervention of the State, of which Neoliberals never cease to deplore the excessive importance, the human and economic consequences would have been much worse than in 1929[10]. Many economists recognize this fact. The rise in public debts to a large extent showed what needed to be paid as the price for the wanderings of finance and the greed of "vested interests", as Veblen called them. On the other hand, if private debts had not been monetized massively, and if public spending had not offset the collapse of private demand, we would have undergone a prolonged deflation of prices and a profound depression of the "real" economy. The 1930s illustrated this case in point: the plethora of contracted debts thus reinforced clearance sales which were necessary due to the shortage of money. Moreover, the fear of inflation was a source of fascism.

Rereading Polanyi allows the structural homology of the two crises of the market society, to be illustrated in a rather fascinating way: by maintaining the social base of liberal capitalism after the Great War, European nations instituted *de facto* a set of debts to benefit various social classes. Here it is worth outlining an overlooked aspect of Polanyi's thinking as expressed in 1933 in "Der Mechanismus der Weltwirtschaftskrise" (Polanyi 1933). In the defeated countries, where the dominant classes were weakened, wages rose in order to fulfill promises of war or to avoid revolution. The same applies to agricultural protectionism which sustained the income of farmers who were a pillar of the bourgeois order. Hence the tendency toward the inflation of debt. Equally, in intention to satisfy the upper classes, this was the return to the gold standard and the complete freedom of circulation of capital, in victorious countries such as the United Kingdom. In this respect, the return to

10 It is extraordinary to see how those who were aware of the lessons provided by economic history could be so blind in 2008: consider, in particular, Ben Bernanke. As Jacques Sapir pertinently notes, their conviction was, down to the last minute, that "*the market must be saved by the market*" (Sapir 2008). So Lehman was left to go into bankruptcy, then, faced with the collapse of AIG, Harry Paulson (Secretary of the Treasury) and Bernanke instigated a large-scale change,

the pre-war gold parity implied an enormous elevation in financial revenues. This is achieved through acting as if inflation caused by the war had never happened and raising financial income, that is to say the cost of capital. International credit, which became more receptive to political demands than in the past, that postponed European imbalances (Polanyi 1933, 347).

However, while the new elasticity of the financial system postponed the resolution of the structural problems, they did not solve them whatsoever[11]. In effect, the rise of debt allowed numerous European countries to not pay off their previous debts and America to have some illusions about the value of its debts. On the two sides of the Atlantic there were *short-term* mutual benefits. By controlling European immigration and customs duties, the United States enjoyed an "unseemly elevated" standard of living, as if the gains from American exports – that are consequences of the war – could not be retroceded. Indeed, an increase in migration movement would have tended to lower the standard of living somewhat. In fact, the United States wanted to benefit from the advantages brought by the war in Europe without paying any price[12]. It would have been better for America to abandon its war claims, even if that meant lowering living standards through tax levies. Another way would have been to keep debts in exchange for a more generous immigration policy, which would also lower average living standards. And yet, "America not only maintained its debts, but also granted Europe enormous new credits to safeguard them". (Polanyi 1933, 348)

11 "Only those who have forgotten the European cry for American help in the long years of repeated financial, economic and last but not least political crises, can contemplate the bitter alternative of a refusal of the Americans to extend credit. However, the Americans offered no serious resistance to European enthusiasm for boundless credit expansion. Accusations levelled at Wall Street regarding excessive and wasteful South American loans, applied in part also to American credits to Europe. As in South America, Europe is witnessing the dire economic consequences of the postponement of the crisis by artificially enhanced consumption, and excess dependence on credit by debtors and creditors, alike" (Polanyi, traduit de l'allemand par Kari Polanyi-Levitt, 1933).

12 "It due also to two interventions which isolated the United States from the effects of crisis in the rest of the world: high external tariffs and the closing of the doors to immigration. Without these measures, the poverty of Europe would have spread to the United States, and the resulting new equilibrium would have settled at a mid point between living standards in the defeated continental states and their high level in America. The United States could free itself from European economic pressures only by shutting out cheap labour and cheap imports. This is the fundamental reason for the unilateral flow of gold into the United States. It was the only means of payment which did not reduce American living standards" Polanyi (1933, translated by Kari Polanyi-Levitt).

