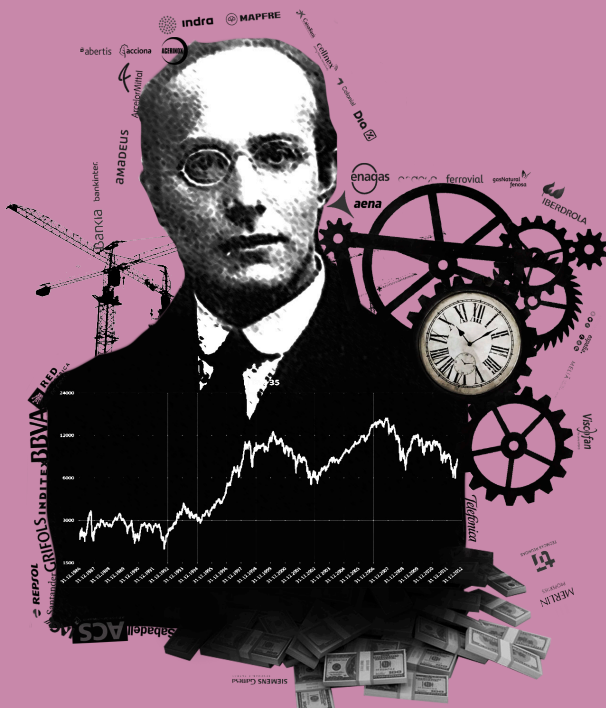


Fictitious Commodities

Guillermo Casanovas (ed.)



FICTITIOUS COMMODITIES
REDISCOVERING POLANYI FOR THE 21ST CENTURY

Guillermo Casasnovas (ed.)

Introduction	3
<i>Guillermo Casasnovas</i>	
The Housing Market	8
<i>Miriam Feu</i>	
The Labour Market	14
<i>David Murillo</i>	
The Financial Markets	20
<i>Inma Naranjo and Guillermo Casasnovas</i>	
Conclusions: Looking Towards the Future	26
<i>Guillermo Casasnovas</i>	
Notes	31

Miriam Feu, in charge of the programme of social analysis and advocacy of Caritas in the Diocese of Barcelona. She coordinated the development of the report “El hogar es la clave” (2018), (tr. Home is the key) on the housing situation in Barcelona.

Inma Naranjo, a member of the focus group on the economy in C.J. Graduate in Economic and Business Science and Ecclesiastical Studies. Completed a Masters in Financial Markets at the UPF. Currently the Provincial Administrator of the Order of the Company of Mary.

David Murillo, Doctor in Sociology from the University of Barcelona (UB), graduate in Humanities from the Open University of Catalonia (UOC) and in Business Administration and Management (UB). Associate Professor of the Department of Society, Politics and Sustainability at Esade Business School.

Guillermo Casanovas is an Assistant Professor at Esade Business School. PhD in Management from Oxford University, his main area of research is the emergence of new practices at the intersection of the business and social impact worlds, such as social entrepreneurship or impact investing. He is also a member of the social seminar of Cristianisme i Justícia.

Publisher: Cristianisme i Justícia. Roger de Llúria, 13, 08010 Barcelona (Spain)
Tel. +34 93 317 23 38, e-mail: info@fespinal.com, www.cristianismeijusticia.net
Editor: Santi Torres i Rocaginé. Translated by Gerarda Walsh
Cover drawing: Ignasi Flores. Layout: Pilar Rubio Tugas
Printed by: Ediciones Rondas S.L. Legal Deposit: B 10399-2023
ISBN: 978-84-9730-534-1. ISSN: 2014-6566. ISSN (virtual edition): 2014-6574
May 2023

INTRODUCTION

Guillermo Casasnovas

Everyone is aware that the market, as a mechanism for the distribution of resources, has affected several areas of our society. From its influence on how we care for children and elderly people to the fields of education and health, there is a general sense that the expansion of the market is difficult to stop. Nevertheless, in order to better understand these long processes of social transformation, it is necessary to adopt a certain historical perspective, which is precisely what Karl Polanyi did in order to write his book *The Great Transformation* (TGT).¹

Polanyi (Vienna, 1886 - Ontario, 1964) was born into a Jewish family in the heart of the Austro-Hungarian Empire, where the education he received allowed him to form part of the intellectual circle of Budapest and Vienna. Fleeing the expansion of communism and later, Nazism, Polanyi moved to London in 1933 and to Vermont (United States) in 1940. While in England, he combined the profession of journalist with that of a teacher for the working classes and arrived on the other side of the Atlantic thanks to a project financed by the Rockefeller Foundation, which allowed him to dedicate his time to writing his masterpiece.

In TGT, Polanyi adopts an anthropological perspective in order to understand the evolution of the socio-economic system in the nineteenth century. While the economists –classic liberals as well as Marxists– only looked at the effects of the system on production, productivity, or the distribution of wealth, this author put the spotlight on how this affected basic human dignity. Polanyi was one of the first economists to recognise that the economy cannot be studied apart from its social and political context, because it is embedded into the fabric of social relations and political institutions.

The aim of this booklet is to adopt a similar perspective to that of Polanyi in order to understand the relationship between the market and society, but in the twenty-first century. Although the market economy on a national level and free trade at an international level have favoured economic growth and development in many countries and regions, it is still clear that the financial markets and large multinational corporations wield too much power over our private lives and over the management of public resources.

As Joseph Stiglitz states in the prologue of the recent English edition of TGT, when we see the discontent and protests against this growing inequality, the tax havens or the abuses of the financial sector in the last crisis, it appears that Polanyi's thesis is talking specifically about our current time. Some of the reactions that we are experiencing –the growth of populism, nationalism and protectionism– remind us of those that took place at the start of the twentieth century, and which were for Polanyi a consequence of *the great transformation* of the nineteenth century.

The Great Transformation of the Nineteenth Century

The book TGT offers a particular vision of the nineteenth century, beginning with a first section which looks over the international political system during the period that Polanyi calls “the Hundred Years’ Peace”, between the end of the Napoleonic wars (1815) and the start of the First World War (1914). During this time, the Western

world lived through a period of few military conflicts, due in part to the fact that the great financial powers –bankers and international traders– were able to put pressure on countries and promote peace (a peace which allowed them to continue making deals without facing too many setbacks).

Polanyi also explains how the system was supported by three fundamental pillars: the market economy, free international trade and the establishing of the gold standard. These three pillars favoured the expansion of industrialism and the emergence of great wealth, which, on the one hand, provided a part of society with a level of material wellbeing they had never seen, and on the other hand, was able to put pressure on countries through large loans linked to the maintenance of the gold standard. Nevertheless, it was precisely the strains caused by these three pillars that caused the system to collapse: the need for commodities increased international conflict, the decisions to favour agriculture and local industry called into question free trade and inflation, and the resulting fluctuations meant that it became untenable for many countries to keep the gold standard.

The Satanic Mill

The book speaks about the expansion of the market in a chapter whose title –“The Satanic mill”– already gives us a glimpse of the author's vision of the effects of the Industrial Revolution. Polanyi changes the focus from the international system to the consequences on people's lives and work.

Polanyi, an anthropologist, looks back over pre-industrial societies to show how they organised their economies, basing them on concepts like reciprocity, redistribution or domestic work, and how the market was often treated as a secondary issue. While some of the examples based on more primitive societies can be idealised, for those of us who were born into a market economy, the alternatives are at the very least thought-provoking.

Examining the case of England in depth, the author spends a lot of time explaining the *Speenhamland system* (1795), which promoted wage supplements for workers that were tied to the price of bread. Although it was designed as a system aimed at slowing down market expansion into the area of labour, Polanyi admits that the consequences of *Speenhamland* were not those hoped for by its promoters: instead of maintaining a certain level of social protection, the first to benefit from it were the landlords because they could then pay lower salaries, meaning that workers felt undervalued and reduced their productivity. Nevertheless, the solution –the new *Poor Law* of 1834– was even worse than the problem itself, because workers found themselves obliged to work in terrible conditions, which in turn pushed them to rebel against the system.

