

FALTER

BRIGITTE AULENBACHER, MARKUS MARTERBAUER,
ANDREAS NOVY, KARI POLANYI LEVITT, ARMIN THURNHER (EDS.)

KARL POLANYI

The Life and Works of an Epochal Thinker



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Translated by Jan-Peter Herrmann and Carla Welch

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1011 Wien, Marc-Aurel-Straße 9

T: +43/1/536 60-0, F: +43/1/536 60-935

E: bv@falter.at, service@falter.at

W: faltershop.at

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Editors: Brigitte Aulenbacher, Markus Marterbauer, Andreas Novy,

Kari Polanyi Levitt, Armin Thurnher

Translator: Jan-Peter Herrmann, Carla Welch

Illustrations: P.M. Hoffmann

Layout: Marion Großschädl

Production: Susanne Schwameis

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BRIGITTE AULENBACHER AND ANDREAS NOVY

Karl Polanyi was engaged as a journalist, educator and scientist and his work provides a wide range of economic, cultural, historical and anthropological perspectives on industrial civilisation and capitalist market societies. How mankind can survive both, this most pressing question of his times, has not lost its significance. This book addresses academic and non-academic audiences, strives to be of interest to those who have never heard of Karl Polanyi, but also to long-standing experts from diverse disciplines. It aims to inspire public and scientific debates as well as teaching within and beyond universities. And it seeks to give intellectual support to initiatives, movements and policymakers that strive to put the economy in its place. Such a collective effort cannot succeed without generous support.

To begin with, this book would not have been possible without the generous and ongoing support from *Falter*, the leading Viennese weekly and our co-editor Armin Thurnher. Originally published as a supplement to *Falter*, it brings together a unique combination of texts, photos and graphics. The enlarged and revised German and English book edition have maintained this light and stimulating style of a weekly.

The publication emerged in the context of the foundation of the International Karl Polanyi Society (IKPS) in Vienna in 2018. IKPS, from the start, aimed to provide accessible debates on contemporary challenges, inspired by the thought of Karl Polanyi. We would like to thank the Vienna Chamber of Labour and our co-editor Markus Marterbauer for hosting and funding the inaugural conference of the IKPS as well as further activities and publications. Karl Polanyi had a strong affinity to popular education and the work of the Chamber of Labour. No other location better symbolises Polanyi's ambition: There is the need for clear ethical and political positioning, without abdicating the necessity of gathering diverse perspectives and stimulating controversies to better grasp current problems and identify potential alternatives.

It is a great honour that Kari Polanyi Levitt accepted the invitation to co-edit the English version of the book. With her amazing work on the legacy of her father she has become a driving force of the renaissance of Polanyi's oeuvre. As an honorary president of the International Karl Polanyi Society she has stimulated vivid and pluralist contemporary discussions in the Polanyi community without abdicating a proper reading of her father's work. We thank her for her many inspiring ideas, her important contributions and her ongoing collaboration.

It is difficult to apply for funding for the translation of a book that is neither directed solely to an academic publication nor a broader popular segment of readers. Therefore, we would like to thank the *Rosa-Luxemburg-Stiftung* and Michael Brie for their generous support. We would also like to thank Jan-Peter Herrmann and Carla Welch for facing the challenges of the academic and journalistic style of the book and providing a thoughtful and precise translation. Last but not least, we would like to express our gratitude to Tobias Eder and Melissa Erhardt who contributed to the copy-editing of the texts and the work on the literature.

Without all this support, it would not have been possible to publish this edition.

FOREWORD

MARGUERITE MENDELL

In 1988, two years after an international conference hosted by the Hungarian Academy of Sciences in Budapest to commemorate Karl Polanyi's centenary, Kari Polanyi Levitt and I established the Karl Polanyi Institute of Political Economy at Concordia University Montreal. The Institute would provide a space to continue the interdisciplinary dialogue begun in Budapest, inspired by the life and works of Karl Polanyi. Yet the translation of *The Great Transformation* into Hungarian would have to wait 13 years. Within Hungarian academic circles at the time, Polanyi was largely known for his work in economic anthropology and economic history, with some exceptions. Situating his work politically generated much debate, especially following the publication of *Polányi Károly: Fasizmus, Demokrácia, ipari Társadalom* (*Fascism, Democracy and Industrial Civilisation. Unpublished Work of Karl Polanyi.*), a collection of Polanyi's writings translated into Hungarian, edited by myself and Kari Polanyi and launched at the Budapest conference. I recall this period because it created an international Polanyi community of scholars, students, activists, public intellectuals that ushered in the Polanyi renaissance over the next two decades, marked by the fall of the Berlin Wall in 1989, the Seattle protests in 1999 and the 2008–2009 global financial crisis. Cutting across these events and the growing interest in the work of Karl Polanyi and into the 21st century, is climate change and the threat to planetary survival.

Spaces for Polanyi-inspired dialogue have since established in Seoul and Budapest in 2014 and most recently in Vienna in 2018. What we refer to as sister institutes in North America, Europe and Asia, are contributing to a broad, international Polanyi conversation, each with its own mandate and institutional anchors. The Institute in Seoul is a cooperative, with members drawn from all sectors of society. In Budapest, Polanyi dialogue is integrated into an academic programme at the Karl Polanyi Research Center for Global Social Studies within Corvinus University. The International Karl Polanyi Society estab-

lished in Vienna in 2018, a unique collaboration between universities in Austria and the Vienna Chamber of Labour, is dedicated to widening the Polanyi conversation between academics and social actors on challenges and transformations of the 21st century. The Polanyi Institute in Montreal, the repository of the Karl Polanyi Archive has received visiting researchers and has hosted seminars and biennial international Polanyi conferences for over three decades.

This volume, a remarkable collection of short essays on Karl Polanyi, first appeared in German as a supplement to the weekly Vienna newspaper *Falter*. It includes several papers presented at the inaugural conference of the International Karl Polanyi Society in May 2018 as well as invited contributions, providing readers with an extraordinary opportunity to discover or rediscover the breadth of the work and influence of Karl Polanyi. Many essays will introduce German authors to an English readership for the first time. The numerous short sketches navigate across many Polanyi themes. The volume covers a wide spectrum of themes, from the reasons for the renewed interest in Polanyi today to the revisiting of fundamental concepts in Polanyi's writings, from the compatibility and differences between Polanyi and key 20th century theorists such as von Mises, Hayek and Keynes to the impact of Polanyi's life and engagement in Red Vienna on his thought and lifelong commitment to democratic socialism, and the contemporary relevance of his early writings on freedom and democracy. Biographical essays introduce readers to Polanyi's early life in Austria and Hungary and the social, political and cultural upheavals of the times. A rare contribution on Karl Polanyi's relationship to his brother Michael and an engaging interview with his daughter Kari Polanyi deepen our understanding of the formative influences that shaped Polanyi's thinking throughout his life.

Essays in this volume also explore the resonance of Polanyi's concepts and analysis to critical issues such as the commodification of care, the emancipatory and destructive impact of technology in the digital age, the search for alternatives rooted in solidarity and community and their capacity to counter a market-driven global agenda. Essays on the rise of right-wing populism as a powerful counter-movement to neoliberalism and the growing threat to freedom recall

Polanyi's writings on fascism as a countermovement to market liberalism.

This volume is published as we face the gravest crisis of our times. The Covid-19 pandemic has revealed the weakness and destructive power of capitalism. As thousands perish from the virus, as the global economy lurches on the edge of collapse, as government spending soars in unimaginable magnitude and as a desperately awaited vaccine must emerge as a global public good, Polanyi-influenced debate assumes an urgency. The publication of this volume of essays in English translation comes at a time of deep societal disruption that no one could have predicted. How societies will respond to this global crisis requires a reset of priorities. The challenges of the pandemic summon a global response, a global countermovement to restore our habitation, in Polanyi's words. Any attempt to resume business as usual is futile. Nothing is usual anymore. Polanyi's vision for economic democracy and freedom in a complex society is realisable if the many countermovements around the world insist, through their collective actions, that nothing less is acceptable.

I wish to extend my congratulations to the editors of this important volume. And I wish to commend *Falter* for publishing this as a supplement to a weekly newspaper and bringing these ideas to a large public and now to English-speaking readers. Polanyi was a scholar, a journalist, a public educator and an academic in the later years of his life. He was a public intellectual. His years as a journalist began in Vienna. It is more than fitting that *Falter* is publishing this exceptional collection dedicated to the life and works of Karl Polanyi.

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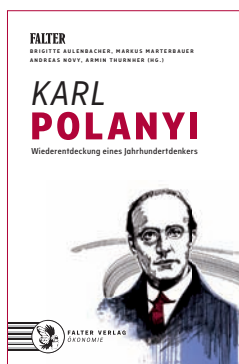
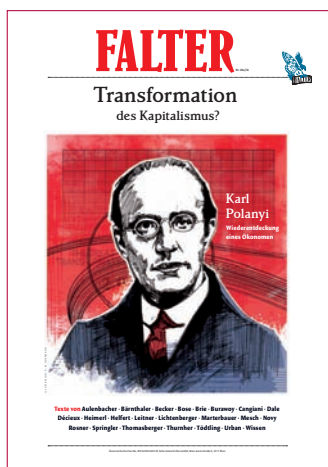
FOREWORD OF THE GERMAN EDITION

ARMIN THURNHER

No one would deny that we are currently witnessing a great transformation. Globalisation, digitalisation, neoliberalisation, climate change – who isn't tired of hearing these buzzwords? One dramatic effect of the current sea change is expressed by the helplessness of traditional left-wing politics. In a time that would provide unprecedented opportunities for political intervention the left is no longer certain who it should refer to, who its historical role models should be. Consequently, with some delay, the work of Karl Polanyi has once again entered the spotlight.

On 8 May 2018, the International Karl Polanyi Society was founded in Vienna. At the founding conference, which took place in the Chamber of Labour, numerous substantial lectures were delivered on the subject, some of which were documented and compiled in a supplement to the Vienna newspaper *Falter*, entitled '*Transformation of Capitalism? Karl Polanyi, the Rediscovery of an Economist*' ('Transformation des Kapitalismus? Karl Polanyi, Wiederentdeckung eines Ökonomen'). The conference location was no coincidence, as Polanyi considered the accomplishments of Red Vienna to be one of the high points of western civilisation.

The initiative for the present volume, which is based on that supplement, came from the President and vice-President of the International Karl Polanyi Society, Andreas Novy and Brigitte Aulenbacher, who developed the concept together with Markus Marterbauer, Michael Mesch and Reinhold Russinger from the Vienna Chamber of Labour, and the author of this text. Through their contacts, they greatly contributed to the fact that the A-list of Polanyi researchers became involved in this book. And that economist Kari Polanyi Levitt, the daughter of Karl Polanyi's and custodian of his estate and honorary president of the International Karl Polanyi Society, also features in this volume in the form of a lengthy interview about her father.