In these conditions, the British policy of ceding to the demands of creditor classes regarding the Pound was inadequate: appreciation of the Pound implies an unworkable drop in interior prices. And the policy of lowering wages proved to be a failure in 1926: this year was a year of severe social crisis in Britain. Therefore, to avoid a fall in the Pound, the dollar needed to be less attractive. Supporting the Pound demands a difference in interest rates between London and New York: this was the goal of the American "Cheap Money Policy" in May 1927. As a result, the English imbalance was passed on to the US, according to Polanyi. Even if inflating debt was no longer encouraged through monetary policy by February 1928, the process of indebtedness and market craziness went so far that the liquidation crisis was unavoidable. As soon as the US ceased its credits, the process of liquidation was set in motion, which provoked the credit crisis in 1931 and the monetary crisis of 1933. To sum up, Polanyi estimated that perpetuating the war and maintaining social order during the interwar period imposed new balances of power. And this created debts in which accumulation was not compatible with successfully converting gold into money. The system's policy of the most powerful creditor – the United States – had thus serious consequences. The will to maintain a certain type of financial income and to strictly control immigration constitute one of the origins of the global crisis of 1929.

2.2. The deadlock of the second market society

In the same way that the 1930s liberals accused the lax monetary policy of the 1920s of having caused the crisis of 1929, the neoliberals claim that the economic ills of our time are the fruit of a failure of complete capitalist logic, the obsession with full-time employment having politicized capitalism and hampered its capacities to self-adjust. Retrospectively (most of the time), they accuse the governors of the central bank of laxity and incompetence and they feel that the *new economy* of the *roaring nineties*, thanks to new technologies and globalization (that is to say an unprecedented rise in competitive pressure worldwide) constituted the best of worlds finally ruined by political incompetence. In reality, the Neoliberals reasoned *as if* cheap money policies and the proliferation of debt were not inscribed in a structural necessity proper to a

global market system: in order to maintain sufficient growth, a huge rise in the debt at the heart of world system was necessary. Indeed, if globalization had not been unequal at the heart of the system, the rise in debt would not have been necessary. And without this stimulus of the global demand, the power of the global elite would have been seriously and dangerously contested. In brief: debt is tied in with the present class domination. However, this overall dominating framework had *economic* consequences.

It is this essential point that we wish to demonstrate. This means that if the United States made a decision in favor of a social protection worthy of their power and refused the facilities of market finance and the so-called "free trade", this credit madness would not have been necessary. One of the current reasons which made this inflation of debt necessary, through rising inequalities, is free trade: particularly in the United States, this created wage deflation, which went against the common opinion of the past twenty years[13]. The famous Chinese surpluses, counterpart of a part of the American trade deficit, simply express a mode of a deindustrialized and financialized accumulation (Gréau 2008).

American growth before the crisis thus owes a lot to the "progress" of financial techniques, hiding the consequences of excessive debt in the short term, and to globalization, which allowed demand to be maintained thanks to the tendency of lowering prices. This was an unavoidable result of redistributing productivity gains to a very narrow social stratum.

Orthodox discourses, often as hypocritical as retrospective, denounce bad financial practices, disguising the fact that these are a decisive component in the globalization which they glorify. Without spreading their debts throughout the world, without making their debts increasingly liquid, American banker capitalism would not have developed its lending with the energy that we are accustomed to. Without a financial market as attractive as it is inventive, the United States would not have benefited from global saving, and worldwide growth would never have been sufficient in

13 Paul R. Krugman (2007) wrote: "What all this comes down to is that it's no longer safe to assert, as we could a dozen years ago, that the effects of trade on income distribution in wealthy countries are fairly minor. There's now a good case that they are quite big, and getting bigger". In so doing, P. Krugman distanced himself from the mainstream economics that he supported, fifteen years previously.

