

Is Welfare State the Rearguard of the Polanyi's Counter Movement?¹

Refah Devleti Polanyi'nin Karşı Hareketinin Artçısı Sayılabilir mi?

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Abstract

After the Second World War, welfare states developed especially in the Western capitalist countries. In that regard, protectionist, interventionist policies became dominant and while the regulated market ousted the free market, the interventionist state replaced the laissez-faire state. According to Polanyi, counter-movement paved the way to the emergence of the welfare state. He defined counter-movement as a spontaneous societal reaction to the destructive effects of the self-regulating market on the society. In this paper, I aimed to argue whether the notion of "counter-movement" can explain the development of welfare state sufficiently on the basis of three discussions. Firstly, explaining the emergence of the welfare state as a result of the counter-movement ignores the importance of the social classes in this process because the counter-movement is not a class movement; this movement includes people from different economic and social strata. In this regard, I referred to the Social Democratic and Power Resource Theories. Secondly, while the counter-movement aims to protect the society from the destructive impact of the market system, the welfare state did not emerge for the protection of the society. Even if it provided important benefits to the working class, welfare state emerged in order to secure the capital accumulation in the long run. In this respect, I gave reference to the social control thesis and the crisis of crisis management thesis. Thirdly, while the objective of counter-movement is re-embedding the economy in order to protect society, the welfare state did not bring about a re-embedding of the economy.

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Anahtar Kelimeler: Polanyi, Counter-Movement, Welfare State, Self-Regulating Market, Embedding of the Economy.

Öz

İkinci Dünya Savaşı'ndan sonra özellikle Batılı kapitalist ülkelerde refah devleti ortaya çıktı. Bu bağlamda, korumacı, müdahaleci politikalar egemen oldu ve düzenlenmiş piyasa serbest piyasanın yerini alırken, müdahaleci devlet liberal devletin yerini aldı. Polanyi'ye göre karşı hareket refah devletini ortaya çıkarmıştır. Polanyi, karşı hareketi serbest piyasanın toplum üzerindeki olumsuz etkilerine karşı spontane gelişen toplumsal reaksiyon olarak tanımlamaktadır. Bu çalışmada amacım karşı hareketin refah devletinin ortaya çıkışını yeterli şekilde açıklayıp açıklayamadığımı tartışmaktır. Bu tartışmayı üç farklı tartışma üzerinden gerçekleştirdim. İlk olarak, refah devletinin ortaya çıkışını karşı hareketin sonucu olarak açıklamak toplumsal sınıfların önemini gözden kaçırmaktadır çünkü karşı hareket bir sınıf hareketi değildir, bu hareket farklı toplumsal kesimlerden gelen insanları içermektedir. Bu bağlamda Sosyal Demokratik ve Güç Kaynağı Teorilerine referansta bulundum. İkinci olarak karşı hareket toplumun kendini piyasa sisteminin yıkıcı etkilerine karşı korumasını amaçlarken, refah devleti toplumun korunması için değildir. Refah devleti işçi sınıfına önemli kazanımlar sağlamış olsa da refah devleti kapitalist sermaye birikiminin uzun vadede sürdürülebilirliğini sağlamak için ortaya çıkmıştır. Bu bağlamda, toplumsal kontrol ve kriz yönetiminin krizi tezlerine referansta bulundum. Üçüncü olarak, karşı hareket toplumun korunması için ekonominin toplumun içine yeniden yerleştirilmesini amaçlarken, refah devleti piyasanın toplumun içine yeniden yerleştirilmesini sağlamamıştır.

Jel Codes: P16,N30,N34.

Keywords: Polanyi, Karşı Hareket, Refah Devleti, Kendi Kendini Düzenleyen Piyasa, Ekonominin Yerleştirilmesi

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1. Introduction

Over the past three decades social scientists, especially those who had an interest in the international political economy, have been paying increasing attention to the works of Karl Polanyi. Particularly, social scientists' interest has been his claim that the restructuring of the economy according to the principles of the self-regulating market inevitably leads society to protect itself against the commodification of labour, land and money. As Polanyi (1944: 136) stated with his notion of the "double movement", the market was expanding perpetually but this expansion evoked a counter movement which was society's defense against the negative impact of market society. For Polanyi, this is because the attempts for disembedding of the economy from the society necessarily confronts social resistance.

