Abstract: Karl Polanyi in *The Great Transformation* diagnosed what had happened in the Nineteenth Century that led to poverty, increasingly wild economic fluctuations, increasingly severe depressions, and social dislocation and oppression on a massive scale – the market had been disembedded from communities which were then subjected to the imperatives of a supposedly autonomous market. In fact, such disembedding and imposition of these imperatives was a deliberate strategy developed as a means to impose exploitative relations on people, in opposition to ideas of republican democracy. Recognizing this, after such disembedding had engendered a major global depression in the 1890s and an even more severe depression in the 1930s, along with two world wars, reformers largely succeeded in re-embedding markets. This achievement was fought by neoliberals, and their triumph in the 1970s was a really a project of reversion to the Nineteenth Century economic and political order, now upheld by much more powerful forces, including immensely powerful transnational corporations and financial institutions, corrupt politicians, and much more effective mind control industries. As in the Nineteenth Century, it has concentrated wealth and income, destabilized economies, and threatens a new Great Depression and, as a by-product of the tensions generated by global ecological destruction, possibly a new world war. As opposed to Marxist analyses, Polanyi’s analysis provided a much clearer goal to aim at that has not been discredited by the failures of supposedly communist countries. However, there are still huge problems to be overcome if we are to re-embed the market in communities, including the problem of grappling with the immense power of transnational corporations and financial institutions and those who serve them and the success they have had in corrupting the institutions and culture of democracy. This includes not only undermining the power of nations to control their economies and their subversion of democratic processes, but also in promoting passivity in the population to render them inert and powerless. In this paper I will examine proposals, such as those promoted by Arild Vatn in his book *Institutions and the Environment*, to develop institutions able to achieve this re-embedding.

Keywords: Karl Polanyi; Arild Vatn; Markets; Institutions; Communities of communities; Ecological civilization

Introduction

Philip Mirowski and Dieter Plehwe in their book *The Road From Mont Pèlerin: The Making of the Neoliberal Thought Collective* (2009) and in other works edited or written by them, Quinn Slobodian *Globalists: The End of Empire and the Birth of Neoliberalism* (2018) S.M. Amadae in *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism* (2003) and in *Prisoners of Reason* (2016), have revealed the ideological roots and the goals of those behind the massive transformation of economies and societies around the world since the 1970s. Backed by media moguls such as Rupert Murdoch in Anglophone countries and Reinhard Mohn in Germany, financed by billionaires, financial institutions and transnational corporations, with think-tanks set up around the world, this was a deliberate project to subvert and replace the social democratic consensus that had triumphed in advanced Western countries after the Great Depression and the Second World War.
More fundamentally, it was a deliberate effort to undermine democracy and to transform institutions serving democracy into either business corporations, or institutions operating accord to the ‘rational choice’ logic of economic actors. The best way to characterize what happened is in terms of Karl Polanyi’s characterization of the relation between markets and communities.

While markets have operated within civilizations at least as far back as Ancient Persia and Ancient Greece, what took place in Western Europe, beginning with Britain from the Seventeenth Century onwards was something new. It was associated with the creation of fictitious commodities – land, labour and money (Polanyi, chap.6) culminating in 1835 with the repeal of the 1795 Speenham Law that had provided economic security for the poor. The logic of these fictions, essentially forms of the fallacy of misplaced concreteness put into practice, had been fully embraced. Markets were dis-embedded from communities and market forms of relationship imposed on these communities, forcing individuals to define their relationships through markets and subordinating them to the logic of the market. The poverty and brutality this engendered, along with dramatic improvements in technology, first in Britain itself, and then other countries, led to struggles to develop institutions to alleviate this poverty, protect workers and control the dynamics of markets, subordinating markets to institutions aiming at democracy, social justice and the common good of society. That is, markets were to some extent re-embed in communities. These institutions included trade unions and socialist and labour parties, the institutions of representative democracy, the civil service and institutions of public education and welfare.

The social democratic consensus that emerged after World War Two in advanced Western societies was the triumph of this project that began towards the middle of the Nineteenth Century. The broader social democratic project of this consensus, in an ambivalent relationship to communist countries, involved extending these institutions to other countries, freeing what was then known as the Third World from colonialism and neo-colonialism while supporting efforts, such as the Prague Spring in Czechoslovakia in 1968, to liberalize Communist regimes. As Takis Fotopoulos (1997; 2016) argued, neoliberalism was a struggle to again dis-embed markets from communities and impose the logic of markets on communities, this time, imposing a globalized market dominated by transnational corporations, including global financial institutions. Its success has not only engendered massive concentrations of wealth along with economic insecurity, impoverishment and economic instability for workers and those expelled from the economic system, but has paralysed efforts to deal with the global ecological crisis.

Before examining what kind of institutions could control markets to serve democracy, social justice and the common good, specifically to address local and global ecological destruction, it is necessary to consider in more detail what neoliberalism is and what it entails, and what have been the conditions for its success. A central argument of this paper is that neoliberalism has been directed against democracy. To understand what this involves it is necessary to appreciate, as William Norgaard pointed out, that there are three ways to organize complex societies: through bureaucracies, through markets and through institutions of democracy. These three institutions evolved in this order. In the modern world it is impossible to totally eliminate any of these for any length of time, although democracy is the most vulnerable. The ideology on which neoliberalism is based originated in Britain with the philosophy of possessive individualism articulated by Thomas Hobbes and John Locke, developed to oppose the ambitions for democracy of the Renaissance inspired civic humanists. Incorporated into classical and later neo-classical economic theory, this ideology was successful, culminating in the Nineteenth Century dominance of the world by Britain and the rise the global market and European imperialism. Its ideological defence was bolstered by Darwinian evolutionary theory and social-Darwinism which legitimated the suffering it engendered as creative destruction.
necessary for progress (Young, 1985). The inevitable effects of the logic of the market is to advance technology and concentrate wealth, and this it has done whenever markets have been dis-embedded from communities. Imposing markets requires a great deal of organization, and so is inevitably associated with the growth of bureaucracies.

