

# Karl Polanyi on issues of war and peace

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The Russian full-scale invasion of Ukraine, which started in February 2022, forcefully brought war to the forefront of public and scholarly debates. In this essay, I propose to address the topic of war through the examination of Karl Polanyi's political writings.

At first sight, it may seem to be an odd choice. Admittedly, Polanyi's writings concerning war are scattered and relatively obscure.<sup>1</sup> There are, however, at least two reasons to engage in such inquiry. First, the experience of war is central to understanding Polanyi's life and thought. Between 1915 and 1917 Karl Polanyi served as an Austrian cavalry officer. During his time in the army, Polanyi suffered from depression, read and reread Shakespeare's *Hamlet*, converted to Protestantism, and contracted typhus, which led to his hospitalization (Dale 2016a, 41–71). Reflecting in 1919 on the meaning of World War I, Polanyi declared that "4 August 1914 shattered forever the materialistic blind faith in automatic progress."<sup>2</sup> From then on, he devoted considerable time and energy to the study of forces that tore apart nineteenth-century civilization. His opus magnum, *The Great Transformation*, can be read as an attempt to explain how the breakdown of international order resulting in World War II came about. Hence, examining Polanyi's views about war is important for understanding his intellectual *oeuvre*.

The second reason is more connected to contemporary events. Karl Polanyi was an eclectic thinker capable of learning from opposing traditions and con-

flicting currents of thought. In his political writings, he critically examined psychological theories of war, engaged in dialogue with the emerging tradition of political realism, and offered an interesting critique of Marxist theories of imperialism. Since the viewpoints Polanyi encountered display curious parallels to those that dominate contemporary debates, his arguments merit close examination. In this essay, I reconstruct Polanyi's writings on war and offer some speculations about the relevance of his ideas for understanding the present conflict in Ukraine.

## War as an institution

In various lectures and addresses published posthumously in the collection *For a New West*, Polanyi formulated a thesis that war is a social institution (2014, 68 ff.). What does it mean? Polanyi is not very precise on this point. Or, to put it another way, it is clearer what he rejects than what he affirms. What Polanyi rejects are psychological theories of war that would seek to explain it by appealing to human nature. A psychological theory exists in conservative and progressive versions. As far as conservative theory is concerned, Polanyi referred to Luther's and Calvin's understanding of original sin (Polanyi 2014, 70). From this vantage point, war, like all political institutions, appears to

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be a manifestation of the old Adam. One variant of progressive theory was offered by Bertrand Russell in his book *Principles of Social Reconstruction*, which was first published in 1916. Russell distinguished there between the possessive impulse, responsible for capitalism and war, and the creative impulse credited for our capacity to enjoy love, art, and other good things in life. The upshot of Russell's argument was the thesis that capitalism, by overstimulating our possessive impulses, would eventually lead to war.

Polanyi believes the reasoning behind psychological theories of war to be fallacious. His argument

here resembles the famous critique of the notion of *homo economicus* offered in *The Great Transformation* (Polanyi [1944] 2001, 45). Anthropological evidence suggests that people's behavior differs from culture to culture and no type of motive can be regarded as universal. Arguing against conservatism, Polanyi points out the existence of communities, such as Australian Aboriginals or Eskimo, that have lived for a long time without war. Great historical empires managed to abolish war on the territories for considerable periods. Finally, the conservative explanation is too general. After all, wars are waged for more specific reasons than deprived human nature. Against progressive theorists, Polanyi maintains that the question of war and peace needs to be treated at the institutional level. To say that war is a social institution is to maintain that it serves a purpose, namely the resolution of conflicts between territorial groupings. The problem is not so much that of replacing possessive impulses with constructive ones, as Bertrand Russell would have it, or of finding a "moral equivalent of war," as William James has famously argued (James 1995). Wars do not erupt because people derive some perverse pleasure from fighting but because there is no other way to settle disputes over contested territories.

