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ECONOMY, CITIZENSHIP, AND THE “PUBLIC PURPOSE”

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1. Citizenship and social rights
 2. Social reproduction
 3. Controlling the economy. Public interest and private business
 4. Conclusion. Neoliberalism, and the issue of Social and Solidarity Economy
- References

1. CITIZENSHIP AND SOCIAL RIGHTS

The crisis of liberal capitalism culminated with the First World War and the social unrest that preceded and followed it, including revolutionary attempts. Two conflicting demands occupied the political scene. On the one hand, the ruling class was trying to prevent or at least neutralize “popular governments” and their dreaded reforms. In the Twenties, the attempts to restore the institutional framework of liberal capitalism, gold (exchange) standard included, were also used for this purpose (Polanyi 2001) – as well as, nowadays, the euro area constraints. On the other hand, the need to adjust and politically direct the economic system – already experienced during the war – seemed definitively established. American institutional thinking developed in that period from its late nineteenth century roots, such as the vision of Edward Bellamy of a “cooperative commonwealth” capable of achieving a “moral economy”, and Thorstein Veblen’s analysis of the transformation of production techniques, market structure, and business enterprises’ organization. Neoclassical economic theories and market efficiency were questioned, since the very dynamics of the market or capitalist system had made the competitive model definitely unreal, even as a horizon to head for. The idea was spreading that society should be protected from the market – that is, from large corporations and financial trusts dominating it – and that only conscious intervention could warrant a stable and fair economy. This tendency, and some

suggestions by John Maynard Keynes, found in the New Deal a limited and contrasted achievement. In Europe, the crisis of liberal capitalism gave rise to various projects of socialism, later on put out of contention by the Soviet hegemony and, in the first place, by the reaction of the ruling class, including the spreading of fascism.

In Karl Polanyi's view, the Great Depression made a "great transformation" inevitable. The market capitalist society reproduced itself through a new institutional setup. European politics was generally marked by an impairment of democracy, even where fascist regimes were avoided.

During the Second World War, reflections on the past were accomplished and questions were raised about the future. The debate between the advocates of free market competition and those of planned – or at least controlled – economy revived. For example, Karl Mannheim (1940), Friedrich Pollock (1941) and Otto Neurath (1942) considered planning required for building freedom in society. This is also Karl Polanyi's concern in his 1944 *The Great Transformation*, which, in its concluding chapter, deals with the issue of "freedom in a complex society". The inevitable transformation of liberal capitalism had been shaped to the interest of the ruling class, by more or less sacrificing freedom and democracy. Yet, a democratic socialist alternative way was conceivable, and hopefully going to be adopted after the war. In the last pages of his book, Polanyi clearly alludes in this sense to "social freedom" as an alternative to the illusory market freedom. His theoretical and political approach is addressed to the market capitalist social organization and to the way of overcoming it, not to the mere reproduction of the 18th and 19th century "double movement" of social protection opposed to the institution of the market system.

It is not possible here to consider the huge problem of freedom in the modern world – and, in particular, Polanyi's political philosophy (see e.g. Cangiani 2012-2013) – but only to hint at the connected problem of social rights, and therefore of governmental intervention to address the economy toward public ends and prevent the freedom of big business from frustrating that of citizens. In the last pages of *The Great Transformation* – rewritten for the British edition of 1945 – Polanyi says that "rights of the citizen hitherto unacknowledged must be added to the Bill of Rights" (Polanyi 2001: 264). An allusion may be seen here to the *State of the Union Message* of January 1944, in which Franklin D. Roosevelt speaks of a "second Bill of Rights", with implicit reference to that of 1789, comprising the first ten amendments to the U.S. Constitution. In the latter, Roosevelt says (1944), the fundamental rights of freedom were proclaimed; now, with the development of the industrial economy, we realize that "true individual freedom cannot exist without economic security and independence". He then enumerates a series of rights to be guaranteed without discrimination: the right to work and to all the conditions for a good standard of living, such as adequate income, medical care, social security, a good education. After the war, he concludes, "we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being". "Freedom from unfair competition and domination by monopolies" is also mentioned. In the message of April 1938 "on Curbing Monopolies" Roosevelt proposes "a growing concentration of

public power in the government to cope with such concentration of private power”, as an alternative to “control of the government itself by business and finance” (1938).