this world system that is polarized around the US Dollar standard. How can we seriously denounce the supposed blindness of the central bank's governors[14], even though they do nothing except make the dynamics of capitalism possible: at a critical moment, this necessitates cheap money and State guarantees for mortgage credit that facilitates loans. These governors do not have a mandate to test economic stagnation, nor a depression, assured that the "invisible hand" would function well in the "long term". This is because during this experiment the very foundations of the market society would be shaken or even destroyed. It was thus the global constraints of actual existing capitalism and not the supposed errors of a Chairman of the Board of the Federal Reserve System, judged to be too focused on democracy, which set the parameters of monetary policy. Lamenting the rise of private debt by making out as it if it were not inscribed in the necessities of the economic system of the 1990s-2000s, as Neoliberals have a tendency to, comes back to wanting to follow the market society pipe dream without ever paying the cost of its perpetuation.

From this point of view, the examination that Polanyi proposed for understanding the Great Crash of 1929 is useful for

14 The Neo-Austrian position demonstrates the most radical expression of this thinking (in order to explain the supposed erring of monetary policy in the 1920s and 2000s). It is no coincidence that Gilles Campagnolo, one of the leading specialists on Carl Menger, and also a specialist on the work of Hayek, has written an article entitled "Pourquoi la crise ne dément pas Hayek" ("Why the crisis did not deceive Hayek"). He explains that he also aims at the deconstruction of neoliberalism made by Naomi Klein in *The Shock Doctrine.* Campagnolo recognizes that " the crisis demonstrates the limits of this mainstream doctrine. The Austrian vision, that of Hayek, if not that of other Austro-American sycophants of the "free markets", seems, on reflection, to present a distinct argument" (our translation). Indeed: the neoliberal world of the 1990s was not a pure image of the Hayekian utopia … Christelle Mougeot (2009) gives a different overview of this pro-Neo-Austrian perpective. Shortly after the crisis in 2008 in the *Revue Française d'économie* (a review for mainstream economists), the following could be found: "La théorie autrichienne trouve ses expressions empiriques dans des épisodes historiques. L'une des plus connues est celle de Rothbard [1962] qui se concentre sur la Grande Dépression et montre que l'expansion du crédit, mesurée par l'augmentation de la base monétaire américaine, fut à l'origine d'une expansion non soutenable dans les années 1920 et que la crise qui en découla fut aggravée par les efforts du gouvernement visant à empêcher la liquidation du sur-investissement. En d'autres termes, le New Deal a transformé ce qui aurait dû être une simple récession en longue dépression en retardant le retour à des procédés de production moins détournés. Les ressources qui auraient dû être réaffectées à des productions adaptées aux préférences des consommateurs furent, en effet, maintenues dans des emplois contre-productifs pour éviter les licenciements massifs dans les industries qui avaient connu le plus fort essor durant le boom. Cette politique économique, associée à une politique monétaire expansive, ne fit donc que perpétuer sur-investissement et mal-investissement et retarder l'ajustement inévitable de l'économi. Théorie et histoire fournissent ainsi des explications complémentaires d'un moment particulier" (This book of Murray Rothbard, published in 1962, is *America's Great Depression*).

seizing on certain dimensions of the collapse in 2008: the market society cannot function without debts, which express its social condition of possibility, (Maucourant 2011) and there is no "invisible hand" allowing social antagonisms to dissolve in the economy. Only institutionalized compromises which construct various forms of collective action and market mechanisms can stabilize class conflicts and other social interests, with a view to a *viable lifestyle*. In reality markets do not function in a social and cultural vacuum without institutions, which are the legacies of history and express balances of power. Contemporary market finance thus made growth possible, which the inequality of our times structurally requires according to rising risk-taking. In the short-term, this meant considerable private profits which in the medium-term implied a serious crisis and high socialization of costs. In 1929 as in 2008, market finance did not live on air and the whole society had to pay a high price due to it.

