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FASCISM

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INTRODUCTION

Polanyi is not thought of as a theorist of fascism. And yet he was. A defining purpose of *The Great Transformation* ([1944] 2001), after all, was to explore the aetiology of interwar fascism. It argued that an economic-liberal policy regime – the godmother of today’s neoliberalism – was a crucial determinant of the interwar crisis as a whole, including two world wars, the Great Depression and fascism. War, the depression, and fascism, Polanyi maintained, were not causally discrete phenomena that just happened to coincide in the early twentieth century. They were symptoms of a deeper interconnected social emergency, a crisis of liberal civilization. For what was fascism? It was the last throw of the dice by embattled capitalist elites as they confronted working-class revolt and a succession of crises that culminated in the Great Depression. And what was the Great Depression? It was the outcome of a series of “disruptive strains” – Polanyi’s term for the tensions and imbalances that had arisen as social fall-out from the operation of the gold standard. And what was the gold standard? It was the global institutional embodiment of free market economics. And where did free market economics come from? From the pens of Robert Malthus and David Ricardo. Hence Polanyi’s celebrated dictum: “In order to comprehend German fascism, we must revert to Ricardian England”.¹

Polanyi’s attempts to theorize fascism were not located in a political vacuum. In the context of global economic crisis and a widespread questioning of the future of capitalism, Polanyi closely followed debates, on left as well as right, on the morphology and trajectory of fascism. By the time his first significant essay on the topic, “The Essence of Fascism”, appeared in 1936, the question of fascism – its nature and how to combat it – had become a central concern for the left. In both the communist and social-democratic camps, the setbacks suffered by working-class movements across Europe during the 1930s at the hands of fascist and authoritarian rightist regimes forced a reckoning with the inadequate strategies of the past.

In this chapter we provide an exposition of Polanyi's theory of fascism as it evolved against this backdrop. We examine his understanding of the relationship between fascism and capitalism, the institutional separation of the economic and political spheres, the conflict between capitalism and democracy as it unfolded in the interwar era, and his distinction between socialist and fascist forms of corporatism. In the process we situate Polanyi's theory of fascism within the social-democratic and communist debates of his era, teasing out its elements of commonality with, and distinction from, other major contributions.

POLANYI ON FASCISM

Prior to Hitler's seizure of power, Polanyi wrote nothing on fascism, bar a few commentaries in Hungarian and Austrian periodicals on the proto-fascism of the Horthy dictatorship in Hungary and on early fascist stirrings in Germany.² But in 1933–6, with left-wing forces in torment over their failure to prevent the Nazi dictatorship and confronting ascendant fascism in Austria, Spain and beyond, he began his reckoning with what he called, as the speculative title of a book, *The Fascist Transformation*.³ That book was never written, but the fact that its synopsis foreshadows most of the core theses of *The Great Transformation* is evidence, if any were needed, of the importance of fascism in the provenance of the later tome.

In writings and lectures from the mid-1930s, Polanyi developed two main lines of argument. One was on the causes of the interwar crisis that had given fascism its opportunity. Simply put, society's political and economic spheres had become riven. That rift mapped onto the struggle between the two main classes, capitalists and workers. A clash of economics and politics (of "economy and democracy") ensued, to which fascism offered itself as the "totalitarian solution": it sought to unify society on the basis of absolute capitalist power.⁴ Whereas socialism is "democracy made supreme over capitalism", Polanyi argued in *The Fascist Transformation*, fascism is capitalism saved through sacrificing democracy.⁵ Fascism, he wrote elsewhere, "is merely the outcome of the mutual incompatibility of Democracy and Capitalism in our time".⁶

The other argument concerned the nature of fascism. Polanyi sought to identify its "essence".⁷ He focused on the philosopher Othmar Spann. "The essence of a social movement," Polanyi proposed in one of his more idealist moments, "lies in its philosophy", and that had been stated most clearly by Spann.⁸ An anti-semite, NSDAP member, and guru of a highly influential current of far-right Viennese intellectuals, Spann was the best-known fascist philosopher in Austria.⁹ To Polanyi, his writings revealed that fascism is at bottom an

anti-individualist force. Individualism was the common denominator of the full set of Spann's adversaries: "democracy, representative government, equality, and freedom", and therefore also liberalism, capitalism and socialism.¹⁰ For Polanyi, and for Spann, liberal democracy opens the door to socialism, and socialism (including Marxism) is fundamentally an individualistic philosophy.¹¹ But whereas Spann found in Christianity a counter to individualism, Polanyi saw it as the source of the best forms of individualism, as borne by the liberal, democratic and socialist traditions. The essence of fascism, for Polanyi, was that it belligerently and radically opposes socialism, democracy and Christianity in order to bring about an ultra-capitalist regime; hence, a socialist-democratic-Christian coalition was required to combat it.

In a biographical sense, Spann's proximity to Polanyi must have been disconcerting. In creed, both were Christians. In war, both had fought and been injured – and they may well have met at the home in Vienna where Polanyi was convalescing. They both emerged from the First World War on a radical trajectory. Both had earlier found some inspiration in the social theory of the German Historical School, with its concern for social cohesion, but, in the new world of postwar fragmentation, both came to see such reformism as inadequate. In their search for an institutional means of fashioning a unified society, both turned to the guild idea: Polanyi to guild socialism, and Spann to the medieval world of authority and deference, in justification of a corporate-fascist order.

