

**Regionalism as a societal hedge against universalisms**  
**The prescience of Karl Polanyi's vision in the 21<sup>st</sup> Century<sup>1</sup>**

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## Introduction

In his classic *The Worldly Philosophers*, American economist Robert Heilbroner observed that the birth of the market was “...the most important revolution, from the point of view of shaping modern society, that ever took place —fundamentally more disturbing by far than the French, the American, or even the Russian Revolution” (Heilbroner, 1995: 16). He was writing in the early 1950s, when the world was still recovering from the ravages of World War II (WWII).<sup>2</sup>

The historical significance and social implications of the advent of the market, though, had been grokked before by other noted thinkers, most notably Karl Polanyi. An Austro-Hungarian economic historian and political economist, Polanyi had already grasped by the early 20<sup>th</sup> century the essential threads of this overriding societal mechanism as a central concern of what would be his paramount intellectual enterprise. This enterprise would in time lead him to elaborate what is arguably the most comprehensive and devastating critique levelled by a non-Marxist thinker on the principle of *laissez faire* and its operating correlate, the market mechanism, the engines that allegedly make capitalism a self-regulating system. This critique appeared in its most finished form in *The Great Transformation*, Polanyi’s *chef d’oeuvre*, which saw the light a decade before Heilbroner’s book (Polanyi, 1957).<sup>3</sup> It was the culmination of his lifelong quest to expose the fallacy of those notions which he considered “the greatest danger, the greatest spiritual and moral affront to humankind”, as Margaret Somers put it (Somers, 1990: 152).

That quest began in the 1920s when Polanyi made it his task to direct a frontal critique at the ideas and theses of Ludwig von Mises and his student Friedrich von Hayek, the champions of market liberalism (Block, 2001). He continued this endeavour with a spirited account of the rise of fascism and its implications, which he presented in a series of articles published in the mid-1930s. At that time, Polanyi was living in England where he was having his second encounter with Marxism by reading Marx’s early writings “against the backdrop of the Great Depression and the rise of fascism” (Block, 2003: 277).

In those articles, Polanyi first approached fascism in Marxian terms and exposed it as a political regime that kept the market system unchanged (Polanyi, 1934a); then, he put forward a series of theses on the connections among fascism, capitalism, democracy, and socialism (Polanyi, 1934b); lastly, he dissected fascism and developed a more formal and elaborate examination of this phenomenon and its links with the market ideology (Polanyi, 1935). As Walter Goldfrank remarked, “Polanyi’s struggle against the ‘market mentality’ began with his essay ‘The essence of fascism’” (Goldfrank, 1990: 88).

By the end of the 1930s, Polanyi started to adumbrate the main theses and tenets of *The Great Transformation*, where he elaborated on his critical examination of fascism in particular and universalisms in general, interweaving these elaborations with his central aim: the critique of *laissez faire* and the self-regulating market. What linked these two undertakings was his view that capitalism and fascism were founded on principles groundlessly claimed as universal and his outright rejection of all forms of universalism, including “world-revolutionary socialism”.<sup>4</sup>

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<sup>2</sup> *The Worldly Philosophers* was originally published in 1953 by Simon & Schuster, New York. Heilbroner elaborated on this subject in later works, mainly in *The Nature and Logic of Capitalism* published in 1985 by W. W. Norton & Company, New York.

<sup>3</sup> It was first published in 1944 by Farrar & Rinehart, New York; the first British edition, by Victor Gollancz, London, appeared in 1945.

<sup>4</sup> A fourth type of universalism is said to have existed at that time (Chibber, 2014); it was anchored on the deep-rooted Eurocentric view that still prevailed in the 1940s legitimised on a set of European values and beliefs alleged to be universal as well (Wallerstein, 2006).

Polanyi interconnected all those tenets in a not well known but essential article which appeared one year after the publication of *The Great Transformation*. In this article, he engaged the existence of large continental and transcontinental polities like the Soviet Union, the British Commonwealth and the United States, and discerned the particular modalities the dominant universalisms of that time had by then adopted in each of those settings, in particular capitalism and socialism (Polanyi, 1945). Although the creation of currency blocs and other multistate formations was a common trend in the 1940s, Polanyi was the first major social thinker to discern the manifold implications of the emergence of that new kind of multinational entities vis-à-vis the reigning universalisms of that time.

In so doing, it is argued here, he showed, rather inadvertently, that regionalism can be a shield that societies can use to resist universalist forces and threats. This, the argument continues, illustrates another way in which the built-in mechanism he called the Double Movement can work for a societal endeavour like that.

The primary purpose of this paper, therefore, is to substantiate those claims. A particular goal is to show that Polanyi conducted his grand critique of the market ideology viewing capitalism first of all as a universalism, and to acknowledge the pertinence of the geopolitical perspective he adopted, which enabled him to learn where and how the dominant universalisms had set in by the mid-20<sup>th</sup> century.

An implicit, but also axial end is to shed more light into the tenets alluded above, which have lain largely subjacent beneath the most well-known layers of Polanyian thought and so have not been duly acknowledged to Polanyi even though they provide key elements to get a better look into his deeper intellectual quests and inclinations.

Overall, the intention is to establish the prescience of Polanyi's vision today for reaching a better understanding of both the workings of capitalism and the logic underlying the current geopolitical landscape, as well as for unlocking the potential of regionalism to play that societal role and prop up the argument in pro of a regionalised world order in the 21<sup>st</sup> century. Relevant works by noted contemporary scholars in international relations (IR) are engaged, focusing on those by Björn Hettne who is the political scientist that has dwelled most fully within the tradition of Polanyian thought.

## **Polanyi on Universalisms**

### **The Collapse of 19<sup>th</sup> Century Civilisation**

By mid-1945 WWII was drawing to a close. Fascism and, in particular Nazism, its most virulent expression, were collapsing. As a result, a new era of more civilised coexistence among nations was starting to loom on the horizon.

Paraphrasing Eric Hobsbawm's characterisation, the Age of Catastrophe was over and humanity was about to enter a Golden Age of unprecedented capitalist prosperity in the midst of the Short Twentieth Century (Hobsbawm, 1995). After enduring its first systemic crisis during the Great Depression, capitalism was poised to emerge refurbished and reinvigorated from the war to experience its longest period of sustained growth and so to mature both as an economic system and as a societal order, with the sinew to spread into every layer of societies the world over powered by principles assumed to be universal.

At the same time, socialism had consolidated into a major ideological force and at the same time as an alternative societal model with the potential to challenge capitalism on the basis that it

was founded on principles also believed to have universal sway. This was made possible by the fact that the Soviet Union was arising from WWII as a major economic and military power after the decisive role the Red Army had played in the defeat of Nazi Germany, especially in the conquest and occupation of Berlin.

In sum, Pax Britannica was waning and a new Pax Americana was beginning to take shape, as the United States (US) had proved its military prowess and its capacity to assume a leading role in international affairs and replace Great Britain as the world's hegemonic nation. A new world order was thus on the rise; it was a bipolar arrangement where the US and the Union of Soviet Socialist Republics (USSR) would vie for economic, technological and military supremacy for the following half a century, as the protagonists of what was to be dubbed the Cold War. In this context, as fascism was being crushed in the battlefields of WWII, the other universalisms existing at that time were gaining momentum: capitalism in the West, socialism in the East.

It was against the backdrop of this convulsive scenario that Polanyi culminated his grand critique of laissez faire and the self-regulating market in the pages of *The Great Transformation*. Significantly, something that has not been properly acknowledged is the fact that he developed this critique from the perspective of a historic and economic examination of the collapse of 19<sup>th</sup> century civilisation assuming that a major underlying factor driving such collapse was the breakdown of Pax Britannica under which that civilisation had flourished.

That is precisely the subject matter of *The Great Transformation* which Polanyi makes it explicit in the book's very first paragraph: "Nineteenth Century civilisation has collapsed. This book is concerned with the political and economic origins of this event, as well as with the great transformation which it ushered in" (Polanyi, 1957: 3). He was imbued with the idea that, as Abraham Rotstein noted, "All civilizations...are held together by some underlying ethos, a shared belief, a *raison d'etre* that is axiomatic to its participants. Such a common consciousness might endure for a lengthy era, but not indefinitely" (Rotstein, 2014).

Therefore, a point this paper means to emphasise is that Polanyi undertook the construction of his *opus magnum* primarily from a geopolitical perspective, something that has been overlooked in the literature. Thus, he started by pondering 19<sup>th</sup> century civilisation as a societal and cultural order that rested on four pillars: the balance of power, the international gold standard, the liberal state, and the self-regulating market, the latter being the "fount and matrix" of the whole system and the fundamental innovation that had given rise to that civilisation (Polanyi, 1957). Figure 1 illustrates this system.

**Figure 1**  
The Four Pillars of 19<sup>th</sup> Century Civilisation



Source: Polanyi (1957)

There was a fifth pillar: colonialism, as Kari Polanyi-Levitt pointed out<sup>5</sup>. In effect, the four institutions listed above functioned and 19<sup>th</sup> century civilisation thrived thanks to the enabling blanket provided by the political and economic networks laid out by the great empires that had emerged and expanded over the previous centuries, mainly the British Empire which extended over as much as ¼ of both the world population and the planet's land area (Taagepera, 1997). No wonder, then, that the period from 1815 to 1914 came to be known as Britain's imperial century (Parsons, 1999; Hyam, 2002).