The supplement of the Falter and the German edition

New texts include the introduction to Polanyi's work. Some contributions were revised, others substantially expanded, such as that by Michael Mesch about the biographical milieus in Karl Polanyi's life. The book's intention is to help initiate a renewed engagement – including in the German-speaking world – with a thinker who has come to be regarded as a centennial figure in the Anglo-Saxon world.

Karl Polanyi offers no political directions, but analyses. He is widely referenced in the debates across the Anglo-Saxon left. In these politically precarious times, in which so-called political advisors set the tone and social media teams dominate public discourse, Karl Polanyi's work provides a more substantial kind of food for thought. In this sense, this book seeks to take our thinking and our debates a step further.

The book reflects on the renaissance of Polanyi's works. What makes Polanyi's ideas so popular in the current situation, even going as far as to earn him the title 'personality of our century'? Well, this is most likely down to the fact that the era he analysed, the rise of the unbridled market society, displays such striking similarities with our own time. But what is this 'market society'? And do the counter-movements we are now seeing among those groups in society that fit

the description of 'völkisch (i.e. ethno-nationalist) populists' not coincide with the patterns Polanyi analysed? And what is the relationship between the print media across the Anglo-Saxon world and the renaissance of Karl Polanyi?

It reconstructs his life and works. Who would be better placed to tell us about Karl Polanyi's life than his daughter Kari Polanyi Levitt? In order to improve our understanding of Karl Polanyi, the person, we need to find out more about the people who were close to him: his wife Ilona Duczyńska, his brother Michael and of course his daughter Kari. Polanyi was born in Vienna and grew up in Budapest; the situation for Hungarian Jews was marked by uncertainty, with waves of anti-Semitism occurring from the late 19th century onward. As many others during the 20th century, Polanyi ended up moving from one place to another: Vienna, London and the United States were subsequent stations in his life.

The book presents some important issues of his and our times. As a conservative critic of Polanyi's magnum opus *The Great Transformation* once said: great books can also be pernicious books. But how did *The Great Transformation* come about and what was Polanyi's motivation for writing it? How are his words all too often misunderstood by those reading them today, despite their best intentions? How does Polanyi's work relate to the writings of his influential contemporaries Ludwig von Mises, Friedrich Hayek and John Maynard Keynes? What do Polanyian terms like 'fictitious commodities' actually mean? And lastly, how does Polanyi's analysis help us to understand care, digitalisation and science in an era when everything is subordinated to the market?

Last but not least, it asks: Why Polanyi now? *The Great Transformation* is regarded as one of the most important books of the 20th century; at least it has been since the London *Times* put it on its list of greatest books. That was in 1977, in other words 33 years after the book was first published. In the same year, the first German translation of Polanyi's *magnum opus* appeared. We present some annotated excerpts from the book, which provide us with an insight into Karl Polanyi's thinking, ideas that have been the inspiration for so much research and scholarly debate. A map of the world provides an overview of Polanyi Institutes across the globe. We also include information about how to become a member of the Vienna-based Karl Polanyi Society.

I

The
Renaissance

THE LIMITS OF A MARKET SOCIETY

Or: Why ‘Polanyi ought to be considered the
(most influential) personality of our century’.

BRIGITTE AULENBACHER, VERONIKA HEIMERL,
ANDREAS NOVY

In his appraisal of Karl Polanyi’s works, internationally renowned French economist Robert Boyer states that ‘Polanyi ought to be considered the (most influential) personality of our century’. What makes his cultural, social and economic history of capitalism so relevant for today? In his *magnum opus*, *The Great Transformation*, published in 1944, Polanyi studied 19th-century economic liberalism, the stock market crash of 1929 and the Great Depression, as well as the struggle between communism, fascism and democracy for a new social order. Why was there a rediscovery of these reflections from the late 1980s onward – and especially following 1989 – in the context of a new phase of globalisation? And is it legitimate to speak of a veritable Polanyi renaissance today? There are four aspects in particular that highlight why Polanyi’s critique of capitalism is so unique.

The destructive power of the market

Karl Polanyi was not only a pioneer of the critique of capitalism, but also an unconventional thinker. As a journalist, popular educator, and scholar, his style was in part essay-like, which makes his writings as

comprehensible as they are emphatic. Informed by a profound knowledge in the areas of law, economic and social sciences, philosophy and anthropology, his work as a whole covers a wide range and his magnum opus, too, traverses the specialisations of the various scholarly disciplines. As a result, he successfully redefines the relationship between economy and society.

In an elaborate historical reconstruction, he shows how economic activity in pre-industrial societies was part of social and cultural life. Economic interests (such as the drive for profits and price-setting) were usually subordinated to social and political motives (such as status and the stabilisation of an existing social order). The exchange on markets represented only one of many economic institutions. Redistribution via a central power continues to exist today in the form of social security and the tax system; but even in agrarian communities some sort of central storage of goods (i.e. crops) was fundamental for the economy. Reciprocity was part of family life and the household economy, even extending into neighbourhoods and the community. And yet, to this day, reciprocity still underpins the bond in fraternities and forms the basis of nepotism and partisanship.

According to Polanyi, the emergence of industrial capitalism changes the subordinate status of economic matters. For the first time in the history of liberal (economic) thought, the idea of a 'self-regulating market' becomes the guiding concept for structuring the relationship between the economy and society. The relations are reversed: market principles and mechanisms begin to dominate first the economy and ultimately society as a whole. This 'means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system.' (Polanyi 1944/2001, p. 60) However, Polanyi does not set out to present a comprehensive critique of the market per se. He appreciates the accomplishments resulting from technological advance and the liberal canon of values, which in turn establishes the right to nonconformity and the rule of law. He does, however, put forward a very strident critique of a development in which markets come to determine social life.

In financial market capitalism – as it emerged after 1989 and survived even the 2008/9 crisis – this power of the market has asserted

itself to an unprecedented extent, encroaching upon just about all areas of human life. Everything is for sale, everything can become a commodity: financialisation and its consequences for the health-care sector, the housing sector, and many other areas has come to affect everyday social life as a whole. Commodification – i.e. turning something into a commodity – extends to all ‘elements’ that might be relevant in economic terms, including those which are not intended for such a purpose: land as a metaphor for nature, labour as the epitome of human activity, money as a means of exchange – they are all just ‘fictitious commodities’ (Polanyi 1944/2001, p. 71). When subordinated and subjected to the dynamics of the ‘market economy’ in a ‘market society’, they thereby threaten the very substance of society. When work is simply a commodity among others, collective bargaining agreements become obsolete and precarisation inevitable. When short-term business interests are more important than climate protection, the ecological foundations of our civilisation are at risk. Yet it is not only the immediately discernible developments that affect the substance of society, but also the more subtle mechanisms by which human beings are forced to adjust to ‘market society’. For these mechanisms suggest a new level of individual freedom for those who successfully play along: self-employed ‘entrepreneurs’, or rather, one-person companies, e.g. as so-called ‘Me Inc.’ (in German: ‘Ich-AG’), Best Agers, etc. Finally, there are other elements to which Polanyi’s concept of ‘fictitious commodities’ can be applied: knowledge becomes a commodity when universities are increasingly run as businesses whose quality is measured by the marketability of their research and teaching results, or when indigenous knowledge is patented and becomes a resource for pharma-industrial production.

The reorganisation of society

History does not repeat itself. In this sense, the current social struggles around law and order and the restructuring of society cannot be compared to the upheavals resulting from economic crisis, fascism and war which Polanyi witnessed in his time. That said, the current crisis has certainly intensified as a result of the financial crisis of 2008/9 and the subsequent compensation for private losses with public resources. After progressive forces initially formed worldwide

protest movements, namely in the form of Occupy Wall Street and many others, for some time now we have been witnessing right-wing populist parties becoming stronger, illiberal democracies emerging and authoritarian regimes consolidating. Once again – as in Polanyi's day – the failure of the free-market ideology is being followed by the reorganisation of society. The direction of this reorganisation, however, remains contested. Its potential scope ranges from a social-ecological transformation that transcends capitalism and establishes a society based on solidarity without the compulsion for growth all the way to very real developments towards an authoritarian capitalism in dynamic emerging economies, but also even within the European Union. Reactionary law-and-order concepts and the return to traditional gender relations and national identities can coincide with both neoliberal approaches and those critical of globalisation.

Karl Polanyi sought to capture such developments with the concept of the 'double movement' (Polanyi 1944/2001, pp. 79, 137–138, 148 ff.). In his view, social history from the 19th century onward is the result of a 'double movement', that is to say, one 'movement' through which the concept of the 'self-regulating market' was asserted, and a 'counter-movement' in which social groups and state institutions sought to protect themselves in different ways against the negative dynamics of the market economy. The fear of a commodification of land, labour, money and knowledge turns into a diffuse fear for the future. This can be harnessed to create new progressive alliances, as exemplified by Bernie Sanders in the United States and Ada Colau in Barcelona. That said, a nationalist policy of stricter border control can also be read as a reaction to the competition on global labour markets. Karl Polanyi's integrated analysis provides inspiring starting points for reflecting on the impact of economic upheavals on political and social developments.

The visions of a just and free society

Although it may be asserted that, in the future, capitalism will be an unviable system for a growing part of the population, in both ecological and economic terms, that does not tell us anything about the potential alternatives. Karl Polanyi's thoughts about a just and free society proceeded from the notion that humankind – as he firmly

believed at the time – would never again embark on a path of radical economic liberalisation after the experience of dictatorship and war. Against this backdrop, he considered industrial society to be an adequate basis from which a just and free society could eventually emerge. As for the first point, we have by now been disabused: financial market capitalism has once again taken economic liberalisation to new extremes. Concerning the second point, the industrialisation of life in social and ecological terms has become a problem in its own right, one which is not rooted in the ‘market economy’ alone. This has triggered a critique of civilisation of a different sort, one that addresses both destructive and emancipatory potentials of technological developments: the sharing economy can create a culture of the commons and shared use or establish platforms as new monopolies. Knowledge can be accessible to all via Wikipedia or facilitate – through standardisation – the emergence of global educational corporations which expropriate and concentrate knowledge. Robots can make work easier, and yet technology allows for total surveillance.

This is precisely what makes Polanyi’s pluralist, socialist vision of ‘Freedom in a Complex Society’ (Polanyi 1944/2001, p. 257) so relevant when it comes to contemplating a post-capitalist society based on emancipation and solidarity. In contrast to Polanyi’s times, however, nowadays we look back at a history of (state-)socialism, which distorted and discredited the original socialist idea of equality, freedom, solidarity. Contemplating a reorganisation of society in an emancipatory sense also implies addressing the historical experience of state-socialist dictatorships and searching for paths towards a new society which combine the freedom of the individual with social justice and opportunities for everyone to develop and realise their full potential.