The challenge to this order came from proponents of various forms of democracy. The quest to overcome poverty and imperialism were indissociable from this quest for democracy, although this was less clear in the case of Germany and the Austro-Hungarian Empire. The modern idea of democracy was articulated by Rousseau, Herder, Fichte and the liberal Hegelians, including T.H. Green and the British Idealists, and those they influenced, including John Dewey and Alfred North Whitehead. It was also strongly promoted by John Stuart Mill who was strongly influenced by Herder. Marx was also part of this tradition of thought, influenced by Herder, Fichte and Hegel, but orthodox Marxists have often interpreted Marx as a Hobbesian thinker and promoted ‘plebiscitary’ democracy, which was really organization through bureaucracy utilizing markets. However, ‘humanist’ Marxists (those who have actually read Marx’s works), Marxist theorists of imperialism and eco-Marxists are committed to promoting strong democracy. Defending democracy involves rejecting the Hobbesian conception of humans and human reasoning as calculating in the service of gaining means to satisfy appetites and avoid aversions or one’s subjective preferences, and replacing this with a conception of humans as essentially socio-cultural beings able to be cultivated through education so that they can participate in the cultural life of their communities, uphold the quest for truth and justice, and govern themselves. Hegel and the neo-Hegelians paid particular attention to institutions required to control markets, and the quest for democracy involved a defence of some form of institutionalist economics against classical and neo-classical economics, along with an older form of evolutionary theory going back to Schelling in place of orthodox Darwinian evolutionary theory and Social Darwinism.

It is this tradition of democratic thinking that the neoliberals have targeted, beginning with a conference at the University of Freiberg in 1938 (Mirowski and Plehwe, 2009). Communism, Nazism and social democracy were equated with rule by the masses. Walter Lippman’s argument from 1924 that the modern world is too complex for democracy was embraced, along with his argument that ruling elites should ‘manufacture consent’ from the masses through public relations, deluding them about where power really lies. This is the foundation on which the Mont Pèlerin society, founded in 1947, was based. Von Hayek played a major role in this, reviving Lockean possessive individualism against notions of community and ideas of the common good deriving from Athenian democracy, Roman and Renaissance republicanism and German communitarianism. Particularly as developed by the Chicago School of economics led by Milton Friedman, this led to the ascendancy of neo-classical economics, particularly against institutionalist forms of Keynesian economics. This was associated with the development of rational choice theory and social Darwinism in the form of sociobiology. The Chicago school called for the deregulation of finance and the globalization of the market, imposing this where-ever possible. This was not simply a matter of freeing financial institutions and transnational corporations to dominate the world, but through the US military, the International Monetary Fund and the World Bank, imposing or transforming institutions to enable them to do so (Robinson, 2004). This was the ‘Washington Consensus’. Their greatest success was not imposing the rule of Pinochet in Chile, the triumph of Thatcher in Britain and Reagan in USA, but the co-optation of supposedly leftist parties with the rise of Deng Hsiao-Ping in China, the Hawke-Keating Labor government in Australia, the Bill Clinton administration in USA, the Tony Blair government in Britain and to a lesser extent, the Gerhard Schröder government in Germany, accepting Margaret Thatcher’s claim that ‘there is no alternative’. The rule of such figures entrenched the rule of the global corporatocracy by subverting the institutions required for the functioning of democracy. These developments have been associated with massive increases in the sizes of bureaucracies, both within
transnational corporations, in public institutions and in the institutions of social control, developments associated with what has been called the ‘new managerialism’ characterized by contractual mechanisms and performance measurements while rendering employment precarious. Workers everywhere, including academics, have been disempowered and power concentrated in the hands of corporation managers. The general population have been redefined as consumers rather than workers and citizens.

It is important to emphasize that the disembedding of markets that has taken place over the last forty years has not been a bottom-up, spontaneous reaction to situations, nor has it been a matter of eliminating or reducing the power of non-market institutions to avoid the road to serfdom, as von Hayek implied in his promotion of neoliberalism. The changes that have taken place have been driven by a very small number of people, co-opting others to carry out their agenda. Their real aim has been to protect and augment their interests. While governments have increasingly abandoned the institutions upholding democracy, including providing economic security to the population, they have focused on developing means of social control, including a massive increase in levels of surveillance, and in USA, the militarization of the police force and the growth of gaols. As Wolfgang Streeck observed, ‘neoliberalism needs a strong state to suppress demands from society, and especially from trade unions, for intervention in the free play of market forces ... On the other hand, neoliberalism is incompatible with a democratic state (Streeck, 2014, p.56f.)

Imposing markets along with the new managerialism has been defended by neoliberals as necessary to improve efficiency, getting rid of trade barriers and constraints on the movement of capital and deregulation of financial institutions to allow countries to specialize in those industries where they have a comparative advantage, eliminating job security and concentrating power in the hands of managers in order to discipline an overindulged work-force. While succeeding in allowing these people to massively increase their wealth, power, security and access to previously undreamt of luxuries, it has massively slowed down the rate of improvement in economic efficiency compared to the 1945 and 1975 era and, outside the production of information technology, the productivity of workers has decelerated or gone backwards, despite advances in technology (Gordon, 2000). The condition of most people in advanced Western countries has deteriorated, as Thomas Piketty (2014) has demonstrated.