To guild socialists such as Polanyi, Spann represented a challenge. Drawing on the work of Adam Müller, a reactionary Romantic economist who railed against economic individualism and advocated a return to a medieval order, Spann proposed that guilds be resurrected and institutionalized as a central pillar within the Austrian *Ständestaat*. In France, meanwhile, a brief convergence between left- and right-wing corporatism developed in the 1930s, particularly around the "neo-socialist" *L'Homme nouveau*.¹² In Italy, too, the boundary between fascism and guild socialism had become very blurred – notably by Polanyi's own cousin, Odon Póré. In 1923, Póré published a book, *Guilds and Co-operatives in Italy*, that praised Mussolini for his labour policies. It also included an appendix by Britain's leading guild socialist (and a close friend and comrade of Polanyi), G. D. H. Cole.¹³ Póré justified his embrace of despotism in a vocabulary familiar to the left: Mussolini's movement was a "revolutionary" project designed to construct "a functional democracy" and to unify society; Italy would be reorganized as a corporatist unit, through a revolution in which fascist trade unions would play a key role, drawing their inspiration from Italy's "mediæval guilds and Guild Republics".¹⁴

When Polanyi turned to write on fascism, therefore, he sought to draw the sharpest possible line between fascist and socialist guild concepts. He admits, in an essay on "Spann's Fascist Utopia", that if we "compare the sketch of a Guild

Socialist constitution with the actual constitution of a Fascist State, e.g. Austria, [we] will discover a striking similarity between the two".¹⁵ In the guild-socialist blueprint and the fascist constitution alike, we find not a single unitary parliament but separate bodies administering the various spheres of public life. But such comparisons are formalistic. They obscure "the difference between Democracy and Socialism on the one hand and Capitalism and Fascism on the other".¹⁶ The guild system, in short, had become "the watchword of two opposite groups: those who regard it as the utmost expression of individual liberty as well as those who make it the embodiment of a social ideal which is the very negation of individual liberty".¹⁷

In a raft of essays in the mid-1930s Polanyi developed a critique of Spann that carefully differentiated right- and left-wing versions of the principles of social unity (or "totality"), "function", and guild organization. In an abstract, academic sense Spann was right to suggest that "functional and corporative organization" is more adequate to the "essential nature" of society than the chaotic, atomistic and centrifugal structure of liberal capitalism, but his concept of totality went far beyond any reasonable and scientific understanding of society's organic character and his "romantic predilections turn him towards the Middle Ages", to a conception of social order that would supplant equality with hierarchy, with freedom conservatively defined as action according to preordained rules.¹⁸ Spann's application of functional theory to modern society, with power envisaged as vested in economic and political "chambers", supposedly offered an institutional alternative to capitalism, but in reality, Polanyi argues, it does nothing of the sort. In a socialist order, "the Political Chamber", embodying and expressing "the Idea of common human Equity and Justice", would take precedence; under its sway, private property "would tend to turn into 'Socialist,' i.e. public property".¹⁹ In Spann's model, by contrast, "it is emphatically the Economic, not the Political, Chamber which dominates. And this settles the matter, whether Spann likes it or not, in favour of Capitalism".²⁰ Indeed, in Spann's "functionally organized" fascism, private property would govern in an "even more downright and thorough" manner than in liberal capitalism. This was clearly visible in the corporatist Austria of 1934. Whereas a genuine functional state would democratically elevate the political sphere, giving greater say to the "common man", in Austria it was the business class that had been empowered, with a "functional mask" slipped on to disguise the abolition of democracy.²¹

At the core of the fascist project, for Polanyi, was the subordination of the state to capitalist interests and the destruction of its socially protective capacities. It was, in other words, the construction of a radically capitalist regime dedicated to reducing workers to commodity-producing automata, for which their exclusion from the political sphere is a prerequisite.²² As a regime, fascism represented the rescue of capitalism "under the aegis of the capitalist class" and by

pseudo-revolutionary means, including the introduction of a planned economy. As a movement, it was “borne by those classes which are most opposed to the workers”.²³ Workers are least susceptible to the “emotional epidemic” of fascism; the intelligentsia is its breeding ground (and this reminds us that “education is no safeguard against social superstition”).²⁴ The secret of fascism’s advance, however, was not the numerical strength of its support base but the tacit support it received from capitalists, the judiciary, the army and police, and, crucially, the weakening of the labour movement.²⁵

Why, though, should fascism’s victories have been achieved so swiftly? Here, Polanyi’s explanation emphasizes not so much the support fascism received from capitalists and other elites or the strategy of the labour movement but the underlying political-economic crisis that had materialized in the late nineteenth century before being unleashed upon the world from 1914 onward. If this mega-crisis had a single root, it was the “hostility of capitalism to popular government”.²⁶ In this sense, fascism was nothing but the latest and most virulent outbreak of the “anti-democratic virus” that had been inherent in industrial capitalism from the outset.²⁷ With capitalism now beholden to fascism, democracy had become aligned with socialism.

At the end of the 1930s, Polanyi elaborated this thesis in an essay, “The Fascist Virus”. Using materials from Britain it surveyed the fears of nineteenth-century elites that enfranchising the working classes would spell the end of capitalism. “Only if the poor bore their lot patiently”, they argued with reference to the economic “laws” established by Robert Malthus and David Ricardo, “would they be safe from starvation, only if they resigned themselves to their misery could they survive at all. They must therefore be kept away from the levers of government, which they would otherwise try to use to wreck the property system on which the community depended for their subsistence”.²⁸

In different ways, the axiom that democracy and capitalism were incompatible was defended by conservatives (Edmund Burke, Robert Peel), liberals (Thomas Babington Macaulay) and socialists (Robert Owen) alike. Peel opposed the Chartist demand for universal suffrage on the grounds that it would “impeach the constitution of the country”. Macaulay, the historian of Rome and Member of Parliament, warned that “institutions purely democratic must sooner or later destroy liberty or civilisation, or both”.²⁹ The danger was plainly visible in the United States, too, where “the majority is the government and has the rich, which are always a minority, absolutely at its mercy”. That unfortunate nation, Macaulay lamented in 1857, had entered a downward spiral that would culminate in the destruction of liberty or civilization. “Either some Caesar or Napoleon will seize the reins of government with a strong hand” or the US “will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth”.³⁰

For Polanyi, Macaulay's words anticipate fascism. Given that the destructive effects of the market mechanism oblige workers to defend themselves by pressing for political and industrial democracy, which would inevitably be deployed in their interests and against civilization, capitalism will have to be rescued by Caesarist methods (in the modern vernacular: fascism). The same era in which Macaulay expressed his fears of latter-day Huns and Vandals had also witnessed early presentiments of fascism in literature: in Dostoevsky we see the demands for an "impossible freedom" of the people deflected by spiritual despotism into a condition of permanent dependence, joyfully accepted by the masses; later examples included the dystopias of H. G. Wells, in which a labouring population is reduced to a sub-human condition, and Jack London's apparition of a people crushed under the iron heel of big business.³¹ Such premonitions were based on a valid intuition: capitalist elites would seek to deploy extreme measures to counter the democratic aspirations of the uprising working class.