Karl Polanyi’s crucial contribution, which he elaborates on in the last pages of *The Great Transformation* and which is certainly worth rediscovering, consists of a passionate appeal against dogmatism and simplification. It is a plea for dialectics and pragmatism. The criticism of a misguided faith in the self-regulating forces of the market must not lead to a rejection of markets as such. The critique of excessive individualism inherent in liberal thought must not let us forget the importance of the right to non-conformity and the protection of

minorities. At the same time, there is no way around the fact that a society can only be built based on ‘planning’, ‘regulation’, and ‘control’ (Polanyi 1944/2001, p. 265) and a state capable of acting, otherwise it is the law of the jungle that governs: digital platforms displace their competitors through tax and social dumping; cycling remains a niche for the environmentally conscious while flying continues to be subsidised. In short, without ‘planning’, ‘regulation’, and ‘control’, that ‘freedom in a complex society’ is simply not possible, at least not if it is to be more than the individual freedom of the privileged.

Why Polanyi ought to be considered the personality of the century

Karl Polanyi deserves to be assigned a central role in the 21st century because his thinking is helpful in the search for constructive, solidarity-based alternatives. Polanyi is, of course, not the only pioneering, unconventional thinker to look to in these times of massive change for a comprehensive critique of the system and a concrete diagnosis of the times. The aim is not to pit Polanyi against Marx, Weber, Adorno, Keynes, or many others. Thinking in unconventional ways means assuming distinct perspectives in order to avoid becoming disoriented in the diversity of current dynamics. That said, there are many good reasons for the renaissance of Polanyi: his work invites us to reconceive the relation between the economy and society. Polanyi helps us discern the dangers facing a society in which material self-interest is considered the only valid social interest: Is it worthwhile? Does it pay off? Can we afford this and that? Moreover, Polanyi helps us to once again embed such economic reflections in the greater social and ecological context. It is the only way of turning the social needs of the many into the main driver of the economy, instead of orientating it towards catering for the individual interests of the few.

And, finally, Polanyi also invites us – not least based on his own biography – to return to the beginnings of the 20th century and learn from history: from the struggle for democracy and women’s rights, for the welfare state and against war. The great victories (against fascism and in building international understanding) and gradual successes (the many small changes in legislation, changed routines and cultural givens such as increasing progress toward gender equality, the broad acceptance of homosexuality, the growing responsiveness

to the needs of the disabled) may serve as a source of inspiration for confronting the increasingly powerful right-wing populists and authoritarian forces. Indeed, it might just all change for the better: ‘[...] creating more abundant freedom for all’ (Polanyi 1944/2001, p. 268) is possible. ‘Freedom for all’ remains the ultimate goal of concrete utopias.

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'MANY GRAZE ON POLANYI'S PASTURE'

The works of Karl Polanyi in German- and English-language media over the past five years.

ARMIN THURNHER

Many texts, including those featuring in this volume, suggest that the financial crisis of 2008 placed Polanyi's work back in the limelight. There is some truth to such a notion. Yet, how Polanyi's renaissance came about is rather different in the German- and English-speaking worlds. While in the UK and the United States, the left actually debates Polanyi and important newspapers and magazines with a serious audience address and discuss the man and his work, in Germany and Austria there is some coverage in newspapers, whereas journals and magazines hardly ever mention him at all. Correspondingly, neither *Der Spiegel* nor magazines such as *Profil*, *Weltwoche* or *Brand eins* mentioned the name Karl Polanyi once over the past five years. There were two mentions in *Die Zeit*, but no substantial article on the subject. It is exclusively publications specialising in politics, like the *Blätter für deutsche und internationale Politik*, that have featured lengthy pieces on Polanyi or ideas based on his work. Some of these were from the Anglo-Saxon world, authored, for example, by Robert Reich or Nancy Fraser, the latter of whom is discussed in more detail in this volume.

Polanyi's magnum opus, *The Great Transformation*, appeared in 1944, and it took another 33 years before it was published in German. Only very few people outside of economic expert circles were familiar with the name Polanyi. If nothing else, at least that has changed completely. Today, he is frequently cited *en passant*, so to speak, as political scientist Ulrich Brand recently did in an interview with the Austrian paper *Falter*. 'How far does degrowth have to go?', was the question, to which Brand responded:

'To say it with Karl Polanyi: we need to initiate the social-political and intellectual countermovement against a continuing ignorant consumption of natural resources, which are taken for granted, and an imperial lifestyle. That will allow for learning processes which I have already observed among some of my students: they don't even want to have a car anymore, nor do some of them want to get on a plane anymore. All they want is a good life. This might give us a clearer picture of the outlook: a growing part of society wants this alternative lifestyle.' (Falter, 1 May 2018).

In 2009, the renowned paper *Die Zeit*, with its academic middle-class readership, wrote that if one believed the ideas of the 'forgotten economist (sic) Karl Polanyi', one had to recognise the fact that 'industrial civilisation may well lead to the ruin of humankind' (16 July). Polanyi was only mentioned in one other instance, namely as an admonisher of 'climate change, economic and financial crises' (*Die Zeit*, 15 September 2011). The few weekly papers that did not ignore Polanyi, include the *Wirtschaftswoche*. 'Today you have students attending advanced seminars in economics who have not read Adam Smith or Friedrich August von Hayek. They don't know who Francois Quesnay or Carl Menger were, nor what Albert O. Hirschman or Karl Polanyi stand for.' (12 October 2018)

Readers of daily newspapers were slightly better off in this respect. The *Neue Zürcher Zeitung* was indeed correct to write, in 2016: 'Schumpeter, Galbraith, Hayek and Friedman may have achieved equally high-profile publicity as Keynes or Piketty. However, this is not the case with Karl Polanyi, Tibor Scitovsky, Albert O. Hirschman and Peter L. Berger' (29 September). And yet, Austrian broadsheet newspapers have surprisingly contributed to the Polanyi renaissance quite considerably. In *Die Presse* of 15 November 2016, social and economic historian Ernst Langthaler contextualised his detailed article on *The Great Transformation* with current affairs, namely the rise of Donald Trump to the presidency of the United States. 'What sounds like an op-ed article on Donald Trump's victory during the US presidential elections was essentially conceived, said and written down more than 70 years ago. In his 1944 book *The Great Transformation*, Karl Polanyi addressed one of the most pressing questions of his time: the rise of fascism which – together with commu-

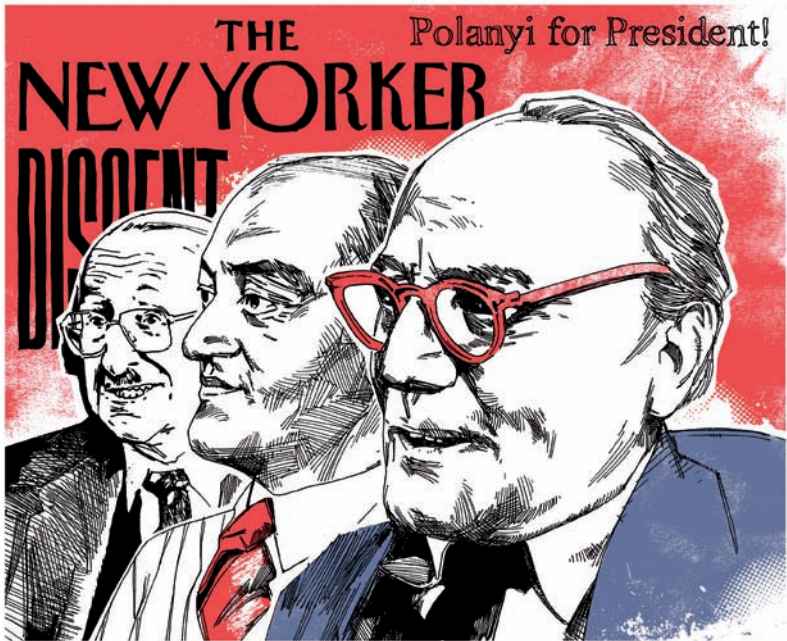
nism – earned the 20th century the title of the “Age of Extremes” (Eric Hobsbawm), writes Langthaler, without, however, classifying Trump as a fascist. He considers him to be a national populist, whose success can, however, be explained with Polanyi’s category of countermovement.

Der Standard is another paper that sporadically quotes Polanyi, e.g. in an article by Wolfgang Müller-Funk, who called for a European politics in the sense of a ‘European muddling through’ on 13 May 2016. For ‘its collapse would unleash those forces of democratic self-destruction that have already become such a dramatic challenge for Europe. It would lead precisely to the regression and complete marginalisation of the semi-continent described by Karl Polanyi just before the end of World War II.’

Likewise, several Austrian papers reported on the tribute to Kari Polanyi Levitt in the form of a commemorative plaque at her former family home in Vienna, and on this occasion also used the opportunity to expand on Karl Polanyi’s work at the same time. By and large, the reception in Austrian media publications remains non-committal, although there are exceptions every now and then: for example, *Der Standard* published a comprehensive Polanyi portrait including an interview with Kari Polanyi Levitt by Tanja Traxler on the occasion of the Polanyi Conference in Linz on 18 January 2017. Other reports were published by the *Wiener Zeitung*, such as an op-ed article by economist Sigrid Stagl on 29 August 2017 calling for ‘new rules for economic activity in the Anthropocene’.

As for German and Swiss daily papers, in a nutshell, Polanyi is either honoured or derisively criticised, depending on the specific political orientation of the respective paper. The conservative *Neue Zürcher Zeitung* remains surprisingly neutral and frequently quotes Polanyi in its more elaborate essays; for example, urban planners Robert Kaltenbrunner and Olaf Schnur appear quite at home using the term ‘commodification’ – in reference to Polanyi (16 April 2014).

The *Süddeutsche Zeitung* and *taz* clearly sympathise with Polanyi. In an article for the *Süddeutsche* of 18 June 2018, political scientist Claus Leggewie reviews the Polanyi-related works by Gareth Dale and Robert Kuttner. And English literature professor Jeremy Adler writes on the subject of Brexit:



'The correct diagnosis comes from Hayek's opponent Karl Polanyi. The economic historian regarded the "free market" as a myth because it was in fact based on countless laws: "The laissez-faire was planned". The one-sided preference of the market undermined democracy. A natural economy is socially embedded. According to Polanyi, Hayek confused the disease with the cure. Fascism stems from "a market economy that does not function".' (Süddeutsche Zeitung, 24 August 2018)

For economic sociologist Jens Beckert, then, *The Great Transformation* is the most important book he has come across, full stop (Süddeutsche Zeitung, 14 June 2016). Unsurprisingly, when quoting Polanyi, the taz expresses agreement with his positions, or rather assumes the reference to him to be entirely natural and self-explanatory (e.g. in the case of author and political scientist Franz Walter on 6 April 2013).