In the era of post-Second World War, all over the world, a new economic order emerged. Protectionist, interventionist policies became dominant and while the regulated market ousted the free market, the interventionist state replaced the laissez-faire state. The starting point of this paper is Polanyi's thesis in *The Livelihood of Man* that the counter-movement which accompanied self-regulating market system for the social self-protection paved the way for the welfare state (1977: 48-50). Like Polanyi, Devine (2007: 34) claims that the welfare state emerged in the aftermath of World War II was the ultimate point of Polanyi's countermovement, in which society succeeded in effectively protecting itself from the worst effects of the free market by re-embedding economy into the society.

In this paper, my objective is, however, to argue whether the notion of "counter-movement" can explain the development of welfare state sufficiently. I will discuss this in three ways. Firstly, the social classes had an important role in the emergence of welfare state but the counter-movement is not a class movement, it includes people from different social strata. Therefore, this movement ignores the significance of social classes. Secondly, the counter-movement emerges for the protection of society from the devastating effects of the market system but it cannot be said that the welfare state was developed only for the protection of society. It indeed aimed for the sake of long-term continuation of the capitalist system. Thirdly, while the counter-movement aims at re-embeddedness of the economy in order to protect society, welfare state emerged after the World War II was not served for re-embedding of the market to the society.

In this regard, in the first section, I will explain Polanyi's notions of "embeddedness of economy" and "double movement". In the second section, I will briefly mention the historical emergence of the Welfare State, in the third section, I will focus on two approaches of the welfare state, namely Social Democratic Theory and Power Resource Theory, in order to reveal that the notion of counter-movement ignores the importance of social classes in the emergence of welfare state. And in the fourth section, I will concentrate on another two different approaches of the welfare state which are Social Control Thesis and the Crisis of Crisis Management Thesis, so as to demonstrate that the development of welfare state did not aim to protect society from the destructive effects of the market system but to provide long-term continuation of the capitalist system. And then in the fifth section, I will indicate that welfare state did not provide a shift of economy from disembedded to re-embedded in the post-war period. Finally, I will give final remarks in the conclusion.

2. Polanyi's Concept of "Double Movement" and "Embeddedness"

The notion of "embeddedness" is a key component in Polanyi's analysis of economic development. He formulated his well-known argument by comparing the 19th century's market economy with the ancient economies. According to him, market economy is a unique system for the reason that the economy is separated from social and political institutions. He states in *The Great Transformation* that;

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his sociological standing, his social claims, his social assets. He values material goods only in so far as they serve this end (1944:46).

As seen in this passage, for Polanyi in the ancient economies the individuals' economic and other actions were conformed to the social norms or institutions in other words individuals subordinated their actions to the social values and rules. Moreover, in these economies social institutions administered economic relationships. Redistribution and reciprocity had a significant role in the economy and to avert starvation and endow a basic income to individuals, the economy is mostly controlled by the society (Vancura, 2011: 13).

Polanyi described the move from an embedded economy to a self-regulated market economy as a gradual process that begins with the commodification of labour, land and money. Land,

labour and money are essential components of industrial production and “[s]elf-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (always including services) but also for labor, land, and money” (1944: 72). However, Polanyi made a distinction between real and fictitious commodities. Block (2001: XXV) explained this as;

For Polanyi the definition of a commodity is something that has been produced for sale on a market. By this definition land, labor, and money are fictitious commodities because they were not originally produced to be sold on a market. Labor is simply the activity of human beings, land is subdivided nature, and the supply of money and credit in modern societies is necessarily shaped by governmental policies. Modern economics starts by pretending that these fictitious commodities will behave in the same way as real commodities, but Polanyi insists that this sleight of hand has fatal consequences. It means that economic theorizing is based on a lie, and this lie places human society at risk.

As it is seen, according to Polanyi (1944: 76-77), human beings would grow into “socially exposed and dislocated objects of market volatility” through assuming the institutional status of labour as a commodity. Therefore, society feels the need for protection in order to reproduce its substantial components. This argument is the source of Polanyi’s powerful idea about the “double movement”.