3. The new European order: the poverty of critique

3.1. The stalemate of European Order

We have previously explored the hypothesis that the separation of the political and the economic, a notable trait of liberal capitalism, is problematic. In certain circumstances, this institutional separation can take the form of a dangerous contradiction for society, seen as an absolute antagonism leading to tragedy, as no society can survive without the functional integration of the political and the economic. This contradiction haunted the financial crisis of the 1930s, just as it does the current crisis in Europe. The essential dynamic of Capital, its intrinsic absence of limits, implies, in effect, a necessary political framework. In this regard, the institution of money provides a form of regulation. Admittedly, money brings acquisitive violence but, as an institution, it provides a form of regulation for the excesses of social conflict.

To be precise, as a means of *payment*, or *appeasement* as has been previously discussed, the very principle of money implies a stabilization in the social relations relating to property. Evidently, times of inflation and deflation cause intense conflicts which go beyond the natural opposition between debtor and creditor. When the standard of value disrupted over a prolonged period, the class

contradictions can widen, leading to antagonism (as is the case with deflation), the order of public property itself can be threatened at its core (as is the case with inflation). All monetary systems include mechanisms for regulation, some more effective than others (however, sometimes they are completely lacking, and it is during these prolonged periods of crisis in which new monetary forms are created). As a result, money as an institution therefore *contains* violence in both senses of the word. (Aglietta & Orléan 1982) The politico-symbolic dimension of money, which is so often considered to be exclusively an economic institution, is fundamental and cannot be ignored by critics, particularly when considering the monetary stalemate of the new European order. And yet, the institutional separation of the political and the economic in this so-called (European) "Union" has been pushed much farther than it has been in the United States, which gives the events affecting Europe, especially in the South, a tragic aspect.

The reason for this state of affairs is twofold. Firstly, for a long time, the monetary constitution of the European Union was based on the refusal to monetize public debt; this time is in fact over, but the stability of prices remains the sole objective of the European Central Bank. It continues to tell governments to revive the economy through liberalization of the labor law and through debt reduction (of the States). In this way, budgetary policy is no longer relevant, it is effectively pro-cyclical. Political interference in the economy was therefore banished as far as possible. Then, the constitutional treaty (known as the *Lisbon treaty*), in place since 2009, definitively banned the principle of any "transfer union" (already evident from the *Maastricht Treaty* of 1992). No doubt: the institutional separation of the political and economic spheres is the dream of the European elite. On the other hand, even from the neoliberal American point of view, this type of monetary system seemed destined to fail, with good reason and supported by convincing arguments (Friedman 1997).

But, as we have seen, the national dimension of money is perfectly accepted in America, making tenable the monetization of public debt, which was a condition of the economic recovery[15]. On

15 In many respects, the scale of this recovery is, for good reason, debated and debatable. However, relative to the *global* stagnation of the European Union economy, the recovery is genuine. This does not mean that, from the point of view of the average person living in the United States, the

the other hand, Germany's refusal to implement such a policy, due to the absence of a European people, caused adjustments taking the form of deflation and migrations. In this way Germany was able to refuse this type of exchange founding a substantial political union, where payments made to benefit the South would be a compensation for future payments, allowing to absorb the growing wave of pensions required by this ageing nation[16]. This meant that there would be an intertemporal exchange of labor, characteristic of a political entity in construction. But, contrary to the ideologists of both right and left, we must acknowledge the facts: at the heart of the European Union, there is no confidence allowing for this kind of exchange, no feeling of solidarity which allows us to place bets on the future, no acceptance of the uncertainty of gift. All that remains is the cold demand for payment in cash.