The fall of 19<sup>th</sup> century civilisation proper, Polanyi contended, was directly driven by economic factors. In his view, it all began when the dominant powers attempted to build an international economic system based on the principle of *laissez fair* and the faith in the workings of the self-regulating market. The attempt was made, he remarked, under the framework of the gold standard through its chief instrumentality, *Haute Finance*, “an institution *sui generis*...[that] functioned as the main link between the political and the economic organization of the world in this period” (Polanyi, 1957: 10). The failure of this utopian project, Polanyi held, is what had led to World War I (WWI) and two decades later to the abrupt collapse of that civilisation when the gold standard was finally abolished in 1931.

In point of fact, what actually happened that year was that Great Britain terminated the policy of pegging the pound to bullion, which implied the abandonment of the gold standard. It was the second time the British government was making this move; during WWI the same decision had already been taken but Winston Churchill chose to restore the policy in 1925 (Titcomb, 2015; Bordo and Schwartz, 1984). He did this in view that the gold standard had been restored by most countries after WWI (Kemmerer, 1944).

Therefore, what was abolished in 1931 was only Britain's policy of pegging the pound to gold, which did not actually mean the breakdown of the entire international gold standard. This did not occur until August 1971 when Richard Nixon changed the dollar-gold exchange rate to \$38 per ounce and no longer allowed the U. S. central bank to redeem dollars with gold (Kemmerer, 1944; Elwell 2011).

## **The Rise of Fascism**

In any event, the fact is that 19<sup>th</sup> century civilisation did collapse over the 1920s and that this gave way to the growth of new universalisms in the subsequent decade. Polanyi contended that the rise of fascism was specifically triggered by the simultaneous breakdown of the four pillars that sustained that civilisation as illustrated in Figure 1. This belief had led him a decade earlier to devote much of his intellectual energies to critique fascism, especially Nazism, its most brutal expression. For the latter had been “entrusted with the double function of resisting both the individualistic and the universalistic poles of the idea of humanity as a community of persons” (Polanyi, 1935: 388).

He critiqued, especially, the theses of Alfred Ernst Rosenberg, noted leader and top ideologue of the Third Reich, who was the author of central Nazi creeds like racial domination, the persecution of the Jews, and *Lebensraum* and sought to create a political religion for the Nazi regime. From that position, Rosenberg proclaimed that the ultimate antagonism was that between “the racial-national principle on the one hand, the individualist-universalist principle on the other” so that universalism and individualism “far from being opposites, are correlative terms” (Polanyi,

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<sup>5</sup> She made this remark at the at the 13th Karl Polanyi International Conference held at Concordia University, Montreal, Canada, November 6-8, 2014.

1935: 388). The other key figure of Nazism put into question by Polanyi was Viennese intellectual Othmar Spann, who developed a philosophy of the human universe centred on the idea of “anti-individualism”. Spann believed that “We must make our choice between two world systems: individualism and universalism. Unless we accept the latter, we cannot escape the fatal consequences of the former” (Polanyi, 1935: 363).

In general, for Polanyi, the philosophical essence of Nazism was the “common attacks of German Fascism on both the organisations of the working-class movement and the Churches” which made it “the common enemy of Socialism and Christianity alike” (Polanyi, 1935: 359). It was from this perspective, which revealed both his religious convictions and his socialist vocation, that Polanyi defied fascism as a socio-political phenomenon that was the ultimate representation of labour as a commodity as it deprives human beings from their will and their soul.

These views differed from those of other thinkers who also addressed the question of totalitarian regimes in those years. In a forceful and influential account, which he presented in a book published in the late 1930s<sup>6</sup>, Peter Drucker viewed fascism, and especially Nazism, not as a universal ideology but rather as a distinctly European phenomenon, “a pervasive sickness of the European body politic” (Drucker, 2009). More precisely, he regarded totalitarianism, in general, as a European disease and “Nazi Germany as the most extreme, most pathological manifestation”, and held that Stalinism was neither much different nor much better than Nazism (Drucker, 2009: xviii). Therefore, Drucker differed entirely with Polanyi’s sympathetic views and attitude towards Stalin, a point that will be discussed later.

Indeed, fascism was born in Europe in the aftermath of WWI (Blamires, 2006), and its fullest manifestations were Mussolini’s in Italy and Hitler’s in Germany.

On the other hand, Drucker rejected the dual idea that fascism was the “dying gasp of capitalism” and that Marxist socialism was its saviour; moreover, he attributed the rise of Nazism to the “total” failure of Marxism, not of capitalism as Polanyi contended. In fact, the failure of Marxism was for him the “main reason for the flight of Europe’s masses into the fervency of totalitarian despair” and the factor that “made them easy prey to totalitarian demagoguery and demonology” (Drucker, 2009: xviii, xii).

Notwithstanding, Drucker understood totalitarianism as “the major social phenomenon of the first half of this century”; that is, he viewed it above all as a social phenomenon and so not merely as a piece of political and economic history, as it has been interpreted by other scholars like Gordon Craig, whose book *Germany 1866-1945* stands as a typical example of such approach (Craig, 1978). This means that, after all, Drucker did admit that totalitarianism, and so fascism, have a general character and, therefore, can be replicated outside Europe, which comes close to Polanyi’s theses.

Drucker also acknowledged that the rise of fascism was caused mainly by the breakdown of the old order, which coincides with Polanyi’s claim in this regard; specifically, Drucker asserted that: “The old orders have broken down, and no new order can be contrived from the old foundations. The alternative is chaos; and in despair the masses turn to the magician who promises to make the impossible possible” (Drucker, 2009: 60). In consequence, he was convinced that the despair of the masses is the key to understand fascism, for it was “No revolt of the mob, no triumphs of unscrupulous propaganda but stark despair caused by the breakdown of the old order and the absence of a new one” (Drucker, 2009: 62).

It is relevant to point out here that Polanyi used the term “Fascism” (with an upper-case F) throughout both in his 1930s articles and in *The Great Transformation*, while Drucker used

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<sup>6</sup> It was originally published in 1939 by The John Day Company.

“fascism” (with a lower-case f) in his book, save a couple of exceptions in the prefaces. The distinction is significant and necessary, for the lower-cased term denotes the general phenomenon of fascism while the upper-cased word designates Italian Fascism as conceived and led by Benito Mussolini (Mussolini, 1933) and overseen and controlled by the Italian Fascist Party (Blamires, 2006). The point is that Drucker used the lower-case form because he thought of fascism as a social and political phenomenon that can manifest itself in various modalities in different latitudes, a connotation essentially similar to that given by Polanyi to this word as a phenomenon predicated on universal principles.

In summary, although Drucker differed from Polanyi about the factors that led to the rise of fascism and the latter’s stance vis-à-vis Stalinism, they ultimately concurred on the general character of fascism. This owes in good measure to the fact that Drucker was a close friend and former colleague of Polanyi’s, to the extent that in the Acknowledgements section of *The Great Transformation* he noted that Drucker and his wife “were a source of sustained encouragement, notwithstanding their wholehearted disagreement with the author’s conclusions” (Polanyi, 1957: vi).

In any case, both thinkers referred to fascism as the radical, rightist, ultranationalist movements and regimes they observed to emerge in the first half of the 20<sup>th</sup> century —Italian Fascism and German Nazism—, not to particular manifestations of totalitarianism, a concept which lumps together autocratic, dictatorial regimes of both left and right (Geyer, 2009). The concept of totalitarianism took shape in the work of political scientists like Hannah Arendt who, in her classic *The Origins of Totalitarianism*, characterised Nazism and Stalinism as the main expressions of totalitarian rule in the mid-20th century and, at the same time, as two powerful movements that sought total world domination and the suppression of human individuality (Arendt, 1951). A similar view is held by historians like Cyprian Blamires who in his encyclopaedic account identified a set of elements common to all the manifestations of what he called global fascism which he defines as:

“A revolutionary form of ultra-nationalism bent on mobilizing all “healthy” social and political energies to resist the perceived threat of decadence and on achieving the goal of a reborn national or ethnic community. This project involves the regeneration both of the political culture and of the social and ethical culture that underpins it, and in some cases involves the eugenic concept of rebirth based on racial doctrine” (Blamires, 2006: 2).

The point is that fascism was both a powerful ideology and a concrete political and socio-historical phenomenon that had adopted various modalities by the time when Polanyi wrote his accounts on universalisms. These modalities were shaped by the way that ideology was embraced and manifested itself in the countries that championed that ominous phenomenon.

It is significant that both fascism and world revolutionary socialism took shape as actual political regimes in two of the main powers of that time, Germany and the USSR, respectively. These countries, as Polanyi noted, provided a fertile seedbed for those ideologies to hatch and then become the springboards from which spread onto other latitudes.

### **The Spread of Liberal Capitalism**

But liberal capitalism was spreading too, as a societal system legitimised by principles also alleged to be universal. These principles were claimed to have been forged when “compassion was removed from the hearts, and a stoic determination to renounce human solidarity in the name of the greatest happiness of the greatest number gained the dignity of secular religion” (Polanyi, 1957:

102). Indeed, as historians like Boyer (2006) have recorded, that occurred when the Speenhamland Law was abolished in 1834 and the Poor Law Reform was promulgated that same year to replace it, a development that paved the way for a competitive labour market to finally take form in England.