After the war, the spirit of the New Deal, overwhelmed at home, seemed to move to the other side of the Atlantic Ocean, entering the secular tradition of the British labor movement. The idea of the need for public intervention to improve social well-being can be traced throughout the history of English utilitarianism, from Bentham to John Stuart Mill and Henry Sidgwick. The influence of the latter on the Cambridge School of economics got to Keynes, through Alfred Marshall and Arthur Pigou (*The Economics of Welfare*, 1920). The *Reports* by William Beveridge – published during the war (1942 and 1944) and directly relevant since 1945 for the Labour government’s reform policies – were also inspired by Keynes, starting from the hypothesis of “the possibility of securing full employment by socialization of demand without socialization of production” (Beveridge 1944: 29). The limits that possibility meets – at least in the long run, as shown by the crisis of the Seventies – do not diminish the importance of the Keynes-Beveridge thesis as to the development of the three decades following the war.

During the war there were in Britain more radical positions. Michal Kalecki (1943) brilliantly argues about the impossibility of full employment within the existing social organization of production. This results not only from the contradictions inherent in capitalist accumulation dynamics, but also from *political* reasons, since full employment would deprive capitalists of the opportunity to blackmail workers’ organizations and influence government policies. Kalecki’s radical positions are taken into account by the post-Keynesian tendency (see e.g. Burchardt *et al.* 1944; Robinson 1965), for which the state should assure the full employment, control the economy by steering investment, and implement a redistributive fiscal policy. Such policy would be, in fact, the basis for promoting social rights; the historical evidence is, however, that its implementation has been partial, biased and transitory.

The claim of new economic and social rights, and the opportunity for everyone to benefit from them, has a long history, but particularly concerns the welfare state in its broader concept, and typically the three decades after the Second World War. In recent times, scholars opposing “Anglo-Saxon” capitalism to its “Rhenish” model – in which the choices based on the market mentality, of stock markets in the first place, do not exclude different social interests – have pointed out the vanguard role of the United Kingdom and the U.S. in the neoliberal transformation. Sharper then results the contrast with the innovative reforms realized during the New Deal, and after the war in Great Britain, where economic and social rights were strengthened and widened within an advanced welfare system, despite the difficulties of the state budget.

It is not by pure chance that those rights and the history of their gradual inclusion in the conception of citizenship had been classically theorized in England, during the epoch of reforms. Shortly after *Voluntary Action* by Beveridge (1948), Thomas Marshall published *Citizenship and Social Class* (1992 [1950]). Marshall interprets the issue of economic and social rights in terms of the aspiration of modern individuals to a full citizenship. To this end, all citizens should endow by their society with rights enabling

them to satisfy their basic needs, but also to develop their ability to effectively participate in social life; therewith their freedom would be realized¹.

The market society was established together with civil rights concerning the integrity, dignity and freedom of every citizen; correspondingly, the rule of law was to replace the will of the sovereign. These achievements, which inaugurated political modernity, at the beginning were not in conflict, notes Marshall, with the new type of social division, the class division between capital and labor. The new social organization required, in fact, certain and legitimate norms, and emancipated workers.

Later the working class started a long struggle for the second type of rights defined by Marshall, political rights; in the first place, for the universalization of suffrage. Thus the contradiction between the principles of freedom and equality for all citizens and the class nature of society came to the fore. The Poor Law Amendment Act of 1834, providing for the workhouse as the only form of (as it were) protection for unemployed able-bodied poor people, sanctioned the establishment of the labor market. The workers-citizens could thereby distinguish their status from that of the poor-excluded, but were forced to offer their labor force, under the threat of the “whip of hunger.” Marshall points out that only after several decades the free worker conquered the right to vote. The extent of this time lag reveals, according to him, the contradictory condition of citizenship in a class society. Karl Polanyi too notes that gap in *The Great Transformation*; he adds that the universal suffrage, together with the formation of parties representing the interests of workers, acted as a factor of the crisis of the nineteenth-century liberal democracy, because of the risk that the bourgeoisie could lose its supremacy in the political arena.² The liberal principles, then, were called into question; the bourgeoisie had claimed them against the *ancien régime*, but now it was feeling its power jeopardized by their spreading. Indeed, reactionary ideologies emerged, a perverse nostalgia of organic and hierarchical social systems. In his book, Polanyi examines the “fascist situation” typically created by the crisis of the Thirties; he believes, however, that freedom and democracy continue to be limited and constantly threatened with further reduction throughout the entire history of capitalism. The “fascist virus” is endemic in our society, and ready, if necessary, to awaken and to attack³.