From 1943, as for the issue of the economic relations between nations, Polanyi wrote (in a letter sent to Oszkar Jaszi) (Polanyi, cited by Geörgy Litván 1991, 260) that the gold standard implied that "the financial powers intervened in the internal affairs of every states, because in the area of gold standard co-operation was only possible if their internal systems were similar". Currently, it is the work of the European Union bureaucrats to align the socio-economic and social structures of countries with very distinct histories, regardless of the human cost. The first analogy which comes to mind is troubling. Moreover: "The new situation has some very practical important advantages: there is no need to force all states in the world into the procrustean bed of federation, because now it is enough for their governments to co-operate freely" (Ibid, 260).

standard of living is better but capitalism, as a system, has been able to socialize the losses and bounce back somewhat: and is this not after all the most important thing from the point of view of the ruling elite?

16 The esteemed economic journalist Romaric Godin, recently dismissed for his orthodox views, wrote the following in a newspaper: "Selon l'office fédéral des statistiques Destatis, en 2030, un tiers des Allemands aura plus de 65 ans, contre un cinquième aujourd'hui. Ce problème démographique, a souligné récemment Destatis, ne sera pas résolu par l'arrivée du million de migrants en 2015, quand bien même ces derniers demeureraient en Allemagne. Le "déficit naturel", solde entre les naissances et les décès, devrait, en effet, dans les prochaines années, se creuser sous le double coup d'une faible fertilité (environ 1,43 enfant par femme) et d'une mortalité renforcée par le vieillissement de la population. Cette situation pose évidemment un problème pour le système de retraite allemand, compte tenu de la baisse du nombre de cotisants au regard du nombre de retraités. Le problème qui risque de se poser est celui de la pauvreté des futurs retraités. Selon les prévisions de l'assurance retraite allemande, plus de 25 millions d'Allemands sont menacés de toucher une retraite inférieure au seuil de pauvreté en 2030" (Godin 2016, souligné par nous).

The second possible analogy using Polanyi's remarks is worrying: the European Union is, in effect, a form of the "ederation" denounced by Polanyi. In the Euroliberal world there is no free cooperation between partner nations but simply obediance of a series of rules which demonstrate the current hegemony dominant in Europe. In certain respects, these rules emerge from the ordoliberalism which is a form of liberalism specific to Germany[44] (Maucourant & Neyrat 2004).

And, the meaning behind the single European money: to reconstruct the "*procrustean bed*" of old liberal capitalism and liquidate the sovereignty of the people to profit that of the capital at the expense of the life of the nations, which does not correspond with the demands of this project. However, Euroliberal ideology may lose in the long run its capacity to organize reality if a long stagnation is the price to pay for the perpetuation of a single money. More generally, the Japanese nuclear disaster in 2011 added to the constraints weighing on that which for a long time has been a crucial factor in legitimizing the market society: growth. It is the end of an energy source that was cheap in a purely unrealistic way.

Therefore, in the Western world, the contradiction is obvious between political democracy and capitalist economy; that is what Polanyi stated at the start of the 1930s, which the ex-Secretary of Labor under Clinton, Robert Reich (Reich 2008) considered also true for our time. The events which are affected Europe, particularly in Greece, stem from this contradiction, which was pushed much further here than it was in the United States. The partisans of 'Euroliberalism' are without doubt satisfied by this singular *democracy without sovereignty*, which would protect formal rights by brushing aside the bad habits of popular will. Nevertheless, it is the submission of the political order to the domination of the economic order that is emerging under the guise of a technocracy dressed up as benevolence or necessity. The project for a single currency was carried out despite its lack of realism, and denounced by various economists[17]. It is the symptom of a strategy adopted by the European elite since the Werner Plan of the 1970s. This strategy consisted of an economic system stripped of interferences

17 See the works of Saint-Etienne (2011), Rosa (2011) and Sapir (2012), that are contemporary echoes of ancient warnings.

from democracy in a post fascist era. The gold standard was the institution keeping the economic away from the political during the era of liberal capitalism. Since the 1970s, this ideal of the market society has been embodied in the principle of the independence of the Central Bank. In Europe, its establishment was strengthened by the creation of a single currency. In fact, as the single currency should have been based on the German model after the Second World War, one would imagine that politics (which can be invested in by democracy) would be prevented from acting for the economy by using the money. This is what happened.