Despite such portents, Polanyi continued, liberals in the age of Dostoevsky and London were able blithely to assume that universal suffrage would mesh harmoniously with a flourishing market economy. They could point to the fact that several countries had broadened the franchise, and without much ado. Was this not robust evidence that the conflict between democracy and capitalism was abating? No, he insists; their sense of security was a fantasy. It had been facilitated by a series of contingent and transitory phenomena, such as the expansion of the world market and "the false impression created by the prosperous American scene".³² Following the First World War all such illusions were dispelled, in the course of a dual transformation: the extension of the franchise, and capitalism's lurch from *laissez-faire* to an organized, regulated form, which enabled political power to immediately and effectively steer the economy. The concession of universal suffrage, it was plain to see, would lead to the working class exerting a "decisive influence upon the state" but this, in turn, would induce market panic and the "imminent danger of a complete stoppage of the productive apparatus", for parliaments "weaken, discredit and disorganise" market capitalism by meddling with its self-regulating mechanisms.³³ Democracy, in consequence, had become dysfunctional. It depressed the profitability of the economic system, which was grinding to a halt.³⁴ While the workers sought to deploy their electoral power to protective ends, capitalist elites sought to squash popular influences, either through suborning democracy and pressing leftist governments to accede to their will, or, when that failed, by the forcible suppression of democracy.

The "fascist era", in this perspective, heralded the "total crisis of a market organized industrial society"; with fascism conceived of as a high-stakes gamble by beleaguered capitalist elites (or, as Polanyi conceived it later, as the "reaction of the middle classes" to the workers' revolts in Russia and elsewhere).³⁵

Fascism, in short, was the pathological symptom of the fact that, as Hitler put it in his Düsseldorf speech of 1932, economic inequality and political equality are incompatible.³⁶ Democracy and capitalism, in Polanyi's framing of the point, "have reached a deadlock, because they have become the instruments of two different classes of opposing interests" – and this was the clue as to why the social upheavals of the age were characterized by such "cataclysmic vehemence".³⁷

There were only two ways out of the impasse. Its underlying cause was the liberal quest for a utopia: the self-regulating market. This had generated an unsustainable acceleration of change and the "disembedding" of the economy from the social fabric.³⁸ The consequence had been civilizational collapse. A solution could only come about if society were to unify once again, with the scission between politics and economics sutured. Fascism offered a reunification of society on an inegalitarian, undemocratic basis; socialism its reunification on the basis of equality and the extension of democratic principles throughout society. A modern industrial society, Polanyi concluded, can in the long run be either fascist or democratic and socialist.

The above theses are in many respects distinctive to Polanyi. This is the case in his emphasis on the need for a socialist–Christian coalition, and in his account of the relationship of fascism to capitalism – including of course the tracing of fascism's roots to Ricardo's Britain. But his theses on fascism were not scribbled in an ivory tower. They were developed in conversation with, and in response to, attempts by social democrats and communists to analyse the fascist threat.

FASCISM AND THE SOCIALIST LEFT

Polanyi was a socialist and an anti-fascist, and as such he was caught up in the self-reflection on the international left about its failure to effectively resist the rise of fascism. Like a growing number of leftists, he was alarmed at the rise of fascism and recognized that it had to be confronted – and theorized – more effectively. He saw fascism as a monstrous threat. Indeed, in the 1930s he held that it was at the heart of *all* the "social wars and the civil wars of our time".³⁹ But how did his diagnosis of fascism relate to those of others on the left? Let us first survey the evolution of socialist theories of fascism.

The arrival of fascism on the political scene in 1922 initially provoked little serious reflection within socialist circles. The social-democratic left tended to see Italian fascism as an aberrant development that was limited to Italian conditions and in any case likely to pass. As such, there was little reason to rethink social-democratic presuppositions of a peaceful and steady path to socialism. The communist left, on the other hand, tended not to recognize the special character of Mussolini's movement, seeing in it merely an instance of

capitalist reaction and refusing any meaningful distinction between fascist dictatorship and a parliamentary regime which it already saw as the dictatorship of capital.⁴⁰ In different ways, the immediate communist and social-democratic reactions to the emergence of fascism were to deny that it constituted a special problem.

As fascist power in Italy consolidated and as authoritarian movements made gains elsewhere in Europe, this initial indifference became untenable. Nonetheless, the basic contours of left-wing analysis and strategy with regard to fascism remained largely unchanged until the early 1930s. Social democrats responded to the new political conjuncture with complacency. Emile Vandervelde, who would become president of the social-democratic Labour and Socialist International (LSI) from 1929–36, could still pronounce in 1928 that it was “exclusively ... in this second-rate Europe, economically and politically backward, that dictatorships proliferate”,⁴¹ Nazi advances in Germany of course belied this notion, but even so, many social democrats were slow in coming to terms with the threat.

The absence of any original social-democratic theorizing about fascism in the 1920s was a function of the general doctrinal incoherence of the LSI, which was badly split between a frankly reformist wing represented by the German SPD and the British Labour Party, and more orthodox parties like the French SFIO and the Austrian SDAP. Despite this split – or, rather, precisely because the need to maintain an uneasy unity militated against the development of any fresh thinking on strategic questions – the leading figures of the LSI, both reformist and revolutionary, broadly continued to see fascism as an anomalous and historically anachronistic detour on the democratic road to socialism.

To the extent that there was any theoretical ferment within the social-democratic world of the 1920s, it was around the ideas of “organized capitalism”, a concept associated in particular with Rudolf Hilferding, and “capitalist rationalization”.⁴² These, however, tended merely to reinforce social-democratic quietism with regard to fascism. The basic idea was that postwar trends of economic rationalization had stabilized capitalism and made possible an ordered development of the productive forces. It was thus the task of socialists to democratically direct this process toward explicitly socialist ends. The strategic implication of all of this was clear and harmonized with the reformist practice of 1920s social democracy: socialism simply entailed the extension of democracy from the political to the economic sphere, and could thus be achieved within the framework of bourgeois legality. Fascism in this view was still considered a deviation from an ineluctable movement toward socialist democracy.

