

Essay:

*The Fiction of Commodities*

Sereno Diggelmann: 20 116 489 – 27.02.2022

## The Fiction of Commodities

### Introduction

In this Paper I will reflect on the concept of fictitious commodities as formulated by Karl Polanyi in his important work *The Great Transformation*. In a first part I will shortly outline the concept and its use in the argumentation of the original work. Based on the definition of the concept I will expand its potential application. Finally I argue, that commodities as such could be understood as a social fiction which became naturalized and thus a central pillar of our understanding of the social world. This opens the possibility of thinking alternative forms of organization as viable as a society based on markets and commodification.

### Outline

In his book *The Great Transformation* Karl Polanyi analyzes historically the emergence of what he calls the market society. He argues that a doctrine of free markets led to a disembedding of economy from society. Central to his argument is the concept of fictitious commodities. He defines commodities empirically „... as objects produced for sale on the market...“<sup>1</sup>. For a self-regulating market system to function, all factors of production must be available for purchase and thus be commodified. But three central aspects of production, namely land, labour and money are obviously not produced for sale. So their definition as commodities is, according to Polanyi, a fiction. If these fictitious commodities are submitted to free market laws society will be deprived of its foundation. The increasing marketization of these fictitious commodities will thus inevitably lead to a countermovement which aims at protecting society from the destructive tendencies of free markets. As we have discussed in the course, a measure of protection is regulating these socially crucial markets through political means, for example minimum wages, political area planning and fiscal politics. While these measures can be regarded as means of protecting society from free markets, the argument could equally well be turned around to state, that these markets would lose their legitimation if their socially and environmentally destructive tendencies would go unchecked. What I am mainly interested in for this paper though, is Polanyis definition of fictitious commodities. Written in 1944 *The Great Transformation* focuses on the three fictitious commodities mentioned above. Today, I would argue, the list could be vastly expanded.

A neoliberal agenda as the driving force behind globalization lead to the commercialization of a plethora of goods which would fit Polanyis definition of fictitious commodities. In the following

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1 Polanyi 1944: pp. 75

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section I will discuss two further examples of fictitious commodification.

## A pretty real fiction

### Intellectual property

One striking example of fictitious commodities is the rising importance of intellectual property rights. Ideas are not created in a vacuum and do depend on the preceding contribution of many individuals over time. Most certainly it is absurd to think, that ideas are mainly generated as a product to be sold in markets. As with labour, thinking and creating ideas is a genuine human activity. Yet under the TRIPS (trade-related aspects of intellectual property rights) agreement, which is part of the international accord creating the WTO in 1995, intellectual property came to be commodified internationally.<sup>2</sup> Intellectual property accounts to a large part of what is called intangible assets. In the UK and the US the total value of intangibles has surpassed the value of tangible assets<sup>3</sup>. What's remarkable is that in the US the Bayh-Dole-Act of 1980 allows firms to patent inventions which are generated in publicly funded research<sup>4</sup>. This basically allows private companies to outsource the R&D costs to the public, while privatizing the profits made from such research<sup>5</sup>.

Another questionable aspect of intellectual property is the patenting of genetic resources. It is hard to think of a reason why genetic code, one of life's most foundational features, should be owned and monetized, except of course for the purpose of economic valorization.

I believe that the enclosure of knowledge and ideas in the form of intellectual property has similarly detrimental effects on the society as is the case with other fictitious commodities. As a non-depletable resource and by fact of its cross-linked nature, knowledge should be available for the benefit of all people.

### Climate and emission trading

The climate crisis is one affecting the whole globe and humanity. It is in large part generated by an underregulated use of fossil resources and as such can be seen as an effect of globalized capitalism with its ever increasing demand for resources. Yet one of the only measures which is globally agreed upon is a cap-and-trade mechanism for carbon emission. According to the website of the

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2 Pistor 2019: pp. 123

3 Standing 2019: pp. 281

4 Standing 2019: pp. 278

5 See also: Mazzucato 2013

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WEF, „In this scenario companies buy and sell the 'right to pollute' from each other“<sup>6</sup>. This formulation goes to show, that the system of carbon trading is in essence a commodification of the climate (or of climate pollution). It seems questionable if a market mechanism should be the solution for a problem which was mainly generated by ever expanding markets in the first place. One might ask whether this mechanism is rather an attempt of reducing carbon emission or another opportunity of financially valorizing a good, which should not necessarily be commodified. Given the political will, there would be other measures of reducing carbon emissions which most likely would be more efficient and thus more appropriate in face of the severity of possible effects of this crisis.

Beside the two examples discussed above, one might think of plenty of other sectors, to which Polanyi's definition of fictitious commodities was applicable. For example healthcare, fertility travel and surrogacy, security as in policing and the access to legal security or the use of the electromagnetic spectrum for commercial purposes just to mention a few. Maybe not all of these examples have as severe implications as the three cases which are discussed in *The Great Transformation* and so do not necessarily provoke a countermovement in themselves, but it goes to show that a logic of marketization and commodification seems to be applied to an increasing range of goods which should be understood as common goods.

### Commodities vs social function

Looked at from a different angle, one might even argue that Polanyi's definition could be expanded further. As in his definition commodities are objects produced to be sold on a market, we might argue that they are only produced for markets in an environment where markets are already established as an organizing force. The question here is if goods would cease to be produced if they were not to be sold on markets. I would argue, that most goods have a social function independent of their marketization and as such would exist in many thinkable societies. An obvious example is the production or procurement of food or energy as a fundamental necessity of human life. Other examples are again healthcare or the care for elderly people and children, hospitality, cultural goods, basic infrastructure and so forth. It occurs to me, that the commodification of all these aspects central to human life is an effect of an ideological paradigm, which became to be naturalized in a manner, that other possible forms of organization seem 'idealistic' as opposed to the

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6 <https://www.weforum.org/agenda/2017/09/everything-you-need-to-know-about-carbon-trading/>

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'material' reality postulated by said paradigm<sup>7</sup>.

## A question of governance

It seems important to remember that the organization of human society is in any case an effect of political choices. Markets are not a necessity, nor is there a reason to believe that they are the sole mechanism capable of organizing economic activity. I would argue that the social inequality generated by a capitalist mode of production is basically incompatible with the idea of democracy. Yet the ideology of (free) markets seems so internalized, that even democratic governments are incapable of imagining alternatives. Polanyi argues that an economic sphere has been disjointed from a social sphere. I believe this way of looking at the problem obscures the crucial fact, that the organizing power given to markets is very much entrenched in the political decisionmaking. The fundamental question to me is about the ideological underpinning and persistency of a mode of organization which threatens not only social, but even environmental sustenance.

## Conclusion

I believe Polanyi's concept of fictitious commodities has the potential to make us think about alternatives to their commodification. If we come to understand their fictional character, other ways of organizing seem less irrational or 'idealistic'. Wealth is publically generated and as such should benefit the public instead of being permitted to be appropriated as is the case today. To decommodify these fictitious commodities it might be necessary to renegotiate the ideological foundation of our ways of organization. If such a negotiation is carried out democratically in the true sense of the word, I see a huge potential to create a society which is more just and sustainable, both socially and environmentally, while still retaining the capacity of delivering the goods to satisfy the material needs on a global scale. In this sense the commodity fiction elaborated by Polanyi is not only useful for understanding capitalism's historic origins or the crisis of the early 20<sup>th</sup> century, but might also carry some importance in thinking alternative ways of organization. Finally commodities might be seen as phantasmal as any 'idealistic' form of society.

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<sup>7</sup> See also: Polanyi 1947

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