Among the most interesting coverage of Polanyi is that by the conservative *Frankfurter Allgemeine Zeitung* (FAZ). Although the main

thrust of the *FAZ* and its Sunday edition, the *Frankfurter Allgemeinen Sonntagszeitung* (*FAS*), is that students of Polanyi cling to his theory only out of concern for the general helplessness of the left, it is still a paper in which there is comprehensive, at times even sympathetic engagement with Polanyi.

Here, US economist Shoshana Zuboff states, with reference to Polanyi's analysis of the market's destructiveness:

'Google brings us to the precipice of a new development in the scope of the market economy. A fourth fictional commodity is emerging as a dominant characteristic of market dynamics in the 21st century. "Reality" is about to undergo the same kind of fictional transformation and be reborn as "behavior". This includes the behavior of creatures, their bodies, and their things. It includes actual behavior and data about behavior.' (*FAZ*, 30 April 2014)

Economist Carl Christian von Weizsäcker in turn cites Polanyi in his economics of migration (*FAZ*, 12 January 2016).

Likewise, economic editor Rainer Hank notes at the end of his Polanyi portrait, rather positively: 'Many of today's critics of capitalism graze on Polanyi's pasture. The critique of "economism" and "capitalism in its pure form", the admonition to maintain reasonable measure, which resounds on a daily basis from politicians ranging from Sahra Wagenknecht to Volker Kauder, has its origin here. When Chancellor Merkel demands a "democracy that conforms to the market", today's friends of Polanyi would, by contrast, demand a "market that conforms to democracy".' (*FAS*, 24 August 2018)

It should be added that the very same editor, with regard to Polanyi's legacy, distorts his differentiated critique of capitalism, as well as accusing him of 'anti-capitalist romanticism' (*FAS*, 13 January 2013). Yet Hank keeps returning to Polanyi, be it in the context of his review of Dickens (*FAS*, 16 March 2014), or in a philippic against critics of capitalism who, in his view, are unaware that they are Polanyi's heirs (*FAS*, 24 August 2014).

In his *FAZ* article titled, 'Why intellectuals don't like capitalism', multi-millionaire and historian Rainer Zitelmann enlightens readers about the reason for middle-class publicists' intuitive mistrust:

‘One of the reasons why many intellectuals lack an understanding of capitalism is its character as spontaneously evolved social order. In contrast to socialism, capitalism is not an intellectual construct that is imposed on reality, but an order that evolved largely spontaneously, rather growing “from the bottom upward” than being decreed from above. Historically, it has evolved like languages have evolved. Languages were not invented, constructed and conceived, but are the result of uncontrolled, spontaneous processes’ (18 May 2018).

It is hardly possible to misunderstand Polanyi and his school of thought any more profoundly, for in the latter’s view, precisely the opposite is true: *laissez-faire* was planned.

The picture is entirely different when we consider the UK and US. In the UK, the reason for this is simple: Jeremy Corbyn’s economic policy is based on and orientated towards Polanyi. However, this is not the only reason why conservative media like *The Economist* have covered Polanyi (‘The great transformation: Corbynomics would change Britain – but not in the way most people think’, 17 May 2018); long before Corbyn, political scientist Adrian Pabst had apodictically established in an article in the left-of-centre *Guardian* that Polanyi, not Keynes, was ‘the only economist to grasp the real limitations of capitalism and socialism’ (9 November 2008). *The Guardian* states in an editorial: ‘Corbynomics has been framed in such moral (Polanyian, A.T.) terms – and that is a very good thing’ – what is lacking is the courage to produce concrete examples (27 May 2018).

More recently, UK-based economist Ann Pettifor, co-initiator of Jubilee 2000, an organisation demanding debt relief for the poorest countries, gave the German left-leaning daily paper *taz* an interview in which she explained the current political situation with reference to Polanyi:

‘Trump certainly represents a substantial part of society. He represents the fearful, people who have been unsettled by the economic crisis. The banks were bailed out, while the ordinary population was subjected to austerity and told they had to make sacrifices. Wages today are still lower than they were before the crisis. Ordinary people lost their houses, they see their jobs being threatened by competition from China, and the banks in Washington

are doing better than ever before. As Karl Polanyi already explained as early as the 1930s, people will vote for a strong man if they feel that they need to be protected. It is a reaction to an unregulated economy. The strong man promises to build a wall on the border with Mexico and fight against the Chinese. In France, we are witnessing the revolt of a similar segment of disadvantaged citizens (...) The election of an authoritarian leader does not solve the problems of the population, it aggravates them. This is what people will discover. In both the US and Great Britain, pensions have largely been privatised, money is managed by shadow banks who use it for speculation. What exactly is it that they do with pensions? No one knows, there is no transparency. Nor any kind of oversight. Mister Blackrock manages six billion dollars' worth of such funds. What do we know about Blackrock?' (taz, 12 January 2019)

In the United States, Polanyi's position is equally unchallenged. The New York Times cites his work and includes his magnum opus in a list of the most important books written in emigration, alongside those of Hannah Arendt, Theodor W. Adorno and Thomas Mann (1 February 2017); or it quotes from it, as does Pankaj Mishra in an article about Indian prime minister Modi (14 November 2016).

Consumer publications like the *New Yorker* dedicate 15-page essays to Polanyi's theses ('Is Capitalism a Threat to Democracy' – a review of Robert Kuttner's book on Polanyi). The influential *New York Review of Books* published a review by Robert Kuttner of Gareth Dale's Polanyi biography, titled 'The Man from Red Vienna'.

The fact that Bernie Sanders' market-critical ideas were substantiated in reference to Polanyi is almost self-explanatory ('Polanyi for President', *Dissent Magazine*, Spring 2016). *Dissent Magazine*, situated politically somewhere between communitarian and social democratic, also published several other texts on Polanyi, including, for instance, 'The Elusive Karl Polanyi' (Spring 2017), and 'The Return of Karl Polanyi' (Spring 2014).

Debates about neoliberalism struggle to avoid reference to Polanyi. In *The New Republic*, the fiercely embattled and unkempt leftist magazine, English political scientist William Davies proclaims:

'This ideal of separate political and economic realms has been widely criticized, not only by Marxists on the grounds that it provides a cover for class

exploitation (...), but notably also by Karl Polanyi, who argued that it was only ever an illusion. From Polanyi's perspective, the state is never entirely absent from the economic realm, but is constantly at work in manufacturing and enforcing the economic freedoms that proponents of *laissez-faire* treat as "natural".' (13 July 2017)

Or, as Steven Han succinctly wrote in an article on poverty in the US in the left flagship magazine *The Nation*: "Laissez-faire was planned", as Karl Polanyi once put it.' (18 April 2018)

Young neo-Marxists kicked against the pricks in the magazine *Jacobin*, calling Polanyi's proposals a kind of welfare capitalism: while they certainly represented a step forward, they still did not go far enough for true socialists. That said, such irony may be out of place given the current political struggles in both the UK and the US. The magazine more recently issued a critique of Polanyi (Jacob Hamburger, 'The Unholy Family', *Jacobin* 1/2018) based on Melinda Cooper's book *Family Values*, denying that he had truly presented an alternative to much-criticised neoliberalism, arguing that the structure of the nuclear family was inherent to both, socialism (or social democracy) and neoliberalism. That said, the main takeaway is that Polanyi's work is still alive and kicking, it is being referenced and passionately discussed as a guidepost for present-day left politics. This could serve as an example for our own left (not least in its media presence). This book seeks to contribute to this effort.

Annotation 1

This summary takes into consideration neither online media (such as, for example, orf.at, which has given Polanyi ample credit) nor radio stations like Ö1, a broadcaster that has repeatedly engaged with Polanyi, nor TV series (The German-French TV station Arte reported on Polanyi in a six-part documentary on major economists).

Annotation 2

This summary is intended as non-judgemental. It seeks not to point out the correct or incorrect perception of Polanyi's ideas, but to depict (in an inevitably inconclusive form) the coverage in consumer publications and newspapers in the German- and English-speaking world over the past five years.



FICTITIOUS COMMODITIES AND THE THREE WAVES OF MARKETIZATION

On the nature of fictitious commodities and how
public goods are turned into private capital.
Reading and expanding on Karl Polanyi.¹

MICHAEL BURAWOY

Following the financial crisis in 2008, various new progressive protest movements emerged around the globe, at least initially. Subsequently, we also saw a rise in right-wing populist forces. Based on Karl Polanyi's book, *The Great Transformation*, I analyse 'marketization' from the standpoint of the social movements which it engenders. I distinguish between three historical waves of these movements against marketization.

The fictitious commodity: from commodification to excommodification

Karl Polanyi's *The Great Transformation*, first published in 1944, it is a searing account of the threat posed by the over-extended market to the survival of society – a threat so dire that, on pain of death, it would precipitate society's self-defence. To understand the lived experience of marketization and the possibility of its reversal Polanyi's concept of 'fictitious commodity' is especially useful. In this concept, Polanyi focuses on the destructive character of commodification.

Polanyi contends that labour, land and money – in terms of production factors – were never conceived in order to be bought or

¹ This text is an edited excerpt from: Burawoy (2015).

sold, and that their unregulated commodification (their transformation into commodities) destroys their 'true' or 'essential' character. When labour power is exchanged without protection against injury or sickness, unemployment or over-employment, or below-subsistence wages, the labour that can be extracted rapidly declines, and it veers towards uselessness. Equally, when land, or more broadly nature, is subject to commodification then it can no longer support the basic necessities for human life. Finally, when money is used to make money, for example through currency speculation, then its value becomes so uncertain that it can no longer be used as a means of exchange, putting businesses out of business and generating economic crises. Today we have to add a fourth fictitious commodity – knowledge – a factor of production that is not only an essential ingredient of the modern economy but crucial to the production of the other three factors.

How do fictitious commodities partake in shaping the lived experience of marketization? What is it about the commodification of labour, land, money and knowledge that contributes to social movements? Polanyi points to the act of exchange itself as violating the essential nature of land, money and labour. It is true that trafficking of human beings or trading of human organs may arouse such abhorrence that they can lead to social movements, but they are unlikely to be movements of those who are trafficked or who sell their organs. Alternatively, social movements may be a response to the lifting of protections won against commodification, as when welfare benefits are reduced, trade unions are decertified, labour laws violated or withdrawn.