However, it must be acknowledged that despite this crisis and stagnation, the consensus surrounding economic liberalism remains strong. One hypothesis could be put forward: the nature of the discourse, which we often still characterize as coming from the "right", lies in its justification of the current economic system; its force is to convince people that all major changes would have such damaging effects that it would be better not to counteract the logic of the system. Within this rhetoric, any attempt of social transformation is counter-productive because of "perverse effects". According to this type of *Apologetics of Capital*, one must accentuate, even solidify, the essential traits of the system in which we are living, by virtue of the hypothesis according to which the crisis is caused by the obstacles preventing the strengths of the system from thriving. The solution to the crisis of capitalism, as we have seen, is more capitalism! The dominant characteristics of "economic science" is to feed this rhetoric. The reduction of the real world to the idealistic model of economic man, actor of a free and fair competition, would be, in this line of thinking, the key to success. Let us therefore dispose of the supposed "archaisms" of social democracy one might suggest. Here, the pro-Capital appeal harks back to an element of totalitarian rhetoric claiming that we have not yet reached happiness due to the weakness of too many men and the natural corruption which allows them to conspire against the truth revealed by "science".

Marx himself mocked these liberals who interpreted history as a State or collective conspiracy against the spontaneous forces of free trade. That the vested interests and their servant, the liberal right, use this rhetoric *ad infinitum*, even profiting from the social abyss into which they have thrown the population, to apply the

totality of their dogmas, is explicable. It is, however, stunning that the questioning of the European Union, its currency and its free trade credo, was strongly contested by a significant proportion of the leftist intelligentsia. The meaning of the previous demonstration was to show the necessary break from the ideology of free trade, which should be considered when a break from the current socio-economic logic is genuinely desired. In this regard, the dominant state of the criticism of our capitalist society – the *mainstream critique* – gets on its high horse as soon as the notion of *deglobalization* is brought into the discussion. This can be seen when discussing the works of Antonio Negri and Michael Hardt: authors who consider the process of globalization, destroying nations and States in its path, to have created the conditions of a new communism: this is the return of the *work of the negative* … But, here, this is just an intellectual way of confusing desires with reality.

3.2. The impasse of the mainstream critique

In this regard, it is worth noting that the renewal of the capitalist globalization movement, during the last decade of the twentieth century, provoked the writing of numerous essays on global unification which disregarded the social and political conditions of such a phenomenon. It was certainly difficult to deny that the power of the United States had become blinding. But this was considered to be correct as for political issues and, to the extent that America was subject to the mechanisms of the global market, this question of the identity of the dominant power was of little importance. The time had finally come for the empire of *doux commerce* which should bring about universal peace.

Despite the triumph of liberal thinking, there have been celebrated attempts to revive the communist ideal. In this way, with *Empire* published in 2000, Antonio Negri refused to mourn for his youth, attempting to write a *Communist Party Manifesto* adapted to recent times. This neocommunism had an important impact on many of those who had discovered politics after the fall of the Berlin Wall. Negri claimed that *Empire* – the political form of the global market – is born. Beyond a certain breaking down of borders and the liquidation of some States, it seemed to him that the state of technology of the 1990s allowed previously unseen

forms of cooperation, from which emerged a *de facto* communism. Therefore, to the progressives, he said: just wait a little longer! "Deterritorialization" would drive us to the best of worlds, without borders or States. As though the pre-communist world stage was personified through the European Union...

Hence the fervor of this new generation of progressives – these '*movementists*' for whom Negri was an inspiration – to defend the "European project". The theoretical value of these strange assertions was therefore nothing more than the return of the unrestrained economism at the heart of Marxism waiting to be renewed. The concept of revolutionary action in this brief post-modern era was, very mundanely, to vote for the 2005 European Constitutional Treaty! Let us not forget that this treaty provided neoliberalism as the foundation of a constitution and also instituted free trade as a rule and finality (in the name of growth) for economic relations outside the Union. It was a return to the mid-18th century and the Marquis de Gournay's proclamation: *laissez faire, laissez passer*.