Furthermore, liberal capitalism was said to be founded on “a law as universal in society as gravitation was in Nature” and, at the same time, on powerful principles such as universal suffrage and the universal beneficence of profits, as well as on “mental forces” like fear, psychology, self-interest and utility (Polanyi, 1957: 114). In fact, as Heilbroner observed a decade later, “...the idea of gain which underlay [capitalism] was to become so firmly rooted that men would soon vigorously affirm that it was an eternal and omnipresent part of human nature” (Heilbroner (1995: 25).

Liberal capitalism was thus portrayed as a “great symbol of universalism” in the world of ideas. In practice, Polanyi observed, it was spreading into all the tiers and segments of societies around the world irrespective of their ethnic, social and cultural singularities by means of the gold standard, its “supreme vehicle”. Hence, “...around 1914, every part of the globe, all its inhabitants and yet unborn generations...were comprised in it. A new way of life spread over the planet with a claim to universality unparalleled since the age when Christianity started out on its career” (Polanyi, 1957: 130).

In sum, Polanyi viewed capitalism as the most pervasive, overriding form of universalism of his time and so the one that must be withstood most firmly and opposed with the utmost determination. This conviction is what led him to devote his capital work to critique capitalism’s core elements: the principle of *laissez faire* and the mechanism of the self-regulating market, which he considered as a “a threat to the human and natural components of the social fabric” (Polanyi, 1957: 150)

### **What is Universal of Universalisms?**

Even though he reflected so extensively on universalisms, it turns out that Polanyi was not specific about what he regarded as *universal*, so the question arises as to what is universal of universalisms. Is it the creeds, the ideologies, the doctrines, the principles, or the phenomena all those factors give rise to and underpin? The question is relevant because it requires one first to differentiate among the elements that make an ideology or set of principles to be regarded as a universalism and then specify which of those elements contribute most for those principles to warrant the status of universal.

In the case of capitalism, while Polanyi refers to individual suffrage and the beneficence of profits as universal principles, Marxist scholars like Adamovsky (2008) reckon these as hard-won working-class conquests along with the universal right to vote, universal regulations for safe working conditions, the universal work day, and the universal minimal monthly income for everyone. Immanuel Wallerstein, in turn, refers to *universalism* in a generic sense as an ideology whose origins can be explained in two basic ways: as the culmination of older intellectual traditions and as an ideology particularly akin to capitalism. The former refers to the monotheistic logic of the three main world religions, which the Enlightenment took one step further to derive “moral equality and human rights from human nature itself, a characteristic with which we are all born and as a result of which our rights become entitlements rather than earned privileges” (Wallerstein, 1991: 30).

This thesis is echoed by physicist Max Planck who observed that “the spirit of religion unites its adherents in a universal alliance”, for it is rooted in the consciousness of the individual



but in practice “seeks to become valid and meaningful for a larger community, for a nation, for a race, and ultimately for all of mankind” (Planck, 1950: 159).

Wallerstein’s second explanation alludes to the fact that since universalism has crystallised into concrete political doctrines only in the modern era, its origins must be searched in the context of the capitalist world-economy. Given that capitalism depends on a perpetual accumulation of capital, particularisms of any kind are incompatible with its logic, so that “within a capitalist system it is imperative to assert and carry out a universalist ideology as an essential element in the endless pursuit of the accumulation of capital” (Wallerstein, 1991: 31).

It can be concluded, therefore, that what is universal of a universalism is the ideas it upholds and the doctrine and the principles it propounds, not the historical phenomena or the actual political regimes those ideas and those principles give birth to. Alternatively, what can be universal is the elements of that doctrine that can prove to be equally valid in all latitudes, not what the founders or leaders of those regimes claim to be so.

The point is that Polanyi did not specify what he regarded as universal; he referred to the universalisms of his time as given wholes and deemed as universal equally the ideas and the principles on which those universalisms rested and the societal systems and political regimes that were erected upon those ideas and in the name of those principles. Nevertheless, he said enough for us to understand that he was against any universalist ideas and doctrines as forces that undermine and deny individual values and the idea of societies as collectivities of individuals with soul and innate feelings.

## **The Double Movement Mechanism**

Polanyi was the first western intellectual to perceive that the deleterious effects caused by the spread of market practices and operations lead societies, specifically their most directly affected sectors, to react accordingly and collectively adopt protective measures thus playing out what he regarded as a *double movement*. He discerned this mechanism from the perspective of his crucial distinction between what he called genuine commodities (tangible marketable good and services) and fictitious commodities (money, land, and labour, which are intangible and of a purely virtual nature). He explained that the market works differently in the case of each kind of commodity and described the mechanism as follows:

“...social history in the nineteenth century was thus the result of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones. While on the one hand markets spread all over the face of the globe and the amount of goods involved grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land, and money. While the organization of world commodity markets, world capital markets, and world currency markets under the aegis of the gold standard gave an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy. Society protected itself against the perils inherent in a self-regulating market system—this was the one comprehensive feature in the history of the age” (Polanyi, 1957: 76).

The double movement then unfolds when societies are hit by universalist forces like the recurrent expansion rounds of international markets for genuine commodities. This, Polanyi held, is so because societies are inherently driven by the principle of social protection which compels

them to preserve people, nature, and productive organisation by adopting counteracting measures such as factory legislation, social insurance, labour regulations, trade unions, trade tariffs and other means of defence and resistance. He stressed that the universal “collectivist” reaction against the expansion of the market economy in the second half of the 19<sup>th</sup> century was a “conclusive proof of the peril to society inherent in the Utopian principle of a self-regulating market” (Polanyi, 1957: 150).

What makes the double movement an effective and consistent mechanism is that its second moment is not triggered by socialist or nationalist ideals or projects but simply by the instinctive reactions of broad sectors of societies that see their lives and interests harmed or threatened by the spread of market operations. Economic liberals, as Polanyi called them, questioned those societal initiatives on grounds that they are deliberate actions undertaken by social actors, whereas *laissez-faire* is a natural order that developed spontaneously and which, therefore, should be left to work unfettered so that it can deliver its promises of plenty and prosperity for all segments of societies.

Although it was a widely observable phenomenon and the struggles for labour vindication and the demands for social protection had been studied profusely in all the strands of Marxist scholarship, Polanyi was the first non-Marxist intellectual to discern the workings and operating logic of the double movement as a societal mechanism that prompts those protective reactions. He was also the first to comprehend the critical role this mechanism plays in societies to check the excesses of universalist forces like an unrestricted market system and thus countervail their negative effects.

This concept, as Shroyer (1991) pointed out, constitutes a solid non-Marxist notion of dialectical movement which comes close to the status of a theorem and so provides the framework for studying the re-embedding of fictitious commodities. Nonetheless, as Manfred Bienefeld observed, Polanyi was wise enough as to not turn it into “either a teleological or functionalist tautology” or to claim that it could return societies to a sort of stable equilibrium (Bienefeld, 1991: 7).

In any event, the concept of the double movement proved to be an adequate recourse for Polanyi to tacitly examine universalisms and expose their harmful effects in *The Great Transformation*, an endeavour he continued and deepened in his 1945 article “Universal capitalism or regional planning?”, where, as discussed, he developed his theses on the regional modalities those universalisms were adopting.

## **The Regionalisation of Universalisms**

### **Regionalism in the Interwar Period**

The formation of regional blocs was a widespread trend in the interwar period and up to the outbreak of WWII. World trade shrank drastically particularly in the late 1920s and early 1930s, as its value slumped by 50 percent between 1929 and 1932. At the same time, trade flows became compartmentalised and increasingly took place between “self-contained regional, colonial and commercial blocs such as the British Commonwealth, a group of European gold standard countries centered on France, and a Central European trade bloc linked to Germany” (Eichengreen and Irwin,

1995: 2). These entities corresponded to the Sterling Area, the Gold Bloc, and the so-called Nazi Trading Area, respectively (Feinstein, 1995).<sup>7</sup>

Germany took the lead in this trend. As soon as the Third Reich asserted its position on the international stage, the Nazi regime sought to build a self-contained bloc composed of the Reich and a number of countries to the East with the aim of both reducing its dependence on potential enemies and pursuing its geopolitical goals. This prompted France and Britain to form their own blocs (Eichengreen and Frankel, 1995).

On the other hand, a Yen bloc had also emerged over the 1930s comprising the Asian countries that relied on trade with Japan plus those the latter had turned into its colonies. This bloc was the monetary shell of the so-called Greater East Asia Co-Prosperity Sphere, an imperial entity conceived to aggroup all the countries and territories Japan had annexed in Asia and the Pacific since the turn of the 20<sup>th</sup> century; hence, it extended into nearly all of East and Southeast Asia (Fisher, 1950; Moon, 2008).

The particularity of imperial and colonial blocs like the Co-Prosperity Sphere and the British Commonwealth was that they were not formed through a process of economic or political integration among sovereign states but as a result of forceful rounds of imperial expansion. Therefore, they did not constitute politically or economically integrated polities but rather disparate assortments of countries brought together by the will of an imperial power or of one with imperial ambitions wielding an extraordinary economic, political, and military strength and in command of a hard currency which reflected such strength.