There are, however, other ways of attributing movement responses to commodification distinct from the process of exchange itself. Polanyi devotes little attention to the processes through which entities are turned into commodities, processes of disembedding the commodity from its social integument. Marx's original 'primitive accumulation' focused on land expropriation for the creation of a labour force dependent on wage labour. Today the dispossession of peasantries is designed to commodify land rather than create a dependent labour force. Whatever the goal, land expropriation has generated much determined resistance. Equivalently, the expropriation of knowledge from the craft worker has historically generated much labour protest. Today, however,

it is not only the deskilling of the worker that is at stake, but the appropriation and commodification of the product, namely knowledge itself. In the privatization of universities, for example, dispossession involves turning knowledge from a public good into a sellable asset. This, too, is the source of much protest.

Fictitious Commodities as Sources of Social Movements

Inequality

Ex-Commodification	LABOR (precarity)
Commodification	MONEY (debt)

Dispossession

Ex-Commodification	NATURE (destruction)
Commodification	KNOWLEDGE (privatization)

In addition to the dispossession that produces the commodity, another source of social movements is the *growing inequality* that follows from commodification. For example, in the sale of labour power ‘precarity’ or insecurity has become the dominant experience of increasing proportions of the population. The commodification of labour power has been compounded by the commodification of money, making money from money by gambling on debt.

Another process Polanyi overlooked is the process of excommodification – the expulsion of entities from the market, entities that were formerly commodities but no longer. Excommodification captures the idea that there are lots of useful things that, to their detriment, are expelled from the market. In the face of excommodification, commodification can be a very attractive prospect. In relation to *labour*, in many places, and increasingly all over the world, expanding reservoirs of surplus labour make it a privilege to be exploited. Vast populations are exiled or confined to the informal sector of the economy where they eke out a hand to mouth existence. In relation to *nature* it is its incorporation into a capitalist economy that is so wasteful, yet often the absence of the market is responsible for its undervaluation. We are able to plunder nature because it has insignificant market value. Very different are *knowledge* and *money* where commodification leads not to waste but to distorted utilization – the production of

knowledge is geared to those who can pay for it while the production of different types of money is used to create profit from debt.

Moving beyond the characteristics of fictitious commodities it is important to examine their interrelations in specific historical contexts. Indeed, social movements have to be understood not as a reaction to the (ex)commodification of a single fictitious commodity, but as responses to the *articulation* of the (ex)commodification of labour, money, nature and knowledge. In the *Arab Spring* uprising, the intersection of the precarity of labour and indebtedness due to micro-finance proved to be a motive for protest; the student movement can be analysed in terms of precarity of labour and privatization of knowledge production; environmental movements lie at the intersection of the destruction or commodification of nature and the precarity of labour. This framework of fictitious commodities provides an account of the underlying forces driving protest. The articulation of the (ex)commodification of fictitious commodities can also be used to understand different historical periods of marketization.

Polanyi believed that we would never again experiment with market fundamentalism

In truth Polanyi pays little attention to fictitious commodities, more concerned to develop his majestic history that begins with the advance of marketization at the end of the 18th century and ends in the 1930s with a countermovement that brings about new forms of state regulation – both those that advance freedoms, such as the New Deal and social democracy and those that restrict freedoms, such as Fascism and Stalinism. The double threat – on the one hand to the survival of society and, then, to freedom ravaged by the reaction to the destruction of society – led Polanyi to believe that humanity would never again experiment with market fundamentalism. Polanyi was wrong. Beginning in 1973 there developed a new round of market fundamentalism which has had far reaching consequences for the history of capitalism and the specificity of the contemporary period.

Three waves of marketization and the countermovements

Indeed, looking back on the history of capitalism that Polanyi analyses and its development to this day, one can see three waves of mar-

ketization, each with their associated, real or (in the case of the third wave) potential countermovement. Referring to English history – the main focus of Polanyi's analysis – the first wave can be said to begin at the end of the 18th century with the Speenhamland Law of 1795 which became a critical obstacle to the development of a national labour market that would only crystallize with the New Poor Law of 1834. The abolishment of the Speenhamland Law and the unleashing of market forces generated countermovements through which society sought to protect itself: the formation of a working class through the factory movement, cooperatives, trade unions, Chartism and the formation of a political party, factory laws and social legislation.

The second wave of marketization began after the First World War with a renewed ascendancy of the market that included the recombination of labour, and the opening up of free trade based on the gold standard. This worked very well for imperial countries like the US and UK, but for competing countries such as Italy and Germany the constraints of rigid exchange rates resulted in catastrophic decline in the economy and rampant inflation that led them to break with the international economy and turn to a reactionary regime of market regulation. This redounded back to the US and the rest of Europe with the Depression that was only counteracted by state intervention and market regulation, in this case of a progressive character. With the defeat of Fascism in the Second World War, the more liberal regimes prevailed. Even in the USSR there was a certain liberalization in the 1950s. In advanced capitalism this period was ruled by Keynesianism and 'embedded liberalism' in economics and the end of ideology in sociology, only to be burst open by the upswing of social movements in the 1960s.

The third wave, not anticipated by Polanyi, begins in 1973 with the energy crisis, subsequently described as the Washington Consensus with a major impetus from the Thatcher and Reagan administrations in the form of a renewed assault on labour. Over time it has become an era of the recombination of money with the ascendancy of finance and the deepening commodification of nature, that is of air, land and water. This third-wave marketization led to and was given new energy by the collapse of state socialism. Structural adjustment came to Latin America at the very time it was emerging from dicta-

torship, prompting experiments in participatory democracy. Indeed, whereas in core countries the waves of marketization have succeeded one another over two centuries, more peripheral countries have had to face these waves in rapid succession, making them all the more explosive.

There have been national reactions to market expansion – whether in the form of Islamic nationalism or shades of socialism in Latin America – but they cannot reverse third-wave marketization as this requires a planetary response to the global reach of finance capital and the looming environmental catastrophe that threatens the whole earth. Indeed, finance capital is the force behind the precarisation of labour – both its recommodification and, correlatively, its excommodification – as well as the rising levels of debt, not just at the level of the individual but also of the community, the city, the state, and even the region. Finance capital has commodified and propelled knowledge into production and together they have incorporated nature as an accumulation strategy of capital (Smith 2007, pp. 16–36). A countermovement will have to assume a global character, couched in terms of human rights since the survival of the human species is at stake.

The question arises where exactly we are on the curve of third-wave marketization. Optimists have argued that third-wave marketization has already begun to reverse itself and that we are climbing towards the confinement of marketization. Others think that commodification has been far from halted. Many, including myself, thought that the economic crisis of 2008 and the reshuffling of world power offered an opportunity for a countermovement, but this proved to be illusory. It is possible that the countermovement is still in the distant future just as it is also possible that there will never be a countermovement with the aim of limiting marketization.

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II

The Personal
and the
Historical

‘WHEREVER MY FATHER LIVED HE WAS ENGAGED IN WHATEVER WAS GOING ON’

Shaping *The Great Transformation*:
a conversation with Kari Polanyi Levitt.¹

MICHAEL BURAWOY

Karl Polanyi has become a canonical thinker in sociology and beyond. His book *The Great Transformation*, has become a classic that touches on almost every subfield of sociology. Its influence extends far beyond sociology to economics, political science, geography and anthropology. Being a critique of the market economy for the way it destroys the fabric of society, it has gained ever more followers over the last four decades of neoliberal thought and practice. The book is simultaneously an investigation of the sources and consequences of commodification and an account of counter-movements against commodification – movements that gave rise to fascism and Stalinism as well as

¹ This interview is a shortened version of a public conversation Kari Polanyi Levitt had with Michael Burawoy at the end of the conference “A Great Transformation? Global Perspectives on Contemporary Capitalism” at Johannes Kepler University in Linz (Austria), 10–13 January 2017; it was first published in *Global Dialogue* – the magazine of the International Sociological Association: <https://globaldialogue.isa-sociology.org/volume-7-issue-4/>

social democracy. Hence it has obvious relevance to our present global context. In this interview with his daughter Kari Polanyi Levitt, she describes the life of her father, and the influences leading to *The Great Transformation*. She also points to the special relation her father had with her mother, Ilona Duczynska, herself a lifelong political activist and intellectual. Here Kari Polanyi Levitt traces the four phases of Karl Polanyi's life (1886–1964): the Hungarian phase, the Austrian phase, the English phase and then the North American phase. Kari Polanyi Levitt is an economist in her own right, living in Montreal, author of numerous publications, including *From the Great Transformation to the Great Financialization* (2013), and the edited collection *The Life and Work of Karl Polanyi* (1990).

Michael Burawoy: Let's start at the beginning. We are used to thinking of Karl Polanyi as Hungarian, but he was actually born in Vienna, right?

KARI POLANYI LEVITT: Yes, that's right. Interestingly, my father and I were both born in Vienna and my mother was born in a small town not far from Vienna – which of course was the great centre of intellectual life, the great metropolis of the Austro-Hungarian Empire. The family, that is the mother and father of Karl Polanyi, started in Vienna. Karl's mother, Cecilia Wohl, was sent by her father from Vilna, then in Russia, to Vienna to learn a trade. As a result of her education she spoke Russian and German. She met Karl's father, a young Hungarian Jewish engineer – Mihály Pollacsek – in Vienna. He spoke Hungarian and German. So the family started as a German-speaking family.

And, not that long ago, I learned from correspondence that my father never learned Hungarian until he entered the *Gymnasium* in Budapest. My father's Hungarian period, which is of course very important, was also shaped by a Russian influence – that came politically through Russian socialists, very different from the social democrats of that time. It was a socialism more oriented toward the countryside, the peasantry. It had anarchist elements. Communes, of course, were very much part of that political formation. And I would have to say that this Russian influence was balanced on his father's side, who was an anglophile. And if there were two important literary figures in the life of my father it was Shakespeare – he took a volume



Karl Polanyi with his daughter Kari, 1938.

of his collected English writings with him to the war – and, of all the great Russian writers, I would say Dostoyevsky.

And then there was the influence of Russian émigré revolutionaries, among them a man called Klatchko.

POLANYI LEVITT: Yes, Samuel Klatchko was an extraordinary figure. He lived in Vienna. He was the unofficial emissary connecting Russian revolutionaries with international and European ones. He came from a Jewish family in Vilna and spent his youth in a Russian commune in Kansas. The commune didn't last very long. It eventually broke up, and they say that he drove 3,000 cattle to Chicago and after that he visited the International Ladies Garment Workers Union in New York. He was an activist. The Kansas commune was named after a Russian figure called Nikolai Tchaikovsky. But when Klatchko came to Vienna he formed a close friendship with the Pollacsek family and he looked after Russian folks who came to buy Marxist literature, or whatever they came to Vienna for. And my father told me – which I have never forgotten – that these men made a huge impression on

him, and also on his cousin Irvin Szabo who played an important part in Hungarian intellectual life; he was also a kind of anarchist socialist. Some of them didn't have shoes and they had their feet tied up in newspapers. My father was immensely impressed by the heroism and the courage of these people. And altogether my father had a... I was going to say 'romantic', but in any case, a huge respect for these revolutionaries – and particularly for Bakunin who, I suppose, is the greatest figure of all, a man who broke out of every prison in Europe.