The most significant institutional changes have been associated with the internal organization of transnational corporations and the development of financial institutions on a global scale, both as economic organizations and as agents of financial, political, cultural and social transformation. This has involved the development of the mind-control industries of advertising and public relations, but it has also involved developing the means to transform and control public institutions, including the institutions of finance, politics, education and other branches of the civil service. It has also involved insulating the wealthy elites from paying taxes and the threats associated with growing lawlessness, terrorism and random violence, the consequences of the social disintegration generated by this concentration of wealth, economic insecurity, wars to control natural resources, and famines generated by climate destabilization. Such people are also insulating themselves from the effects of ecological destruction with wealthy Californians and Chinese buying up land in New Zealand.

While the rise of neoliberalism involved a successful ideological struggle, there have been other reasons for its success. Stephen Hymer in the 1960s noted that transnational corporations were growing far faster than domestic corporations, and predicted that this would undermine all the achievements of social democracy associated with the nation-state (Hymer, 1978). Hymer anticipated then what David Korten feared would be the outcome of this; corporations would rule the world (Korten, 2001). As William Robinson (2004) has shown, this has involved transforming the institutions
of even the most powerful States into instruments of these corporations for the domination and exploitation of nations.

Such development were partly made possible by what could be regarded as the decadence of social democracy whereby continued demands by an empowered working class only interested in higher incomes were undermining the profitability of corporations and creating a fiscal crisis of the State, mass culture was eroding people’s capacity to govern themselves, and unionists and politicians were using unions and political parties as instruments for personal advancement (Gare, 2001). As Pierre Bourdieu argued, the supposed radicalism of many of the New Left was not associated with a coherent vision of how democracy could be extended, but a resistance to any constraints, demands that could be and, as David Harvey argued, were utilized by neoliberals to co-opt former New Leftists to neoliberalism (Bourdieu, 1984, p.19; Harvey, 2007, p.47). In a globalized market with transnational corporations able to move capital and people freely and with a decadent left, who went on to embrace deconstructive postmodernism while policing political correctness, it would be impossible to uphold notions of democratic communities even without the efforts of the neoliberals (Gare, 1995, chap.1). As Takis Fotopoulos (2016, 29) has shown, neoliberal policies have been embraced by formerly left-wing politicians to discipline the workforce and attract capital within the new global market.

What are Institutions

It is in this context that it is necessary to work out what institutions or institutional changes are required, and could be developed, to revive democracy and re-embed markets. It is necessary not only to grapple with the immense power of the global corporatocracy and the corrupt politicians, civil servants and managers of public institutions such as universities who serve the interests of the corporatocracy, but also grapple with the decadence and effective co-optation by the corporatocracy of the purported opponents of the establishment. While it is easy to point to some measures that can be taken, and have been taken, and which can be effective, for instance, demanding that the leaders of political parties be directly elected by the rank-and-file members of these parties, as happened with the British Labour Party, it is first necessary to consider the more basic issue of defining what is an institution.

Institutions have been defined by institutionalist economists in different ways. Vatn is concerned to uphold and develop the tradition of institutionalist economics that goes back to Thorstein Veblen, who was strongly influenced by C.S. Peirce, William James and John Dewey, and beyond them, to Charles Darwin and the historical school of economics. According to Peirce, instinct, action and habit formation precede rational deliberation, which always presupposes habits associated with action. Habits were understood as dispositions to act, although when confronted with failure, people could reflect on and modify their habits. Institutions are complexes of such habits, formed through evolution of societies, but capable of being consciously modified or even deliberately created. Successive institutionalists proposed narrower views about actions and institutions. The Austrian institutionalists such as von Mises and von Hayek argued that institutions, for instance money, evolved spontaneously and could not be planned, and all change should be left to the spontaneous activity of people rather than being planned. The neo-institutionalists, reconceiving action through game theory, effectively assimilated institutionalist economics to mainstream economics with some modifications, with individuals assumed to be calculating, power hungry egoists, reaffirming the traditional Hobbesian notion of *homo economicus*.

To advance the idea of institution of the classical institutionalist economists, Vatn utilized the work of Peter Berger and Thomas Luckmann, influenced by Marx, Durkheim, George Herbert Mead and Alfred Schutz. From their perspective, institutions emerge when patterns of activity come to be
stabilized, taken to be objective, and then internalized in people’s actions. For instance, if a couple end up having meals regularly, and their children come to expect these regular meals, mealtimes become an objective reality. The members of the family then internalize this objective reality in the way they organize their activities. Mealtimes have then become an institution, and patterns of eating have been institutionalized. They involve typified responses to typified expectations and are conceptualised and evaluated in this way. However, incorporating Mead’s insights, there is more involved than this. Each individual develops the capacity to take the perspective of each of the others on their own activities and on themselves, and then to take the perspective of the whole family on each individual. In this way they develop a conception of themselves in relation to each other and in relation to the family, while still being capable of spontaneous action, reflecting on these identities and values accorded to their institutions and practices. Societies, including their communities and organizations, consist of patterns of such institutions inter-related with each other through which individuals chart their lives and forge their identities, thereby maintaining and reproducing these institutions, communities, organizations and societies and the relations between each of these. Conceived in this way, people form institutions which then form them, including their conventions, attitudes and normative evaluations. On the foundation of these they are also able to reflect upon these institutions and associated conventions, attitudes and normative evaluations and to consciously set about changing them or creating new institutions. While the focus of Berger and Luckmann was on the emergence of institutions from below, they also allowed that institutions could be create from above, by State action for instance. Conceiving of people and institutions in this way challenges the conception of *homo economicus*, that is, that people are calculating egoists with a hierarchy of preferences. It allows that people can evaluate and live in very different ways with different ways of reasoning according to different institutional contexts. It facilitates examination of what is involved in forming institutions, changing them, and evaluating them not only for the values they uphold and their effectiveness in realizing goals, but for the kinds of people that will be formed by these institutions. This has been the focus of Vatn’s work.