Nonetheless, by the late 1930s all those blocs had turned into largely autarchic supranational entities which gave rise to a phenomenon James Mittelman dubbed auto-centric regionalism (Mittelman, 2000). In effect, by showing the endogeneity of their economic exchanges, recent studies have confirmed the self-contained nature of those blocs. The consistent increase in trade among their constituent countries led their governments to abandon their national currencies and form currency unions (Wolf and Ritschl, 2003). The most extreme case was the Nazi bloc which the Third Reich meant to be not only self-reliant but in fact openly autarkic (Kitson, 1992).

The formation of trade and currency blocs and the regionalisation of world trade in general were instigated by factors like the steep rise of nationalism that had occurred since the end of WWI, the resulting intensification of political and economic rivalry among the main powers, and the sweeping wave of protectionism that broke out across the capitalist world as a response to the Great Depression. Tariffs, import quotas, and foreign exchange controls were imposed to restrict imports in countries around the world, all of which led to a sharp contraction of world trade in the early 1930s (Eichengreen and Irwin, 2009).

That contraction occurred despite the adoption of counteractive measures like the Reciprocal Trade Agreements Act (RTAA) passed by the U. S. Congress in 1934 to enable Franklin Roosevelt to promote international trade and negotiate trade agreements with other countries via reciprocal tariff reduction (Berglund, 1935). The principles and negotiating procedures established in the RTAA were so widely accepted that they became “the motive force” for the design and subsequent establishment of both the General Agreement on Tariffs and Trade (GATT) in 1947 and the World Trade Organisation in 1995 (Dam, 2005).

A significant characteristic of commercial policies in the interwar period was that they were driven entirely by international politics and so were used to maximise national advantage which was believed to contribute to national security which, in turn, was associated with self-sufficiency.

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<sup>7</sup> The Gold Bloc included Italy, Belgium, the Netherlands, and Switzerland and all their respective colonies; the Nazi Trading Area extended into much of Eastern Europe.

All this resulted in the formation of largely self-contained regional blocs which gave rise to a “malign, trade-diverting regionalism” (Eichengreen and Frankel, 1995: 99).

But a different kind of regionalism was also emerging, which involved other large polities like the Soviet Union. The latter was an assemblage of previously independent republics that became integrated by virtue of their declared socialist vocation. The point is that it was neither a currency nor a colonial bloc like the ones referred heretofore.

Both the Soviet Union and imperial blocs like the British Commonwealth and Japan’s Greater East Asia Co-Prosperity Sphere share characteristics that led them to opt for a plutocratic form of governance structure (Hancock, 2009). There are three basic international governance structures: intergovernmental treaties, supranational accords, and plutocratic arrangements. Under an intergovernmental treaty, member states delegate day-to-day operating tasks to a bureaucracy formed and controlled by them but retain policymaking authority; under supranational accords, member states delegate part of this authority to a governing body they create; under plutocratic arrangements, the constituent countries grant policymaking authority to a powerful, wealthy state (Hancock, 2009).

Although they conform to the mould of imperial blocs, it is relevant to point out that plutocratic arrangements do not necessarily give rise to empires, for in a plutocratic governing structure the leading power does not coerce smaller states to join the composite polity in question, these states join in “based primarily on the logic of political survival” (Hancock, 2009: 3). This occurred, basically, in the case of the Soviet Union and the British Commonwealth.

### **Polanyi’s Perception**

Polanyi was abreast of the geopolitical scenario just described and had a particular view on it and its implications. He approached this scenario within the framework of his critique of universalisms, so he believed that the most transcendental of the developments that were taking place in those years was the simultaneous breakdown of the three dominant forms of universalism: liberal capitalism had collapsed with the abolition of the gold standard, Hitler’s dreams of racial supremacy and world domination were being crushed on the battlefields of WWII, and, world-revolutionary socialism was being superseded by what he called “regional socialism”.

Those developments were transforming, in his view, the organisation of international life to the extent that “the political system of the world [had] undoubtedly reached a turning point” (Polanyi, 1945: 86). New forms of socialism, capitalism and planned and semi-planned economy were emerging, he asserted, “each of them, by their very nature, regional”, in a process he regarded as “an almost exact replica of the establishment of the European states-system” in the late 15th century. The transformation Polanyi referred to, therefore, amounted to a regionalisation of world affairs, a trend that became so vigorous and overriding that he sentenced that “The new permanent pattern of world affairs [was] one of regional systems co-existing side by side” (Polanyi, 1945: 87).

The new regional forms of socialism, capitalism, and planned economy he perceived emerging were taking hold in the Soviet Union, the United States, and the British Commonwealth, respectively. These processes, the present paper posits, are the top manifestation of the regionalisation and localisation of the dominant universalisms in the context of the large composite polities that have emerged by the mid-1940s.

Polanyi distinguished two basic kinds of those polities. One was represented by the US as a country that still displayed the pattern characteristic of the typical societies of the 19<sup>th</sup> century, that is, a conservative nation that look backwards to the past instead of forward to the future. The other corresponded to all the rest, notably Great Britain and the Soviet Union as nations with a

forward-looking view and, so, in transition to new forms of societal organisation. Polanyi viewed the latter as forming part of “a new system of regional powers, while the United States insists on a universalist conception of world affairs which tallies with her antiquated liberal economy” (Polanyi, 1945: 87).

Indeed, the US was the natural home of liberal capitalism for it was a rising power which still upheld such a universalistic view of international matters, this owing to the fact that Americans enjoyed high living standards that had led them to try to restore the pre-1914 order to preserve those standards. This restoration was attempted via the implementation of programs like the Allied Military Government for Occupied Territories and the United Nations Relief and Rehabilitation Administration, all under the framework of the Atlantic Charter and under the direct control of the US (Dear and Foot, 2001).

Restoring the pre-1914 order, Polanyi emphasised, was a utopian pursuit for it would have required to restore the gold standard which was “inherently impossible”. But even more utopian was for him the belief held by the champions of liberal capitalism that the market mechanism would balance the foreign sector of all countries automatically, that is, without the intervention of their governments. This belief stemmed from the firm conviction liberals held about the infallibility of capitalism’s central tenet that all international transactions and exchanges take place among individuals not among national economies; that is, they were convinced that the market could perform its miraculous balancing functions on the international plane as it does within national settings.

In contrast, Polanyi claimed, Britain and the Soviet Union heralded new ideas that transcended the beliefs that had underpinned 19<sup>th</sup> century civilisation. He was particularly sympathetic of the Soviet Union which, in his view, derived its strength from its commitment to regionalism. He perceived this country as capable not only of achieving a socialist transformation in a democratic way more effectively than world-revolutionary socialism but also of reaching the “level of industrial efficiency and standards of life” attained by the US and even surpass them. All this was possible, he stressed, because the Soviet regime had ruled out universalist solutions like those promoted by the League of Nations thus giving a regional character to Russian socialism: “From the ideological stratosphere socialism thus parachutes to earth” (Polanyi, 1945: 88).

Hence, Polanyi regarded Stalin as “a daring innovator” who had shifted Soviet foreign policy from the rigid universalism that called for world revolution advocated by Trotsky, to the regionalism “bordering on isolationism” established by the Bolsheviks, especially by Stalin himself. This sympathetic stance, which implied a clear endorsement of Stalin’s regime, has not received much commentary or criticism in the literature, if at all; the fact is, however, that it deserves due consideration given that it compromises Polanyi’s theses and argumentation about these and other key matters. Notwithstanding, it should be added that such a condoning position was motivated by his complacency with Stalin’s alleged intention to make Soviet socialism a regional phenomenon and so qualitatively different from that which world-revolutionary socialism would have engendered in this large multi-republic polity.

As for Great Britain, the abolition of the gold standard and the ensuing breakdown of the international economic system that had been erected upon it had forced mature capitalist countries to take control of their economies and so to manage their currency, their foreign trade, and their international financial transactions, in a word, it had forced them to plan for their “foreign economy” as Polanyi put it. This was, in his view, a most encouraging development given that he firmly believed that free trade and the reign of free markets had been a primary cause of instability and conflict among trading countries. This conviction was shared by English economist John Maynard Keynes who a decade earlier had asserted that “a greater measure of national self-

sufficiency and economic isolation between countries, than existed in 1914, may tend to serve the cause of peace rather than otherwise” (Keynes, 1933: 181).

As it was no longer a free-trading country for it had broken out of the gold standard and, in addition, had been intervening extensively in its economy, Great Britain was particularly bound to manage its foreign economy if it wanted “to reap the huge economic and political advantages of the new regional organization of the world” (Polanyi, 1945: 89). This was to be done by implementing what he called regional planning, i.e., the set of instruments and mechanisms needed to manage the foreign sector of national economies; this was for Polanyi the best alternative to “the reactionary Utopia of Wall Street” entertained by the groups that sought to restore universal capitalism in order to preserve their privileges. This kind of international economic management, he contended, superseded the gold standard and was “incomparably more effective for the purposes of international co-operation” (Polanyi, 1945: 89-90). Hence, the battle over the gold standard, the “great symbol of universalism”, became a struggle for and against regional planning as Polanyi understood this concept.

Those developments led to a “localisation” of economic flows and transactions within the most advanced capitalist countries which, in the absence of the gold standard, were forced to manage their foreign economic transactions. As a result, more particular, local forms of capitalism appeared in Great Britain and the United States.