According to Polanyi, hence attempts for disembedding the economy from society necessarily evoke societal reaction, market societies are governed by two opposed movements which are “the laissez-faire movement to expand the scope of the market, and the protective counter-movement which emerges to resist the disembedding of the economy” (Block,2001:XXVIII). This was conceptualized by Polanyi (1944: 138-139) as “double movement” and he defined the double movement as;

The action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and the landed classes—and using protective legislation, restrictive associations, and other instruments of intervention as its methods.

According to Polanyi, the effects of the first movement incited inevitably a societal reaction which is the counter-movement stemming from the instinctive desire of society at large to defend itself against the negative impacts of the expansion in the market economy. Self-

regulated market resulted in dislocations and the disruption of long-established social institutions hence it was inescapable that society at differing levels of political organization such as community, state, church, industry responded against this situation (Vancura,2011: 8). In other words, Polanyi explicitly stated that all groups in society participated in this counter-movement and this movement was for the self-protection of society. Different classes and organizations within the society resisted to the commodification process carried out by the extension of the market into every aspect of life. Moreover, the counter-movement was a spontaneous and unplanned response and for Polanyi, this protective counter-movement had to happen to prevent the disaster of a disembedded economy. Therefore, the counter-movement means a re-introduction of embeddedness of economy in the society (Block,2001: XXVIII).

In addition, the aim of counter-movement is to weaken the self-regulating market so as to protect the society as a whole. Polanyi states that “[s]ince the working of such markets threatens to destroy society; the self-preserving action of the community was meant to prevent their establishment or to interfere with their free functioning, once established” (1944:210). Therefore, for him, protectionist movement has anti-market nature. In his words, this movement was “antagonistic to the principles of the market” and “in the last analysis it was incompatible with the self-regulation of the market, and thus with the market system itself” (1944: 136). According to Vancura (2011: 15), this argument allowed Polanyi to develop his idea that the “movement” and the “counter-movement” personified two directly opposing principles.

Briefly, while the conventional forms of embeddedness of the economy in social institutions such as charities and guilds were disrupted by the first part of the double movement, the counter-movement, which was heterogeneous and spontaneous respond incited by the devastating effects of the market on the society, attempted to re-introduce new and more contemporary forms of embeddedness of the economy such as laws for minimum wage, trade unions and finally the welfare state (Vancura, 2011: 9).

3. History of Emergence of the Welfare State

Welfare state became dominant after the World War II but as Berend (2003:18-19) stated its root goes back to the late 1800's. In Germany, Bismarck introduced the world's first obligatory health insurance system in 1883 and after the health insurance system, in 1884, he initiated an obligatory industrial accident-insurance, and in 1889, he established the world's first pensions

and disability insurance system. These developments were not the outcome of the recognition of citizen's rights, however they were attempt to impair the mass-appeal of social democracy and these policies targeted completely at workers in industries. Bismarck sought to frustrate the social democrats by seizing their welfare programs because he quickly realized that his struggle against social democracy and suppressing The Social Democratic Party backfired and this party gradually grew into the largest political organization in Germany. Even though, the main idea behind these policies were not recognizing rights of the citizens, their international impact became astonishing. Denmark imitated the German example and also all Scandinavian countries initiated publicly funded health and accident-insurance system between 1891 and 1913 and they later established old-age pension system. Moreover, these countries extended welfare legislation in order to include all of the citizens.

Notwithstanding, the actual development of the welfare state expedited during the economic downturn began in 1929 called as Great Depression and the Second World War. Firstly, the Great Depression compelled the Western democracies to compete with the supporters of fascism and left-wing populism because of the high rates of unemployment and depths of misery which was unknown up to this time. During this period, President Roosevelt in the USA, where the welfare institutions had been unknown until then, initiated the social security institution but the first true welfare state emerged in Sweden in 1932 under the administration of the Social Democratic government. Secondly, the realization of the principles of social solidarity gained impulse with the World War II. Steinbeck, the famous American writer, worked as a military correspondent in Europe during the war noted that "simple people have learned a great deal...they want to be liberated from the slavery of wants, they want to have the state ensure that their children will have schools and their families have health insurance after their return from the fronts" (Berend, 2003: 18). Therefore, it is safe to claim that the European welfare state took its sources from the experiences of social solidarity and the misery during the depression and the world war.

The first comprehensive plan for welfare laws was prepared in 1942 by William Beveridge for the Churchill's coalition government. In the famous report, it was asserted that free health care should be provided to all citizens, all families must get child support, pension system should be established to provide a secure existence to the old age population. The all-embracing welfare legislation introduced between 1945-1948 in UK took its origin from the Beveridge Report.