One of the major problems that has to be addressed when considering institutions is the issue of power. Transforming or creating institutions takes place in a social environment already structured by institutions which provide opportunities or limit what people can do, and these opportunities and limits are themselves matters of power relations. The issue of power is not treated in any depth by Vatn, although he acknowledges its importance. Berger and Luckmann did consider power in their social theory in noting that the most important form of power in society is the power to define reality. They did not ask the further question of who has the power to define reality, although clearly those who do have this power will also have the power to redefine reality. The social theorist whose ideas are entirely commensurate with those of classical institutionalist economics of Veblen and Berger and Luckmann’s theory of institutions, but which has provided a thorough analysis of power is Pierre Bourdieu. Like Veblen, Bourdieu argued that learning is first and foremost a matter of developing habits, or as he put it, developing a *habitus*. Like Berger and Luckmann, Bourdieu examined the social construction of what we take to be reality, and like Mead, Bourdieu saw one of the most important motives driving people is the struggle for recognition. Later, Bourdieu introduced the notion of field into his social theory, providing an alternative to the notion of system commonly used by sociologists. This concept enabled Bourdieu to deal with macro social dynamics, overcoming the deficiency of the sociologists influenced by Mead such as the symbolic interactionists and Berger and Luckmann, in their capacity to deal with these macro-dynamics. In doing so, Bourdieu developed the means to analyse the emergence of fields and the relationship between different fields, including global fields. The concepts of habitus and field are ideal for advancing institutionalist economics, and Bourdieu (2005) went on to apply these concepts to analysing the social structures of the economy.
To capture the complexity, diversity and subtleties of power, Bourdieu referred to capital rather than power. The power to define reality, for instance, is defined by Bourdieu as symbolic capital, and it is associated with being recognized as having the legitimacy to define reality. Much of Bourdieu’s work was devoted to understanding the nature of this symbolic capital and the struggles to achieve it. This work was particularly important for explaining the autonomization of fields, differentiating them and their logic from other fields. However, Bourdieu saw other forms of capital as important, for instance social capital, the network of people who one knows, and cultural capital, the appropriate sense of taste and associated practices required to get on, as well as economic and political capital. Capital is defined as what is required to continue participating successfully in the different fields, clearly a concept generalized from Marx’s study of the bourgeois mode of production.

Vatn also argued that societies have to be understood in the context of their environments. This is not the set of items that people are likely to come across. He equated the environment with the biosphere, including not only all the species of life and ecosystems, but the interlinked biogeochemical processes that keep the whole biosphere functioning (p.231). It is necessary to take the environment in this sense into account when formulating policies, and the main problem is to work out what kinds of institutions are required to formulate adequate and effective policies that can augment rather than undermine these processes so that societies improve the health of these ecosystems. Then it is necessary to work out how to transform existing institutions or how to create new institutions that are capable of formulating and implementing these policies.

However, the problem here is that such ecological processes are the ultimate basis of power. As ecologists came to realize, the struggle for survival and the consequent nature of ecosystems is essentially a struggle to access and transform usable forms of energy. This idea has been taken up in anthropology and human ecology and engendered a theory of social power based on control of the triggers which release transformations of energy, put forward by Richard Newbold Adams (1975), then further developed by Stephen Bunker (1985) and Alf Hornborg (2001 & 2013) to analyse the structures of exploitation and ecological destruction in the global economy. Hornborg has also shown the relationship between these structures and the forms of technology that have developed on the basis of such controls over energy transformations. In considering both action and what kind of institutions can be created it is necessary to face up to the problem that power for the most part tends to accrue to those who control the most effective triggers for the transformation of energy, and these are the people whose environmental impact is likely to be greatest and most destructive (Gare, 2000).

The Proposals

With this background we can now consider what institutions need to be constructed or transformed to re-embed the market to make it serve the common good of the diverse communities that make up humanity and the global ecosystem. Given the forces and trends at work dominating the world, it will only be possible to change all this if there is a clear, coordinating goal. This goal could be creating an ecologically sustainable civilization; however, while this might be an ultimate end, it does not provide enough guidance for particular situations. What has been involved in the dis-embedding of markets that it has been a subversion of democracy. This has been seen most clearly by anarchist (i.e. libertarian socialist) thinkers such as Noam Chomsky, Takis Fotopoulos and Robin Hahnel. In claiming that democracy has been subverted, it is important to appreciate what democracy means. It means people governing themselves, having the power to do so. This requires a capacity to understand issues on which decisions have to be made, and the economic and political security required to achieve this understanding and for people to be able to assert themselves without fear of retribution, to participate in the decision-making process and then to put their decisions into action.
In the modern world, democracy was associated with the rise of the salariat who had the conditions to be citizens; the destruction of democracy has been associated with the rise of the precariat, who don’t. It should be clear that in this sense that most of the formerly democratic countries, such as USA, Britain and Australia where the general public have been almost totally disempowered, can no longer be regarded as democracies.