On those bases, and although admitting that it was not a panacea, Polanyi postulated that the regionalisation of universalisms was the cure for the endemic diseases that were plaguing Eastern Europe at that time, such as intolerant nationalism and petty sovereignty, both inevitable by-products of the market system.

It can be concluded, then, that, contrary to what most accounts of his work have interpreted, Polanyi was not concerned with the phenomenon of regionalism in itself but rather with the concrete phenomenon of the regionalisation of the dominant universalisms of his time. That is, he did not think of the large multistate polities he observed as products of regional integration as a bottom-up process whereby two or more states agree to integrate to form a larger economic or geopolitical formation. In a word, he was not concerned with how these polities were formed, nor with regionalism as it is understood today. He just keenly perceived the trend toward the regionalisation of world affairs and the geopolitical landscape this trend had given rise to thus far, and from there discerned the fact that the then dominant universalisms were adopting local and regional modalities in the particular contexts of those multinational units by the mid-1940s.

### **Regionalism and Regional Integration**

In its contemporary form, regional integration starts with the subscription of a formal agreement between two or more national governments to create a preferential trade area upon the intensification of trade and investment flows among their economies; if that exchange continues to increase, the governments can proceed to establish a free trade area which implies the removal of custom duties among their countries (Swann, 1972).

The next step is the creation of a customs union where the governments involved apply a common tariff to all imports; then, they can go on to create a common market which entails the free movement of people and production factors, in addition to the measures adopted under the customs union. From there, the participating governments can proceed further to form an economic union which is the highest stage of economic integration, where all member countries adopt common economic policies in all fields as well as a common currency, all under the authority of a supranational governing body they create for this purpose. The maximum level of integration is

reached when the integrating countries fully merge into an economic, political and military sense into a unified, full-fledged political entity (Swann, 1972; Hancock, 2009).

This kind of regionalism took actual form in the Treaty of Rome, signed on 25 March 1957 by the governments of France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg, to create the European Economic Community (EEC). This treaty stipulated, in its Article 2, that the EEC would be established as a common market and, in its Article 9, as a customs union; hence, the treaty mandated the elimination of all import quotas and customs duties among its members and the imposition of a common external tariff on imports from outside the EEC.<sup>8</sup>

The point is that, although the earliest initiative in this sense is said to have been Pierre Dubois' proposal to create a European Confederation governed by a European Council in the 14<sup>th</sup> century, regional integration as a strategy that national governments can deliberately adopt to link the economies and the policies of their countries is a post-WWII phenomenon (Swann, 1972). Therefore, it can be asserted that what Polanyi observed was not trade and investment blocs as they are known today, that is, formed by virtue of a bottom-up, voluntary process of regional economic integration, but rather currency blocs, imperial commonwealths, co-prosperity spheres, and "plutocratic" polities like the Soviet Union, where the dominant universalisms were tropicalising themselves as offshoots of a pre-WWII economic and geopolitical setting.

The transcendental contribution Polanyi made in that respect, which has not been clearly understood and so not duly acknowledged, was his observation that universalist societal models can be adapted and universalist forces harnessed by inducing their regionalisation into the political and institutional framework of composite polities like the Soviet Union and the British Commonwealth, as well as large national states like the US, as they all stood by the 1940s. A key aspect of this contribution is that he clearly discerned the role these polities were playing as the main geopolitical actors on the international scene of that time.

Equally transcendent is the line of thought Polanyi opened with his implicit advocacy of a regional perspective to understand universalisms, as opposed to the functional approach embraced and promoted by universalist doctrines and inspired in the principles of *laissez faire* and the self-regulating market (Friedmann and Weaver, 1979). In this way, he tacitly advocated the prescription of a territorial response to market forces in the form of integration initiatives that can enable countries to adopt protective measures against the concrete manifestations of those forces.

In that way, Polanyi showed that societies can contest and defy the universalisms that can emerge in the course of history by teaming up with others to respond collectively to universalist agents and forces. In other words, his theses showed that regional integration is a course of action all societies can take to that end, which illustrates the working of the double movement mechanism by way of which their most vulnerable and affected sectors can be shielded from the destructive effects of universalist ideas and institutions. It needs to be emphasised in this respect that Polanyi undertook his critique of universalisms as a core aspect of his overall critique of *laissez faire* and the market mechanism, which explains the link with his notion of the double movement, a key societal mechanism he discovered in the course of that grand critique.

Those insights inspired and opened the way for scholars of later generations to delve more deeply into the nature of regionalism as an economic and geopolitical drive that can give rise to a particular form of world organisation. This task was taken up by geographers, economists, IR scholars, and political scientists, as discussed presently.

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<sup>8</sup> The Treaty of Rome [[https://ec.europa.eu/romania/sites/romania/files/tratatul\\_de\\_la\\_roma.pdf](https://ec.europa.eu/romania/sites/romania/files/tratatul_de_la_roma.pdf)].

## **The Case for a Regionalised World Order**

As documented, Polanyi was convinced that the world was becoming regionalised by virtue of a sweeping trend he viewed as transforming the old geopolitical order in the mid-21st century. Hence his multi-quoted dictum that “The new permanent pattern of world affairs [was] one of regional systems co-existing side by side”. Although he wrote it in the 1940s, the vision he expressed has remained valid over time.

### **Regionalism and Universalisms in the Post-Cold War Era**

At the beginning of the 1990s the world was in flux again. The bipolar order that had emerged from WWII and been in place during the long years of the Cold War had collapsed and a new one was taking shape after the implosion of the Soviet Union and the corresponding enthronement of the US as the world’s sole superpower. It was a multipolar order where the Lonely Sheriff, as Huntington (1999) dubbed the latter, had to share power and initiative with lesser powers, including the Soviet Union, in order to maintain peace and stability in the world.

Interpreted as a sign of the final triumph of capitalism and western democracy over actually existing socialism, the fall of the Berlin Wall triggered a generalised sense of euphoria that inspired even far-fetched absurdities like Francis Fukuyama’s proclamation of the end of history (Fukuyama, 1989; 1992). A new economic and political ideology that condensed those sentiments soon started to set in as an updated version of the liberal capitalism Polanyi so intensely critiqued and combated in his time, a sort of “imbedded liberalism”, as Spindler (2002) labelled it.

On the other hand, the technological breakthroughs in transport and telecommunications achieved during the later stages of the Cold War had created the conditions for an unprecedented intensification in the movement of people and capitals and, so, for the spread of market operations across the globe. The age of globalisation had begun, where capitalism entered its transnational phase and re-emerged *redux* with the ability to operate everywhere via commercial transactions and investment ventures by way of the diligent agency of multinational corporations.

A new form of universalism began to emerge under the aegis of neoliberal globalisation, an allegedly inexorable force that, as James Mittelman put it, was bringing about “...a historical transformation of a collectivity’s livelihoods and modes of existence, a lessening of political control, and a devaluation of its cultural achievements and perceptions of them” (Mittelman, 2000: 225). However, as William Tabb observed, although it signified the triumph of *laissez faire*, the problem is not globalisation but capitalism, for “The system is the same, its logic is the same”, so he called for pursuing and deepening the “critique of the basic workings of what are called free markets” (Tabb, 1997: 29), a call Polanyi had made seven decades earlier.

Another overarching trend was also taking hold in the 1990s, though, in the form of a new wave of regional integration initiatives undertaken by countries of all latitudes. After a first wave that swayed from the 1950s through the 1970s, when the first major arrangements like the EEC, the European Free Trade Association (EFTA), and the Council for Mutual Economic Assistance (CMEA) were established along with a host of regional trade arrangements among developing countries, during the 1980s the trend intensified although adopting new modalities. While in the 1930s, the regionalisation of trade had been a reaction to the Great Depression and the collapse of the multilateral system, in the 1980s it was a strategy to overcome the resistance of most countries to multilateral liberalisation (Eichengreen and Frankel, 1995). In any event, by the end of the 1990s more than half of world commerce was being conducted under the framework of regional preferential trade arrangements of all sorts (Mansfield and Milner, 1999: 600).



Propelled by those developments, regionalisation became, along with globalisation, one of the two epochal trends that characterised the world of the late 20<sup>th</sup> century. This new wave of regionalisation was the product of a different kind of regionalism vis-à-vis the one observed by Polanyi; it had a veritable worldwide reach and was begetting regional formations qualitatively different from the currency blocs and imperial entities of the 1930s. As a result of the economic deregulation and privatisation policies implemented in most countries over the 1980s and 1990s, this was a neoliberal kind of regionalism, as those policies resulted in a substantial weakening of political authority and a corresponding reinforcement of the power of market institutions (Spindler, 2002). In this context, “regional groupings [were]...either building blocks or stumbling blocks to world order” (Mittelman, 2000: 113).

Making sense of such a complex scenario and its implications was indeed a daunting task. Notwithstanding, a spate of noted scholars in the field of IR contributed solid accounts that, in differing ways, glimpsed the rise of a new, post-Cold War world order. They include Nye (1992), Itoh (1992), Ekins (1992), Huntington (1993; 1996), Cox (1996; 1997), and Slaughter (2004). Another stream of commentators subscribed to the notion that what had emerged after the end of the Cold War was not a new world order but a new world disorder (e.g., Jowitt, 1992; Dobbs-Higginson, 1993; Hannay, 2008).