Focusing on the area of labour, these chapters demonstrate the main thesis of Polanyi: that the self-regulated market does not work. While the economic liberalism that dominated the era (and which continues to do so in many sectors of society), saw the human being as having a natural tendency towards trade and profit (*homo*

economicus) and therefore, viewed the market system as the “natural” way to organise all aspects of the economy, Polanyi argues that people have many needs that go beyond purely economic ones. For this reason, the market needs to be at the service of society to prevent society from rebelling against it.

Land, Labour and Money

Polanyi explores the different mechanisms that society used, often in a spontaneous way, and initially without much structure, in order to slow down the imbalances that market mechanisms had produced in people’s lives and in the workings of the economy. The book focuses on a triad of fictitious commodities: land, labour and money.

The criticism of the labour market focuses on the fact that it involves a disconnection between the individual and its ability to work, putting the latter above the former, thus ignoring aspects such as vocation, community links or the dignity of life. The quote Polanyi gives from Ludwig von Mises (“If workers reduced their demands and changed their locations and occupations according to the requirements of the labour market, they would eventually find work”)² could be part of recent austerity policies, subordinating people to their productive capacity under market rules. As one would expect, the response of society when faced with the imposition of new working conditions was to organise itself to defend its rights, through syndicates and political parties, and by demanding universal suffrage.

Polanyi talks about land and nature with surprising foresight: “To isolate it

(land) and form a market out of it was perhaps the weirdest of all undertakings of our ancestors”;³ in this way, he foresaw the challenges in climate policy and biodiversity that would come in the future. In the same way, the author reminds us that the land’s purpose is not just to give us economic benefits, but is also linked with the identity of nations and to their notions of spirituality and transcendence, such as is the case with the Andean Pachamama. For a countryman, for example, living without land would be the same as losing their hands or legs. In light of this, society confronted the inequalities caused by the free sale of land and the imposition of international trade, by using their political influence to demand tariffs on the importation of goods and in this way encourage internal production.

Finally, the Austro-Hungarian economist warns of the effects of the self-regulated market on the organisation of production: “Even capitalist business itself had to be sheltered from the unrestricted working of the market mechanism”.⁴ The inflexibility of the gold standard (where money was a commodity linked to gold reserves, instead of having its value assigned by society), brought with it numerous falls in the exchange rates of certain countries, reducing export prices and in turn company profits, as companies could not pass on these losses to their workers or suppliers with the same speed or to the same extent. This situation led countries to create central banks that intervened in the economy, “manipulating” the price of currencies –providing a certain stability to the domestic economy, but at the cost of indebting themselves to large banks.

The Self-Protection of Society

In the third part of his book, Polanyi reflects on the consequences of this double market-society movement and of how the different tensions were resolved at the start of the twentieth century. On the one hand, social protection (minimum wage, better working conditions, collective negotiations), which had emerged from unionism and the political participation of workers, caused economic tensions (unemployment) and political tensions (class struggle) at a national level. On the other hand, commercial and financial protectionism had also given rise to international tensions at an economic level (pressure on exchange rates) and at a political level (imperialist rivalries). These tensions were controlled to a certain extent while the gold standard enjoyed a primacy in relation to the labour market and free trade, but when monetary tensions resulted in the abolition of the gold standard in the nineteen-thirties, the rest of the system collapsed like a house of cards.

The results were the rise of totalitarianism, fascism and imperialist nationalism, which led to the two World Wars at the start of the twentieth century and put an end to the utopia of the self-regulated market.

The Relevance of *The Great Transformation*

As we were saying, as well as being an interesting snapshot of the economic and social transformation which occurred in England and the Western world between the start of the nine-

teenth century and the beginning of the twentieth century, Polanyi's work offers us some very thought-provoking analysis to help us understand the relationship between the market and society today.

On the one hand, it reminds us that economic analysis cannot be left solely to economists, because the economic system is embedded in political, social and cultural institutions which direct it and at the same time are affected by it themselves. To give an example: a period of financial recovery such as the one we experienced after the 2008 crisis did not occur in a "void", but was instead the consequence of specific power imbalances, it may lead to specific pockets of social resistance, and its approval will depend on the society's dominant cultural values.

On the other hand, TGT shows that by studying the economic system and market mechanisms, we should not forget that neither the economy nor the market should ever be considered as an end in themselves, but rather as a means to encourage the just and inclusive development of society. In this way, it invites us to rethink our current system, in which it seems that "everything deserves to be sacrificed for the sake of economic growth".⁵ The focus that Polanyi puts on the dignity of people and maintaining links within communities, should be continued today so that growth indicators go beyond the GDP or the consumption per capita. The Human Development Index developed some years ago by the United

Nations, recent attempts to measure the "Gross National Happiness Index" (such as in the case of Bhutan) or the advances made in the Sustainable Development Goals are some examples which can help us to better evaluate the functioning of our economic systems.

Furthermore, we have seen how Polanyi offers us three specific spheres on which to put the focus in order to assess the potential negative effects of the excesses of the markets. Just as market mechanisms can (and do) work in an efficient way in order to boost production of specific goods and to distribute wealth among those who helped to generate it, the Austro-Hungarian economist demonstrates how market expansion in the areas of labour, land and money have led to counter-productive effects in the social and economic development of the Western world. These areas have a clear parallel with some of the current sectors whose commodification has been the subject of controversy, and reminds us of the profanation of the Temple which so infuriated Jesus in Jerusalem (Mt 21:12-17).⁶

The next three chapters will focus on each one of these "fictitious commodities", and we will dedicate the final chapter to reflecting upon the relationship between the market and society, in light of Polanyi's work and in light of Christian values. In other words, we will be exploring the meaning of "taking the market out of the epicentre of everything in order to replace it with life".⁷

THE HOUSING MARKET

Miriam Feu

One glance at the evolution of the housing sector in recent years brings us right to Polanyi's thesis: on the one hand, the expansion of the market (sub-prime mortgages, vulture funds, gentrification...) and on the other, society's response (Platform for People Affected by Mortgages, Tenants' Unions, support for parties that encourage the sale of public housing...). At the heart of the debate is the notion we have of housing: whether it is a good to be exchanged like any other (a *commodity*, in Polanyi's language), or a home which encourages neighbourly relationships, family links and a sense of belonging to the community.

Distortions of the Housing Market

A house, when understood as a home, is much more than four walls and a roof. A home gives us heat, security, stability..., it is the place where we build our identity, a space of relationships and the development of family projects, a place of closeness and protection. It gives us shelter, and at the same time, is a place where we can rest, recover our energy, look at our lives, and make plans or dream. Therefore, the home

represents an essential right of the individual and a key element in the process of integration into society. Despite this, the logic of the housing market reduces it to an economic commodity, a capital good. According to this logic, a house represents a way of achieving the maximum benefit for the least cost, in order to become wealthy through speculating on the real estate market. When property is left to the logic of supply and demand in a self-regulated market, certain distortions occur which

remove the home from its function as the essential right of every individual:

a) Speculative practices and the economic approach to the housing market contribute to an increase in prices and create housing bubbles, leaving many people unable to access affordable housing. This is why the most vulnerable families are particularly sensitive to increases in rent costs. On the one hand, they represent the largest proportion of people in the rental system⁸ and, on the other hand, they are the people who face relatively higher living expenses.⁹

b) Speculation on the real estate market also leads to landlord harassment: through the deliberate omission of regulation to keep rental prices low, the tenant is forced to look for alternative accommodation, so the house can become more profitable for the landlord. In this way, families or individuals in the most vulnerable situations are replaced by those with more purchasing power, leaving the former tenants thrown out of neighbourhoods where they may have spent their whole life. This phenomenon is known as *gentrification* and is happening in cities all over the world.