According to Marshall, not only the conquest of rights remains partial and subject to regression, but civil, political and social rights condition each other. Individual freedom requires the end of pre-modern slavery, but also the right to vote; moreover, economic and social rights are needed for substantially achieving freedom. In Polanyi’s view, by assuming a leading role in the “defense” of individuals and society from the destructive mechanism of the market, already in the nineteenth century the working classes claimed not only civil and political rights, but also social rights. Marshall (1992 [1950]: 16) cites in this sense the factory legislation. Economic and social rights are a necessary condition for making civil and political rights not only formally proclaimed,

¹ This issue has been developed by Amartya Sen, in particular in his *Development as Freedom* (1999).

² Presenting the long, hard-won process of the institution of the labor market, Marshall makes reference to Polanyi’s book, which he cites with the title of the British edition of 1945, *Origins of our Time*.

³ Cf. the manuscript “The Fascist Virus” (n. d., but presumably short before *The Great Transformation*).

but actually and universally enjoyed. For example, Marshall observes, “education is a necessary prerequisite of civil freedom” (ibid.: 15).

2. SOCIAL REPRODUCTION

The question of social rights and wellbeing is tied to capitalist development. On the one hand, it is precisely this development that requires certain social interventions, albeit within a limit, so to speak, of security. Thus basic public education was expanded insofar as it increased the worker’s value without making him overly educated in relation to his social rank (ibid.: 21). On the other hand, with the development, the limit that profit as the aim of production puts to potential wellbeing has become increasingly clear. The problem of this limit is to be considered at two historical levels: that of the general characteristics of the market society and that of its institutional arrangements in different stages of its development.

At the more general level, it is a question of the autonomy and dominance that the economic activity has acquired; it gives itself its own norms, which also constitute the basic structure of the whole society. It follows that, unlike all pre-modern societies, the economic activity tends to be an end in itself. Profit is the structural purpose of production; other social purposes are not in principle determined within such social structure, but anyway constrained by it. Within this limit, they have to be defined, in the broadest sense politically. Here lies the deepest meaning and critical relevance of Polanyi’s theory, in particular of his distinction between pre-modern economies “embedded” in society, and the market society, which is embedded in its own “disembedded” economy.

Polanyi’s “free worker” is Karl Marx’s worker “in this nakedness”: one that, deprived as he/she is of all material and social resources, participates in the production by finding a buyer for his workforce. Such participation – in general and originally, as mentioned above – does not guarantee him more than a wage and a citizenship almost empty of content. Workers remain in a condition of insecurity, because they can lose their job – or be a ‘working poor’, as it is not uncommon today, also in the richest countries. In pre-modern societies, participation in social life was always fully guaranteed to the individual, albeit within a more or less rigid hierarchical system. Everything was socially foreordained: what individuals should or should not do according to their social status, the ends and means of their activities, their needs and how they were to be satisfied⁴. Working, culturally determined as it was in a complex manner, directly held the meaning of a means to provide everything needed for reproducing the lives of individuals, and the life of society in specific cultural forms. In the capitalist society, on

⁴ Marx (1993: 403) speaks in this sense of societies in which individuals work because, as members of communities and kinship systems, they share a specific culture: “the individuals relate not as workers but as proprietors – and members of a community, who at the same time work. The aim of this work is not the creation of value [...] rather, its aim is sustenance of the individual proprietor and of his family, as well as of the total community. The positing of the individual as a worker, in this nakedness, is itself a product of history.” The term “owner” is not anachronistic if – as Marx states (p. 404) – property is to be understood in general as “the relation of the individual to the natural conditions of labour and of reproduction as belonging to him, as the objective, nature-given inorganic body of his subjectivity.” This relationship is always socially mediated, differently in each specific social organization.

the contrary, the problem of reproduction has to be raised explicitly, since the only unavoidable and permanent purpose is the abstract purpose of profit⁵.