After United Kingdom, Belgium, France, Switzerland and West Germany introduced similar welfare institutions. Citizen rights were reformulated by including the right for welfare support in these states. In addition, the scope of entitlements was constantly enlarged, the length of paid vacation was increased, working hours were constantly decreased and free medical care and free education were recognized as rights of citizens.

On the emergence of the welfare state, the impact of the cold war was also significant. Between the two confronting world systems, namely Capitalist Bloc and Socialist Bloc, in addition to the competition in the field of economy and military, there was also a competition in the field of welfare. Countries taking part in the Capitalist block tried to compete with the equality principle proclaimed by state socialism by creating “capitalism with a human face”. The welfare spending of the Western European countries augmented four times after the war. Minimum forty or fifty percent of the national income of these countries were spent for the welfare services. Moreover, introduction of high taxes and redistribution of the wealth provided for these countries to achieve social equality.

As seen from this short historical summary, the welfare state came into prominence at a time of battle with an economic crisis and the world war. And these welfare provisions provided a protection to individuals from the devastating effects of the war and the economic depression. Therefore, it is claimed that the European Welfare States that emerged during the post-war period was a result of the self-protection of society. Likewise, the welfare states are also perceived as a mechanism of defense against the self-regulating market because these states attempted to temper the free market by implementing the protectionist policies (Munck, 2006: 181). In other words, welfare state is considered as the outcome of the counter movement which has attempted to re-embed economy into the society in order to protect people from corrosive impact of the self-regulating market.

4. Importance of Social Classes in the Emergence of Welfare State

Polanyi in his famous book *The Great Transformation* conceptualized counter movement as a movement of society as a whole. Therefore, the counter movement is not a class movement. For this reason, explaining emergence of the welfare state in respect to the counter movement means the ignoring the importance of the social classes in that matter. According to Social

Democratic and Power Resource Theories, social classes are the main determinant of the development of the welfare state after the Second World War.

For Polanyi, counter-movement is a spontaneous reaction of society in order to protect themselves against the menace that the market causes. Self-regulating market is a threat not only for natural and human substance of society but also for capitalist production itself. Therefore, different cross sections of population are adversely affected by the self-regulating market and thus counter-movement involves people from different social classes. People belonging to various economic layers unconsciously collaborate to face the danger of the self-regulating market. Therefore, for Polanyi (1944), this counter-movement should not be boiled down to a basic form of class conflict. Even though this movement is mainly accomplished by social classes and their representative organizations, the real meaning of the counter movement is that individuals resist unconsciously to the dehumanizing aspect of the market system, with its production of the fictitious commodities. In other words, a self-regulating market leads to economic, social and cultural devastation. Against these effects, a variety of collective interests—including leading politicians, members of the landed elite, working-class leaders and public intellectuals— spontaneously participate into the counter-movement in order to re-embed the market.

In *The Great Transformation*, Polanyi stated that “class interests offer only a limited explanation of long-run movements in society. The fate of classes is more frequently determined by the needs of society than the fate of society is determined by the needs of classes” (1944:159). Moreover, the self-regulating market system affects the society as a whole, thus it requires a societal rather than a purely sectional counter-movement. Therefore, as Steinberg (n.d.: 6-8) noted, the counter-movement was largely conceptualized by Polanyi as “non-ideological and pragmatic responses to the disruptions of the market system” and Steinberg added that in Polanyi’s story, class interests are too narrow to be chief explanatory factors of the counter-movement. Furthermore, at the end class interests are so material rather than being moral and cultural, which are more concerned with integrity and standing in the community.

Accordingly, because Polanyi stressed that particular interests of social groups and classes are not determinant in the political assessment of the counter-movement and he conceived the welfare state as a part of counter-movement which is a spontaneous societal reaction against

the market society, it is alleged that Polanyi provided an apolitical theory of the welfare state (Ebner,2008: 29). While for Polanyi, welfare state emerged as a result of the counter-movement which is not a class movement, for social democratic theory, social classes especially working class had a leading role in the development of the welfare state and for the power resource theory, the balance of power between the capitalist class and working class is significant in the emergence of this state.