c) The lack of conservation of housing units is another distortion in progress: in certain areas in big cities, for example, in the older quarters, the state of degradation is such that the cost of repair may be too high for some property owners. Instead of taking on these costs and obtaining increased profitability, the accommodation is rented out to people in vulnerable situations who for various reasons do not have access to housing in the normal rental market. In this way, a parallel and often

silent housing market is formed which feeds off situations of vulnerability and allows abuses which often go unnoticed. Accommodation or flats in a state of disrepair are offered to people in irregular situations, who do not possess the documentation required to enter the normal rental market, such as, a fixed-term contract. People in irregular situations often sign abusive contracts which only perpetuate their situation of vulnerability, in such a way that they become trapped with no other alternative accommodation.

d) Another consequence of the logic of the free market is the existence of empty apartments in large cities, a situation which exists alongside the lack of affordable housing. If maximum profitability is required, cases arise of property owners who would rather wait for a higher price to rent out their property. They may also put up barriers to renting their property such as demanding excessive deposits.

e) Finally, if the planning model of an area is left in the hands of the market and not handed over to the public administration, we will find ourselves with distortions related to spatial segregation. The importance of urban planning must be taken into account in an area in order to facilitate social cohesion, and the participation and integration of everyone. According to the encyclical *Laudato si'*, "It is important that the different parts of a city be well integrated and that those who live there have a sense of the whole, rather than being confined to one neighbourhood and failing to see the larger city as space which they share with others... Others will then no longer be seen as strangers, but as part of

a ‘we’ which all of us are working to create.”¹⁰

Thus, the common element of the distortions mentioned earlier and of all the consequences that can arise when the concept of a “house” is reduced to its economic aspect as a capital good, is the expulsion of the majority of people from the market. These people remain in a situation of housing exclusion; in other words, without a decent or adequate home.

Housing Exclusion

Housing exclusion has many different forms: some are very visible and at the extreme, such as homeless people who sleep on the streets; others are less visible and can seem less extreme, such as people who live in an institution of some kind –shelters, hostels, temporary accommodation–, as well as other invisible forms, such as those who live in unhealthy conditions or those taken into a house that is not their own, and from which they could be thrown out at any time, or even brought into overcrowded accommodation... Whatever the case, there is always a variety of circumstances that causes suffering to those who live in them.

The most visible form of housing exclusion is perhaps that of homeless people, because this represents the most flagrant violation of the right to a home. That being said, other more invisible forms also exist –the subletting of accommodation, substandard accommodation, damp accommodation, housing lacking adequate ventilation, or basement accommodation lacking light..., or overcrowding– and these

are becoming increasingly common in our society. For example, according to the FOESSA Foundation, a social studies group, in the case of Spain, 23.7% of the population pay too much for housing or live in inadequate or insecure circumstances.¹¹ This figure demonstrates that even in developed countries, access to housing is a structural problem of society.

People who face situations of uncertainty in relation to their homes live with the constant fear of losing their home, without being able to settle down, and instead experience anxiety, stress and even depression. In a similar way, people living in overcrowded situations live with the problem of not having enough space, and with constant noise, which causes tension and irritability. If we also add unhealthy living conditions to this, we find people more vulnerable to health problems such as bronchitis, asthma, dermatitis or mental health issues. If there are children in the home, these too will find themselves more exposed to illnesses or sleep disorders, such as fear, anxiety, incontinence, bedwetting, irritability and depression. Neither is there room for them to play or concentrate in order to do their homework, and constantly moving house means it will be difficult for them to settle in their neighbourhood and make friends, etc. In fact, families with children are one of the groups that is most vulnerable to housing exclusion, a fact which affects their current circumstances as well as their future, because children who experience situations of extreme poverty during their infancy are more likely to become vulnerable as adults. According to the FOESSA Foundation,

the risk of poverty or social exclusion among adults who experienced economic difficulties as children is double that of the average population, regardless of fluctuations in the economy.¹²

Other groups that experience difficulty in accessing housing or keeping a decent and suitable home are unemployed people or those in precarious work circumstances. The labour market does not guarantee that people will be able to live with dignity, because uncertain working conditions cause many workers –16.3% in Spain– to have an income that is below the poverty level, in spite of having a job. The phenomenon of “poor workers” is just one of the aspects of the instability that has repercussions in all areas of people’s lives, including the situation of housing exclusion.

Another group which suffers greatly from the lack of a decent and suitable home are non-EU foreign nationals, because they find themselves in a very restricted market which, as we have previously mentioned, is worsened by their vulnerability and takes advantage of it. Firstly, newly arrived individuals do not have access to either a family or social support network, and are thus unable to find private rental accommodation. They also find it harder to obtain the deposits needed by property owners, given that their work contracts are often open-ended or longer than one year in duration, making it very difficult for them to resolve their paperwork situation (to which we must add the current insecurity in employment, in which contracts may only last for weeks or even days). This is why this particular group often experiences overcrowding in their housing

situation, or poor housing, with all the negative consequences that this brings, as well as issues with settling in and social integration.¹³

Housing As a Human Right

If we broaden our look and go beyond a purely economic understanding of housing, we see that it is an essential right of every individual. Housing is a human right, as the 1948 Universal Declaration of Human Rights acknowledges, and as was established in the International Covenant on Economic, Social and Cultural Rights. According to the Committee on Economic, Social and Cultural Rights (CESCR) of the United Nations, housing should offer legal security during the tenancy, the availability of material services and infrastructure, affordability, liveable conditions, accessibility, location and cultural appropriateness. In Europe, the right to housing is recognised in the Revised European Social Charter of 1996.

Also in the framework of the 2030 Agenda for Sustainable Development and within the 17 Sustainable Development Goals (SDGs), aimed at establishing inclusive and sustainable economic growth for all, we find the right to housing, specifically in Objective no. 11 for “sustainable cities and communities”, in which nations commit to providing access for all people to decent and adequate housing. Finally, at a national level, the right to housing is acknowledged in Article 47 of the Spanish Constitution. Furthermore, Article 33 of the Constitution acknowledges that property rights are bound by their social util-

ity, a statement which implies that the right to private property is not an absolute right and that the Public Administration can intervene in the right of the property owner requiring, for example, that the property be maintained in optimal conditions in order to guarantee the right to a decent and adequate house for anyone living there.

Nevertheless, in spite of a complete and powerful set of legislation being available, there are still violations in relation to the right to housing, which indicates that there is a dysfunction between the law and its application which needs to be addressed through the development of public policies which establish the human right to a home as their focus.

The Role of Government and Society

In order to avoid the distortions mentioned previously which happen in the housing market, coordinated action from all government agencies is needed –central, autonomous and local–, in order to restore the social aspect of housing. Public housing policies need to be adopted in order to facilitate access for all. This is one of the lessons learned during the great financial crisis, when public housing policies were substituted by facilities allowing access to credit: the excess liquidity of the banks, together with regulations that favoured construction and the sale of housing, led families to become indebted so they could buy houses, along with developers and construction companies, in order to increase their profits without regulation.

So as to avoid returning to a similar situation, it would firstly be necessary for Spain to ratify the Revised European Social Charter, which requires guaranteeing the right to housing by facilitating access to a sufficient level of housing, and preventing a situation where there would be a lack of housing, while making housing affordable for those with less resources. They would also need to rethink the concept of social housing, by understanding it instead as a public facility, with the corresponding land reserves made available. The stock of social housing would need to be increased to at least average European levels, which would mean going over the current 2% to reach 15%. With a greater stock of social housing on the one hand, the most vulnerable people would have access to affordable housing, and on the other, it would put pressure on the housing market to lower rental prices. Such an increase in the stock of social housing available should be sought at all costs: by directing public monies to the promotion of social housing, encouraging the use of empty properties, establishing quotas of social housing, preventing the current stock of social housing from being sold on the normal property market, etc.