Reflecting on those trends, Fabbrini (2009) distinguished two more lines of interpretation. One was the “empire” approach which was very influential in the first half of the 2000s and whose common tenet was a varying identification with the old view of a homogeneous world ruled by a single power, this being the United States, the superpower that had prevailed in the Cold War contest. Although it was endorsed by authors like Ferguson (2003; 2007) and Steven (1994), who interpreted the post-Cold War order as a new imperialism, Fabbrini affirmed that the international developments that took place in the 2000s brought this interpretation to total collapse.

The other line identified by Fabbrini was the new regionalism paradigm, which enjoyed full currency in the 1990s and is the one that has proved to have a more solid explanatory potential. This paradigm departs from the premise that national borders were eroded by the emergence of a wide array of supranational organizations such as the European Union (EU) and the African Union (AU) plus major regional bodies like the Association of Southern Asian Nations (ASEAN), the Asia Pacific Economic Cooperation mechanism (APEC), the Southern Common Market (MERCOSUR) and the North American Free Trade Agreement (NAFTA). This scenario was interpreted as the rise of a New Medievalism given its resemblance with the complex geopolitical order that prevailed in the Middle Ages. A long line of scholars subscribed to this interpretation, including Gamble (2007) Sassen (2006), Beck (1999), Rosenau (1990), Rotondo (2004), Friedrichs (2001), Mittelman (2000), and Fabbrini (2009) himself.

In the last instance, the new regionalism paradigm is predicated upon the notion that the emergence of supranational entities will result in the decline, transformation or eventual demise of the nation state, for “the Westphalian system of states is being supplanted by a fragmented post-Westphalian order with no clear locus of power” Fabbrini (2009: 439). Richard Falk, a reputed IR scholar that dwells within this paradigm, showed that regionalism can contribute to “the protection of the vulnerable and the interests of humanity as a whole (including future generations) against the integrative, technological dynamic associated with globalism” (Falk, 1995).

Although Falk’s view is in line with Polanyian thought, as the remarks by Tab (1997) and Spindler (2002) are too, the fact is that none of the scholars referred to above framed their analyses along Polanyi’s thesis on regionalism proper. Another that can be said to have done that is Swedish political scientist Björn Hettne. Although he subscribed, too, to the new regionalism paradigm as defined by Fabbrini, Hettne contributed his own account of the post-Cold war scenario and, unlike

the others, explicitly addressed the conflict between universalism and regionalism. Moreover, Hettne developed a theory of region formation and a consistent argument in pro of the eventual configuration of a regionalised pattern of world organisation, just like Polanyi did half a century earlier.

### **Toward a Regionalised World Order**

The collapse of the Cold War order, Hettne sensed, made regionalism a relevant issue again in the 1990s, as it was in the 1940s for Polanyi. The clash between the dominant universalisms and regionalisation was thus being reedited half a century later. The difference was that, in this case, the clash occurred between globalism and regionalism and, more precisely, between the “globalist challenge” posed by neoliberal globalisation and the “regionalist response” presented by countries in all latitudes in the form of regional integration initiatives (Hettne, 2000).

Hettne viewed neoliberal globalisation as a Second Great Transformation, to the extent that it seeks to take to completion the institutionalisation of the self-regulating market on a global scale. Ultimately, he saw it as “an enforced global culture of middle-class consumerism and mass poverty” against which the regions could serve as protective shields (Hettne, 2000: 62).

A global consciousness, he argued, could give rise to both the will to stop globalisation and the drive to launch a process of “deglobalisation” through what he called the New Regionalism. He propounded the latter as the best strategy to handle the turbulence, the instability and the conflicts engendered by neoliberal globalisation and the coexistence of Westphalian and post-Westphalian rationalities in the world at the turn of the 20<sup>th</sup> century.<sup>9</sup>

The New Regionalism differs from the old in that: 1) the latter took form in the context of a bipolar order, while the former emerged in a multipolar one; 2) the old was built from above — by the superpowers —, the new was induced from below by a collection of large and small powers; 3) the old was inward-oriented and protectionist, the new advocates openness; 4) the old was issue-oriented (security, trade), the new was comprehensive, multidimensional; 5) the old involved only sovereign states, the new includes non-state actors as well (Hettne, 2000).

Accordingly, Hettne adopted from the outset the model of a “benign mercantilism” as propounded by Gilpin (1981), which envisages a system of large, inward-looking blocs where protectionism is motivated by considerations of domestic welfare and internal political stability and thus avoids the problems of trying to run a global economy “in the absence of political institutions on a similar scale” (Hettne, 1991: 150-151). This vision, Hettne claimed, corresponds to the regionalist scenario perceived by Polanyi in the 1940s and calls for a regime of political cooperation where the region is promoted as an economic, cultural, and ecological unit. This regime is the spinal column of the New Regionalism as he defined it.

In that context, Hettne distinguished between regionalism and regionalisation. The former is the drive for countries to integrate so as to act collectively on the world stage; the latter is regionalism’s concrete manifestation, a process similar to the formation of nation states as it is politically driven and involves the creation of a distinct identity shaped by historical, ethnic and geographical factors, not merely by economic motives. More specifically, regionalisation is a process set in motion by regional and local actors in individual countries aimed at establishing

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<sup>9</sup> Hettne stressed the need for distinguishing between the concepts of *international order* (relations among sovereign territorial states in a Westphalian system) and that of *world order* proper. The latter alludes to a more complex post-Westphalian arrangement involving both state and non-state actors where the concept of government is replaced by that of governance (Hettne, 2002).

territorial authority over global forces, all driven by the dialectical tension between “the forces of market expansion and the need for political control” (Hettne, 2000: 68).

The point is, Hettne stressed, that regionalisation is governed by a logic grounded on territory while globalisation responds to one defined by function, the sectoral view of global corporations; hence, the New Regionalism involves a solid territorial control over transnational transactions. In general, Hettne viewed regionalism as a global trend that can drive the construction of a post-Westphalian order where the locus of power moves up to the transnational level and the nation state is replaced, or at least complemented, by multistate polities like the EU.

Thus, he views regionalism as superior to market-led globalisation, for the latter is predicated upon a world of nation states whereas the former advocates a more regulated, more exclusive form of world organisation where territory prevails over function as access to regional groupings is determined by geographical proximity (Hettne, 2004).<sup>10</sup>

The likelihood for a regionalised world order to take form will therefore depend on the outcome of the tension between the imperatives of market expansion (function) and the need for political control (territory), the latter being a recourse all societies can resort to in order to protect themselves from the toxic effects of the former.

Another plus for that rationale is that a regionalised world economy is more compatible with peace and sustained growth than a liberal one grounded on a world of nation states. In this point Hettne invoked Keynes who, as Polanyi, doubted that a liberal world order could maintain peace and stability (Keynes, 1933); however, while Keynes advocated self-sufficiency “Polanyi saw the solution in regionalism” (Hettne, 1991: 149).

On those bases, Hettne propounded a reorganisation of the world into largely self-sufficient, introverted regional blocs, as envisaged in Gilpin’s benign mercantilism, instead of the more aggressive, equally introverted trade blocs advocated by malign mercantilism which praises an extended economic nationalism and expresses the logic of the nation-state. What makes those self-sufficient regional blocs viable and potentially enduring is the fact that they are created and sustained by the soft power of civilian action in contrast with those promoted by “malign mercantilism” and Pax Americana which are based on the hard power exercised by the only remaining superpower (Hettne, 2004).

Other positive elements of a regionalised world order include that: 1) regional polities imply a political authority more distant from parties in conflict; 2) these polities are not based on nationalist principles although in some respects are similar to nation states; 3) are large enough to have a reasonable degree of economic efficiency and self-sufficiency and so to avoid perversions caused by an excessive specialization and/or an overly elaborated division of labour; 4) interregional trade is subordinated to territorial principles rather than to the functional rules of global markets; 5) regionalisation enables small countries to achieve economic viability and a stronger collective bargaining power (Hettne, 2004).

In sum, what Hettne proposes is a post-Westphalian order with a multipolar geopolitical structure built through the voluntary pooling of sovereign states into larger regional polities. As discussed, to date, the most mature instance of this kind of entities and the only exemplar of a fully institutionalised regional polity is the EU (Hettne 2007).

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<sup>10</sup> He defined world order as a geopolitical configuration constituted by structure, mode of governance, and form of legitimization, and distinguishes between *unipolar*, *bipolar* and *multipolar* structures as well as between *unilateral*, *plurilateral* and *multilateral* arrangements. He thus differentiates between exclusive groupings of actors (plurilateral) and inclusive groupings (multilateral), and posits that regionalism, as a plurilateralism defined by geographic proximity, is the most recommendable organising pattern (Hettne, 2004).

Although the latter is a valid statement in general, it needs to be nuanced and complemented with other considerations. On the one hand, the AU is a continent-wide organisation that rivals the EU regarding the nature and reach of its integration objectives as well as its degree of maturity and institutional consolidation.<sup>11</sup> Founded in 1963, the AU comprises the 55 countries that make up the African Continent and has displayed over more than half a century a consistent effort to build an economically and politically integrated region. In its 50th anniversary in 2013, its member states pledged to build a Borderless Africa<sup>12</sup> and to this end an Agenda 2063 was adopted in January 2015; this agenda envisages “An integrated continent, politically united and based on the ideals of Pan-Africanism and the vision of Africa’s Renaissance”<sup>13</sup>. The first step was taken in January 2018 with the signing of the African Continental Free Trade Agreement (AfCFTA),<sup>14</sup> which aims at creating a single market and lay the foundations for the establishment of a continent-wide customs union<sup>15</sup>.