Firstly, according to social democracy, the victory of mass parliamentary democracy and the changing balance of social forces in favor of the working class had a vital importance in the development of the welfare state. The right to vote within the core societies of developed capitalism was expanded in the late 19th and early 20th centuries and this expansion generally corresponded with the rise of social democratic parties. This is the key determinant of the emergence of welfare state in social democratic accounts. Development of welfare state is best explained by considering the impact of the expansion of democratic institutions and political rights. The victory of democracy brought a new social and political order under which political authority exercised effective control over the economic power. The power of the organized labour increased and working class affected social and economic transformation by securing democratic control of the state with social democratic parties. The welfare state which intervened within the process of economic production and exchange to re-distribute life chances between individuals and classes was the result of the power mobilization of working class depending on levels of trade union organization, vote shares, parliamentary and cabinet seats held by left or labour parties (Pierson, 1998: 23-24).

Secondly, the power resource theory which proposes a different variant of the social democratic approach attaches independent power to social forces in the development of the welfare state. According to this theory, in the developed capitalist societies, there is a division between the exercise of economic and political power. It is stated that “the types of power resources that can be mobilized and used in politics and in markets differ in class-related ways” (Korpi, 1989:312). Therefore, the power resource in the economic sphere is control over the capital and mechanism for the exercise of this economic power is the labour contract. The capitalist class is the principle beneficiary in the economic sphere but power in the political sphere is vested in the hands of those who have strength in numbers and power is mobilized via the democratic process. Political power tends to favor numerically large collectivities particularly the organized

working class. In the developed capitalist societies, institutionalized power struggles are between the logic of market and logic of politics (Pierson, 1998:27) and “this tension between markets and politics is likely to be reflected in the development of social citizenship and the welfare state” (Korpi, 1989:312). When the forces of the organized working class are more successful, the welfare state becomes more entrenched and institutionalized and the allocation of resources through the market becomes more marginalized (Pierson, 1998:27). This theory is not a “one-factor theory claiming to explain welfare state development more or less exclusively in terms of working class or left strength” (Korpi, 1989: 312). However, this theory claimed that the relative power position of the working class against the capitalist has a central significance for the development of social policy. In other words, the weakness of right parties or capitalist class is also decisive for the emergence of the welfare state besides the strength of the leftist parties and working class. Therefore, the balance of class power is the most important factor in explaining the welfare state. It can be stated that welfare state development was a product of historical strength of working-class forces in continuing struggle with powers of capital (Pierson, 1998: 29-35). Briefly, according to power resource theory, the social forces have independent power in the development of welfare and the strength of the organized labour and leftist parties are not sufficient to explain the emergence of the welfare state. The power of the capitalist class and rightwing parties and the divisions between them are important in the formation and development of welfare state structures. Therefore, this theory gives very significance to the class struggle and balance of power in the emergence of the welfare state. Hence, the welfare state developed during the post-war period was the product of a battle between the political powers of social democracy and the economic powers of capital (Pierson, 1998: 30).

As seen, according to these theories, the emergence of the welfare state could not be explained without attaching significant power to the role of organized working class and leftist parties. Thus, it is not adequate to see the welfare state as a result of the counter-movement which is a movement above the social class and represents the societal interest not the class interests.

5. Welfare State as Primarily the Instrument of Capitalist Class

According to Polanyi, the counter-movement resulted from the accretive rise in the insights into the problems of disembedding the economy from the society because self-regulating market is

“a threat to the human and natural components of the social fabric and against this, a great variety of people press for some sort of protection” (1944: 156). This counter-movement which had accompanied the evolution of the self-regulating market since the mid-19th century advanced a self-protection of society that promoted welfare states. In other words, in Polanyi's terms, the welfare state emerged for the social protection and redistribution including right for a basic income and the corresponding distribution of benefits and payments in accordance with non-market criteria (Ebner, 2008: 32-37). However, according to the Neo-Marxist theories particularly social control thesis and the crisis of crisis management thesis, welfare state was not for the protection of society from the devastative effects of the market system but it was primarily the instrument of capitalist class thus welfare state emerged for the sake of long-term continuation of the capitalist system. The social protectionist and redistributive policies of the welfare state were by-product of maintenance of the long-term interests of capital. Marcuse in his famous book *One Dimensional Man* stated that the provision of welfare state policies to working class was not for the protection of working class but these policies were used to control, demoralize and deradicalize the workers (1972: 51-52).