Secondly, as well as having a stock of social housing available for rental, in order to ensure that people in vulnerable situations can access affordable housing in spite of their limited resources, we should also look at the rental assistance available for the most vulnerable families in relation to their standard of living and the real situation on the ground, as well as looking at ways to halt the exorbitant increases in

rental prices. In order for this to happen, many have suggested applying a binding price index, for example, at a local municipal level, although they would first need to study the pros and cons and look at how this is done in other countries. Other possibilities would be to apply tax rebates or penalties to property owners who rent above or below what would be considered a suitable range, or who offer more rental properties... It should be pointed out that in Spain, 42% of people who are renting commit more than 40% of their available income to paying rent, when the European average stands at 25% for people in the same situation. Solutions would also need to be found for people that could be adapted to the social and economic circumstances of families who are already facing fore-

closure and find themselves affected by the ending of the moratorium on evictions¹⁴ in 2020.

In summary, if we leave the logic of the property market behind, since it focuses solely on seeing housing as a commodity and a source of income, and if we consider the home as an essential right for everyone, all the measures adopted by governments and civil society could have a global outlook, and could be aimed at guaranteeing access to housing for everyone. This would in turn guarantee the application of other rights which cannot be exercised fully without the right to housing, such as health, education, citizenship, etc., since having a decent and adequate home often represents the gateway to a whole host of other rights.

THE LABOUR MARKET

David Murillo

Seventy years after the publication of Polanyi's work, few phenomena have allowed us to understand the relevance of his work more clearly than the transformation of labour as a result of the upsurge of the platform economy and digitalisation. By way of example, Amazon Mechanical Turk currently allows to achieve the dream of Taylorism: combining the making use of the delocalising power of globalisation, the data processing power of computers and the self-management of digital platforms in order, Amazon Mechanical is capable to divide the tasks associated with a particular job and retribute them, anonymously, according to the price set by global markets.

A Step Towards the Utopia of Unregulated Work

On this platform, hundreds, thousands of people from all over the world can contribute to transcribing scanned supermarket receipts in order to put together a market analysis more thorough than any marketing company would ever have been able to do. Guided by the principles of efficiency and effectiveness, pensioners, students and retired people can increase their income, through the work of keying in data on the computer in exchange for a

few cents for each bill with twenty-five products.

More examples. Uber, the platform that represents mobility in the digital realm, expands throughout the world under the motto "growth at all costs". Uber goes beyond simply gathering specific drivers and potential passengers on one single app. It also determines the price of a journey based on a supply and demand, which only they have access to. It forces drivers to drive for a set number of hours, and determines the minimum quality of service based on customer satisfaction. The penalties

for any mishap, involves the driver being disconnected from the source of income. As a result, when your boss is an algorithm, driving across Mexico City at eight in the morning transporting an executive who is in a hurry carries with it a serious risk.

Examples mount and each day they become more salient and widespread. Deliveroo, the Uber for fast food delivery, lets you know the average speed of your delivery guys on bike and sets the price of the delivery –around 4€ in France– according to their speed. Glovo, their Spanish competitor, includes among the indicators of workers' performance the number of interactions between the delivery person, the customer and the platform. The higher the rate of interaction, the higher the cost of the transaction. With less interactions, less problems. The statistics help to "improve" labour relations. Individuals are thus converted into a machine whose performance can be optimised.

All these platforms have one common element: their employees are not actually working for a firm but are on paper at least independent contractors. This "surveillance capitalism", as Shoshana Zuboff calls it, departs from the capitalist principle of cost outsourcing and the internationalisation of profits, currently developed through the extractive and anonymising capacities carried out by digital platforms.

The –Known– Social Impact of the Process of Liberalisation

Polanyi, in his economic analysis of early societies, speaks on the principles of reciprocity and redistribution

which he saw to be central to any form of social life. When this communal aspect of human life is suppressed by capitalism, he will identify the roots of its psychological and social implausibility. The growing zeal for the liberalisation and the fragmentation of society by market forces brings with it a twofold movement of protection, which needs to be understood as a desire for predictability, and a yearning for stability and solidarity.

The Great Transformation anticipates the current changes we are seeing. On the one hand, Polanyi foresaw the growing commodification of different spheres of human life. On the other hand, he paved the ground for understanding the push for social categorisation –through monitoring, quantification, measurements– and the objectification which emerged with neoliberalism in the 1970s. The guiding principles are simple: the expansion of the liberal order into all aspects of life –in relationships, health, family life, education, or work–, the replacement of the State by the market, and the ensuing decline of the psycho-social needs of the individual.

Globalisation, so present in Polanyi's work, will be the cause for uprooting competition from the rules set by the nation state. With globalisation comes the fragmentation of social life. Finally, the race to the bottom on labour or tax conditions forces companies to compete for the lowest prices, resulting in a decrease in workers' rights and job prospects. As the final stage of the evolution of capitalism, the platform economy will serve to bring the business model –quite literally– to the cloud, through the immedia-

cy of the mobile phone, which allows big corporations to be free to seek out, through regulatory arbitrage, the fiscal and labour laws which will be most beneficial to them.

The result of this new “great transformation” as Polanyi anticipated has been placing economic competition ahead of human life; the proliferation of tax havens¹⁵ and, in relation to labour, the outsourcing of the workforce, the decline of wages and the re-emergence of a figure that questions modernity in the first place: that of the working poor. All these phenomena have gone hand in hand with the decline of labour unions who also fell victim of the individualistic turn –unions understood as pragmatic means for the individual protection for its members– along with the unquestioning acceptance of market rules. The well-known elephant curve highlighted by Branko Milanovic, and Piketty’s analysis on the different growth rates of individual income and capital returns, reveal the result of this race to the bottom: the alarming expansion of inequality within countries.

In this context, the concentration of wealth falls in the hands of a selected few. Jeff Bezos, the founder of Amazon, became the richest person on the planet at the same time that a big number of his employees, those who have to deal with the labour conditions imposed by automation, internationalisation and outsourcing, are only able to move forward through State assistance. We find a similar case with the Walton brothers, the main shareholders of the multinational retail corporation Walmart. Or in the growing income between the CEOs of companies

listed in the Spanish benchmark stock market index, the IBEX 35, and their employees.

In this context, the role of the State as wealth distributor is taken over by the logic of competition, the accumulation of wealth and individualism, now sponsored by the State. Once again, as Polanyi anticipated, this is the graphic expression of the upsurge of the liberal logic, the embedding of incentives in the provision of public services, and the promotion of a whole new set of values. The social cost will be the depoliticization of broad areas formerly under the purview of government which will now remain at the margins of public debate. As the sociologist Zygmunt Bauman coldly expressed: governments suggest, markets determine. Thus, one summer’s day in 2011 in Madrid, the Spanish congress approved the constitutional reform allowing the payment of sovereign debt¹⁶ to take precedence over that of the payment of pensions and introducing the constitutional requirement of attaining a public balanced budget. Meanwhile, the looming debt crisis and the lack of trust towards the single currency left Germany, the great Eurozone banker at the head of the European Union, and as the main driving force behind austerity and liberalisation policies for the whole of the Union.

Market Solutions to Market Problems

Markets offer solutions to the dysfunctions they observe. Long-life training has become the great banner for individuals to compete in this unregulated

world. The laws of supply and demand push individuals to compete over qualifications, credentials, skills, languages or flexibility. The paradox will be –and already is– the appearance of *over-qualified* workers, that amass just too many qualifications for the tasks required, and the dissolution of all educational programmes into professional training. The entire education system, from secondary to college level, will thus be taken over by the instrumental logic of the markets.

Inevitably, the same logic will explain the decline in wages. The liberalising drive seeks to turn fixed contracted personnel¹⁷ into temporary ones, or better still, to outsource them. Outsourcing production becomes a path that will lead to the race to the bottom. The wanted flexibility clashes with the “rigidity” of contractual work agreements. We are witnessing the decline of permanent contracts, the rise of temporary employment and the surge of the number of independent contractors. Thus we face a new paradox: the most powerful nation in the European Union, Germany, thanks to its *2010 Agenda* promoted from 2002 by the Social Democratic Party, is currently dealing with non-existent unemployment; a massive influx of skilled foreigners –engineers, programmers, teachers– and with the rise of *Mini-Jobs*, occupations that bear ultra-low salaries and severely reduced social security contributions. We are witnessing the creation of a real Reserve Army, to use the Marxist term, in the industrial powerhouse of Europe. In the same way, in Great Britain, new labour relations, like the zero-hours contracts, allow workers to be freely

used as and when necessary to carry out changing tasks and functions, like those required by the so-called *collaborative economy*.