How can democracy be revived? Quite apart from the problem of seizing back power from the global corporatocracy, in the incredibly complex, globalized world in which we now live, even if we aim to decentralize power as much as possible to localities, unless we embrace anarchist proposals of theorists such as Takis Fotopoulos and Murray Bookchin, democracy can only subordinate markets with the assistance of bureaucracies, that is, through forms of the civil service designed to serve democracy rather than replace it. What is required are professional, open civil services as were developed in Sweden under social democracy, in which civil servants were obliged to inform the general public about crucial issues on which decisions had to be made and were expected to speak out and expose corruption, and they could do this without fear of retribution. Democracy involves legislation and its implementation, including law enforcement, and to re-embed markets it will be necessary to ensure that those with wealth do not subvert the functioning of these institutions through control of the media, funding of election campaigns and subversion of legal institutions. Upholding such institutions requires a clear idea of what democracy is and what is involved in its corruption. This requires the recovery of educational institutions as public institutions in which the first goal of education has to be to enculture pupils and students so that they have the virtues required to be citizens, and in which education upholds the humanities and the sciences committed to the pursuit of truth as a comprehensive understanding of the world. Democracy also requires media facilitating the forms of communication necessary for people to understand the present state of the world. To think clearly about all this, I think that it is necessary to teach students that the world consists of communities of communities, as Daly and Cobb argued in *For the Common Good*, and following Robert Ulanowicz, that human communities should be understood as within and part of broader biotic communities or ecosystems in which semiosis is, and recognized to be, absolutely central to such communities (Gare, 2010). Ultimately, to properly comprehend the importance of these ideas it is necessary to replace scientific materialism with process philosophy.

All this should be evident to anyone who takes time to think about it. It is now necessary to consider work advancing these ideas. Efforts to work out how to achieve democratic control over economic processes are being made, and these are important. Environmentalists in particular have been concerned to show what democracy really means, and to work out what institutions are required to recover democracy. These range from those on the anarchist side of the movement such as Robin Hahnel, Takis Fotopoulos and Cornelius Castoriadis, to those who could be characterized as social liberals, such as Thomas Prugh, Robert Costanza and Herman Daly (2000), although on basics, they come to similar conclusions. Eleanor Ostrom gained a Nobel Prize for her work, published in *Governing for the Commons: The Evolution of Institutions for Collective Action* (1990), showing the conditions for communities to have the means to ensure that markets serve their communities. Institutions are needed that empower communities to participate in developing and reforming institutions. Multiple levels of institutions are required able to supply and modify institutions to which people can then make credible commitments and to be mutually monitored to ensure compliance with their purported goals. Ostrom’s work is particularly important when considering setting up new institutions. However, in most cases, what is involved in recovering democracy is modifying existing institutions, often simply freeing them from corruption, or ensuring the emerging institutions develop in a way that advances democracy. The work of Lawrence Lessig in USA on mobilizing people to overcome the corruption of public institutions, including the legal system, to control funding for politicians, to recover the creative
commons through changes in property rights to creative productions to make them more accessible to the public, and to free the internet from domination by power elites (Lessig, 2004; Lessig, 2012), is exemplary in this regard. The more difficult problem is to work out what kinds of institutions should and could prevail in economic processes themselves, and how economic institutions should interface with political, legal and other public institutions. The faith socialists had in socializing the means of production understood as creating a command economy has lost its attraction because of the failures of communist countries. Is there an alternative?

Decommodifying Land, Labour, and Money

To begin with, it is necessary to see what the core problem is. It is, as Polanyi argued, that society is dominated by the pseudo-commodities, land, labour and money. It is treating these as commodities that is the underlying problem, and the problem that needs to be overcome. Historically, land was treated as commodity before labour and money, then labour was treated as a commodity, and then money, identified as ‘capital’, mystifying human relations and allowing a predator class who contribute nothing to communities to drain them of their income and wealth.

Money and its permutations are the most obvious problem and is most clearly a manifestation of the fallacy of misplaced concreteness in practice. Money is most problematic in its most abstract form, as finance. It is when finance comes to dominate economies and debt levels increase in the private sector, that, as first Veblen (Wray, 2012) and then much later, Hyman Minsky (2008) argued, market systems collapse into depressions. It is then that the economy is dominated by rampant speculation, fictitious capital and Ponzi schemes with income accruing to predators on the economy rather than producers. So, it was predictable that in 2007 when the financial sector in USA accounted for 40% of net profit and private debt levels rose to levels comparable to what they had been in 1929, that there would be a global financial crisis, and this problem has not yet been overcome (Wray, 2012). However, finance is also involved in the globalization of the economy, allowing transnational corporations to make huge profits as rentiers, and to drain natural resources unsustainably from the peripheries of the global economy, avoid taxes and undermine workers in the formerly affluent countries.

To understand this, it is necessary to recognize money as an institution, and that markets are inherently unstable because they are prone to destructive wealth concentrations. This is because money has different functions – as a means of exchange, as a measure of value, and as a record of credit and debt and thereby as a store of wealth. This last function is progressively disguised as the way it is represented changes; from gold and silver, to paper money, to abstract symbols, the result being that the illusion is created that wealth can be accumulated endlessly. This is really the enslavement of debtors, as David Graeber (2011) pointed out. Accumulated wealth is not only a source of power that cripples the functioning of the market; it can be used to corrupt other institutions, including political and legal institutions. To overcome the tendency of finance to dominate and indebtedness to grow, Minsky (2008) argued, requires large State institutions associated with heavy investments in long-term projects that can counter the business cycle. Banks should be large, preferably publicly owned, and designed to regulate the economy, not to maximize profits. The goal of government economic policy should be maintaining full employment, not growth of the economy. The financial crisis was a lost opportunity to reorient the entire economies of nations to focus on environmental problems with major investments by States in this, as Nicholas Stern argued.