These two approaches are based on the Marxist view of the state. According to Marxist theory, the state under capitalist system may interfere into the reproduction of the social relations but this cannot be in such a way as to undermine the logic of the market system or to act against the long-term interest of the capitalists. “Whatever institutional form the state under capitalism might take, (and even under the governance of social democratic forces), it remained in essence a *capitalist state*” (Pierson, 1998:11). Accordingly, for Neo-Marxist theories, the general needs of capital accumulation are articulated by the state, which may involve paying an economic price for assuring the political compliance of non-ruling class interests (Pierson, 1998: 48). Under capitalism, the working and ruling of the welfare state was still capitalist because it attempted to maintain and reproduce the capitalist social relations (Ginsburg,1979: 2). The welfare state provided to secure the production and reproduction of labour power under capitalist forms. Even though the welfare state was generally beneficial for the working class, the benefits it provided were seen to be largely the adventitious by-product of assuring the interest of capital (Pierson,1998: 49).

Firstly, the social control thesis considers the welfare state as essentially an instrument for the social control of the working class and for acting in the long-run interests of capital

accumulation (Pierson,1998:48). The welfare state contributed to the capital accumulation process by profitably bringing labour and capital together and by controlling the resistance and revolutionary potential of the working class. In the welfare states, first function of the social security systems was to reproduce a reserve army of labour and to discipline the working class. Decline in poverty or granting income maintenance was only their second and contingent function (Ginsburg, 1979: 2). Therefore, welfare state provisions were oriented to the requirement of capital instead of the real needs of labour. Their intention was to discipline the labour force and undermine the revolutionary dynamics of the workers as a class (Pierson, 1998:49-50). The welfare state contributed to the deradicalization of labour by establishing social security systems, providing certain essentials such as food, housing and certain services in kind such as education, health. The potential for revolution was controlled through those welfare provisions. In addition, the welfare state had “tendencies to repress and control people, to adapt them to the requirements of the capitalist economy” (Gough, 1979: 12). For the social control thesis, the increase in the defensive power of the working class was the unintended result of the welfare state. In order to protect the bases of the capitalist economy in the period of Cold War, some prices were paid to the working class but in the long term, this served to the interests of the capitalist class. Improvements that working class enjoyed under welfare state were the “adventitious benefits of capital’s interest in a more productive source of surplus value” (Pierson, 1998: 52) and at the same time, they mitigated the revolution potential of the working class.

Secondly, the crisis of crisis management thesis developed by Claus Offe is another distinct approach in the Neo-Marxist framework. Offe structured its thesis on the basis of Marxist argument that capitalist economy is inherently prone to crisis. According to this approach, the welfare state was a set of policies trying to compromise or save capitalism from its innate crisis. In other words, the welfare state emerged ‘as a form of systemic crisis management’. The developed capitalism has a contradictory nature and chronic liability to the logic of fiscal and administrative crisis. The crises emerged in the advanced capitalist economies after the Great Depression and Second World War were examples of the innate crises of the capitalism. And as a result of these crises, welfare state arose as a form of crisis management. The objective of the welfare state provisions was not protection of the society through de commodification but securing the continued capital accumulation. Therefore, the welfare state is considered as a

peculiar form of the developed capitalist state. By managing the inherent crisis of the capitalism, welfare state provided the continuation of the long-term interests of the capitalist class. Welfare state provisions, thus, were not oriented to meet the needs of the working class but rather to the requirement of the capital accumulation process (Pierson, 1998: 55-59).

As outlined above, according to social control thesis and crisis of crisis management thesis, the welfare state did not emerge for the protection of the society. Even if it provided important benefits to the working class, it aimed to secure the capital accumulation in the long run. Therefore, it can be claimed that, welfare state was not the ultimate point of the counter-movement. Counter-movement attempts to protect society from the devastating effects of the self-regulating market, thus this movement has anti-market nature and it is contradicted to the capitalist system. However, as these two Neo-Marxist approaches pointed out, the welfare state was not contradicted to the capitalist system, rather it was a particular form of the developed capitalist state.