How exactly can we construct international order in which war would not be necessary? Polanyi's answer to that question can be divided into two parts: economic and political. As far as the former is concerned, Polanyi maintained that peace depends on the proper ordering of economic life between nations. In his view, autarky or semi-autarky would lead to a drastic lowering of the standard of living and create incentives for imperial struggle over raw materials and access to colonial markets (Polanyi 2014, 87, 191). At the same time, an international regime should allow for freedom to regulate domestic markets and determine internal economic organization of a given country, be it capitalistic or socialistic. Hence, the two principles on which the new order should be based are "economic collaboration of governments" and "liberty to organize national life at will" (Polanyi 2001, 262). Lenin and Trotsky associated socialism with economic planning on a global scale. Polanyi refused to follow that route. In an essay called "Universal Capitalism or Regional Planning," he advocated for regional economic blocs cooperating through managed trade (Polanyi 2018a). In the concluding chapter of *The Great Transformation*, Polanyi envisioned a more multilateral solution like "federation" or "closer cooperation of friendly countries that could even be contemplated under nineteenth-century sovereignty" (Polanyi 2001, 261–62). Some scholars believe that the international regime created in Bretton Woods has met these objectives (Ruggie 1982).<sup>3</sup>

## Balance of powers

Let us return now to the political dimension of international order. Some of Polanyi's contemporaries outlined institutional alternatives to war. For instance, John Dewey believed that war should be outlawed and disputes between nations settled by the international court (Howlett 1976). Others, like Bertrand Russell, put their faith in world government (Russell 1943–44). Karl Polanyi refused to follow such routes, which he considered hopelessly utopian. In a booklet called *Citizen and Foreign Policy* published in 1947 as a teaching manual for the Workers' Educational Association, Polanyi admits that no institution at present could replace war (1947a, 6–10). In the absence of some international authority, war cannot be permanently ruled out. Hence, Polanyi settles for a second best and tries to outline "constructive peace policies" that are designed to minimize the probability of war.

To apprehend Polanyi's thinking on this matter we should briefly examine his relationship with the tradition of political realism, especially with the version of that doctrine held by Edward Carr.<sup>4</sup> In *The Great Transformation*, Polanyi famously characterized laissez-faire as a stark utopia. A similar claim was previously made by Carr in his *Twenty Years' Crisis*, a classic treatise on realism in international relations first published in 1939. Carr argued that a liberal attempt to reach peace through free trade is unrealistic for two reasons. First, it ignores the role that power plays in politics between nations. Peace cannot be achieved by alleged harmony of interests resulting from trade but must be based on a balance of power between main states. Second, laissez-faire ideology falsely assumes that the economy can be separated from politics. From Carr's perspective, a country's economic potential is simply one component of its total strength. As debates about such issues as imperialism, foreign investment, use of sanctions, or the degree of economic self-sufficiency required for national defense demonstrate, in international relations, politics and economy are closely entangled.

Following Carr, Polanyi believes that peace has to be based on the balance of power between superpowers or multiethnic empires. Interestingly enough, he illustrates this principle with a thought experiment. Polanyi invites his readers to imagine how a war can occur even if no state is initially willing to wage it. As he explains, "an unwanted war between countries A and B may, for instance, be caused by the disappearance of organized power in a country C which geographically lies between A and B" (Polanyi 1947a, 8). Here is why: The lack of a strong state in C creates a power vacuum. Under such circumstances, various domestic parties in country C will seek favors from

neighboring superpowers. As a result, both A and B are likely to become engaged in the domestic affairs of C, even against their wishes. A similar scenario was played out in China after World War II, where both communist and nationalist leaders asked for foreign help in their domestic struggle (Polanyi 1947a, 8). Potential solutions for the problem of power vacuum include dividing the country into zones of influence, creating a condominium or a buffer state. In either case, the balance of power has to be restored. Peaceful coexistence between states could only be maintained by dividing the world into regional power blocks, even at the expense of the right of small nations to national self-determination. Apparently, Polanyi was willing to pay that price (Dale 2016b). Still, he maintains that “sane realism is the realism that takes the moral and spiritual factors as *realities*” (Polanyi 2014, 76). Morality, international public opinion, and international organizations all had their role to play in striving for peace.

## Imperialism

In a pamphlet called *Imperialism, the Highest Stage of Capitalism*, Lenin (1916) formulated a thesis that has become a cornerstone of subsequent Marxist theories of imperialism: capitalism by necessity leads to war. According to Lenin, the new phase of capitalist development can be characterized by the replacement of competition with monopolies, the dominance of financial capital, and the increasing role of the export of capital in comparison to the export of industrial goods. With the advent of monopolistic capitalism, possibilities for internal accumulation of capital were exhausted and territorial expansion remained the only option open to those who wished to prolong the existence of a decaying system. Lenin’s thesis was soon reversed by Schumpeter, who claimed that capitalism by nature leads to peace since warlike attitudes are incompatible with the bourgeois mentality. Besides that, war is simply bad for business. While it is true that individual capitalists may profit from imperialism, the interests of the entire capitalist class are likely to be negatively affected by it. As the social influence of old feudal elites wanes, Schumpeter prophesied, the world is destined to enter a new era of capitalist peace (Schumpeter [1919] 1974). While Polanyi explicitly criticized only Lenin’s views, I believe that his approach is incompatible with any general economic theory of imperialism, including one formulated by Schumpeter.