On the other hand, the fact is that European integration has faced a long string of hurdles and vicissitudes since the Maastricht Treaty was signed in 1992. After the remaining 27 signatories of this treaty celebrated the 60<sup>th</sup> anniversary of the signing of the Treaty of Rome in March 2017, the EU came to a crossroads for it has to address major challenges such as the proposal for building a multi-speed Europe with one core and several groups of lesser members, the loss of steam the integration process has experienced over the last decade, and the strong wave of nationalism and populism that has grown in the last years (Palacio, 2017). In particular, the exit of the United Kingdom —Brexit— was a clear sign “of how strong the forces opposed to European integration have grown” (Bughin et al., 2017: 21).

In any event, Hettne’s case for a post-Westphalian order and his argument of a solid trend toward the formation of major, multistate regional polities are strengthened by the experience of the AU and its extensive record of integration efforts in the Black Continent, and those of other major regional entities reinforce this trend like ASEAN which groups the 10 Southeast Asian countries and UNASUR which integrates all South American nations. In addition, despite the abovementioned hurdles, the EU remains as the most paradigmatic and advanced case of regional integration under the modalities shown by the New Regionalism as conceived by Hettne.

It is significant in that respect that the self-centred but not autarchic kind of regional polities the EU exemplifies are rooted in historical civilisations and conform to the constituent units of a multipolar order with the capacity to counteract the homogenising tendency of neoliberal globalisation. As Hettne put it, these polities “should be internally multicultural, similar to the historical empires which have provided humanity with a relevant polity for a much longer time than the homogenizing nation-states system” (Hettne et al. 2008: 53).

As pointed out, however, the likelihood for a regionalised world order like that to take form will depend on the outcome of the clash between the imperatives of market expansion and the need for political control. This need is precisely what compels countries to undertake integration projects in order to be able to protect themselves from the negative effects of market expansion. The point is, therefore, that regionalism entails the return of the “political” as the central element of global governance

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<sup>11</sup> <https://au.int/>.

<sup>12</sup> Dersso (2013); <https://editorials.voa.gov/a/african-union-at-fifty/1674707.html>; [http://www.cnbcfrica.com/news/special-report/2014/05/22/kagame-calls-for-borderless-africa-\(1\)](http://www.cnbcfrica.com/news/special-report/2014/05/22/kagame-calls-for-borderless-africa-(1)).

<sup>13</sup> <https://au.int/agenda2063/aspirations>

<sup>14</sup> <https://unctad.org/es/node/2328>

<sup>15</sup> <https://bit.ly/3bJZS1Q>

Although Hettne did not acknowledge it, his use of the concept of civilisation to define post-Westphalian regional polities is in line with the fact that the subject matter of *The Great Transformation* is precisely a particular historical civilisation: 19<sup>th</sup> century Europe's. This concept also echoes the views of noted non-Polanyian IR scholars like Cox (1996), Strange (1997), and Huntington (1998) who have also stressed the decisive role played by cultural identities and civilisations in defining the way in which the world organises itself and the forms of coexistence and interaction that are accordingly established among its constituent units.

Building on all the theses and conceptualisations referred to in the foregoing paragraphs, Hettne developed a set of interlocking concepts which he used to characterise the process whereby regions take form and a regionalised world order can emerge as a result. The main concepts are those of *actorship*, which is a measure of regional agency as distinct from state action, and *regionness* which refers to the degree of internal cohesion, integration and identity reached by a geographic area at a given point in time (Hettne and Fredrik, 1998; Hettne, 2007). Thus, as its regionness increases “a geographic area is transformed from a passive object to an active subject—an actor—increasingly capable of articulating the transnational interests of the emerging region” (Hettne, 2007: 110).

On those foundations, Hettne formulated an articulate argument for regionalism as a desirable and feasible model of world organisation. This argument stresses the built-in tendency for societies to react to the adverse effects of market-led globalisation by undertaking integration initiatives aimed at securing territorial control in the face of threats by functional forces dressed in the clothes of transnational corporations and commercial transactions. This is precisely the way the double movement mechanism works as Polanyi demonstrated, in this case enabling societies to generate territorial responses to the universalism that reign in the 21<sup>st</sup> century.

It must be pointed out, however, that although he fully embraced and followed closely Polanyi's seminal vision and theses as set forth in his 1945 article, Hettne interpreted that vision and those theses as if Polanyi had just considered entities like the British Commonwealth and the Soviet Union for arguing the emergence of a regionalised world order in the 1940s. The fact is that Polanyi also considered the US and, implicitly, the host of currency and trade blocs and other imperial entities that had been formed in those years; the problem is that he failed to make this explicit. It is arguable, too, that he might have conceived of the British Commonwealth and the Soviet Union as harbingers of a wave of regionalism that would lead to the configuration of a regionalised global order which he sensed only in the making at that time. For the matter, it is also relevant to stress that although they unfolded from the top down and so are not of the same nature as that of the ones that set in from the 1950s on, the processes that engendered the large regional polities referred to by Polanyi did constitute an instance of regional integration, albeit one akin to the geopolitical realities of the interwar period.

In any case, the fact remains that Hettne's assertion that “It is interesting that [Polanyi] would conceive of a regionalist scenario on such weak foundations” (Hettne, 1991: 149), is a clear misinterpretation of Polanyi's claims and conceptual bases in that case.

What Polanyi did in his 1945 article, as shown earlier, was to bring to the fore and highlight the regionalisation of the universalisms that were dominant at that time into the particular settings of the large polities he observed: world revolutionary socialism in the Soviet Union and liberal capitalism in Great Britain and the United States. It is clear, therefore, that he did not occupy himself in finding out how these polities emerged nor, for the matter, in conceptualising regionalism as the driving force that had given rise to them; even less did he conceive of regionalisation as a bottom-up process in its contemporary connotation as it has been interpreted.

In any event, it is plain that Polanyi's insights and far-sighted vision provided the ground for Hettne to formulate a full concept of region and a sound theory of region formation. Moreover, Polanyi planted the seeds for Hettne to make a compelling case in pro of regionalism as a force which drives nation states to aggroup to form larger polities and can lead to a desirable post-Westphalian pattern of world organisation in the 21<sup>st</sup> century.

Only the foundation of a theoretical framework with the methodological approach and the intellectual reach as Polanyi's could have enabled Hettne to make such contributions. As Mittelman pointed out, Polanyi's seminal work was pivotal because his insights served as "a useful point of entry for exploring the underpinnings of globalization" and his vision as "a holistic approach to global restructuring [and as] the basis of a conceptual reformulation" (Mittelman, 2000: 7-8).

### **Regional Integration as a Recourse to Forestall Universalisms**

As documented, the central axis of Hettne's argumentation on regionalism is his distinction between territory and function as the dimensional substrata of the notions of regionalism and globalism, respectively.

Indeed, the whole question of universalisms and the threats they pose to societies today is ultimately rooted in the tension between territory and function. In the late 1970s, Austrian-American planner John Friedmann postulated these as the two fundamental forces that shape social and economic integration. In permanent conflict with but at the same time in complementation to each other, *territory* involves "ties of history and sentiment that bind the members of a geographically bounded community to one another"; in turn, *function* refers to "linkages among entities organized into hierarchical networks on a basis of self-interest" (Friedmann, 1977: 29).

Even though he was writing at a time when globalisation had not yet risen as a dominant world trend and most national economies and societies looked inwards, Friedmann had the vision to call for a strategy of selective closure of regional —subnational— economies on grounds that "The centrifugal forces of the international economy had to be controlled, corporate forces had to be subordinated to a territorial will" (Friedmann and Weaver, 1979: 7). This continued to be the crux of scholarly discussions on regionalism in times of globalisation.

From the 1990s onwards, the relevant form of regionalism moved up from the subnational to the international plane and so did the tension between territory and function. Thus, the conflict nowadays is between market-led globalisation, with transnational corporations as its main carriers, and regionalisation with nation states as its drivers and protagonists as a way to retain political authority within their territories. Apart from Friedmann and Hettne, this conflict has also been perceived and examined by other authors like Spindler (2002) and Sassen (2006). It is remarkable that Polanyi had discerned this half a century earlier as a clash between liberal capitalism, Nazism, and world socialism on one hand, and nation states, multinational polities, and imperial entities, on the other.

In general, the territorial perspective on universalisms that underpins regionalism calls for the return of the "political" as the central element of local and global governance; the reason is that a regionalised world order is sustained by the soft power of civilian agency and "a strengthened global civil society with a new normative architecture of world order values" (Hettne and Odén, 2002: 21). This corresponds, as Richard Falk observed, to the normative potential believed to be contained in the Westphalian ideal of a moderate and democratic governance, observant of economic, social, and cultural rights and "externally dedicated to the promotion of global public goods as well as to the preservation of their specific strategic interests" (Falk, 2002: 150).