Whether out of opportunistic reflex or theoretical conviction, the social-democratic response to fascism was thus to get history back on track, so to speak, by privileging the defence and, in cases where it had already been lost,

restoration of bourgeois democracy above all else. From this followed the SPD's disastrous policy of "toleration", which saw the party throw its tacit support behind increasingly reactionary and undemocratic governments in the name of preserving the Republic. Elsewhere in Europe, social democrats were less craven in their appeasement of bourgeois parties, but the basic pattern of seeing the struggle against fascism as a defensive one in which most of society, including the bourgeoisie, had a common interest was repeated.

If the social-democratic theory of fascism called for a defensive alliance with the progressive bourgeoisie, the official communist theory of fascism in the 1920s led to the opposite policy of revolutionary isolation. The communist world was not lacking for original thinking about fascism – especially compared to the social-democratic world.⁴³ Despite its initial flat-footedness, the Italian Communist Party (PCI), under the impulsion of Antonio Gramsci and Palmiro Togliatti, began to elaborate a theory of fascism that recognized its distinctive character. The main thrust of their analysis – parts of which were also echoed by Clara Zetkin – differed from the official Comintern line in two significant ways. First, as opposed to a conspiratorial view which saw fascism as the simple instrument of big capital, they underlined the mass character of fascism as a political expression of the petit bourgeoisie. This meant that fascism in power was a contradictory and unstable phenomenon. Second, they saw fascism as the consequence, not the cause, of socialism's political failure during the postwar revolutionary wave. It was the inability of socialists to seize the revolutionary initiative in the immediate postwar period that created the conditions for their brutal suppression by the fascist offensive.

But such nuance in communist thinking was quickly drowned out by the consolidation of the official Comintern line around an ultra-left denial of any fundamental distinction between capitalism and fascism. According to the infamous "third period" line laid down at the Sixth Congress of the Comintern in 1928, the decaying capitalist order had entered into another revolutionary period following the stabilization of the 1920s. All non-revolutionary forces were now thus objectively counter-revolutionary and constituted a single "reactionary mass".⁴⁴ This led to the notorious identification of social democracy with fascism, given expression in the epithet of "social fascism". If capitalism was already fascism, and if the social democrats were reformists, then it followed that social democracy was simply the moderate wing of fascism. Practically, the consequences of this sectarian line were ruinous, particularly in Germany, where it led the communist party (KPD) to fatally underestimate Hitler and to train its hostility on the SPD instead. The stakes were of course highest in Germany, but throughout Europe communist parties turned their sights on their social-democratic counterparts, whom they denounced as the primary obstacle in the fight against a fascism.

On the eve of the 1933 Nazi conquest of power and the ensuing destruction of the KPD and SPD, the European socialist response to fascism was thus basically divided between the social-democratic defence of bourgeois democracy at all costs and the communists' ultra-left conflation of this defence with fascism. Both in their own ways underestimated the specificity and strength of fascism. The German debacle, however, forced a reckoning among social democrats and communists, many of whom now openly criticized the role of the failed policies of the past in demobilizing, disorienting, and dividing the working-class movement in the face of an existential threat. The newfound sense of urgency was further reinforced by events like the 1934 suppression of the SDAP and subsequent establishment of an "Austrofascist" regime in Austria.⁴⁵ Furthermore, the spectre of fascism seemed now also to threaten societies in which democratic institutions were entrenched, like France, where a February 1934 riot by right-wing paramilitary leagues was widely interpreted by the left as an abortive fascist coup.⁴⁶ The combined effect of these events, against a backdrop of deepening economic crisis, was to upend the existing coordinates of socialist thinking about fascism.

After 1933, the struggle against fascism became an overriding imperative for the European left. The most significant development in this direction was the constitution of the Popular Front. In its essence, the Popular Front was a continuation of the social-democratic policy of defending bourgeois democracy against fascism, albeit this time endowed with a more coherent and dynamic "anti-fascist" mythos.⁴⁷ Paradoxically, however, it was the communists who became the animating force of this coalition uniting the communist, social-democratic, and liberal left. Evident failure and geopolitical considerations compelled the Comintern to pivot away from its "third period" line. Thus in 1934 it initiated a proletarian "united front" with social-democratic parties, which it then extended in 1935 into a "popular front" including bourgeois-democratic parties. The new strategy, justified on an explicitly "anti-fascist" basis, proved an immediate success, with Popular Front governments forming in 1936 in France and Spain, and communist prestige and influence reaching new heights.

This turnabout in communist strategy entailed a significant shift in communist discourse on fascism. Instead of the old capacious definition, fascism was now defined as the "open terrorist dictatorship of the most reactionary, most chauvinist and most imperialist elements of finance capital" – a narrow formulation providing the theoretical basis for a broad anti-fascist front.⁴⁸ This definition also had the effect of foreclosing any serious consideration of the relationship between capitalism and fascism, appearing to endorse the earlier social-democratic view of fascism as a minoritarian conspiracy. Ironically, then, just as the Comintern began to take fascism more seriously politically, it downgraded it theoretically. Official communist discourse on fascism during the

Popular Front era became more and more adapted to immediate political exigencies.⁴⁹ Indeed, in its effort to accommodate its centre-left coalition partners, communist discourse took a dramatic popular-democratic and social-patriotic turn and, like its erstwhile social-democratic rival, subordinated revolution to the defence of bourgeois democracy.

The vagaries of Comintern strategy elicited limited criticism within the communist orbit, but it was among these dissenters that one finds the most original communist theorizing about fascism in this era. The most prominent of these was Leon Trotsky.⁵⁰ Trotsky had criticized the “third period” line for underestimating the gravity of the fascist danger, and advocated a united front between the social democrats and communists. But with the Comintern’s pivot to the Popular Front, Trotsky also mercilessly denounced what he considered to be an opportunistic disavowal of revolutionary socialism. He elaborated his own theory of fascism, which emphasized fascism’s character as a mass movement of the disaffected middle classes. According to Trotsky, fascism represented a mobilization of petit-bourgeois despair in the service of monopoly and finance capital. However, the inevitable contradiction between the reactionary goals of the latter and the aspirations of the former meant that fascist regimes were bound to lose their mass base and degenerate into an unstable form of Bonapartism. This in turn provided an opportunity for the workers’ movement to turn the defensive struggle against fascism into an offensive struggle to defeat capitalism.⁵¹

For social democrats, the Popular Front era was a fractious one and coincided with the decomposition of the LSI. Some resisted the call to form popular fronts out of suspicion of communist motives. Such was the case, for example, with the British Labour Party, which rejected communist overtures despite the enthusiasm of figures like G. D. H. Cole for a broad anti-fascist coalition. Others, notably the majority of the French Socialist Party, SFIO, eagerly embraced the Popular Front, which they tended to interpret as a validation of social-democratic positions. In neither case was a fundamental rethinking of the defensive premises of social-democratic anti-fascism involved. The reasons for opposing and joining the Popular Front were essentially the same: to give absolute priority to the defence of democracy in the struggle against fascist dictatorship. As head of the French Popular Front government in 1936, Léon Blum repeatedly reminded his impatient supporters that he had come to power on a Popular Front, and not a socialist, programme.