In *The Great Transformation*, Karl Polanyi criticized Lenin’s theory of imperialism as being empirically inadequate. While Polanyi admitted that finan-

cial and capitalist interests were indeed responsible for various colonial wars, he maintained that they cannot be responsible for war on a global scale, such as World War I. The reason is simple. Large-scale military conflict is likely to disrupt global trade and destroy international financial infrastructure, which for capitalists can mean only heavy losses. Hence, as Karl Polanyi famously argued, *haute finance* was in fact a force working for peace (Polanyi 2001, 10–11). More generally, the breakdown of nineteenth-century civilization “was not the outcome of alleged laws of economics such as that of falling rate of profit or of underconsumption or overproduction” (Polanyi 2001, 257). According to Polanyi’s explanation, the real cause of calamity was not so much the imperialistic rivalry but the institutional contradiction between democracy and international economic order based on the gold standard. Under the gold standard, countries had to face a stark choice between full employment, which required expansive fiscal and monetary policies, and retaining the parity between local currency and gold, which required the opposite. Such pressures eventually led to the destruction of the international economic system, which in turn pushed countries towards imperialism and autarky (Polanyi 2001, 227).

Karl Polanyi also had other reasons to distrust Marxist theories of imperialism. In *The Great Transformation*, he offers the following characteristic of Marxist political reasoning:

In popular Marxism this led to a crude class theory of social development. Pressure for markets and zones of influence was simply ascribed to the profit motive of a handful of financiers. Imperialism was explained as a capitalist conspiracy to induce governments to launch wars in the interests of big business. Wars were held to be caused by these interests in combination with armament firms who miraculously gained the capacity to drive whole nations into fatal policies, contrary to their vital interests. (Polanyi 2001, 158)

Polanyi suggests that the error behind popular Marxist reasoning lies in disregarding the role played by political aspirations and moral ideals. Such concepts as justice, national interest, or freedom seem relatively ineffective when compared with “hard” facts like class interests or economic incentives. Polanyi labels this way of thinking an economic fallacy and warns that it may lead to a “decline of political thinking” (Polanyi 1977, 8). According to him, economic fallacy has its historical roots in nineteenth-century market economy, which infected both Marxist and liberal political thinking with a virus of economic determinism (Polanyi 1947c). Such “obsolete market mentality” consisted of a false image of man as being motivated solely by material incentives and a false image of social

institutions as being determined by the economic system (Polanyi 1947b, 110). Polanyi's persistent criticism of what he variously labeled "economistic fallacy," "obsolete market mentality," or "economic determinism" suggests additional reasons for his rejection of economic explanations of imperialism and war. From the vantage of Polanyi's critique, both Lenin's and Schumpeter's theories can be regarded as parallel forms of economistic fallacy, a form of nineteenth-century prejudice maintaining that economic factors ultimately determine political developments.

## Lessons for our time

One of the benefits of reading Polanyi is that his main concerns resonate with the problems of our times. The same is true when it comes to his writings about war. Following the Russian full-scale invasion of Ukraine in February 2022, psychological, realist, and imperialist theories of war returned to the mainstream of public debate. The initial shock that the war caused among publics and political elites of EU countries can be partly attributed to the quasi-Schumpeterian belief that global capitalism will make large military conflict unprofitable and therefore unthinkable. The psychological theory took the form of endless speculations about whether Vladimir Putin is sane or otherwise. Concerns with a balance of power and spheres of influence led some card-carrying realists to blame NATO for the Russian aggression (Mearsheimer 2022). Some leftist intellectuals reached a similar conclusion through the theory of imperialism (Harvey 2022; Hann 2022). Others, however, maintained that Putin's Russia is the only imperialist power in this conflict (Ost 2022). What should we make of these arguments?