A range of noted IR scholars have made a similar case for a regionalised pattern of world order, including: Gamble and Payne (1996; 2004); Fabbrini (2009), Pollio (2009), Riggirozzi and Tussie (2012), Ghemawat (2011), Bøås et al. (2004), and Falk (1995; 2002; 2004) himself. Although they did not develop their arguments along the lines of Polanyi's theses or within a Polanyian conceptual framework, they came to propositions that point in the same direction as Hettne's.

Falk remarked that under such an order, regions, that is regional actors, can: contain negative globalism incarnated in the adverse impacts of global market forces; mitigate pathological anarchism caused by the breakdown of state capacity for internal governance; and, promote positive globalism by reinforcing the capacity to achieve world order goals such as peace, social justice, human rights, and democracy by strengthening regional structures of governance (Falk, 1995). Fabbrini, in turn, claimed that regionalism is one of the predominant manifestations of today's world of inter-governmental networks, as characterised by Slaughter (2004), for it is giving rise to regional blocs that can be the basis of a new world order. Bøås et al. (2004) went as far as to assert that a regionalised world is not a new idea but an integral part of human history.

In practice, the regionalisation of the world landscape has been progressing consistently over the last three decades, as economic integration processes have been underway in all latitudes. The major ones include: the North American Free Trade Agreement (NAFTA), replaced in July 2020 by the United States-Mexico-Canada Agreement (USMCA); the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) signed in March 2018, which aggroups 11 countries on both sides of the Pacific (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam); the ASEAN Free Trade Area (AFTA); ASEAN+3 (China, Japan, South Korea); ASEAN+6 (China, India, Japan, South Korea, Australia, and New Zealand); ASEAN+8 which also includes Russia and the United States; the South Asian Free Trade Area (SAFTA); the South American Common Market (MERCOSUR); and, the Asia Pacific Economic Cooperation forum (APEC) which epitomises post-Cold War economic regionalism. In addition, a total of 350 regional trade arrangements are reported by the World Trade Organisation to be in force in all continents by October 2021.<sup>16</sup>

The most mature instances of comprehensive integration are the EU, which has reached the highest stage of regional integration, and the AU which has erected an elaborate organisational structure similar to the EU's. A second tier includes ASEAN, which encompasses the 10 constituting countries of Southeast Asia, and UNASUR established in 2004 by merging MERCOSUR and the Andean Group, which aggroups the whole 12 countries of South America. A third echelon includes organisations like: the Eurasian Economic Union (EEU), the Economic Cooperation Organization (ECO), the Central Asia Regional Economic Cooperation Forum (CAREC), the Northeast Asia Economic Forum (NEAEF), the Shanghai Cooperation Organisation (SCO), the Regional Comprehensive Economic Partnership (RCEP), and the South Asian Association for Regional Cooperation (SAARC).

Therefore, there is sufficient ground to assert that Hettne's argument and vision for a regionalised geopolitical order are being validated by the facts. Regionalism is a widespread trend that is giving rise to large multistate entities with agency of their own and the capacity to modify and eventually transform the state-centred post-Cold War order that is still in place in the early 21<sup>st</sup> century. This trend is poised to continue and to intensify in the future for, as the U.S. National Intelligence Council (NIC) has foreseen, regionalism will increase, new global players will emerge, and by 2025 multipolarity will consolidate in the world (NIC, 2008).

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<sup>16</sup> <https://rtais.wto.org/UI/PublicAllIRTAList.aspx>.

A comparative strength of today's regionalism vis-à-vis that prevailing prior to WWII is that the multistate regional polities that have been formed over the last three decades are the result of bottom-up, voluntary integration processes and so are more stable and harmonious than currency blocs and imperial entities in the inter-war period and the 1940s, so that their member countries are more cooperative and solidary. Since universalisms tend to spread and penetrate all the layers of national societies their most affected and proactive groups become the actors who first react to resist universalist forces, enabled by the institutional structures and operating organs only multistate polities can provide.

The current regionalist drive, this paper holds, can be seen as resulting from the adoption of a territorial approach to world problems and a related tendency for national governments to undertake regional integration initiatives to oppose market-led globalisation, the new universalism in the 21<sup>st</sup> century. This validates the proposition, propounded at the outset of this paper, that regional integration constitutes an effective recourse all societies can use to withstand the blows of universalist forces, as a manifestation of the workings of what Polanyi named the Double Movement, the built-in mechanism they all are equipped with.

### **Globalisation teeters**

World trends changed significantly in the past three lustrums. After having thrived explosively in the 1980s, 1990s and early 2000s, globalisation slowed down sharply at the end of the latter decade, as trade and investment flows decreased drastically during the Great Recession of 2008-2009; although recovered quickly, they have stalled since then (Antràs, 2021).

The trend seemed so strong that the term “slowbalisation” was coined in late 2018 (The Economist, 2019) and globalisation proper was even pronounced dead by the middle of 2019 (K.N.C., 2019; O’Sullivan, 2019). A year later, it was said to be in retreat (Irwin, 2020; Janeway, 2020) and de-globalisation to be ensuing (Razin, 2020). The Covid-19 pandemic accentuated this trend. Regional, continental and global value chains were disrupted as a result of the restrictive measures and lockdowns imposed everywhere to prevent infections; the Chinese and US economies started to “decouple” in consequence, something that has the potential to become a global trend itself.

Nonetheless, although globalisation teetered and even retreated in some measure, both national economies and global economic flows are recovering more quickly than expected, so that there is growing evidence that globalisation will retake its course and thrive again in the near future (IMD, 2020); for de-globalisation, decoupling and re-shoring in response to the pandemic can be expected to be limited (Williamson, 2021). Moreover, supply chains proved to be more resilient than expected and the costs of subjecting them to a major overhaul turned out to be exceedingly high. As one analyst put it, “resetting value chains is very costly, so they hold together...it takes very large and persistent shocks to lead to a reorganisation of production, not even a Great Recession is enough” (Antràs, 2021: 80-81).

The fact is that the world remains interconnected as ever and, in actuality, irreversibly globalised. The pandemic shook humankind and forever changed the way people and societies live and think and how economies function at the national and global scales, but globalisation lives on as a vibrant reality and the neoliberal creed endures as an ingrained ideology that permeates all layers of societies. Hence, Hettne's argumentation remains valid and his insights and formulations stand as valuable guidelines for understanding the link between regionalism and universalism, as they have been validated not only by the points documented in the previous pages but also by the actual developments that have unfolded in the world over the last two decades.



## Concluding Remarks

As the foregoing sections documented, the argument put forward at the outset proved to be valid. Regionalism does stand as a powerful force that drives nations to merge with others into larger political units to withstand the forays of global forces like market-led globalisation. The entities resulting from such integration initiatives emerge as new, single actors with agency of its own and so able to respond to outside influences and threats. At the same time, regionalism asserted itself as an instinctive reflex, a recourse peoples and nations can use to fend off the detrimental blows of universalisms in general according to the needs and interests of their most affected members. In this way, the second moment of the Double Movement is activated to perform this kind of societal function, as Polanyi demonstrated in the case of the large continental polities that had emerged by the mid-1940s and whose existence he was the first to acknowledge. The conceptual reach of that Polanyian notion par excellence was therefore broadened accordingly.

On the other hand, the question of universalisms revealed itself as a medullar element in Polanyi's lifelong quest to expose the fallacies of laissez-faire and the market ideology. This question cut across his main lines of inquiry and the core of his intellectual pursuits and preoccupations; in fact, it haunted him for most of his life as a social thinker.

In consequence, he viewed capitalism not just as a mode of production or a model of societal organisation but, above all, as the most ubiquitous and pervasive of universalisms. He was driven by his utter rejection of universalist doctrines and ideologies, especially market fundamentalism. Such rejection stemmed from his conviction that universalisms deny the notion of the individual and that of societies as collectivities of human beings with identity, values, and aspirations of their own and can even deform the institutions and mechanisms that enable societies to function according to those principles.

Also validated was the argument about the soundness of the geopolitical approach he adopted. It enabled him to establish that universalist socio-political models can adopt different modalities in accordance with the cultural matrix and the social, political and economic milieu of the national settings where those models take hold. Its social and methodological pertinence lies in that it postulates the preservation of the political and territorial integrity as well as the social and historic specificity and cultural diversity of national societies. This approach is thus frontally opposed to the functional perspective embedded in universalist ideologies which view societies as atomistic masses of individuals and the world as a tabula rasa, an undifferentiated place where universalist forces and ideas can roam freely and set in wherever the conditions obtain for them to do so. In such a world, market practices can spread unhindered and the market can become anywhere the dominant mechanism of social and economic integration.

Although he did not conceive of the formation of regional and continental polities as a result of a process of economic and political integration as it is understood today, Polanyi planted the seeds and provided the vision for thinkers like Bjorn Hettne to develop a consistent theory of region formation, a cogent rationale for the configuration of a regionalised post-Westphalian geopolitical order, and a compelling case for such an order as a desirable model of world organisation predicated on the predominance of territorial political control over functional rule. The validity and intellectual pertinence of these formulations is reflected by the fact that they have been echoed by a long line of IR scholars and political scientists many of whom have made similar cases in other, non-Polanyian traditions. In turn, that is why Polanyi's theses have been widely cited and referred to in the literature as a yardstick for understanding regionalism and the logic of a regionalised world order.

More generally, those remarks attest to the prescience of Polanyi's far-sighted vision both for understanding the essential nature of capitalism and for making better sense of today's complex geopolitical scenario.

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