The Popular Front represented a convergence of social democrats and communists around a vision of anti-fascism that was republican in character, national in content, and defensive in posture. Although this basically represented an affirmation of the classic social-democratic position, at the same time many social democrats, embittered by experience, began to question such received wisdom. German and Austrian social democrats in particular effected

a sharp left turn while in exile. Hilferding and Otto Bauer,⁵² for example, no longer saw fascism as an anomaly, but as the symptom of a structural capitalist crisis. Because fascism was ultimately rooted in the objective conditions of capitalism, the struggle against it would have to go beyond the defence or restoration of democracy and take the form of revolutionary struggle against capitalism.⁵³ This position, echoed by social democrats elsewhere who were frustrated by the self-imposed limits of the Popular Front, was not unlike that taken by communist oppositionists like Thalheimer and Trotsky.

The Popular Front effectively repolarized the anti-fascist field around the question of democracy and revolution in a way that scrambled the old divide between social democracy and communism. Fitting imperfectly into this reclassification, however, was another influential social-democratic alternative to the Popular Front: planism. Planism was in large part the brainchild of Hendrik de Man, a Belgian social democrat who developed a reputation in the 1920s as a leading revisionist theorist with his attempts to reorient the workers' movement toward an ethical conception of socialism grounded in the Christian values of equality, dignity and justice.⁵⁴ De Man was the author of the "Plan du Travail", whose official adoption by the Belgian Labour Party (POB/BWP) in 1933 caused a sensation and inspired a proliferation of "plans" across the continent. A distinctive feature of planism was its appeal among both right- and left-wing social democrats, and indeed it claimed to transcend the traditional antinomy between reformism and revolution. Nonetheless, planism represented an important element in the radicalization of social democracy following the victory of Nazism in 1933.⁵⁵

In de Man's conception, the "Plan" was a socialist response to the twin crises of economic depression and fascism. Combatting the latter required eliminating its roots in the former, but this in turn required abandoning social democracy's traditional *attentisme*. The urgency of the fascist threat meant that social democrats could no longer hold out for a distant revolution, but neither were reformist measures that left the basic framework of liberal capitalism intact sufficient. Moreover, the working class had to make common cause with the middle classes, who would otherwise be seduced by fascism. The idea behind the "Plan" was therefore to present a program of structural – as opposed to redistributive – reforms capable of addressing the fundamental causes of the crisis but limited enough in scope that a broad economic majority could be won over to it. To this end, the "Plan" prescribed the step-wise construction of a mixed economy allowing the state to consciously regulate economic life. Although such an "intermediary regime" – a concept looked upon with suspicion by socialist orthodoxy – stopped short of socialism, de Man argued that it was the only feasible alternative to a fascist solution to the terminal crisis of liberal capitalism. If planism shared certain affinities with fascism, as its critics never tired of

pointing out, these were nevertheless given an anti-fascist inflection. As Cole remarked, the “Plan” represented “an attempt to steal for Socialism the thunder which will otherwise be appropriated by Fascist demagogues”.⁵⁶

The logic of planism differed from that of the Popular Front in that it saw the anti-fascist struggle as an offensive one, although it was not revolutionary in that it conceived the construction of a planned economy as a limited and orderly affair. The “Plan” was only a transitional measure on the road to socialism, albeit one urgently imposed by the conjuncture. But the point of planism as an anti-fascist strategy, ultimately, was not simply to rescue the economy and democracy, but to consolidate the material and moral foundation for an eventual socialist transformation.⁵⁷

The heyday of planism, however, was short-lived. By 1936, the enthusiasm for planism had waned, as the Popular Front proved to be a more potent mobilizing myth for the anti-fascist left. After 1936, anti-fascist theory and practice was dominated by the defensive logic of the Popular Front, and with few exceptions critical thinking about fascism withered within both social-democratic and communist circles until it became completely subsumed under the problem of national defence on the eve of the Second World War.

POLANYIAN THEORY IN CONTEXT

How did Polanyi’s approach relate to the currents discussed above? Like Trotsky, Polanyi saw fascism as a product of capitalism. Both saw the post-First World War era as one of systemic crisis in which social tensions grew inflamed, and both predicted that it marked the death agonies of capitalism – albeit for Polanyi the emphasis was on the demise of the liberal market economy. Trotsky however, far more than Polanyi, emphasized the mass character of fascism as a petit-bourgeois movement. Methodologically too, the differences are apparent. Trotsky sought to grasp fascism as (in his words) “a living political phenomenon ... a dialectical and changing phenomenon” and was dismissive of those who sought to identify its “essence”.⁵⁸

What of planism? Whereas Polanyi’s close associate G. D. H. Cole was plainly attracted to planism, and introduced the English translation of de Man’s planist writings (in words that, as Fleming⁵⁹ has pointed out, resemble parts of *The Great Transformation*), there is little evidence of Polanyi’s own attitude. This is perhaps surprising. De Man wrote in German (Polanyi’s first language) and there are clear affinities between the two thinkers. Both Polanyi and de Man emphasized the Christian foundations of socialism, both were influenced by the guild socialists and Austro-Marxists, both tended to focus on the general social will rather than that of the proletariat, and both saw a theory of fascism as indispensable for

effective socialist strategy. Like de Man and the planists, Polanyi believed that the crisis of liberal capitalism had imposed a decisive choice between socialism and fascism. Moreover, the way in which he conceived socialism – less about property relations and more about the political and social reintegration of the economy – echoed that of de Man and the planists. Polanyi would likely have sympathized, too, with the planist advocacy of a planned economy as a third way (between communism and fascism) out of the crisis of capitalism. Both also took pains to distinguish between socialist and fascist corporatism, although de Man’s quasi-technocratic conception of the “new economic State” was more ambiguous than Polanyi’s understanding of socialist corporatism, which, *contra* fascist corporatism, Polanyi saw as a form of society-economy integration in which politics dominates economics.⁶⁰