Thus working becomes somewhat independent from the overall reproduction of individuals and their society. This creates a problem, as evidenced by the fact that from the beginning a solution has been looked for; the utilitarian shortcut finds it in the common good as the sum of the choices of rational and informed individuals. When this solution revealed itself to be a utopia, it was substituted by the 'formalist' approach (cf. Robbins 1935), in which the scope of the economic theory is reduced to the rational choice of scarce means for alternative ends, means and ends being supposed as given. This solution inevitably sets aside the problem of reproduction, since a type of individual behavior is meant with 'form' of the economic activity, instead of the social-institutional organization of the economic system. Only considering the latter, in fact, allows to explain the dynamics of the system, thus also means and ends, how and why they change, and how and by whom is played in society the role to choose purposes and allocate resources: in short, the way in which the problem of reproduction is faced, and the quality of its solution.

In the capitalist society there is the need to raise the issue of reproduction, of its ways and goals: but, at the same time, the dominant tendency is that of dealing with it merely by trying to minimize costs and optimize results for the sake of the reproduction of capital, of its accumulation. This systemic bias continually risks jeopardizing the security of workers about their employment, and of every individual about the reproduction of himself and his family. For society as a whole, it is increasingly difficult to reconcile the dynamics of a self-referential economic system with the needs of the natural environment, that science is able to define, and the requirements of the human environment, that politics should be able to know and satisfy.

This difficulty is systemic in the sense that it depends on the very organization of the social system, which is contradictory, because it cannot but generate problems that it is not able to solve. Marx identifies an aspect of the contradiction in the relationship between the individual capitalist, interested in the maximum exploitation of the workforce, and capital as a whole, which needs numerous workers, in good health, and, as the development proceeds, growingly equipped with skills, knowledge, and purchasing power. The contradiction reveals itself in a twofold form, respectively for capitalists and workers. For the former, low wages allow the necessary increase of surplus-value, but they also increase the difficulty to "realize" it, if the investment is not able to compensate for the missing demand of consumption means. For the workers, their livelihood, i.e. all is needed for reproducing their existence, has to be

⁵ This distinction between abstract and concrete purposes of the economic activity is central in Polanyi's theory. It is to be referred not only to Marx, but also to the distinction between "formal rationality" and "material [or substantive] rationality" of the economy, expounded by Max Weber also with the aim of defining the specific characteristics of capitalist production (Weber 1978 [1922]: 85). "Modern capitalism" is characterized, for Weber, by capital calculation and formal rationality as *organizational principles*, as fundamental institutions determining the social form of production and cooperation.

purchased on the market, but wages systematically tend to remain below the level required to cope satisfactorily with this necessity.

In short, the cost of reproduction is inevitably a problem. In the first place, it has to be kept to a minimum possible level, in given historical, geographical and political conditions. Pursuing individuals' happiness according to the original perspective of utilitarianism, providing them with all the capabilities technically and culturally possible, does not appear as an end, but as a cost to be minimized. Besides, social hierarchy too needs to be reproduced. The other aspect of the problem of the cost of reproduction is that of determining who has to be charged of it. To the extent that the capitalist enterprises do not contribute to the reproduction directly (with higher wages) or indirectly (by paying taxes), the cost is shifted onto the environment: the commons, social capital, unpaid labor of workers and their families, the income of workers as taxpayers⁶, enhanced exploitation of labor and natural resources of other countries. It thus becomes a "social cost", in the sense defined by Karl William Kapp (1950a).

The specific modern form of the problem of reproduction in capitalist society has manifested itself in the history of the struggle to get some guarantee of security and wellbeing through economic and social rights, legally enshrined. Robert Castel (1995 and 2004) masterfully reconstructs that history, until the conquest of the "wage society" as a society of "similar" if not equal people, where civil and political rights are generalized (with the limitations mentioned above), and economic and social rights gradually acquired. Security, dignity and the opportunity to participate in social life should thus be guaranteed to all, not just to the privileged and propertied classes. According to Castel, starting from the 1970s this trend has reversed, although the requirement to which it replied was becoming stronger. In the neoliberal era, the limits set by political regulation to the autonomy of the economy tend to fall, and the workers' condition is fragmented; fringes of insecurity and exclusion have been recreated, that the welfare state, attacked and depleted, is no longer able to reduce.