All in all, the declining attention paid to working conditions, the progress of automation, digitalisation and the looming breakdown of the social fabric present similarities with the situation described by Engels during the Industrial Revolution. Recent discussions such as that of the end of work would exemplify the turn of events. Let’s underline one element here: these new debates will not pivot on renewing the social contract between workers and firms. Neither will they focus on how to divide up the work –through the shortening of the working day for example–, as Keynes anticipated nearly a century ago.¹⁸ Nor will they question the workload or the fiscal effort done by workers, middle classes or big firms.

Discussions will instead focus once more on outsourcing the social costs of economic activity through the Universal Basic Income. The State, again will be called upon to bear the burden of sustaining a dysfunctional social and labour model. Accepting the parameters implicit in this debate means society is not facing up to the issue of tax evasion, or inequality, or the imbalance of power between capital and labour. It also avoids challenging the impossibility of a social “arrangement” centred on the accumulation of wealth for a minority, and the maintenance of benefits for a majority. We are once again positing a contemporary poor law, a new *Speenhamland* for the twenty-first century, to which Polanyi dedicated a large part of his work. This is the law

which existed in England between 1795 and 1834, and managed to delay the creation of a liberal labour market, by establishing a paternalistic system of public assistance. It represents, Polanyi tells us, nothing more than a payment for the right to live, in return for the fracturing of human dignity and leaving the individual powerless.

Seventy years after the book came out, we are faced with the evidence of the indissolubility of progress and pauperism. Not only on the outskirts of São Paulo or Rio de Janeiro, but also in the West. Again, we continue to observe the clash of business laws with those of Nature. The beliefs of the economist-philosopher and flag-flyer of liberalism, Adam Smith, according to whom a wealthy economy should make a wealthy population, will remain buried under the constraints of market laws. The market mechanisms which aim to maintain the status quo of freezing privileges and dysfunctions are plentiful, and Polanyi situates global finances in the epicentre. Financial logic supersedes social logic once more. Increasing profits becomes the social imperative.

The fear of no longer being competitive vis a vis Russia threatened Western economic believes in the nineteen-fifties. In the seventies, the threat came from Japan. Currently China is the source of economic insecurity. In this context, the global race for competitiveness will induce governments to justify supporting its national corporate champions, while forcing whole sectors and industries into a race to the bottom. This is why Amazon already enjoys 50% of online sales in the USA. Facebook and Google have

cornered 60% of online advertising. Apple makes 80% of its global income on the sale of mobile phones. Behind these figures, the media reported the installation of anti-suicide nets in the assembly lines of Foxconn, the main assembly plant for Apple in China. Certainly, as Elkington wrote twenty years ago, it seems as though we are still only managing to teach cannibals to eat with forks.¹⁹

What About the Double Movement? Return to State Government

Polanyi reverses the axiom of capitalism according to which it is not necessary to intervene in the economy. If protectionism, Polanyi tells us, appears as a natural means of protection against the aggression of the markets, free trade is created by the State. For liberals, he adds, a self-regulated market is more important than a *laissez-faire* approach. Thus, there can be no market system without a bold pro-market governmental interventionism. Even so, ten years after the last financial crisis, the threat of authoritarianism has returned to the West. Similar to Polanyi's description of the twenties and thirties, the extreme right seeks to maintain the current system instead of facing up to the fears, the lack of security and predictability, and the erosion of social links, thus placing the root of the problem away from the contradictions of the economic model.

If the longing for security, following the First World War was due to the collapse of the gold standard and the fracturing of international trade; if so-

cial turmoil led to the reappearance of protectionism and fascism; then, in the post-crisis period, populist language represents once again this same desire for protection. The reappearance in current political vocabulary of terms such as the “commons” –the “Third Estate” of the era of Louis XVI– is another manifestation of this longing for security. In order to gain protection, Polanyi emphasises, we must politicise once more what has been left at the margins of the “natural law” of the markets.

Yet something has changed: even the speeches of international organisations that promoted, and continue to promote, market forces are starting to show cracks. The International Monetary Fund talks about restoring progressive taxation, increasing investment in education and health, and introducing the universal minimum wage so as to reduce the growing financial inequality. The United Nations Conference on Trade and Development (UNCTAD) asks for an end to the politics of austerity, an increase in public social investment, a strengthening of unions, limiting the influence of the financial markets and guaranteeing room for governments to act if needs be.²⁰

Once again we are waiting for countries to act so as to guarantee a form of competition that is compatible with decent working conditions. A form of governmental intervention that puts support for the production system

above the power of the financial sector and offshore businesses, that seeks address the legal loopholes which allow corporate tax avoidance at the same time that the taxes paid by the middle classes go up. A governmental action that seeks to reinforce public education, and limit the influence and pressure the economic powers hold over the media, policy making and political parties.

In order to conclude the subject we opened at the start of this chapter, we will go back to Spain. In 2018, Spain was leading the way among countries in the European Union by occupation in digital platforms, with 17% of people of working-age citizens working for them at least once a week, with the aim of using the job as a stepping stone towards a more stable work. Weeks ago, a new European directive sought to defend workers’ rights on these collaborative platforms in order to ensure a basic standard of living. At the same time, as in earlier phases of the evolution of capitalism, the need for updating the social contract is becoming politically overwhelming for countries while creating havoc to the left and the right of the ideological spectrum. Polanyi’s work exposes why we need a social contract that makes the economic system compatible with life in a well-working society. Activating governmental action, he concludes, is the most ordered and reasonable way of making this possible.

THE FINANCIAL MARKETS

Inma Naranjo and Guillermo Casanovas

One of the tenets of Polanyi in TGT is that we cannot study markets as independent entities, given that they function within a specific social, political and cultural context. Not only this, but “the market” should be at the service of society. Financial markets should not be an exception, but in recent years they have experienced a certain absolutization in which maximising financial returns for the shareholders has become the only option. We could say that the financial markets have become no longer a means to an end but an end in themselves, which has led to a lot of criticism and one of the largest crises (financial, economic and social) of recent decades.

Money As a Social and Economic Instrument

Taking a step back, it is important to understand the function of money in our society. Early societies did business in different ways, from simply bartering to more complex cultural norms based on gratuity or reciprocity among individuals and villages. The arrival of money went a long way to making these exchanges easier and allowed important developments to take place in the economy. It also allowed a much more flexible trade system, which favoured expertise and division

of labour, and saving money helped the realisation of large-scale business projects. It introduced the system of credit, which helped finance projects of those who would not have sufficient initial capital to invest, or buy a property for those unable to pay the full amount upfront. Over time, banks and other financial entities took it upon themselves to act as brokers, carrying out the task efficiently in exchange for a commission.

Some negative practices already existed, such as the application of excessively high interest rates which were not sustainable for borrowers, but in

general, these were perceived as wrong by the majority of people and even the economic system saw them as going against their proper purpose. Doing business with money had as its aim the fact that its impact on society would be a positive one, and that it would not exacerbate power imbalances.

Distortions in the Financial Markets

Today, markets create financial instruments (“on paper” assets, different from tangible assets such as buildings, or intangible assets such as a brand name) which offer new economic opportunities to both investors and consumers, allowing a global increase in trade and the movement of funds around the world. However, at the same time, this process has seen the economy governed by “financial capitalism”, given that now these financial instruments greatly exceed the “real economy” of goods and services.

A process which began with financial instruments such as shares and bonds has grown to become a system with increasingly more complex products, such as derivatives, market-linked investments, futures, commodities or foreign exchange trading, to name but a few. These financial instruments are characterised by a high level of arbitration and volatility, and the interconnection between them often brings with it a price modification in one part of the world which goes on to affect prices around the whole world.