As guardians of vested interests, these new "marquesses of the left"[18] had therefore profoundly weakened the efficacy of the critique by casting anathema on those who were still skeptical of the virtues of *laissez-faire.* But our new marquesses only revived Eduard Bernstein's revisionism, through which the movement itself was everything, the aim being insignificant. That this treaty was created by a 'Euroliberal' elite, who possessed a distrust of democracy inherited from Hayek, was not taken into consideration: had Marx not written that he had himself voted, in 1848, for free trade? Between 2005 and 2007 some French heralds of neoliberal globalization even focused their essays on Marx[19]. The curious result of all this was, at the heart of the vested interest and their supposed opponents, a disregard, contempt even, for the European people who were mainly in opposition to the proposed European integration. But democracy did not matter if the objective was communism! And following on from this point of view: there were the truly disheartening people, French as well as Dutch, who were essentially "racist" and "stupidly attached to their territories" – or worse, their land – whereas it was necessary to leave the capitalist disconnecting process operating…

18 Using George Orwell's expression.

19 As Jacques Attali and Pascal Lamy.

In reality, Greek and Spanish people emigrated, fleeing their devastated societies towards Germany, an aging nation which imposed on an entire continent a policy satisfying its own interests in a way that other national bourgeoisies could only dream of. For in that country, the consensus surrounding the ruling class is realized by the heightened precariousness of the job market. Prices are low as wages are well contained: order reigns.

With regard to America: if one believes Hardt and Negri (Hardt and Negri 2000, 178-79) in their best seller published in 2000, the Vietnam War "might be seen as the final moment of the imperialist tendency and thus a point of passage to a new regime of the Constitution". Three years after the book was written, which sparked passion in the left, the Iraq War started, which put these dreams of Empire and federalism back in their proper place. In reality, America launched itself into a classic operation to project its own power through an illegal war, with total disregard for potential chaos in the Middle East. Former leftists turned neoconservatives – in the way of "market Bolsheviks" – had without a doubt achieved their idea of *work of the negative*… All these facts bring a cruel denial of the school of thought which was to be the jewel of leftist thinking and which turned out to be the symptom of its fall. However, this thinking will have brought many useful tools to the neoliberal and 'euroliberal' projects regarding political demobilization and therefore diversion.

Conclusion – the uncertain color of our times

Polanyi, in his time, had already questioned liberal modernity, from which came the "fascist deadlock" (Polanyi 1935). Later, he opposed the necessity of the reasoned *habitation* of the world with the generated *improvement* of profit,[20] naming a chapter of *The Great Transformation*, "Market and Nature". In the same work he went on to write: "The dangers to man and nature cannot be neatly separated" (Polanyi 1944, 190) The crisis of modernity thus does not challenge a single *human* project (social democracy versus the market society) but rather perhaps the *world* itself and therefore the existence of mankind? The issue here was not to *live*

20 *Habitation versus Improvement* is the heading of chapter 3 of *The Great Transformation.*

but to *survive*, following the productivism implied through One Big Market.

In 2008, in the wake of numerous works, Frédéric Neyrat warned us that the notion of "risk", which is at the heart of the contemporary economy, was powerless to stop the catastrophic determinations of our world. Here, rising interdependence between economy and ecosystem renders the notion of "natural risk" meaningless; this is the nightmare of the economic science that still dominates. It is the end of the logic of insurance, linchpin of mainstream economics and numerous economic institutions, even if a rising socialization of direct and indirect private costs masks the end of the logic of insurance.

Numerous evolutions can be drawn. Either we persevere in the lethal logic of the market society or its false Chinese or Iranian alternatives, (Motamed-Nejad 2007, Maucourant 2010) models that are too often praised in counter-globalization activism.