3. CONTROLLING THE ECONOMY. PUBLIC INTEREST AND PRIVATE BUSINESS

The growing inefficiency of the market system – considered as a historical-institutional system evolving on the basis of capitalist accumulation dynamics – is a typical theme of the institutional economic thought, starting from the various forms of "sabotage" mentioned by Veblen. The issue of social wellbeing is therefore linked to that of a plan established socially, of a "responsible public control" (Caffè 2014 [1986]: 73) and, of course, the social or welfare state. The 20th century, called the "age of extremes" by Eric Hobsbawm (1994), marked by social contrasts, rival ideologies and great wars, is one in which the need to address the problem of wellbeing, and more in general of the

⁶ Anwar Shaikh (2003) shows that public expenditure for welfare is prevalently, sometimes totally, financed by those who benefit from them. More precisely, the "net social wage" comes out to be negative in the U.S. all along the second half of the 20th century. It is positive in five other OECD countries: from 3,5% of GDP during the boom (1950-1972) to 5% until 1997. This seems to demonstrate that state indebtedness and inflation do not depend on welfare expenditure, and that the increase of the latter is not the cause, but the consequence of the slowing down of the accumulation, giving rise to unemployment and indigence.

economic and social organization, has burst forth, after the irreversible crisis of the institutions of liberal capitalism and of the illusions on market competition and its efficiency.

Adolf Löwe takes on in the Thirties the Veblenian theme of capitalist transformations asking for a new political economy. The “social optimism” of classical economists, he writes, could be justified at the beginning of capitalism, when the “‘labour intensive’ small-scale production” allowed – together with the adoption of new techniques and low barriers to entry – an “optimistic prognosis which connects the freedom of exchange with social justice and thus with general economic efficiency and stability” (Löwe 1935: 69). With the development of technology and the change in the market structure, when the capitalism of the great industrial and financial concentration dominates the market, the optimism of classical economists has become unreal. However, most economists remain faithfully and fearlessly optimistic.

In fact, there has also been a critical minority, composed of diverse tendencies. For example, beyond the visual field and the apologetic intent of economics there are the “social costs” analyzed by Kapp, that is, costs not accounted for in the firms’ budgets, but shifted on the human and natural environment, even though they pertain to the production. Such damage as those resulting from the harmfulness of working conditions remain largely at the expense of workers, their families and the community. Even more difficult is it to force companies to make up for costs falling upon the generality of citizens, primarily because of the difficulties and delays in detecting them. Asymmetries of information and power are important in this regard. Interventions tend to be partial and late also with respect to the preservation of the natural heritage. Therefore, contractual and, in case, judicial solutions remaining in the field of market relation and property rights, such as those indicated by Ronald Coase (1960), are systematically inadequate. Indeed, the most important social costs are not imputable to identifiable private productive activities, but are generally related to the working of the competitive capitalistic system.

Kapp’s approach goes against the stream because, in his view, social costs are a systemic problem, and, therefore, only public intervention is able to deal efficaciously with them. Of course, such intervention must be able to define and implement social utility criteria, to which any economic calculation must be adapted. In particular, it would be incongruous that the public economic sector would give rise to social costs, for example by damaging the natural environment, or by giving up activities that are socially useful though seemingly unprofitable from a short-term private point of view, such as the promotion of scientific research, the provision of infrastructures, universalistic systems of education and health care, and the adoption of technical and organizational procedures improving working conditions.

In an article published the same year as the volume on the social costs, Kapp represents the market as the set of choices of individuals and private and public bodies, that is, of multiple planning activities, differently coordinated in different times and places. This applies to both a socialist economy and systems based on private enterprise (Kapp 1950b: 37). A planning always exists; only its quality, the constraints

to which it is subjected, and the freedom it actually allows, and to whom, are to be questioned. In developed capitalism, security, health and freedom of individuals are compromised, according to Kapp (*ibid.*: 41-42): in general, because “monetary gain becomes the supreme and only goal of life”; in particular because, beyond the perfect competition myth, the market is dominated by plans based on vested interests of the big business (as Veblen would say). Both the opposition between planning and market and that between planning and freedom are false (Polanyi 2001, last chapter). A central theme of Polanyi’s political thought is that individual freedom can only be “social”, substantiated by the conscious participation in social choices, established and guaranteed by social norms. Individuals should independently participate to the definition of norms; they should be encouraged and made more and more capable to do so by the legislation and political organization⁷.