This process of financialization has brought with it several distortions within society and within the economy

itself. For example, power and information imbalances open up new possibilities for the manipulation and abuse of the instruments involved.²¹ In Spain, there are well-known cases of financial institutions that gave incentives to their employees to present their financial products in a way which would bring about new sales or inflate prices, but reduce the transparency of the underlying assets, (the so-called “preferred stock” scandal, for instance). In this way, investors find themselves pushed into making immediate gains which do not contribute to the long-term growth of companies or to the underlying economy. The “financing scheme” causes a speculative spiral which separates the financial markets from the real economy.

In this sense, it must be highlighted that in the economic and financial world there are cases in which some of the methods used by the markets, although not unacceptable in themselves from an ethical point of view, are, in spite of everything, practically immoral. Furthermore, they very easily lead to abuse and fraud, particularly to the detriment of the disadvantaged party.

Nevertheless governments, pressured by financial lobby groups, have often resigned themselves to the situation of unregulated financial markets, in this way reducing their own ability to limit fluctuations and protect their citizens. In the area of taxation for example, the tendency has been towards rather more regressive systems in which higher incomes have come out better, while social movements that call for taxes on financial transactions (such as the so-called *Tobin Tax*) have not been accommodated in the legislation.

Another clear sign of the expansion of the financial markets is the increase in capital income in relation to income gained from work, which is due to a change in the balance of power between the working classes and the capitalist classes, as we discussed in the previous chapter. The changes in tax rates and the decrease in wage bargaining (in part due to the fragmentation or *uberization* of work), have meant that the earnings gained from increases in productivity have mostly gone to capital owners rather than the employees. While it is true today that many employees have become “owners” through investment funds or pension plans, the pattern of inequality between capital income and working income is one of the key reasons to understanding the high and often gross levels of inequality for many in our society.

This disproportionate level of power accumulated by the financial sector even undermines our democratic systems, since it is capable of putting pressure on governments to put their interests above those of the rest of society. This “power” comes, on the one hand, from companies whose huge investment capacity (and divestment capacity) means that the large listed companies and sovereign states remain at their mercy if they decide to make specific prices rise or fall (stocks, risk premiums, commodities, etc.). On the other hand, this power also comes from the way the financial system itself operates, in that shareholders in investment funds and pension plans hardly know what their money is invested in and decisions are taken based on algorithms, which only serve to

worsen the unsustainable bubble of the most recent financial crisis.

The causes of this expansion of the financial markets and the resulting distortions are many, but in this second part of the chapter, we will focus on the ethical and humanist criticism of an economy that is becoming increasingly dominated by utilitarianism and materialism, which is reflected in the obsession with the *homo economicus* and the creation of “value for the shareholder” as a sacred dogma.

Financial Markets at the Service of Society

At the foundation of the disparities and distortions of capitalist development, we find not only the ideology of economic liberalism but also the utilitarianist ideology, according to which “what is useful for the individual leads to the good of the community.” We should note that, while this carries a grain of truth, it cannot be ignored that what is useful for the individual, even though it may be lawful, does not always favour the common good. On more than one occasion, a spirit of solidarity is needed which goes beyond personal utility for the good of the community.

Financial players need to rediscover the ethical basis for their work in order to provide it with both an economic and social value, and not simply focus on a financial return at the cost of negative social and environmental consequences. Above all, investment flows should be directed towards increasing the actual capacity of producing goods and services in those economies which

need capital (above all in developing countries), in order to finance projects that promote economic and social development instead of mere financial speculation.

Financial companies themselves should also be required to become instruments geared towards producing greater wealth and social development. As the Social Doctrine of the Church points out, “It is certainly useful, and in some circumstances imperative, to launch financial initiatives in which the humanitarian dimension predominates.”²² In this way, financial activity reveals its primary vocation of service to the real economy, called to create value, through morally licit means, and to favour the movement of capital with the aim of generating a widespread and virtuous distribution of wealth.

So, what drove the world in this direction, causing problems for fundamental human development on a global scale? Above all, unregulated and unsupervised economic liberalism. This is an economic ideology which establishes *a priori* the laws for the market’s functioning and for economic development, without facing up to reality. Furthermore, as Polanyi emphasises, this ideological movement promotes laws which are not simply *laissez faire* or “lacking regulation”, but rather specific norms and tariffs that promote a certain financial and economic model.

In this sense, it is clear that the powerful driving force of the economy, which is the financial markets, is incapable of regulating itself: in fact, the financial markets are not even capable of establishing the basic foundations which should regulate their function (social cohesion, honesty, trust,

security, laws...), nor are they capable of correcting their external negative effects on human society (inequalities, imbalances, environmental damage, social insecurity, fraud...).

In order to tackle these challenges, several voices within the Catholic Church as well as the Social Doctrine of the Church, have repeatedly called for progress towards regulation and an increase in supervision, transparency and responsibility at both a national and international level. As Pope Francis points out,²³ “Saving banks at any cost, making the public pay the price, foregoing a firm commitment to reviewing and reforming the entire system, only reaffirms the absolute power of a financial system which has no future and will only give rise to new crises after a slow, costly and only apparent recovery”.

The notion of a new society, the building of new institutions with a universal calling and jurisdiction, is a prerogative and a duty for all, without distinction. International organisations such as the World Bank or the International Monetary Fund, should become involved with this, not just through regulatory functions, but also with added capabilities of applying sanctions, since the common good of humanity and the very future of our planet is at stake.

Profitability, Risk and Social Impact

Faced with the scale and omnipresence of the current financial and economic system, we may feel tempted to resign ourselves to cynicism and to believ-

ing that we can do nothing. The recent financial crisis was an opportunity to develop a new economy that was more attentive to ethical principles and open to the regulation of financial activity, neutralising the speculative and predatory aspects of the markets, and instead valuing service to the real economy. Although there has as yet been no solution that has led us to reconsider the archaic criteria which continue to govern the financial sector at a systemic level, there have been some positive developments.

For example, *sustainable and responsible investment* (SRI, also called *Socially Responsible Investment*) has experienced accelerated growth since the financial crisis of 2008. This type of investment embraces different strategies, such as the exclusion of certain sectors or companies (tobacco, arms, gambling, etc.), and the active inclusion of environmental, social and governance factors when analysing potential investments. If carried out with integrity and transparency, SRI could help monies to be directed to less activities that are harmful to society and more towards projects that have a positive impact on society and on the planet.

As many people have been reconsidering whether to trust financial entities with their savings and investments, the sector of so-called *ethical banking* has grown. Fiare or Triodos Bank are examples of institutions which focus their efforts on financing organisations which place social and environmental issues at the centre of their operations. After many years during which they had to explain and justify their banking model, today they are experiencing

active growth and gaining recognition in Europe, which has allowed many clients to align their values with the management of their money.

Another example is that of *taxes on financial transactions*. This type of tax, already defended by the economist John Maynard Keynes in the thirties and popularised as the Tobin Tax at the end of the seventies, has once again generated interest since the financial crisis of 2008. Based on the idea of penalising financial speculation without discouraging other types of “productive” transactions, the objective of this tax aims to stall the volatility of the financial markets and provide a tax collection allowing for the necessary redistribution of profits from the financial sector in pursuit of a more just and equitable society.

The common denominator of these trends is a rethinking of the risk-return combination, which has traditionally been at the centre of investment decisions, in order to introduce a third element: the social and environmental impact of these investments. On the one hand, these measures bring about a change in the incentives behind the functioning of the financial markets, whether that be through new regulations or through pressure from consumers and individual investors. On the other hand, this should serve as a reflection of the ethical change occurring in which money and the financial markets in general should be seen as instruments at the service of society. The idea that the aim of wealth is simply to generate more wealth is merely a social construct, and for this reason it is necessary to demonstrate that wealth can work towards freedom, empow-

erment and sustainability. Many initiatives of civil society are, in this respect, a staple of social conscience and responsibility which we cannot dispense with. Today more than ever, we

are all called to become interpreters of a new social role, basing our actions on the search for the common good and rooting them in the sound principles of solidarity and subsidiarity.