Or, facing these 'neocapitalisms', we invent a 'neosocialism' based on the primacy of life and social ties, (Polanyi-Levitt, 1998). definitively moving that which is not produced to be sold away from the market domain. It is thus a question of the *limits of market* and the *collective appropriation of modes of consumption*, the old style of socialism being based on the centrality of social – or indeed state – ownership of capital goods. (Andréani 2011). In the absence of a global political alternative, the policy of settling, the creation of communities, can be substituted for State interventions to create social stability. Neoliberalism would also find a somewhat unexpected ally in its "forms of belonging to organic communities defined from kinship, ethnicity and religion" (Bugra 2005, 52). The ideology of global capitalism is a mixture has quite worrying effects, (Michéa 2007, 2011) which some critics of the market society do not understand. It is thus far from this seductive global capitalism, founded on the reality of indifference towards others and nature, that we must think and act differently.

The present contribution is therefore written from the perspective of *new socialism,* the material foundation of which would be an *economy for the common good*. Thus defined, this 'neosocialism' has nothing to do with Blair's New Labor (for which Giddens was an apostle) or the social liberalism which dominates the

minds of the leaders of the French Socialist Party. Because, with all due respect to the liberals of both the right and the left, whose conceptions are hegemonic, it is possible to think of something of the sort, a *common good,* if we abandon individualism as method and pathology. In this way we come back to one of the first occurrences of the word "communism" in 1706, the function of which was to refer to the common good, which did not imply Plato[21] or his caves or the Palaeolithic.

To invoke, in these times of cynicism and skepticism, a 'neosocialism' and its communist ancestry, is nothing more than to take seriously the current crisis which has laid bare the incapacity of Western political systems to embody their democratic pretensions. Critics must therefore draw consequences from two centuries of capitalist history and understand that it is useless to overtake Capital in its natural scope: movement. Socialism, as an antinomy to and an overtaking of capitalism, is the construction, from *counter-movements*, of institutions which rehabilitate conscious collective action (Mendell 2013). Against the shapelessness of Capital and all its excesses – its *hubris*, socialism is moderation, creation of political forms structuring the economy according to a democratically built design. It is in this regard tragic that the confusion of our times, the triumph of limitless consumerism and productivism, have made us forget the original meaning of the word socialism, which have to be remembered.

But, in order to make an efficient critique of market society, it seems necessary to cease scorning the European people, who resent the multiform upheavals of this empire of fluxes from which a select elite monopolizes the gains. In ceasing also, the affirmation that the speeches of politicians – themselves equally lost in the current chaos – are the *essential* reason behind the ostracizing of certain populations. And in taking into consideration the fact that an analysis of the *material causes* of the crisis – economic, technical and social – must be brought back into critical discourse. All too often sociologists abandon the ideal of *positive* knowledge to edify a system of *normative* ideals. It remains the work of geographers (Guilluy 2014) to tell us the process of secessions at work in the social structure. *Secessions* of winners who are quite capable of

21 A strange form of platonician neocommunism has indeed been developped by Alain Badiou.

causing the *sedition* of the losers: this is a possibility. Thus, the democratic order could be seriously affected.

To avoid this, we must finish – in Europe – with the consent of free trade and a single currency which unites many neoliberals, far leftists, "socialists" and some trade union leaders[22]. On the contrary, peoples need protections in the face of the excessiveness of Capital. However, a break with the present monetary order only makes sense if this institution is really serving society. Certain ultra-liberal strategies, in effect, go well with an extreme fragmentation of monetary systems, a way of spreading even further the field of competition. Nevertheless, whatever the difficulties of such a transition, it must be attempted! The power of money must be used for the protection of societies, not their brutalization. Institutions other than those brought about by the European Union must therefore be created. The problem of limited growth will force, elsewhere, increased audacity in this domain. As it is clear that the European question and that of market globalism cannot be treated seriously in political parties (which are going through a severe crisis), one question – among others – must be raised: that of expansion of the principle of referendum. Italy, for example, paved the way with its abrogative referendum. These are some of the markers of the audacity which we need when faced with the stalemate which has occurred.

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22 A new Eureopean way is possible; see Andréani (2012).

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