Capitalist development makes government intervention more and more necessary. But a distinction has to be made concerning this general tendency: interventions increasing the profit rate and investment opportunities are welcomed, indeed asked for, while there is a strong opposition, in the name of the mythical ‘market’, against interventions that are supposed to have the opposite result. Clearly, it is a question of political choice, in which, after all, democracy is concerned: is it possible that political power would be at the service of society’s ability to organize itself in the most favorable way to its wellbeing, and not to profit?

According to Adolf Berle, capitalism of the twentieth century is typically that of corporations becoming “institutions which organize power”, not only internally; they are aware that their plans have consequences “on the whole community” (Berle 1954: 22 and 35). What possibilities of control, he asks, has actually society? What role can public opinion play and how can it be translated into political action capable of dealing successfully with the policy of corporations, on whose responsibility we cannot, we must not delude ourselves? The interests of society as a whole should be expressed and put into practice by means of appropriate institutions, capable of managing political choices even if contrasting those of corporations.

Berle recalls in this respect John K. Galbraith’s concept of “countervailing power” (1952). Galbraith returns on the subject, developing it twenty years after, in a social and political situation in which it was still possible to believe that radical reforms were possible, that the “public purpose” was practicable, in contrast with plans drawn up and imposed by the “technostructure”⁸ for the sake of private business. Therefore, any “public purpose” can be formulated and implemented only if the state recovers sufficient independence from the private “planning system”, which reflects the interests of large corporations, at the expense of the whole society, the competitive sector of the economy included. The state is really “public” to the extent that it escapes the domination of the “planning system”. Such state’s “emancipation”

⁷ See in particular Polanyi’s manuscript “Über die Freiheit” (1927). For similar positions, see Mannheim (1940) and Lowe (1988). Cf. on this issue Cangiani (2012-13).

⁸ By this term Galbraith designates a limited number of people working in large companies, public administration or as professionals, who constitute a kind of “collective intelligence” tending to dominate on the whole society.

presupposes the growth of “Public Cognizance”, that is, the political recognition of the essential difference between the aims of the “planning system” and the “public purpose” corresponding to the interest of individuals and of society as a whole (Galbraith 1973: 223-241).

Galbraith does not fail to give us directions on the public purpose: the fight against inequality, including that between the market sector and the monopolistic sector; social services, minimum wage and guarantee of income also for the unemployed; control of private activities and growth to protect the environment; strongly progressive taxation to support public spending (ibid.: 305). Furthermore, investment should be coordinated and purposefully directed, because the allocation of resources must be a public issue. “The only answer” to problems such as health and the availability of housing, Galbraith argues, “is full organization under public ownership” (p. 279). It is then necessary, in his view, that political institutions, public authorities and the unions be closely monitored, to counter the resurgence of their constant inclination to favor the planning system. Not only are there staff exchanges between public and private bureaucracies, but the former may be as devoted to private interests, including their own, as the latter. In short, the “new socialism” (the old one had not yet collapsed when Galbraith was writing) “allows of no acceptable alternatives; it cannot be escaped except at the price of grave discomfort, considerable social disorder and, on occasion, lethal damage to health and well-being” (p. 277).

When Galbraith wrote his book, it was already possible to sense the crisis, but alternative solutions could still be proposed. In the same year, 1973, *The Fiscal Crisis of the State* by James O’Connor came out. The cost of labor cannot be unilaterally blamed for inflation, according to O’Connor, and the “fiscal crisis” comes from the rejection by monopoly capital to contribute adequate taxes to government spending, which grew to support accumulation, to guarantee social peace through a welfare system allowing lower wages than needed for the reproduction, to take on social costs and even the losses of private firms. O’Connor argues for an even broader public sector, but going the opposite way of the growing collusion between politics and business. In his view, “what is needed is a socialist perspective that seeks to redefine needs in collective terms” (O’Connor 1973: 255). This means that eliminating economic exploitation is not enough; in Polanyian (and Marxian) terms, different choices are needed than those determined by the dominion of the exchange value on the use value, by the “profit motive” and the permanent difficulties of capitalist accumulation. A democratic definition of social choices could realize, in Polanyi’s opinion, both “social efficiency” and “social freedom” (see Polanyi 1922, 1925, 1927).