CONCLUSIONS: LOOKING TOWARDS THE FUTURE

Guillermo Casasnovas

The three analyses we carried out in the real estate, labour, and financial markets show, without a doubt, the limits of the market system, and also remind us that “there are aspects of life which should not be affected by money, if we don’t want to lose them”.²⁴ Rather than money, what these aspects of life should not come into contact with is, in Polanyi’s words, the “self-regulated market”.

The Limits of the Market

It is true that today the concept of the 100% self-regulated market is simply a utopia (or dystopia): every market is, one way or another, interfered with by the State. Whether that be through tax policies, specific regulations pertaining to certain sectors, publicly-owned companies, the area of government procurement or other activities promoting certain industries or specific businesses, the State has a wide range of tools at its disposal to intervene in the economy.

And this they do, as we have seen in the three areas looked at. The construction of social housing or the regulation of the length of rental contracts

and rental price increases are all examples of interventions in the housing market. In the labour sector, minimum wage or labour reforms which affect temporary and indefinite contracts are ways of influencing the labour market. In the financial sector, governments recently intervened by rescuing banks and regulating instruments such as, in Spain, the SICAV (Equities Investment Trusts) and the SOCIMI (or REIT, Real Estate Investment Trusts).

Nevertheless, these interventions have often favoured the interests of capital rather than the interests of the most vulnerable and excluded groups. Basically, the issue is not whether the State should intervene or not, since as Polanyi points out in TGT, the actions

of the markets cannot be seen apart from the specific and determined efforts on behalf of the political powers to promote them and put them forward in the main system for the exchange of goods and services. The crux of the issue rests on which regulations are promoted by the State. If they encourage the wealthy to find ways of tax evasion (through tax havens and fiscal amnesties), the imbalance between those who have no access to these mechanisms will continue to increase. If they are facilitating redundancies against a background of accelerated technological change and are ignoring the existence of collective wage bargaining, they are encouraging a distance between a few hyper productive elite and an impoverished class of people who cannot keep up with the technological revolution, resulting in the progressive disappearance of the middle classes. If they allow abusive rental practices while hindering the public acquisition of property, they are promoting models of gentrification and community displacement.

A common image of the relationship between the market and the State is that the former is presented as a runaway horse, while the State is seen as holding the reins in an attempt to keep the horse at bay. Nevertheless, key sectors affecting human rights such as housing, work and finances, as well as others such as energy, food, or transport, require more complex analysis. These sectors are more like board games with several participants and several potential outcomes. If we start from the understanding that leaving them to the free will of the market is not the best system of regulation, what

mechanisms could be established to ensure that the rules of the game promote fair relationships and inclusive and sustainable development? Before attempting certain solutions, we should recall the analysis that Polanyi would have made of our current situation.

The Short-Term Future

One of the main arguments of TGT is the double movement which emerges between the expansion of the market and the self-protection of society. At the start of the twentieth century, England and other Western societies responded to the decline experienced by large swathes of society by placing restrictions on market mechanisms: protectionism (which limited international trade), unionism (which placed restrictions on the labour market) and a rise in central banks (which limited the effects of the gold standard). These measures gave way to imperialist tensions, an increase in unemployment and class struggles, as well as curtailing governments' room to manoeuvre when they saw their public finances limited by the need to keep a fixed exchange rate.

Today, these activities catch our attention due to their similarities with some of the changes we are witnessing in our society. Recent trade wars between America and China, or between Russia and Europe, as well as the desire seen in countries such as the UK and the USA to reinforce their borders, illustrate the decline in multilateralism in favour of protectionist measures. If the origin of these policies is the disregard felt by the working classes in the face of globalisation (and which many

politicians take advantage of in order to encourage negative sentiments towards other countries and their people), this fragility has also given rise to significant protests in the streets. Movements such as the 15M in Spain or the “yellow vests” in France are largely responding to the consequences of a labour market structured in such a way that many are left by the wayside. Lastly, we have also seen how the pressure of the financial markets has thwarted national governments on more than one occasion. In this sense, countries in southern Europe have suffered physically –and in their national budgets– from the effects of “austerity” which were imposed from Brussels in order to face up to the risk premiums that fell and rose according to pressure from investors.

As is well known, the result of these tensions in the twenties and thirties was an increase in authoritarianism, totalitarianism and exclusionary nationalism. The triumph of these movements in Germany, Italy, Russia and Spain caused an unprecedented armed conflict, while other countries also saw large sectors of their population supporting authoritarian models under different versions of nationalism. While a Third World War seems unimaginable in the current world, we have seen a resurgence in devotion towards authoritarian leaders as well as the exaltation of specific types of nationalism. From *America First* to the dehumanisation of migrants in the Mediterranean, from the authoritarianism of leaders such as Putin or Xi as well as the surge of the extreme right, alongside the weakening of European institutions and the decline in many democratic systems, the short-term future seems to confirm

Polanyi’s writings and makes for a sombre picture.²⁵

The journalist and philosopher Josep Ramoneda recently stated that “neoliberalism is the gateway towards authoritarianism, so as to be able to govern societies without the economic elites having to make concessions”,²⁶ which is very similar in thought to the Austro-Hungarian economist, suggesting that these changes often rely on the “tacit approval” of the authorities. Effectively, in spite of the fact that many of these slogans are designed to gain popular approval, the masses are those who have suffered most from the absolutism of the markets, and the main beneficiaries of the new *status quo* are usually the ruling classes. As the saying goes, “everything changes... so that everything can stay the same”.

A Long-Term Collaboration

That said, in this change of era,²⁷ how can we change course and make solid foundations that lead us to integration rather than to division, to liberty rather than oppression, and to dignity instead of dehumanisation? If we take heed of Polanyi, one effective way would be to limit the omnipresence of the market so that society no longer has to protect itself with measures that limit freedom supposedly in pursuit of peace and security. Faced with the growth of the markets, it is necessary to create “counter-hegemonic spaces which fight against the commodification of life”,²⁸ spaces that can be created at several levels.

At an individual level, we should be able to distinguish our deepest motiva-

tions and values from those with which we are continually bombarded through marketing campaigns. Do I need to buy a car, or can I use more sustainable methods of transport? Do I want my mobile phone to have the best camera on the market, or would I prefer that the supply chain be respectful towards workers and the environment? Do I put a price on every hour that I work, or could I give some time to others in voluntary work? These and other decisions we make regarding our work and consumer habits have a double effect. On the one hand, they can help us to create a 'protective layer' which insulates us to a certain extent from some mechanisms of the market that can become very intrusive, even to the point of convincing ourselves that we are no more than a *homo economicus*. On the other hand, many of our individual behaviours in this regard have the potential to reconfigure the balance in favour of fairer and more sustainable systems.

In the business sphere, we can create models in which market mechanisms are subordinate to the social and environmental impact of those businesses. We are increasingly encountering value chains based on fair trade, companies which limit the wage gap between employees, investors whose financial return is based on the social impact achieved, public-private partnerships which place the common good as their focus or cooperative models which bring the decision-making to the workers and consumers. These type of businesses, which can at times seem to disrupt the norm, challenge models that are solely based on individual interests and instead emphasise the aspect of human nature that is

directed towards cooperation, trust and compassion.

From a more structural point of view, we need to create conditions which encourage the individual and business behaviours we have just mentioned. From laws which bring about a reduction in the use of plastic to commitments which encourage social enterprises into public procurement, from encouraging transparency in business practice to promoting environmentally-friendly energy practices..., several initiatives can limit the power of the markets. As we have seen, certain sectors such as housing, work or finances are particularly vulnerable to being commodified and need structural regulations which put them at the service of human rights and not at the benefit of the economic elites.

Faced with the threat of increasing authoritarianism, far-reaching agreements are needed to consolidate and protect those advances that have shaped our societies such as universal suffrage, free education and health-care, freedom of expression and legal equality for reasons of ethnicity, religion or sexual orientation. Yet, as well as the social commitment that needs to mark out our path over the next few decades, a clear commitment to taking care of the planet needs to be included, alongside the protection of migrants and a reduction in inequality.