There is rather more evidence on Polanyi’s view of the Popular Front than on his view of planism. We can be confident in stating he gave it at least qualified support, approving of the strategy of “republican defence” on the grounds that liberal democracy is a waystation toward socialism. In the 1930s he championed the role of the Soviet Union in working for a “union of the forces of democracy” (to borrow Cole’s paraphrase of Polanyi), “an international democratic front” that would unite Moscow with what Polanyi called the “democratic great powers” – Britain and other liberal-capitalist states – in opposition to the “war-mongering and aggressive” fascist camp.⁶¹ Together with Labour Party radicals such as Cole and Harold Laski, Polanyi warmed to the Communist Party. Although never a member or even (quite) a fellow-traveller, he did advocate unity in anti-fascist action of Christians and leftists of all hues, and commended the CP as a vital ally in that fight.

If Polanyi’s affinities with planism can be stated only provisionally and speculatively, and his support for the Popular Front was contingent and strategic, how can his position on fascism be more organically identified? A useful place to begin is with his essay on “The Christian and the World Economic Crisis”. In it he postulates two transhistorical tendencies that traverse and define modern history: one to freedom, the other to social unity. Their conjoint telos consists in the extension of democracy into the economy, a prospect that, however, was “prevented by the class structure of society due to the capitalist system.”⁶² In the 1910s and early 1920s Polanyi’s emphasis was, with mainstream social democracy, on the positive part: history was steering humanity to socialism. This was far from being a simple or pacific development. War, the white terror in Hungary, and Italian fascism were reminders of that. However, history’s arc was clear enough: toward democratic socialism. As he asserted in an essay from 1922, “Historical progress driven by genuine ideals cannot be derailed for long ... The idea of democracy is being reborn, with redoubled potency, in the minds of the masses, and no power will be able to halt its victorious march.”⁶³

That victorious march was, in Polanyi's view, nowhere more evident than in Austria – or at least Vienna. There, the social democrats, led by Bauer, had entered office. In Bauer's understanding, Austria in the early 1920s exhibited a balance of class power: the bourgeoisie owned the means of production while the workers had made substantial inroads into political power. This resulted in a hybrid of bourgeois and proletarian power, of political and "functional" democracy. "The conflicting classes hold each other in equilibrium", Bauer concluded, and this necessitated compromise.⁶⁴ In the 1930s, Bauer developed this "equilibrium" thesis into an explanation of fascism: its rise was the outcome of a stalemate of class forces that resulted from democratization. Workers used the vote to demand concessions; capitalists reacted to the ensuing profits squeeze by fostering fascism.

Polanyi developed his perspective contemporaneously with, and partly inspired by, Bauer. In Polanyi's analysis, the rise of capitalism had summoned a "countermovement", or "protective interventions". These "helped to create a strong popular demand for political influence of the masses", but "the use of the power so gained was greatly restricted by the nature of the market mechanism".⁶⁵ The result, Polanyi argued, was social impasse and "disruptive strains". Workers, armed with trade-union strength and political representation, defended themselves against the depredations of the market by electing parties to parliament that "continuously interfered with the working of the market mechanism".⁶⁶ This in turn – in Polanyi's view, echoing orthodox Austrian economics – prevented market forces from functioning properly, and their beneficiaries, above all business leaders, reacted by seeking to subordinate democracy to their interests or to abolish it.

In fleshing out this argument, Polanyi's eye was trained on the political events of the day, viewed through a social-democratic lens. In brief, capitalist development expanded the working masses; their instincts are socialist; ergo, capitalism leads via democracy to socialism. The mechanism that "maintained the working class in power was universal suffrage and representative government. In short, it was democracy".⁶⁷ This posed a challenge to capitalist elites, whose every effort to restore the pre-war system was countered by workers and peasants, their grievances and demands now strengthened by their institutionalized political voice. Where economic elites felt threatened by democracy they pressed for its outright abolition, a tendency that reached its acme with the elevation of fascist governments to power.

Polanyi's conclusion was that democracy did not display an elective affinity with capitalism, as some supposed. In opposition to Marxist views, which he believed, in a highly caricatured formulation, required that democracy be seen as "*the* political superstructure of capitalism",⁶⁸ he held that capitalism and democracy exist as separate systems. These systems were, at least in the

contemporary conjuncture, increasingly and irreconcilably antagonistic. Their incompatibility had led inexorably to an impasse, manifested in the interwar cataclysm. As capitalism entered a crisis-ridden period following the war, workers and peasants, empowered by the vote, demanded that parliamentary parties shield them from the worst effects. This prevented markets from clearing, intensifying the crisis. At that moment a sharp alternative was posed: society would be integrated either through political power under the hegemony of the working class and in the form of socialism, or under the leadership of the propertied classes in the form of a recharged capitalism, purged, with fascist assistance, of all democratic elements. In the long run, as Polanyi put it in *Europe To-day*, a modern industrial society: “is either democratic or Fascist. It is either based on the ideal of common human equality and responsibility or on their negation. But democracy cannot be maintained under the conditions of present-day life unless the principles of democracy are extended to the whole of society, including the economic system. This is commonly called Socialism”.⁶⁹

CONCLUSION

Karl Polanyi, this chapter has proposed, was a significant theorist of fascism. This may not have been apparent from his initial efforts. His first major excursion, “The Essence of Fascism” (1936), made a negligible contribution. Its goal, to distil fascism’s philosophical “essence,” was scholastic, and its central thesis, that European fascism’s fundamental enemy is Europe’s *dominant* religion (Christianity), with no mention of fascism’s scapegoating of minorities, was unhelpful, to put it mildly. Its thesis that fascism represents the primacy of economics over politics veers too close to the sort of crude instrumentalist analysis of fascism that held it to be driven overwhelmingly by economic imperatives. Relatedly, Polanyi also tended to understate the role of fascist movements. In this, his approach was aligned with a number of Austro-Marxists who held the conviction that fascism “could establish itself solely by means of the instruments of state power”.⁷⁰