Other economists have focussed on the relationship between countries and the illusions created by so-called ‘free trade’. As human ecologists have observed, through economic globalization and free trade agreements, any economic enterprise that is economically viable is now environmentally unsustainable, and any enterprise which is environmentally sustainable is now economically
unsustainable (Mayumi, 2001, 125). The doctrine of free trade has been rejected by Cobb and Daly and by Vatn, who argues for State institutions to determine what trade can take place. This should be associated with institutions to control capital flows.

Taking into account that in most places around the world governments are under the control of financial institutions and transnational corporations, others have called for more radical changes. The Italian economists Massimo Amato and Luca Fantacci and the US economist Thomas Greco have argued that the third role of money, as a basis for credit, has to end. Amato and Fantacci point to the absence of clearing houses in the international system to reconcile creditors and debtors, despite the need for this having been seen very clearly by John Maynard Keynes when planning the Bretton Woods agreement. What they argue for in in *The End of Finance* (2012, p.225) is the stripping of money of its function as a commodity in the global arena, that is, as a store of liquid wealth and the basis of credit. To achieve this, they argue for the implementation of Keynes’ proposal for an international Clearing Union in which creditor and debtor countries would reconcile their claims, leaving all involved free of debt. Greco in *The End of Money and the Future of Civilization* (2009), argued that usury be abolished, and offered a range of alternatives to money to effect exchange relationships to prevent the use of money as a means of creating credit. Alf Hornborg, a human ecologist, has defended local currencies, ranging from LETS schemes to city currencies such as the Bristol Pound as a way of delinking local economies from an inherently oppressive and destructive global system based on supposedly free markets. He argues that to enable otherwise ecologically sustainable enterprises to flourish, these currencies should not be exchangeable.

**Decommodifying Labour**

As Marx pointed out, labour came to be treated as a commodity after people had been deprived of access to means of production and factories had been developed as a means to employ such people, owners of the means of production selling what they produced at a profit over and above what they had invested in labour. The dis-embedding of markets meant ensuring that potential employees had no other way of making a living so they would have to work in the factories. This relationship changed with the development of unions and involvement of the State under the influence of social liberal, labour and social democratic parties in ameliorating this condition, maintaining incomes of employees and providing an economic safety net. However, this change was accompanied by the growth of corporations (joint-stock companies), and then transnational corporations. It was unions and the State that created the social democratic order ameliorating this condition of workers. The emergence of the salariat and the growth of the professions was an effect of this, with people respected for the value of their work and expecting an income based on social justice, rather than the market price for their work. That is, the work they did was to some extent de-commodified. The most successful de-commodification of work has been the development of co-operatives, with the exemplary case being the federation of co-operatives in Mondragón in the Basque Province of Spain. The puzzle is why co-operatives have not been more successful, as John Stuart Mill predicted. It has been shown that following the 2007 financial crisis, co-operatives were more successful than normal businesses (Rajo and Roelants, 2011).

The development of corporations has been associated with the rise of a managerial class, and to some extent, opposition between managers and the professions. This did not necessarily involve the re-commodification of labour, as shown in Pascale and Athos’ study, *The Art of Japanese Management*, focussing on Matsushita Electronics (which includes Panasonic, National, Quasar and Technics brands). The founder of the company believed that work should be fulfilling, and he defined the market as a means by which people voted for approval for what the corporation produced.
Employment was secure, and the company ensured that individuals were able to develop their full potential in a cooperative environment. This development can be partly explained by Japanese culture, which meant that the market was less dis-embedded from the community than in Western countries. Germany also had ameliorated the proletarian condition after World War Two by having representatives of workers on the boards of management of companies, and prohibiting companies taking over each other, a law repealed by the Social Democrats under Schröder. These corporate forms contrast with US companies where, as Joel Bakan has shown in *The Corporation: The Pathological Pursuit of Profit and Power* (2003), a decision by the Supreme Court requiring companies to always put shareholders ahead of stakeholders locked in this dis-embedding, and engendered a brutal form of managerialism that has radically extended instrumentalist attitudes to workers and, taking advantage of freedom of movement of capital, has recreated a completely proletarianized workforce and helped create a global reserve army of unemployed or underemployed. The new managerial class, in alignment with out of control financial institutions have succeeded in corrupting politicians and becoming the new global ruling class, the corporatocracy. Even Japanese and Scandinavian corporations have been forced to reorganize to succeed in the new globalized economy created by this corporatocracy under the banner of neoliberalism.

The problem is clearly the power of these transnational corporations and the global economic environment they have created. Given their immense power, and the difficulty of developing any viable alternative economic enterprises that could compete with them, given all their advantages, including their capacity to avoid taxes, plunder public assets and control politicians, the solution might be to co-opt them. One possible path is to transform the very nature of corporations by democratizing them. There are various components to this agenda, including putting both workers and government representatives on boards of management. This was suggested by the institutionalist economist John Kenneth Galbraith in *The New Industrial State* (1968). However, this requires laws that put stakeholders ahead of shareholders, and it should be made illegal for companies to take over other companies, or to hive off companies, or allow manager buyouts. This used to be the case in West Germany. Radical Swedish social democrats planned to use worker investment funds to buy out the shares of corporations so that they would own the means of production (Sturm, 1998, p.145). The end point would be to emulate the worker-controlled business enterprises that developed in Yugoslavia, or even cooperatives such as Mondragón. This is the goal of market socialists, defended by socialists from J.S. Mill to Alex Nove (1983), and more recently, by David Miller (1990) and Frank Roosevelt (1994). While cooperatives have been successful, a great many have failed. It is a major challenge to implement such strategies in an economically globalized world in which politicians have been corrupted and the general population seduced by consumerism, unless there is another major economic crisis.