An alternative of this kind was not, of course, permissible. The traditional free-market mentality and economists supporting it, Galbraith writes at the end of his book (1973: 323), have rendered “great service to the planning system” and also “to the disguise of the power that in fact it wields”. What now lies ahead, he continues, is a growing divergence between the planning system and the public purpose, the increase in inequality, threats to the environment, the reduction of the consumer to a victim and the debasement of democratic institutions. Keynes did not foresee this development and that the problem of inflation “would not yield to a simple reversal of the policies

that he urged for unemployment and depression” (ibid.), but to a more radical institutional change.

This was, in fact, neoliberalism. The “planning system” has extended its scope of action, and further tightened its ties with the government and public administration, in order to obtain favorable laws, and concessions and contracts, often making use of corruption and blackmail more than relying on the mythical market competition. “Crony capitalism” and “privatization of politics” have become common expressions. Correspondingly, the establishment of a “corporative plebiscitarian state” feared by C. B. Macpherson (1987: 127) has involved an adjustment of political institutions and even of constitutional norms to exclude or at least mitigate the constraint of democratic control by parliaments, judicial power, trade unions and mass media over the executive and bureaucratic power. The need for anti-democratic reforms, typical of the neoliberal transformation, emerged clearly from the beginning, during the crisis of the post-war accumulation. The *Report to the Trilateral Commission* (Crozier, Huntington, Watanuki 1975) is emblematic in this regard. With the passage of time, there has been less need for political caution and scientific veils. A report of the U.S. financial giant JP Morgan (2013) recommends European Union that Constitutions showing “a strong socialist influence”, those of the “peripheral” countries in particular, should be modified to make executives stronger and thus facilitate reforms reducing the protection of workers’ rights. Thus a private bank questions the economic and social rights, not only at the level of more specific norms and rules, but even at that of their constitutional foundation. Even civil and political rights, then, are at risk, and not merely as to their effectiveness, but also formally.

4. CONCLUSION. NEOLIBERALISM, AND THE ISSUE OF SOCIAL AND SOLIDARITY ECONOMY

The neoliberal “*pensée unique*” (Ramonet 1995) has taken oxygen off the desirable countertendency based on the “public cognizance”.

Financial policies – by the private, but also public finance with its measures to encourage private business, and also to rescue financial companies from failure, thereby dramatically increasing state indebtedness – have continued to cause real changes in the economic and social structure until the present days. Financial business has even been able to take advantage of the crisis, after having started it in 2007-2008.

Both the secular persistence of the liberal ideology and its special successes in certain periods are to be explained; the former with the profit constraint as an essential feature of the organization of modern society and its dynamics; the latter with historical factors, such as the recurrent problems of capitalist accumulation and changes in the respective power of social classes. However, the triumph of liberal ideology with the neoliberal transformation seems paradoxical, since fundamental principles of liberalism – such as the self-regulation of a competitive market, and the improvement of freedom – are excluded, indeed overturned in their opposite.

In the case of the EU, while the liberalization of movement for goods, financial assets and capital has been universally imposed, the policies of individual states remain not only fragmented, but also competitive with respect to the level of wages, labor standards, employment, taxation, industrial strategies and social spending. Indeed, individual countries are allowed to engage fiscal, normative and wage dumping to attract capital and even to function as tax havens. The drafting of reports on the commons happens to be entrusted to large private corporations, for the good reason that they are expert in the matter – that is interested in the business. The privatization of state companies is recommended, even when the activities concerned constitute natural monopolies, or regard common goods, public utilities, education, and health and social care (see e.g. Frangakis *et al.*, eds., 2010).

A strong decrease in the progressivity of direct taxation and the increase of indirect taxes, together with the reduction of pensions and social services, has made inequality grow. The principle of universalism with regard to such services as health and education, which of course presupposes their public management, is under attack. What this means is shown, for example, by the comparison between two health care systems, the first predominantly public and universalist, the second predominantly private and individualistic. In 2014, health spending (public and private) per capita was \$ 4,959 in France and \$ 9,403 in the United States (at purchasing power parity). The total expenditure corresponds respectively to 11.5% and 17.1% of the GDP of the two countries. The share of government spending on the total is of 78.2% in France and 48.3% in the United States. Life expectancy at birth is 82,4 years in France and 79,3 in the US (World Health Organization, 2016). Thus, in the US, compared to France, profits and rent drawn directly or indirectly from the health sector absorb a much larger share of GDP, while health care is not better as a whole and, above all, there is great inequality between well insured citizens and about 80 million people uninsured or under-insured. The difference of three years of life expectancy with France, being principally loaded on the latter, are obviously more than three for them.

