Polanyi Reaction

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Karl Polanyi argues that the economy and the state are linked. For example, each class tries to gain political power in order to help each’s own interest. The rich does this with money, while the poor do this with votes.

I think part of the move from individualistic to collectivistic – for example, the reason behind workman’s compensation - is that as a society we trade off pure profits for stability and cultural adhesion. As an individual, we smooth out the peaks and valleys in our wealth by buying insurance. Likewise, as a society, we would prefer to smooth out the bumps in the business cycle by implementing counter-cyclic spending measures such as welfare. As such, we shave off the peaks with taxes, and fill the valleys with welfare.

I think the issue of disparities in wealth is also important. We can see that in developed countries, there is less of gap between the rich and poor. Why is that? Is the low income disparity the cause of why wealthy countries’ economies are successful (ie. the middle class is buying goods)? Or are they related? Or related the other way? As countries develop do citizens demand more of a say? Or for a society to develop further, it needs more of a middle class? We can see this in India as they achieved rapid economic growth. However the growth has been uneven – not only between the urban and the rural – but through very wealthy barons. Some of this has been because these barons own or run companies who are sheltered from competition through monopolies. Will citizens ever rise up against these monopolies? Is it just a matter of time?