An alternative strategy that could be pursued immediately is associated with the local delinking that Hornborg has called for, providing a less competitive environment where ecologically sustainable cooperatives can survive and flourish. The libertarian socialists have put forward proposals for cooperative organization of economic activity without markets, or with only simulated markets (Fotopoulos, 1997; Gare, 2002; Hahnel, 2005). However, such organizations can only survive where State governments have already provided infrastructure, policing and so on, and less radical organizational forms such as those associated with Mondragón should also be pursued. Continued success requires such cooperatives to actively engage in national politics to regain democratic control of the institutions of the State from transnational corporations and the neoliberals, and using this control to insulate nations and broader regions (such as Europe, or Latin America) from the global market through controls of capital flows and trade. Ignoring this, as happened in Argentina after
workers had successfully taken control and operated factories after Argentina’s economic collapse, led to the election of a government that nullified what they had achieved.

Decommodifying Land

‘Land’ is the most problematic of the pseudo-commodities, highlighted by the global ecological crisis where civilization itself is threatened. ‘Land’, treated as the least important of the factors of production by economists, stands for the ecosystems of which we are part. ‘Land’ is the most pernicious abstraction and the treatment of it by neo-classical economists as the least important factor of production is the ultimate in the fallacy of misplaced concreteness. The delusions associated with its commodification are entrenched and disguised by the commodification of labour and then further entrenched and disguised by the commodification of money. As Daly and Cobb argued in For the Common Good, this has led to a peculiar belief among economists that we can get by without natural resources. As George Gilder was quoted as writing, ‘The United States must overcome the materialistic fallacy: the illusion that resources and capital are essentially things, which can run out, rather than products of the human will and imagination which in freedom are inexhaustible’ (p.109). The globalization of the economy driven by transnational corporations, neoliberal ideology and those who have embraced it has been associated with the development of transnational agribusiness companies, either controlling and transforming traditional forms of agriculture, or replacing it completely with factory farms, and there has been a massive increase in use of fossil fuels and mining. It is the supposed efficiency of these agribusiness corporations and mining companies that are claimed by neoliberals to have delivered us not only from famines, but from the limits of natural resources.

Once the fiction of land as a commodity is recognized as such, we have to acknowledge, as Vatn argued, that ‘land’ includes all processes involved in the functioning of the biosphere. Vatn, like other ecological economists, conceives humans as part of nature, as having co-evolved with other species which make up existing ecosystems, including the global ecosystem, the biosphere or Gaia. As active agents in the biosphere, humans modify their environments, creating buildings, transport and communication systems, weapons and so on. Far from being a product of will and imagination, ‘land’ properly understood, as suggested earlier, is the basis of power in society. This is less evident than it once was because of the forms of energy that are now exploited. As Richard Norgaard (1994) argued, the exploitation of fossil fuel has dissociated humanity from the species and ecosystems with which we have co-evolved, and it is the power of those controlling the energy transformations associated with this exploitation of fossil fuels that has enabled them to dis-embed markets and impose their ecological destructive economic forms. When considering what institutions can re-embed the modern, globalized market, this is an aspect of power that has to be taken into consideration.

What kinds of institutions could reverse these entrenched illusions actively reinforced by power elites? Freeing people from the illusions created by treating land as a commodity is at least partly dependent on freeing people from the illusions created by treating labour and money as commodities. It is these latter fictions which make the bizarre illusions about land as a commodity, and thereby illusions about our relation to the ecosystems of which we are part, possible. Public ownership of land by itself is not a solution to overcoming these illusions. The Soviet Union was characterized by immense environmental destruction. A pattern of what is wrong is evident. As Sing Chew showed in The Recurring Dark Ages (2007) the growth of cities, since ancient times, has been associated with destructive exploitation of their peripheries. It has been this that over and over again has resulted in the collapse of civilizations, with recurring ‘dark ages’. This pattern is repeating itself on a global scale, facilitated by the illusions generated by the commodification of land, labour and money, with the peripheries of the world being the location of the greatest ecological destruction. If this is the case,
what is required is struggle by the peripheries, where-ever they are, to prevent this exploitation by the core zones of the world economy and those dominating these core zones, in so doing, taking away from the power elites their means of domination. To achieve, this, limits can be placed on ownership and the extent of markets, ensuring ownership and the benefits of economic activity are local. For instance, absentee land ownership can be made illegal, and there can be limits to how much land is owned, as in Kerala in India. This is particularly important in preventing core zones of the world-economy monopolizing the use of land in peripheries of the world economy, resulting in the starvation of people in these peripheries, as happened in India after Britain came to dominate it, in Ireland during the potato famine, and in Twentieth Century Africa, as Susan George described in *How the Other Half Die* (1977). However, it is also important to limit access of core zones to natural resources to limit their power, for instance, by nationalizing mineral resources.