6. Welfare State as the Further Universalisation of Capitalism, not the Re-embedding of the Economy

In the self-regulating market, labour, land and money have become a commodity and this has resulted in demolition of the society because they are not true commodities, so a protective counter-movement spontaneously arose to protect the society from the destructive impacts of the market system. In order to protect society, economic system should not lay down the law to society and the primacy of society over the economic system should be restored. Therefore, the aim of the counter movement is to subordinate the economy to society, that is, to re-embed the economy in to the society. While Polanyi (1944: 259) predicted that in the post-world war period “the market system will no longer be self-regulating” and he took New Deal (1932) as a first step in a gradual reallegation of the primacy of social institutions over the market, the welfare state emerged after World War II did not provide re-embedding of the market to the society. In this period, while the self-regulating market was replaced by the regulated market, the interventionist state took the place of the laissez-faire state. During the post-world war period, a major reorganization emerged in the balance between economics and politics. This new system was set up to support a combination of free market with the freedom for states to enhance their provision of welfare and to regulate their economies to reduce unemployment,

which may be termed as 'embedded liberalism' (Lacher, 1999a: 343). However, it is argued that this order was "a long way from Polanyi's original idea that re-embedding meant removing the market as the dominant institution of society, rather than merely modifying its worst excesses but in a context that fully accepts liberal rationality" (Bernard, 1979: 44). In other words, welfare state did not provide a shift of economy from disembedded to re-embedded in the post-war period. It is claimed that, welfare state was not an effort to re-embed the economy into the society, but with introduction of the welfare state, "Keynes saved capitalism" and thus, the postwar political economy that finally came out in the West from the period of the reconstruction can be termed most appropriately as liberal democratic or welfare capitalism (Lacher, 1999a: 344).

According to Lacher, the welfare state never confronted the ultimate basis of the economy as a disembedded institution itself. Due to limited protectionism of the welfare state, it could not provide 'decommodification' of labour. Even if the aim of the protectionism was "the re-embedding of the economy, ... it remains limited to the restriction of and intervention in the market, without the force to displace the market as the means by which society organizes its reproductive relationship with nature" (1999a:347). Therefore, the postwar welfare capitalist societies were considered as protectionist instead of socio-economically embedded. He also added that the postwar order could be better interpreted in terms of the domination of a protectionist form of regulation of the market economy, rather than as a re-embedding of the market economy itself (1999a:348). In other words, as Pierson pointed out, welfare state was not just a Polanyian defensive reaction against the modern capitalism. It was a principal part of the modern capitalism (2000:793).

7. Conclusion

According to Polanyi, the emergence of the self-regulating market evoked a counter-movement which was society's defense against the negative impacts of market system. Correspondingly, he stated that the counter-movement gave birth to the welfare state and Devine (2007: 34) also claimed that welfare state was the ultimate point of Polanyi's counter-movement. However, the notion of 'counter-movement' is not sufficient to explain the welfare state development. In this paper, I tried to argue the three reasons of why explaining the emergence of welfare state as the result of the counter-movement is insufficient. First reason is that this explanation ignores the

importance of the social classes in this process because the counter-movement is not a class movement; this movement includes people from different economic and social strata. In this regard, I referred to the Social Democratic and Power Resource Theories in order to show the significant roles of the working class and the balance of power between the capitalist class and working class in the emergence of the welfare state. Second reason is that while the counter-movement aims to protect the society from the destructive impact of the market system, the welfare state did not emerge for the protection of the society. Even if it provided important benefits to the working class, welfare state emerged in order to secure the capital accumulation in the long run. In this respect, I gave reference to the social control thesis and the crisis of crisis management thesis in order to demonstrate that the social protectionist and redistributive policies of the welfare state were only by-product of maintenance of the long-term interests of capital. Third reason is that while the objective of counter-movement is re-embedding the economy in order to protect society, the welfare state did not bring about a re-embedding of the economy. The market could not be reduced to a mere accessory of social life as the archaic societies with markets. Therefore, it is more appropriate to see welfare capitalism as an extension of the limited protectionism prevailing since the late 19th century rather than re-embedding of the economy (Lacher, 1999b: 323). On the basis of these arguments, it is quite safe to claim that Polanyi's notion of the counter-movement is not adequate to properly explain the emergence of the welfare state after the World War II.

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Ethics Statement: The authors declare that ethical rules are followed in all preparation processes of this study. In case of detection of a contrary situation, Political Economic Theory has no responsibility and all responsibility belongs to the authors of the study.