And the social revolutionary sympathy continued throughout his life, which explains in part the ambiguity he would have towards the Bolsheviks.

POLANYI LEVITT: Yes, it continued throughout his life. It explains the antagonistic relationship to the social democrats of Russia, who after all included what would become the Bolshevik majority faction.

Your father was already politically active when he was a student. Is that correct?

POLANYI LEVITT: Yes, he was a founding president of a student movement, known as the Galileo Circle, whose journal was *Szabad Gondolat*, meaning "Free Thought." It was against the monarchy, the aristocracy, the church, against the Austro-Hungarian Empire. It was not a socialist movement, although many of its participants were socialists. And finally, it included also young people from the gymnasiums, as well as from universities. It gave, I read somewhere, up to 2,000 literacy classes a year. So its main activity was education.

And then there was World War I.

POLANYI LEVITT: He was a cavalry officer in the war, on the Russian front. The situation was horrible. It was equally horrible for the Austro-Hungarians as for the Russians. He contracted typhus, which is a terrible illness. Eventually, he told me, when his horse tripped and fell on top of him, he thought that he was going to die but he woke up in a military hospital in Budapest.

And at the end of the war there was the Hungarian Revolution.

POLANYI LEVITT: The Hungarian Revolution of 1918 ended the war, with the First Republic and Count Karolyi as the first president in the

autumn of that year. Therefore it's usually called the Aster or Chrysanthemum Revolution, or after some other flower denoting autumn. It was then followed by the short-lived Revolution of the Councils, which ended in August of 1919 when it was defeated in a counter-revolution that led Hungarian intellectuals, activists, communists, socialists, liberals into exile in Vienna. Including my father.

So your father left before the end of the revolution, right?

POLANYI LEVITT: Yes, he left before the end.

How did he view the Hungarian Revolution?

POLANYI LEVITT: He was ambivalent, as were many others. I think they initially welcomed the formation of the councils all over the country. But when the councils decided on a wholesale nationalization of business – of everything – I think he thought it was going to have a very bad end. Which it did, in reality.

So the leaders of the Hungarian Communist Party fled from Budapest to Vienna?

POLANYI LEVITT: Yes. The Communist Party in exile had two leaders, Bela Kun and George Lukács. There was a certain rivalry between the two. And here's a funny story that involved my mother who spent the year 1919 in Moscow, where she – because of her linguistic abilities and education – worked in the office with Karl Radek, organizing the meetings of the Second Communist International. Eventually, when she returned to Vienna, she was given some financial assistance to deliver to the exiled Hungarian Communists there. It was in the form of a diamond, and it was put in a tube of toothpaste. But the interesting thing is that she was to deliver it to Lukács, because as the son of a banker he was perhaps thought to be more reliable than Kun.

But at this point your mother and father had not met. In fact, they would meet in Vienna in the following year, 1920. Is that right?

POLANYI LEVITT: It was a fateful meeting – in a villa put at the disposal of Hungarian communists and leftist émigrés by a Viennese well-wisher. As the darling of this company of young men, according to my mother, no one would have expected that she would be

attracted to a gentleman ten years older than her, whose life appeared to be behind him – who was depressed, and scribbling notes in the corner ...

But they were very different characters, these two. One is more the activist and the other is more the intellectual; one spends her time in the trenches and the other in the study.

POLANYI LEVITT: Yes and no. You know, my father wherever he lived was engaged in whatever was going on. He wrote articles for the general public, for whomever would read what he had to say – published by whoever would publish whatever it was. In Hungary it was like that. In Vienna it was like that. In England too. So, he was really engaged with the present. He was an intellectual, yes. But he was not an intellectual with an *idée fixe*, an obsession which they nurture, and who, wherever they go – from one place to another – take the same idea with them. No, no. Not at all. My mother had really started her activities with a very high-profile participation as a remarkable young woman in the Hungarian Revolution: in a way, there was nothing she could do for the rest of her life that quite equalled that. And there was a certain sadness about her. You know, when you achieve at a very early age what you really aspire to do – which is to play an obviously important role in history, in this case, in the communist socialist movement – whatever you do for the rest of your life never quite lives up to that.

So they both had their sad experiences but then in 1923, something very special happened. You were born! And your parents were rejuvenated.

POLANYI LEVITT: Yes, according to his own account, my birth helped to pull my father out of depression, which was, like all such things, a private experience. Nevertheless, he wrote a lot about it. He wrote about what he felt was the responsibility of his generation for all the awful things that had happened, particularly the terrible, meaningless, stupid war. He wrote a lot about the First World War – how it really changed very little. It was never very clear – according to him – what it was really about. It was just a terrible massacre. A human disaster. And he felt the responsibility of his generation. And that sense of responsibility – social responsibility for the state of the world, the state of the

country – I wonder whether it was an attribute of that generation, and whether that sense of responsibility has passed. Do we still have people – including intellectuals – who bear a sense of responsibility for our society, in the way he and many others of his generation did?

This was a very special generation, indeed, and for many reasons. But one of the reasons was Red Vienna – the socialist reconstruction of Vienna from 1918 to 1933, overlapping the years that your father was also in Vienna.

POLANYI LEVITT: Yes, Red Vienna was an amazing episode in history – a remarkable experiment in municipal socialism. It was really a situation in which workers were privileged, and were privileged socially – in terms of the services, in terms of the wonderful collective tenements that were built; Karl-Marx-Hof, of course, being the outstanding example. But not only that. The atmosphere and the cultural level were very unusual, marked by the fact that somebody like Karl Polanyi, who had no status and was not employed by any university, gave public lectures on socialism and other matters. He could challenge the market-oriented thinking of Ludwig von Mises in an established financial journal. Mises would reply, and my father would respond. There was an intellectual life outside the university, in the community.

What do you remember of this period?

POLANYI LEVITT: I was only a child, but I do remember the wonderful summer camps in the most desirable lakes in Salzburg that were all organized by the socialist movement. And the people came from all over the world to look at Red Vienna, as an example of modern urbanism at its best. Although neither of my parents had great affection for social democracy, both of them conceded later in life that those years in Vienna – so-called Red Vienna – were remarkable, and laudable. It was the only time I ever heard my mother say anything laudable about social democrats. My father, as a matter of fact, was no big enthusiast either.

In 1922 your father wrote his famous article on socialist calculation, which is a sort of celebration of another vision of socialism – Guild Socialism – that was also influenced by Vienna's municipal socialism.

POLANYI LEVITT: Well, look. At that time there was no country in the world that had a socialist economy, right? Russia was emerging out of a brutal civil war. So, there was an intellectual debate on the possibility of organizing a socialist national economy. And Mises fired the first shot. He was the one who wrote the article to say that this was impossible – because without price making markets, there was no rational way of allocating resources. I'm sure most of you who study economics are familiar with this argument. And then Polanyi challenged this with a model of associational cooperative socialism, based partly on Otto Bauer, and partly on G.D.H. Cole.

What was your father's view of the Russian Revolution of 1917, when he was in Vienna?

POLANYI LEVITT: Well, first of all, the first Russian Revolution in 1917 – the February Revolution – was the one that ended the war. His view was that this was wonderful, because like just about everyone in Hungary he wanted the war to end. The war was extremely unpopular. Then the war finished. The initial Russian Revolution was welcomed, I think.

What about the October Revolution?

POLANYI LEVITT: For Polanyi both the February and October Revolutions were bourgeois revolutions. They were the last wave that followed the French Revolution and had crossed Europe – and had finally reached the most backward country in Europe, which was Russia. So that's how he put it.

So the true revolution comes later with the move toward collectivization and five-year plans?

POLANYI LEVITT: Yes. I think he would say that socialism came only with the Five-Year Plan, after 1928 or 1929. Prior to that, Russia was a predominately peasant country, an agricultural country. We now have an interesting article written in Bennington in 1940, which has recently come to light. There he talks about Russia's internal dilemma. To put it simply: the working class, which was the basis of the Communist Party, controlled the cities and was dependent on the peasantry, who controlled food supply in the rural areas. But then

there was an external dilemma: it was not possible for Russian peasants to export their grain because international markets had collapsed in the Great Depression, grain being the principal export commodity of Russia at the time. This contributed to the decision to undertake the accelerated industrialization of Europe's most backward country – and to undertake it as a socialist project of nationalization – not only of industry, but also of agriculture.

So this is already paradoxical, right? Because of course hitherto we hear him endorsing the social revolutionaries and the idea of a participatory democracy, but now it seems he endorsed Stalinism.

POLANYI LEVITT: Yes. But as has been pointed out by other people, also regarding my father's life, it was very contextual. And precisely what is so attractive about his thinking – but also makes it sometimes contradictory – is that it does not proceed from a single principle, so to speak. It proceeds from situations, and their possibilities. This is the first polarity: reality, and freedom – what is the real situation and what are the possibilities for Russia at that time? You have a revolution that is led by a proletarian party. You have a peasantry that did not want to be nationalized – they wanted to own the land. And they did. And they had a lot of power, controlling the food supply. And then you had an international situation. Shortly after, you had fascism in the 1930s. Only in England, does my father really become a strong supporter of the Soviet Union, and it was in the context of the impending conflict with German expansionism and Nazism.

So your father leaves Vienna in 1933.

POLANYI LEVITT: Yes, he left Vienna because of the impending fascism. A decision was made by the editorial committee of the famous economic journal *Der Österreichische Volkswirt*, where he was then a leading editorial figure, that Polanyi should go to England because the political situation was tenuous. His English was excellent. He had contacts. So he went to England in 1933. He continued to contribute articles from England until the journal ceased publication in 1938. We didn't go as a family. My father went in 1933. I was sent to England in 1934, and went to live with very close English friends, Donald and Irene Grant, whom we had known well in Vienna. They were Chris-

tian socialists working for the Student Christian Movement of Britain, handing out relief to impoverished post-war Austrians. And that is how we met them. And I lived with them. My mother came in 1936, two years later.

Let's go back to your father, now in England. What did he do there?