Epilogue: a Christian Perspective

The contact Polanyi made with Christian socialist organisations in England inspired him to recognise in Christian values a moral force of solidarity and

the ability to struggle against the steamroller of capitalism. As an anthropologist, Polanyi focused on the dignity of people and community links, which instantly reminds us of the parable of the young rich man, or the scene of Jesus with the traders in the Temple, or the affirmation that man was not made for the law, but rather the law (in our case, the law of the markets), should be made for the humans.

It seems clear that Catholic values are not compatible with an entirely commodified system. A market society (distinct from a society with a market), is one in which the individual (seen as the consumer, the saver, the taxpayer...) remains disconnected from the person and the wide range of unique characteristics he or she possesses. One example would be in the sphere of caring or nursing,²⁹ so essential to personal and social wellbeing, but which is hidden and repressed by the market in a systematic way. A society which encourages materialism and excess does not appear to be compatible with a Christian model based on gratuity and shared austerity.

The similarities of Polanyi with Christian values lies in his deep-root-

ed anthropology, and hope for reform, which is neither political nor economic, but rather anthropological in nature. Polanyi promotes a society which puts community at its centre, and therefore a State which is capable of steering the economy, not towards the technical criteria of improvement, but rather placing criteria of community preservation and strengthening as its focus, this being the only context in which the individuals can develop themselves to their full potential.³⁰

The view of Polanyi, as that of Christianity, is to denounce multiple false assertions, such as: the false belief that exists in labour relations suggesting that 'work' can be viewed separately from the individual; the falsehood that a family home can be bought and sold like a new pair of shoes; the falsehood that the needs of the financial markets can be put above the needs of the individual. It would be fitting to include other aspects of the individual here which are in some way recognised by the Social Doctrine of the Church, which offers a prophetic and very well documented criticism of the market society, and which finds in Polanyi an excellent fellow traveller.

1. POLANYI, Karl (2016). *La gran transformación. Crítica del liberalismo económico*. (tr. The Great Transformation). Barcelona: Virus editorial.
2. POLANYI, Karl (2016). *Op. cit.*, p. 304.
3. POLANYI, Karl (2016). *Op. cit.*, p. 307.
4. POLANYI, Karl (2016). *Op. cit.*
5. HERRERO, Yayo (2018). “Conferència inaugural del curs 2018-2019 de Cristianisme i Justícia” (tr. Inaugural Conference of the 2018-2019 semester at CJ). Barcelona. (https://youtu.be/8_clADDUhoc).
6. LAGUNA, José (2018). *Seeking Sanctuary: The Political Construction Of Habitable Places*. Barcelona: Cristianisme i Justícia, Booklets, no. 174.
7. HERRERO, Yayo (2018). *Op. cit.*
8. 22.9% of the Spanish population have chosen to rent, but the proportion is 43.3% if we only consider families living below the relative poverty line. (Source: Eurostat). See the report “El hogar es la clave” (tr. Home is the key), Diocesan branch of Caritas of Barcelona, 2018.
9. In 2017, 38% of the Spanish population of the lowest income quintile –the most vulnerable households– were spending more than 40% of their income on housing. See the report quoted in the previous note.
10. *Laudato si’ Encyclical*, no. 151, 2015.
11. Housing is considered too expensive when it places the family below the severe poverty level once their housing expenses are paid. See “Informe sobre exclusión y desarrollo social en Cataluña”, (tr. Report on exclusion and social development in Catalonia), Foessa Foundation, 2019.
12. See FLORES, Raúl (2019). “Transmisión intergeneracional de la pobreza” (tr. Intergenerational transmission of poverty), Report no.VIII Foessa. Working document 2.7, Foessa Foundation.
13. See “La vivienda en España en el siglo XXI”, (tr. Housing in Spain in the twenty-first century). Foessa Foundation, 2013.
14. Possible solutions would be social rental contracts (30% of income with debt cancellation, where applicable), or the restructuring of debt /loan in order to be able to continue paying the same and maintain ownership of the house.
15. Areas with advantageous fiscal conditions for companies, opaque in their dealings, and which limit the transfer of information on the banking activities of their customers with other countries, (usually instrumental operations without any real presence in the country).
16. Public debt of the Spanish government acquired by investment banks.
17. 60% in the EU, according to data from the European Commission (9th April, 2019).
18. See KEYNES, J. (1933). “Economic Possibilities for Our Grandchildren” in *Essays in Persuasion*, London: Palgrave Macmillan.
19. See ELKINGTON, John (1998). *Cannibals with forks: The triple bottom line of sustainability*. Gabriola Island: New Society Publishers.
20. *Trade and Development Report 2017. Beyond austerity: Towards a global new deal*.
21. See no. 17 referring to the risks of the current financialization, in the special Report “Por una economía global justa: construir sociedades sostenibles e inclusivas”, (tr. Towards a fair global economy: building sustainable and inclusive societies), by the Secretary for Social Justice and Ecology.
22. See no. 65 of the Encyclical *Caritas in veritate* by Benedict XVI.

23. Encyclical *Laudato si'*, no. 189.
24. LAGUNA, José (2018). *Op. cit.*, p. 17.
25. CRISTIANISME I JUSTÍCIA (2018). *Dark Clouds Loom... But The Sun Is Still There!* Barcelona: Cristianisme i Justícia, Papers, no. 12, <http://www.cristianismeijusticia.net/en/papers>.
26. Interview with Josep Ramoneda, eldiario.es, 03/04/2019.
27. MATEOS, Oscar i SANZ, Jesús (2013). *Cambio de época. ¿Cambio de rumbo?* Barcelona: Cristianisme i Justícia. Cuadernos, no. 186.
28. LAGUNA, José (2018). *Op. cit.*, p. 22.
29. TORRES, Pepa (2019). *La revolución de los cuidados*. (tr. The revolution of the carers), Barcelona: Cristianisme i Justícia. Papeles, no. 247.
30. Frente a Marx y la Ilustración: el sentido comunitario y personalista de la crítica de Karl Polanyi a la sociedad de mercado y a sus alternativas totalitarias. (tr. Facing Marx and the Enlightenment: the sense of community and personalism of Karl Polanyi's critique of the market society and its totalitarian alternatives), Juan B. Fuentes. E-Prints Universidad Complutense de Madrid. Available at: <https://eprints.ucm.es/16571/>.

Cristianisme i Justícia (Lluís Espinal Foundation) is a study center that was created in Barcelona in 1981. It brings together a team of volunteer scholars and activists who desire to promote social and theological reflection that will contribute to the transformation of social and ecclesial structures. It is part of the network of Faith-Culture-Justice Centers of Spain and also of the European Social Centers of the Society of Jesus.

Booklets CJ

- 179. *The Pandemic Shock*. O. Mateos
- 180. *Why Haiti?* P. Farràs
- 181. *Being Christian in Europe?* V. Codina
- 182. *Toward a (Counter)Culture of Reconciliation*. G. Bilbao, I. Sáez
- 183. *God in Liquid Times*. Theology Seminar of CJ
- 184. *Wasting Food*. J. C. Romero, J. Tatay
- 185. *Recognition of LGBTIQ+ Persons in the Church*. M. Escribano, E. Vilà
- 186. *The Coronavirus: Mirror of Beliefs*. J. F. Mària
- 187. *On Technology*. O. Quintana
- 188. *Fictitious Commodities*. G. Casasnovas (ed.)

Lluís Espinal Foundation sends its Booklets free of charge to those who ask for them. If you are interested in receiving the Booklets in your house, ask them at:

Cristianisme i Justícia

Roger de Llúria, 13. 08010 Barcelona (Spain)
+34 93 317 23 38 • info@fespinal.com
www.cristianismeijusticia.net

All booklets can be downloaded from internet:
www.cristianismeijusticia.net/en/cj-booklets