Political realism is difficult to assess. Carr and Polanyi were right to believe that international politics and economics are closely entangled. Neither widespread sanctions nor contemporary weaponization of credit and finance would surprise them.<sup>5</sup> Still, I believe that Polanyi was mistaken when he asserted that the realist principle of a power vacuum is the only "law of political science that holds with absolute rigour" (Dale 2016b, 419). Concepts such as power vacuum, national interest, and balance of power strike me as rather imprecise and open to various interpretations. Another problematic aspect of realism lies in its tendency to justify the misbehavior of great powers on the grounds that they are entitled to their spheres of influence. While several commenters draw on realism to relativ-

ize Russia's responsibility for starting the war, I do not find their arguments convincing. Carr's and Polanyi's opinions notwithstanding, the principle of national self-determination seems a much safer ground for international cooperation than belief in the goodwill of imperial powers. Finally, contrary to what Polanyi's fictional scenario might suggest, there was no power vacuum in Ukraine in 2022, as Russian soldiers were soon to discover.

Gareth Dale noted that Polanyi "spoke of imperialist phases and policies" but did not have a theory of "imperialism as systemic totality, i.e. a hierarchical world system in which economic and geopolitical rivalries fuse" (Dale 2022). Contrary to Dale, I do not believe that such theories are helpful in elucidating political events. Recall that one of Polanyi's main objections to Lenin's theory was that it assumed an oversimplified view of the interests and agency of the capitalist class. This observation seems pertinent in the present context. It is hard to see how the Russian oligarchs as a class could profit from the war in Ukraine. Similarly, the withdrawal of a great many Western companies from the Russian market hardly fits the Leninist image of expansive capitalists bent on conquering foreign markets. Still, Karl Polanyi did not dismiss the term imperialism and neither should we. Imperialism is a form of political domination, which may or may not be motivated by the prospect of economic gain. American philosopher Sidney Morgenbesser usefully distinguished between Greek and Roman types of imperialism (Morgenbesser 1973, 17). The former works by acquiring distant colonies, and the latter by conquering neighboring lands. Russia's invasion of Ukraine can be justly described as a case of imperialism of the Roman type. What is particularly striking in this case is not so much the use of military force, barbarian as it may be, but the open embrace by Russia of the policy of territorial aggrandizement, which remained a taboo in Europe after World War II.

Finally, I believe that Polanyi was right to dismiss psychological explanations of war.<sup>6</sup> Speculations about Putin's mental health are as unenlightening as other versions of a psychological theory of war. Equally important was Polanyi's insistence that nonmaterial factors are necessary for interpreting politics. It is impossible to understand this war without taking into account the ideological convictions of Russian elites.<sup>7</sup> Similarly, Ukrainian resistance cannot be comprehended without acknowledging the strength of the ideal of national freedom and self-determination. To believe otherwise is to succumb to yet another version of the economistic fallacy.

## Endnotes

- 1 Arguably, there is no such thing as Polanyi's theory of war. Polanyi's views are not discussed in the otherwise comprehensive study *War in Social Thought: Hobbes to Present*, written jointly by Hans Joas and Wolfgang Knöbl (2013).
- 2 Polanyi quoted in Congdon (1976, 176). On August 4, 1914, Great Britain declared war on Germany.
- 3 Though not necessarily Polanyi himself. In an essay called *British Labour and American New Dealers*, Polanyi views talks in Bretton Woods with suspicion as an attempt to reinstitute the gold standard (Polanyi [1947] 2018b).
- 4 Polanyi referred to Carr's *The Twenty Years' Crisis in The Great Transformation* ([1944] 2001, 213; 272). In *The Citizen and Foreign Policy*, he mentioned several other of Carr's publications (Polanyi 1947a, 31). It seems fair to say that Polanyi's own thinking on foreign affairs was significantly influenced by Carr's version of political realism.
- 5 For contemporary discussion, see Farrell and Newman (2022). While the technology behind weaponization of economic networks is novel, the very principle is not.
- 6 For a brief discussion and critique of psychological explanations, see letter to *The Guardian* written by Prof. Allan House (2022), a working psychiatrist.
- 7 See the infamous essay by Vladimir Putin (2021) "On the Historical Unity of Russians and Ukrainians," and an article by Santiago Zabala and Claudio Gallo (2022), who examine the influence of Vladislav Surkov, Ivan Ilyin, and Alexadr Dugin on the ideology of Putin's Russia.

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