But there is more to Polanyi’s theory than this. In *The Great Transformation* he dug deeply into the question of the relationship between fascism and capitalism. The context was a rethinking by leftists of that relationship, in the wake of Hitler’s seizure of power. Capitalism appeared to be collapsing, fascism was ascendant. But it was not enough to simply claim that “capitalism produces fascism”. What were the mediations? For Gramsci and Trotsky – and one could also add for de Man – fascism was a politically overdetermined phenomenon: what gave fascism its specificity was its character as a mass movement of the disaffected petit bourgeoisie over whom socialists had failed to exercise hegemonic

leadership. For Polanyi the emphasis was socio-economic. He sought to trace the roots of fascism to the rise of the liberal market economy in Britain and the “disruptive strains” to which it led.⁷¹

Where 1920s social democracy had generally seen fascism as an aberration, understating its historical importance and threat, Polanyi flipped to the opposite pole, seeing fascism as a “phase”, one of only two ways through which the fundamental problem of modernity – the separation of economics and politics – could be resolved in the current period. In this, his conception was close to de Man and the planists (although in these cases the belief that fascism represented a historical solution to this problem could blur into an indulgence of fascist regimes). The problem here is that fascism comes to stand for all forms of non-communist dictatorship, thus evacuating the concept of specificity and substance.

Why did Polanyi hold that there are only two ways to solve the basic problem of modernity? Because “the crisis of modern society”, as he maintained in “Fascism and Socialism”, stems fundamentally from the division of politics and economics. The crises generated by this division naturally throw up the “idea of the totality of society” as the solution.⁷² In this perspective he is echoing Spann, for whom social “totality” is the “master-key”.⁷³ For Spann, social totality should be restored through fascism, entailing a national rebirth of Germany, the *Führerprinzip*, authoritarianism and the crushing of democracy, anti-semitism and racism. For Polanyi, social totality required restoration through socialism, understood as the extension of democratic norms and institutions throughout the social whole. Polanyi sees socialism as the ineluctable extension of democracy from the political to the economic sphere, and fascism as a movement to prevent economic democracy by suppressing political democracy. Hence, the anti-fascist struggle for democracy is also necessarily a struggle for socialism.

In all this, what remains somewhat ambiguous in Polanyi is his position vis-à-vis the central axis of interwar socialist debates on fascism: is the restoration of political democracy a necessary precondition for reopening the road to socialism, or can political democracy only be saved through the immediate conquest of economic democracy? Polanyi argued that in capitalism “the influence of the working class both in politics and industrial life are insolubly linked with the liberal and democratic organisation of society”.⁷⁴ One wonders, however, if socialism indeed stands in a relation of continuity with liberalism, or if the historical challenge posed by the crisis of liberal democracy is instead the necessity of articulating the specificity of socialist democracy.

Notes for Chapter 8

1. K. Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon, 2001), 32.

2. For example, K. Polanyi, "The defenders of race in Berlin", in G. Dale (ed.), *Karl Polanyi: The Hungarian Writings* (Manchester: Manchester University Press, 2016).
3. K. Polanyi (1934–5) book synopsis for "The fascist transformation", KPA-20-8.
4. K. Polanyi (1933) lecture, "Die wirtschaft ist für den faschismus", KPA-2-21; cf. K. Polanyi (1934–46) notes, "The theory of fascism: the deadlock of politics and economics", KPA-11-1.
5. Polanyi, book synopsis, "The fascist transformation".
6. K. Polanyi (1934) "Fascism and Marxian terminology", *New Britain* 3:57, 128–9, KPA-18-6.
7. K. Polanyi (n.d.) "Fascism and socialism", KPA-18-7.
8. K. Polanyi (1934) 'Othmar Spann, the philosopher of fascism', *New Britain* 3:53, 7, KPA-18-4. Although Polanyi speaks straightforwardly of the "essence" of fascism, his usage may also contain irony, given the centrality in Spann's writings (e.g., in *Der wahre Staat*) of the idea that each society (or nation) has an unchanging "essence".
9. See J. Wasserman, *Black Vienna: The Radical Right in the Red City, 1918–1938* (Ithaca, NY: Cornell University Press, 2014), 11.
10. Polanyi, "Fascism and socialism".
11. K. Polanyi, "The essence of fascism", in J. Lewis, K. Polanyi & D. Kitchen (eds), *Christianity and the Social Revolution* (New York: Charles Scribner's, 1936), 259–94.
12. M. Desan, "'Order, Authority, Nation': Neo-Socialism and the Fascist Destiny on an Anti-Fascist Discourse", unpublished PhD dissertation, University of Michigan, 2016, 181–95.
13. On Cole's initial sympathy with Mussolini's corporate state, see G. Foote, *The Labour Party's Political Thought: A History* (Basingstoke: Palgrave Macmillan, 1997), 123.
14. O. Pör, *Guilds and Co-operatives in Italy* (London: Labour Publishing, 1923) 159–60, 221.
15. K. Polanyi (1934) "Spann's fascist utopia", *New Britain* 3:55, 74–5, KPA-18-5.
16. *Ibid.*
17. K. Polanyi (1934–46), "Labour movement's post-war failure", KPA-9-2.
18. Polanyi, "Othmar Spann", 7.
19. Polanyi, "Spann's fascist utopia".
20. *Ibid.*
21. K. Polanyi, "Korporatives Österreich – eine funktionale Gesellschaft?", in M. Cangiani & C. Thomasberger (eds), *Chronik der großen Transformation, Band 1* (Marburg: Metropolis, 1934), 212.
22. H. Özel, "Reclaiming Humanity: The Social Theory of Karl Polanyi", unpublished PhD dissertation, University of Utah, 1997, 78.
23. Polanyi, "Fascism: National Planning and International Anarchy", KPA-12-2; K. Polanyi (1939), "Coercion and defence", *Christian Left Bulletin*, KPA-20-16.
24. K. Polanyi (1939–40) book plan for "Common man's masterplan", KPA-20-4.
25. Polanyi, "The fascist transformation"; K. Polanyi (1936) "On the philosophy and economics of fascism", KPA-21-4.
26. K. Polanyi (n.d.) "The fascist virus", KPA-18-8.