The proposals of Daly and Cobb and Vatn to limit trade, and the proposals of Daly and Cobb to defend small family farms along with local communities, would seem to be the most promising path to the future, although the form of farm cooperatives developed in Denmark should also be promoted. The introduction of a George tax, that is a tax on wealth, which is not only more difficult for the wealthy to avoid and eliminates the unearned income of rentiers, but rejects the fiction that land is a mere commodity and focusses attention on the changing productivity of natural processes is essential for both economic health and for acknowledging that humans are participants in ecosystems (Daly and Cobb, 256.f.).

Situated in a broader context, these efforts to embed markets at local levels are, I believe, central to the quest for an ecological civilization, a world order of communities of communities, each constrained to function in a way that augments the conditions for the other communities on which it is dependent. This could be characterized as a multi-level federalism, reminiscent of the democratic federalism called for by Peter Kropotkin. It also concurs with the view of the future of some of the radical proponents of ecological civilization in China, particularly under the regime of Hu Jintao and Wen Jiabao, with the idea of earth democracy proposed by Vandana Shiva (2004; 2005), and it overlaps with the idea of inclusive democracy of Fotopoulos (1997). However, more work is required to show what this entails.

Such a world-order would be much more complex than implied by anarchists or libertarian socialists who tend to underestimate the contribution of large-scale organizations in making local communities possible. Unless there is a complete collapse of civilization, the globalizing processes that have created a global order are irreversible. What is required does not involve simply falling back to earlier, simpler social socio-economic forms and ways of life, but a more complex form of organized decentralization that will have to give a place to differentiated markets of various kinds and large bureaucracies, while fostering genuine democracy at local levels able to control these markets and bureaucracies. We need to create markets and bureaucracies not deluded by the fetish of commodities and the pseudo-commodities of land, labour and money, and which instead of measuring progress in monetary terms, uphold as the goal of communities the flourishing of life. These will be markets and bureaucracies working to augment rather than undermine democracy. It is not a matter of local democracy or globalization, but a form of globalization designed to replace the new world order of neoliberalism and transnational corporations by advancing multi-levelled democracies of communities of communities. The organizations associated with the United Nations are examples of the broader bureaucracies required; the administration of Swiss cantons a good example of good local government. However, a democratic world order will require citizens whose potential is far more developed than at present. It will require citizens educated to understand and feel viscerally that they are participants in the creative becoming of civilization, humanity and the global ecosystem.
Regaining the Autonomy of Cultural Fields

Upholding this end should be easier than the period after the Second World War which was confused by the Cold War, enabling advanced capitalist countries which by virtue of the social democratic consensus were improving the conditions of their own populations to portray the domination of peripheral regions of the world economy and imposition of comprador elites as defence of the free world against the threat of communism. With the collapse of the Soviet Union, revealing its threat to the West to have been an illusion, and with the exploitative structures of economically peripheral regions now transplanted to the advanced capitalist countries, the real oppositions are much clearer. The corporatocracy, with no genuine allegiance to the people of any nation, are now tyrannizing over the vast majority of the world’s population, the 99%, and threatening their extermination. According to a report by Oxfam, eight people now control as much wealth as the poorest 50% of the world’s population. What stands in the way of achieving solidarity among the 99% is the corruption of culture, creating what Sheldon Wolin (2008) characterized as ‘inverted totalitarianism’ whereby the vast majority of people are confused and rendered inert, and the ruling elites have been able to use others, many of them victims of neoliberalism, to impose this cultural regression.

This raises the problem of how to reform or create the institutions that can revive and generate the required level of high level of culture able to produce citizens with a commitment to truth and justice and the character to fight for and sustain their liberty. David Korten (1999, chap.’s 11 & 12) has offered some general advice here. It is not necessary to repeat all of this, but the most important recommendation based on recognizing that corporations are institutions created by legislation, and therefore that their nature and power can be controlled. He argued that for the good of society corporations should not be allowed to fund political parties, lobby governments, interfere in educational institutions or engage in public relations to mould public opinion. It is in relation to institutions that Bourdieu’s work on cultural fields and institutions is particularly important. As Bourdieu (1998; 2003) argued, the genuine advances of modern civilization have been associated with the autonomization of cultural fields and associated institutions fostering the quest for truth in all its forms. This is what neoliberalism is undermining, and it is vitally important that cultural fields regain their autonomy. This is particularly problematic as the institutions associated with the media and education which were central to the development of democracy and have been subverted by neoliberals, with concentration of media ownership enabling media moguls to control people’s minds while transforming universities into transnational business corporations, transforming science into little more than means to develop the technology that will enable corporations to make profits while corrupting real science (Saltelli, Ravetz and Funtowicz).

Al Gore has argued that hope lies in the development of the internet (Gore, 2007). The development of the world-wide-web and the use it has been put to by intellectuals and the general public was unanticipated, but it has enabled communication and means to better search for truth, websites such as WikiLeaks, Skeptical Science, Climate Code Red and Climate Council along with open access journals that have been enormously important for the future of civilization. The internet opens the possibility of recreating Humboldtian forms of universities in localities around the world utilizing what is available online, including lectures from top universities. It is these communities that in the near future could and should enable local communities to form outside the large cities without being cut off from intellectual life. Ultimately, it should provide the infrastructure for a global culture inspired by and inspiring the quest for a new world order that will save civilization.

However, what is required above all is a new global grand narrative with a vision of the future that can inspire people to struggle to achieve it, and while being global, can orient people in their particular
circumstances. As I have argued, the vision of the future that is most promising is that of an ecological civilization, based on Daly and Cobb’s notion of communities of communities, structured by institutions, extended to recognize ecosystems of which people are part as also communities, the life of which they should be augmenting with their own lives and ways of living (Gare, 2010; Gare, 2017).

References