POLANYI LEVITT: When he first arrived in 1933, he had no fixed employment. His support system there was Betty and John MacMurray and the Grant family who belonged to something called the Christian Left. They were Christian socialists. There were also communists and there were religious leaders, mostly Protestant. He wrote an important essay on the essence of fascism, which he considered to be an affront to Christian values, that would be included in a book he co-edited, *Christianity and the Social Revolution*. My father also led a study group of his English Christian friends, on the two volumes of Marx's early writings, including *The German Ideology* and the famous *Paris Manuscripts*, which had just been published in 1932. He read to them from these writings, translating into English as he went along. He was very excited about these works. I remember the sense of his agreement with them. I call Marx's early writings the common starting point of Marx and Polanyi.

*He says as much in *The Great Transformation*. So what did his teaching involve? How did England influence his thinking?*

POLANYI LEVITT: It was not until 1937 that Karl obtained employment with the Workers Education Association (WEA), a very large and very old adult education movement. In England it is connected to Ruskin College that enables working-class people, who were not able to go to university, to obtain further education. My father got the chance to teach in English provincial towns in Kent and Sussex. He stayed overnight with the families. He got to know more intimately the life of working-class families, and he was shocked at the conditions he found and, to be honest, the low cultural level. By comparison with working-class people in Vienna they were culturally poorer, even though Austria was a far poorer country in monetary terms than Britain. The subject that he was required to teach was English social and economic history, about which he did not know anything. It was

a period of self-study for him. If you look at the back of the book – *The Great Transformation* – you will see the enormous range of the studies he undertook. It is very similar to Marx’s *Grundrisse* that interestingly enough relies on similar authors – Ricardo, Malthus and others – writing on the early industrial revolution. So, my mother wrote – and it is written in the foreword to the book called *The Livelihood of Man*, which was published posthumously – that it was in England that Karl put down the roots of a sacred hate of market society, which divested people of their humanity. That is how she put it. Then, of course, he discovered the class system in England. It consisted of differences of speech. And he described the class system as similar to caste in India, and race in the United States.

In 1940 Karl Polanyi is invited to give lectures at Bennington College in the US.

POLANYI LEVITT: Yes, in Bennington he received a two-year fellowship from the Rockefeller Foundation to write *The Great Transformation*. He had good support from the president of Bennington, but he had to report to the Rockefeller Foundation. Whatever he gave them to read, they did not like it. They had very serious doubts about his suitability to be in a university. They wrote that he really was more interested – and listen to this, as a put-down – in “Hungarian law, and college lecturing, and philosophy.” To say he was interested in philosophy is a total put-down. However, they renewed the grant. And at the end of the two years – we’re now in 1943 – my father was very keen to return to England. He did not want to stay in the United States. He wanted to participate in the post-war planning of England. By this time the Battle of Stalingrad had turned the tide of the war; it was very clear that the allies were going to win. And he left the two penultimate chapters of *The Great Transformation* unfinished. And if you look, those chapters have traces of being unfinished. Not the last chapter, but the two chapters before the last one. If he had stayed to finish the book, I think that the draft outline of a proposed book, “Common Man’s Masterplan” is really what he might have included in those last two chapters. Something of that. He left it with colleagues. There was a lot of contention and quarrel about these two penultimate chapters.

But eventually he would return to the US to take a job at Columbia University, but your mother was prohibited from living in the US, so they ended up living in Canada.

POLANYI LEVITT: The other option would have been to stay in England, where my father could have continued working for the WEA. But it was also clear that really, he had something to say. He had a book to write. And he had work to do. And he was not going to get any appointment at any university in England. That was very clear. So in 1947 came the offer from Columbia. It was based on *The Great Transformation*. The book had a foreword by Robert MacIver of Columbia University which is known in schools of economics for its institutionalism, and matched – in a sense – Polanyi's approach. Then, in London, Ilona was told that she was prohibited from entering the United States. It was a big problem. My father was very, very upset. He wanted her to persuade the Americans to change their mind. And she said no way. That is not possible. So, he conceived the idea that perhaps they might make a home in Canada, and eventually he persuaded her that this was a feasible solution. And she made a beautiful home for them on the outskirts of Toronto, in a rural setting – a tiny little house. And that was in 1950. He commuted like a student, from New York. He came for Christmas and Easter, and summer vacations. And when he finally retired from teaching in 1953, he spent more time in Canada. His students came to visit him constantly. And many other people came.

*And his research turned in a new direction. He became more interested in anthropological studies. But that I'm afraid is a story for another conversation. Thank you very much for this wonderful account of Karl Polanyi's life. You have delved into the extraordinary prehistory of *The Great Transformation*. I think we now understand far better how it was the product of very different historical experiences in the twentieth century and why it remains so important today.*

FREEDOM IN A THREATENED SOCIETY

What does Karl Polanyi really tell us? A brief outline of his ideas sheds some light on why this social scientist has become so relevant today.

MICHAEL BRIE AND CLAUS THOMASBERGER

Karl Polanyi is one of the most influential social scientists of our era. His most renowned work, *The Great Transformation*, is regarded as one of the classics of the 20th century. It is impossible to imagine the discourses of economic anthropology and history, or of sociology, law, and political science without concepts like the ‘embedding of the economy into society’, ‘fictitious commodities’, the ‘self-regulation of the market system’, ‘double movement’ and ‘great transformation’. At least since the financial and economic crisis of 2007–9, Polanyi has become an essential reference in the broader public debate. Many critics of the neoliberal project and the political right look to his writings for guidance. The German Advisory Council on Global Change (WBGU 2011) explicitly referenced his work to support the call for a new ‘social contract for a Great Transformation’ as a measure to mitigate climate change. It is no coincidence that the UNCTAD Report on Trade and Development dubbed the current situation the ‘Polanyi period’ (UNCTAD 2016). An increasing number of conferences are being dedicated to Polanyi’s analyses. In May 2018, the International Karl Polanyi Society was founded in Vienna.

The present-day relevance of Polanyi’s ideas is especially due to the fact that the central conflict lines of our time are astonishingly similar to those tensions which Polanyi revealed in his studies of the rise, transformation and decline of the European market societies. The famous American journalist and writer Robert Kuttner referred to these parallels when he recalled the more recent weakening of the welfare state

and the hollowing out of democracy, emphasising: ‘We have been here before. During the period between the two world wars, free-market liberals governing Britain, France, and the US tried to restore the pre-World War I laissez-faire system. (...) The result was a decade of economic insecurity ending in depression, a weakening of parliamentary democracy, and fascist backlash. (...) The great prophet of how market forces taken to an extreme destroy both democracy and a functioning economy was not Karl Marx but Karl Polanyi.’ (Kuttner 2017) Yet the main reason Polanyi is so important is his probing mind. In particular, one of the guiding questions he pursued throughout his life was the possibility of freedom in a complex high-tech society.

There is no question that the dangers associated with an unbridled market system were pivotal to his thought. He analysed – like no one before him and, for a long time, no one after him – the consequences of the commodity fiction for human beings and the natural environment. And he warned against the restrictions on personal freedom, the ‘paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity’ (Polanyi 1947/2018, p. 197), which would accompany an industrial civilisation that is based on the commodification and financialisation of ever-more areas of life.

Yet Polanyi’s originality springs from the fact that he never indulged in the illusion that social protection would be able to solve the problems of a technological civilisation. His goal was not ‘embedded liberalism’ (the term by which John Gerard Ruggie would refer to the ‘golden age of capitalism’ of the post-war era (Ruggie 1982, pp. 379–415)), but the transcendence of the boundaries of a society that was trapped in the dialectic of market expansion and social protection. In his view, it was precisely this double movement that threatened personal freedom, social progress, even Western civilisation as a whole. Polanyi’s story is not one in which the righteous-upholding the principles of social protection-fight against the evils of economic liberalism.¹ The roots of these evils could be found on both sides.

¹ In this paper, the term ‘liberalism’ is used in its original sense as also understood and applied by Polanyi. We are well aware that ‘liberalism’ has, especially in the United States, come to have a very different meaning today.



That is why Polanyi's works cannot be reduced to a critique of unbridled capitalism. The image of a 'giant elastic band', which will either snap and thereby plunge capitalism into the abyss or revert to a welfare-state embedded position, misconstrues the actual depth of Polanyi's analysis; as is the depiction of the history of capitalism as an oscillation between market and democracy. By emphasising the historical character of the double movement, Polanyi opposed all and any ideas of an 'end of history'. To him, liberal capitalism was an historically limited era, merely constituting 'man's initial response to the challenge of the Industrial Revolution' (Polanyi 1947/2018, p. 197).

Today, we are once again confronted in many countries with the fact that the right-wing political forces are more successful than left and progressive actors in winning over relevant sectors of society. This raises questions, and Polanyi's interpretation of the historical character of the double movement can make a substantial contribution to providing the answers. His view shines a spotlight on the

promises made by liberal politicians, which were broken whenever they threatened economic growth, international competitiveness or the stability of the international system. In the economic and financial crisis of 2007–9, when the stakes could not have been any higher, the rescue of ‘the system’ (including the major financial institutions) was given priority over the protection of people’s needs. Indeed, there are many who have gained as a result of open markets, but, in contrast to well-sounding proclamations, a great many have lost out, too. Polanyi makes it clear that the matter at hand is about more than interests and political will. It is about the incompatibility of capitalist market society and the basic needs of a life in freedom, security and democracy – and in harmony with the natural environment. In *The Great Transformation*, he hopefully writes: ‘After a century of blind “improvement” man is restoring his “habitation”.’ (Polanyi 1944/2001, p. 257)

Polanyi continued asking questions where most critics of market fundamentalism had stopped. He got to the bottom of the implications of the two-fold insight that the protective counter-movement was a) necessary and b) ultimately incompatible with the principles of the market system. He was convinced that only by considering this dilemma would it be possible to develop an understanding of the underlying reasons for the eventual failure of the European market society of the 19th century. ‘Inevitably, society took measures to protect itself, but whatever measures it took’, he warns on the first pages of *The Great Transformation*, ‘impaired the self-regulation of the market, disorganized industrial life (...). It was this dilemma which (...) finally disrupted the social organization based upon it’ (Polanyi 1944/2001, pp. 3–4) and paved the way for the fascist revolution. To Polanyi, fascism was not a part of the countermovement but came once the latter had reached its end. Polanyi saw socialism as an alternative to liberalism which – in contrast to fascism – would not destroy freedom but place it on a new, democratic footing. Such a socialist society would not require any kind of retroactive protection because the social, ecological and humane objectives would be considered in the design of the economy from the outset. The self-regulating market would be transcended ‘by consciously subordinating it to a democratic society’ (Polanyi 1944/2001, p. 242).