27. *Ibid.*
28. *Ibid.*
29. *Ibid.*
30. *Ibid.*
31. *Ibid.*
32. *Ibid.*
33. *Ibid.*
34. K. Polanyi, “Die geistigen voraussetzungen des faschismus”, in M. Cangiani, K. Polanyi-Levitt & C. Thomasberger (eds), *Chronik der großen Transformation, Band 3* (Marburg: Metropolis, 2005), 235.
35. Polanyi, “Fascist virus”; K. Polanyi (1961) “Annotations to a letter from Paul Medow”, KPA-51-5.
36. K. Polanyi (1961), letter to Fromm, 14 January; Polanyi, “Die geistigen voraussetzungen”, 218, KPP-1-4.
37. K. Polanyi (1934) “Marxism re-stated”, *New Britain* 3:58/59, KPA-18-9.
38. K. Polanyi (1936–40) Lecture XXIV, “Contemporary problems and social and political theory”, University of London, KPA-15-4.
39. K. Polanyi, *Europe To-day* (London: Worker’s Educational Trade Union Committee, 1937), 54.
40. D. Beetham (ed.), *Marxists in the Face of Fascism* (Totowa, NJ: Barnes & Noble, 1984), 5.
41. A. Bergounioux, “L’Internationale ouvrière socialiste entre les deux guerres”, in H. Portelli (ed.), *L’Internationale socialiste* (Paris: Les Éditions Ouvrières, 1983), 33.
42. Beetham, *Marxists in the Face of Fascism*, 41. For socialist debates on rationalization, see J. Moch, *Socialisme et rationalisation* (Brussels: L’Eglantine, 1927); B. Montagnon, *Grandeur et servitude socialiste* (Paris: Librairie Valois, 1929); and A. Philip, *Henri de Man et la crise doctrinale du socialisme* (Paris: Librairie Universitaire J. Gamber, 1928).
43. J. Cammett, “Communist theories of fascism, 1920–1935”, *Science & Society* 31:2 (1967), 149–63; Beetham, *Marxists in the Face of Fascism*.
44. Cammett, “Communist theories of fascism”, 154.
45. G.-R. Horn, *European Socialists Respond to Fascism: Ideology, Activism and Contingency in the 1930s* (New York: Oxford University Press, 1996).
46. S. Berstein, *Le 6 février 1934* (Paris: Gallimard, 1975); B. Jenkins & C. Millington, *France and Fascism: February 1934 and the Dynamics of Political Crisis* (Abingdon: Routledge, 2016).
47. G. Vergnon, *L’antifascisme en France: de Mussolini à Le Pen* (Rennes: Presses Universitaires de Rennes, 2009).
48. D. Renton, *Fascism: Theory and Practice* (London: Pluto, 1999), 77.
49. Cammett, “Communist theories of fascism”, 150.
50. August Thalheimer deserves special mention as well.
51. L. Trotsky, *The Struggle Against Fascism in Germany* (New York: Pathfinder, 1971); L. Trotsky, *Fascism, Stalinism and the United Front* (London: Bookmarks, 1989).

52. Like Thalheimer and Trotsky, Bauer also attempted to apply Marx's concept of Bonapartism to fascism, although all three did so differently; see G. Botz, "Austro-Marxist interpretation of fascism", *Journal of Contemporary History* 11:4 (1976), 129–56.
53. For example, R. Hilferding, "Revolutionary socialism" in Beetham, *Marxists in the Face of Fascism*; O. Bauer, "The unification of socialism" in Beetham, *Marxists in the Face of Fascism*.
54. H. de Man, *Zur Psychologie des Sozialismus* (Jena: E. Diederichs, 1927).
55. G.-R. Horn, "From 'radical' to 'realistic': Hendrik de Man and the International Plan conferences at Pontigny and Geneva, 1934–1937", *Contemporary European History* 10:2 (2001), 239–65; G. Vergnon, *Les gauches européennes après la victoire nazie: entre planisme et unité d'action, 1933–1934* (Paris: L'Harmattan, 1997).
56. G. Cole, "Introduction", *New Fabian Research Bureau* 25, 11.
57. H. de Man, *Die sozialistische Idee* (Jena: E. Diederichs, 1933).
58. Renton, *Fascism*, 74.
59. B. Fleming, "Three years in Vermont: the writings of Karl Polanyi's *The Great Transformation*", paper presented to the Eighth International Karl Polanyi Conference, Mexico City, 2001.
60. H. de Man, *Corporatisme et socialisme* (Brussels: Editions Labor, 1935).
61. Cole cited in Polanyi, *Europe To-day*, 11.
62. K. Polanyi (1934–46) 'The Christian and the world economic crisis', KPA-8-7.
63. K. Polanyi, "The rebirth of democracy", in Dale, *Karl Polanyi: The Hungarian Writings*, 150.
64. O. Bauer, "Problems of the Austrian revolution", in T. Bottomore & P. Goode (eds), *Austro-Marxism* (Oxford: Oxford University Press, 1978), 166–7.
65. K. Polanyi (n.d.) "The eclipse of panic and the outlook for socialism", KPA-19-17.
66. Polanyi, "Fascism and Marxian terminology"; K. Polanyi (n.d.) "Five lectures on the present age of transformation: the trend towards an integrated society", KPA-31-10.
67. Polanyi, *Europe To-day*, 55.
68. Polanyi, "Fascism and Marxian terminology".
69. Polanyi, *Europe To-day*, 55.
70. Botz, "Austro-Hungarian interpretation of fascism", 135.
71. We have elsewhere discussed the merits and demerits of that argument and do not intend to repeat them here. See G. Dale, "Karl Polanyi's *The Great Transformation*: perverse effects, protectionism, and gemeinschaft", *Economy and Society* 37:4 (2008), 495–524; G. Dale, *Karl Polanyi: The Limits of the Market* (Cambridge: Polity, 2010); G. Dale, *Reconstructing Karl Polanyi: Excavation and Critique* (London: Pluto, 2016); G. Dale, *Karl Polanyi: A Life on the Left* (New York: Columbia University Press, 2016).
72. Polanyi, "Fascism and socialism".
73. Polanyi, "Othmar Spann", 7.
74. Polanyi, "The fascist transformation".