Unemployment, despite being a systemic problem, which affects at least 30 million people in the EU, tends to be faced with policies of ‘activation’ and ‘workfare’ addressed to individuals in competition with each other. Collective bargaining is disappearing. The ‘flexibility’ of the labor market – meaning insecurity, low wages, increase in the intensity of work rather than in its productivity, rights of workers jeopardized – is presented as the solution to increase employment and overcome the crisis, against empirical evidence.

All this corresponds to the neoliberal creed, that is, in fact, to the convenience of economic power and especially of the oligarchy of large financial institutions in which it tends to concentrate. The results are, in addition to a depressive tendency, the increase in inequality, the dismantling of social reforms won by workers and the accentuation of the hierarchical structure of the market, and also among the EU member states. Neoliberal policies jeopardize the rights of citizenship – not only economic and social, but also civil and political rights – whose development had been a typical achievement of the European democracy. The freedom of individuals is then under attack. Popular sovereignty through parliamentary democracy, conquered by

the bourgeois revolutions, is seriously diminished, both by 'technical' or 'large coalition' governments and by national and international bureaucracies, whose function is to meet the interests of the great economic-financial power rather than those of the voters. The Fiscal Compact agreed on January 30, 2012, and particularly the inclusion in the constitutions of the obligation of a balanced budget, reduce popular sovereignty, by taking from national parliaments and governments an instrument of economic policy that inaugurated modern democracy, and countries outside the euro area continue to keep.

A depleted democracy is functional, indeed necessary, to the neoliberal institutional setup, after the crisis of the Fordist-Keynesian one in the 1970s. Both the political power and the economic and social rights the working classes had conquered by a century-long struggle were under attack. The crisis started in 2007-2008 has increased state indebtedness well beyond that of the 1970s "fiscal crisis of the state", also because state intervention has been requested to rescue financial corporations risking failure. At the same time, both the economic depression and persistent low taxation of high revenues diminish the government ability to cope with increased need for welfare provisions for unemployed people and 'working poor'. This explains the crisis of the welfare state, which, on the other hand, opens new opportunities for private investment.

It is in this situation that the debate on 'non-profit' and 'third sector' activities widened in the 1990s, and the issue of the Social and Solidarity Economy (SSE) was raised. In fact, the problem, though being particularly relevant in the historical conjuncture of neoliberalism and the crisis it led to, has more general origins. The purpose of the previous Sections was also to show that the demand of an alternative SSE is rooted in the need to overcome the constraint that the market system and capitalist accumulation impose to social reproduction process. Giorgio Ruffolo already pointed out in his 1985 book, which makes reference to Polanyi's thought, that the problem of the economy should be re-stated as the allocation of "*resources* for the improvement of the ecosphere as a *social environment*"; in particular, "several decisions regarding the basic conditions of social welfare" should be removed from the market (Ruffolo 1985: 166 and 239). Ruffolo not only does not approve the neoliberal downsizing of the role of the state, but also criticizes the ideology of economic growth for the sake of profit, which, according to the institutional tradition in economics, does not correspond to increased benefits for society as a whole. The SSE should have an important role in reversing that tendency.

Thirty years later, there is a wide recognition of the fact that inequality increases and wellbeing decreases, while the plunder of natural and human resources is becoming unbearable. This situation feeds the interest for the SSE. Themes under scrutiny are the irrelevance or precariousness of some SSE initiatives, their chronic financial difficulties, the risky mixture of social and commercial aims, the widening of the 'social business' in connection with the attack on the welfare state and the marketization of social policies. Does the SSE contrast or favor the neoliberal shift of reproduction costs on families and communities? And what about the imperial pressure on the Global

South undermining grassroots movements and promising SSE initiatives? In general, the debate on the characteristics and role of the SSE is more open than ever.

Two visions have been explicitly competing in that debate since its origins: the reformist, interested in autonomous initiatives without questioning the social organization in its basic traits; and the utopian, envisaging the social economy in the perspective of a radical social change (see e.g. E. Shragge & J.-M. Fontan 2000). The diffusion of the latter seems to have progressively fallen during the neoliberal epoch, in spite of the evidence that, if sufficient room is to be granted to capitalist accumulation, the SSE risks to become more peripheral and irrelevant regarding the “public purpose” of social reproduction.

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