Polanyi had witnessed both World Wars and the major political and economic upheavals of the first half of the 20th century. He had learned that the central promise of liberal civilisation, namely that it was a free society, could not be redeemed and led to the fascist catastrophe. The competitive society became a society characterised by 'race war' and the conquest of 'lebensraum', ultimately turning into spaces of annihilation of 'the Other'. In Polanyi's view, a freedom that produces such results cannot be justified. As he elaborated in a Vienna lecture entitled 'On Freedom' ('Über die Freiheit') in 1927: If I cannot grasp the consequences of my own free decisions, if my own freedom is inextricably linked to the suffering or death of others, then capitalist society is 'not just unjust but also un-free' (Polanyi 1927/2018, p. 37).

Applying this to a more modern-day experience would mean: If a holiday flight emits so much CO₂ that it can increase the intensity of a typhoon to the extent that even only one additional person may die – how can we justify that? If the clothes we buy, the coffee we drink or the meat we eat is 'paid for' with environmental destruction and the undignified labour of others, how can we accept that? If global inequality drives people to seek out the most dangerous routes imaginable to get somewhere else where they can lead a better life, how can we be indifferent to this, just because it does not directly affect 'us'?

The conclusion Polanyi drew from this existentially untenable situation of an unjustifiable freedom is the call for a new 'great transformation'. Polanyi reworded the famous line from Hamlet, 'to be or not to be'. He saw the only choice as being between closing 'one's eyes in a cowardly way and [abjuring] in favour of various self-erected powers, the true connection between human life and freedom, or, on the other hand, boldly [facing] reality in order finally to acquire the new freedom along with the new responsibility' (Polanyi 1927/2018, p. 28). The freedom of each individual would no longer have any incalculable deadly effects on others, but enrich their lives. In the chapter entitled 'Freedom in a Complex Society', he writes in *The Great Transformation*: 'If industrialism is not to extinguish the race, it must be subordinated to the requirements of man's nature.' (Polanyi 1944/2001, p. 257) This is certainly all the more true today, with the existence of 'Artificial Intelligence' and 'Industry 4.0', than it ever was in his day.



Polanyi outlined four directions in his writings to illustrate what such a solidarity-based 'great transformation' might look like: firstly, he demanded that the (neoliberal) planning of the markets be replaced by the social planning of reforms towards more freedom. The implication was that market society would have to become a society based on solidarity. However, the economy would have to be subjected to the democratic will of the citizens instead of primarily obeying the laws of the market. He strictly opposed the false dichotomy of freedom and planning: 'The passing of market-economy can become the beginning of an era of unprecedented freedom. (...) regulation and control can achieve freedom not only for the few, but for all.' (Polanyi 1944/2001, p. 265)

Secondly, he proposed that the basic economic goods, that is, the natural conditions of life and natural resources, labour power and money, be withdrawn from the control of the markets. Prices for economic commodities, the conditions at which they can be valorised and the duties associated with their use should all be socially regulated. Polanyi was in favour of markets but opposed a self-regulating market economy. In 1944, this sounded rather revolutionary: 'Not only conditions in the factory, hours of work, and modalities of contract, but the basic wage itself, are determined outside the market' (Polanyi 1944/2001, p. 259). The same would have to apply to land, basic foods and particularly to capital transactions and lending.

Thirdly, Karl Polanyi was a pioneer of de-globalisation. He did not interpret this as meaning the end of the international division of



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labour or international commodity exchange. But he had experienced what it meant when the fate of millions of people depended on fluctuating exchange rates, a lack of creditworthiness, and a merciless compulsion to cut spending on education or healthcare. ‘The helpless method of free trade’ (Polanyi 1943/2018, p. 181), in his view, should be replaced by voluntary agreements between responsible governments. Polanyi advocated the creation of large common markets in which the required security and cooperation could be established democratically. His guiding principle in this regard was: regional planning of social reproduction instead of universal (or, as we would say today, global) capitalism (Polanyi 1945/2018).

Fourthly, Polanyi followed a clear precept: ‘Wherever public opinion was solid in upholding civic liberties, tribunals or courts have always been found capable of vindicating personal freedom. [Personal freedom] should be upheld at all cost – even that of efficiency in production (...). An industrial society can afford to be free.’ (Polanyi 1944/2001, p. 264). Polanyi was firmly convinced as only few before him or indeed after him, that the freedom of the individual was inextricably linked to democratic debate, planning and control. No freedom without responsibility, no responsibility without freedom! How exactly these two extremes should be reconciled would have to be the subject of a constant search process in accordance with the culture of each country, region and municipality, and the broad range of other specific conditions.

Last but not least, Karl Polanyi left a message for today's social scientists: instead of retreating into a world of abstract theories, he urged them to seek guidance in the realism of their societies' citizens – those people raising the most important questions from which scientific analysis should proceed. In his view, science can neither determine what is to be done nor decide how it is to be done. All it can do is provide advice and an explanation as to the potential consequences. He himself wanted to contribute to a revolution of the economic and social sciences that would help in the search for paths towards a society in which the utmost degree of freedom could be combined with the required degree of solidarity, and in which the economic and state institutions are subjected to the needs of human life and the natural world. Those searching for a financial system based on solidarity, who are shaping sustainable regional economic systems, proclaiming a care revolution, who are committed to the fight for the commons, who speak of eco-socialism, demand a new world economic order based on solidarity and sustainability, are all, whether they know it or not, the intellectual heirs of Karl Polanyi.

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BORN A REBEL, ALWAYS A REBEL

Ilona Duczyńska Polanyi, a revolutionary and resistance activist, sought to combine socialism and pluralism, political radicalism and humanism in texts and political activities throughout her life.

VERONIKA HELFERT

Ilona Duczyńska Polanyi (1897–1978) was one of those politically active women who was well-known during her lifetime thanks to her journalistic work and public engagement. Nevertheless, today she often remains in the shadow of her second husband, Karl Polanyi, the works of whom have increasingly caught the interest of scholars in the disciplines of sociology, economics and history more recently. Duczyńska was not only a revolutionary and resistance activist, but just as much a committed publicist and historian who, throughout her life, pursued the question of how a free socialist society could be established without being corrupted by dictatorship and violence. More than 40 years after her death, it is high time to remember her life and work.

Born in 1897 in Maria Enzersdorf, Duczyńska grew up in Vienna and on her family's country estate in Magyargencs in the Hungarian county of Veszprém. She came from an impoverished upper middle-class and noble family – her mother the daughter of a Hungarian gentleman farmer, her father a Polish 'aristocratic anarchist', as she once referred to him.

Both sides of the family had revolutionary ancestors: on her father's side, they were allegedly involved in the Polish November Uprising of 1830/31 against the Russian Empire, on her mother's side in the War of the Sixth Coalition and the Hungarian Revolution of 1848/49. The young Ilona Duczyńska took this revolutionary legacy very seriously,

reading such authors as Georg Büchner and August Bebel. Her anti-war stance led to her expulsion from a boarding school in the city of Fulda (state of Hesse) in 1914.

In 1915, she completed her *Matura* (higher school certificate) as a privatist and enrolled at the Institute of Technology in Zurich. During World War I, Zurich was an important centre of socialist and anti-war activism. The student came into contact with such central protagonists as Angelica Balabanoff, the secretary of the Comintern in 1919, and Polish socialist Henryk Lauer. An enthusiastic socialist, she got caught up in the maelstrom of the Russian Revolution and abandoned her studies of mathematics and physics in 1917.

She smuggled the 'Zimmerwald Manifesto' – the European radical Left's written statement of political principles – across the border from Vienna to Budapest, where she continued her studies and was active in the anti-war movement. In 1918, she and her first husband, Tivadar Sugár, were arrested and convicted of high treason in a high-profile trial. She was one of the prominent prisoners to be freed during the Hungarian *Öszirózsás forradalom*, the Aster Revolution of October 1918. Duczyńska joined the Communist Party of Hungary and became actively involved in the Soviet Republic led by Béla Kun. She also worked with Comintern functionary Karl Radek in Moscow for a while. Together, they organised the Second World Congress of the Communist International in the summer of 1920.

Following her return to Vienna in the early 1920s, she was expelled from the exiled Communist Party of Hungary. By then, she had met Karl Polanyi. Both joined the Social Democratic Party and she became active in its left wing. After her daughter Kari Polanyi Levitt was born, Ilona Duczyńska resumed her studies. As she recounted in the 1970s, Red Vienna became a substitute for her revolutionary hopes.

In 1933 the Dollfuss government suspended the parliament and began to steadily curtail political rights and freedoms. Karl Polanyi emigrated to England, while Duczyńska remained in Vienna and went underground following the February Uprising of 1934, becoming a leading member, according to her own account, of the *Republikanischer Schutzbund* (Republican Protection Association) in Vienna, a social democratic paramilitary organisation. In 1936 she followed her family to England and worked at the Royal Aircraft Establishment.



Ilona Duczyńska Polanyi, Karl Polanyi's wife

Her life in London was not to be permanent, however. After World War II, Karl Polanyi was appointed to a position at Columbia University in New York.

Given Duczyńska's previous membership in several communist parties, she was banned from entering the United States. She moved to Canada and shuttled between Pickering (Ontario), Vienna and Budapest. For even though she never returned to Europe permanently, it was above all Hungary that would remain her political home.

She advocated the pluralisation of Hungarian society, met with local intellectuals, published articles in Hungarian and Italian journals, delivered lectures in Austria, and was the editor of various anthologies. After the death of Karl Polanyi, she took custody of his life's work and started work on a book that covered the events of February 1934, which would ultimately become her own intellectual legacy.

Ilona Duczyńska's political practice was marked by obstinacy and the will for autonomy, as underlined by her clashes with party structures: she was expelled from the Communist Party of Hungary just as from the Social Democratic Workers' Party and the Communist Party of Austria. Her marriage with Karl Polanyi was surely one reason for her alienation from the Hungarian Communist Party during the early 1920s. Yet what weighed more heavily was her criticism of the party discipline which she had made public in her article, '*Notes on the Disintegration of the Communist Party of Hungary*' ('*Zum Zerfall der K.P.U.*') for the paper *Unser Weg* (Our Way) edited by German dissident Paul Levi. She would later refer to this article as a 'critique of Stalinism even before it existed'. With linguistic wit and a sharp tongue, she described the power struggles inside the party and what she diagnosed as an aberration.

In her view, leading party functionaries were relying on a 'dialectic of evil': the crimes and moral sacrifices that had been committed in the name of the revolution were being glorified and reframed as good deeds. Duczyńska, who did not reject violence as a means of politics per se, regarded inner-party democracy and pluralism of opinion as an indispensable precondition for the achievement of socialism.

In a letter to her daughter Kari dating to the late 1940s, she forcefully declared: 'I am a Hungarian communist.' Her unbroken enthu-

siasm for the socialist cause, which English Marxist historian Eric Hobsbawm had emphasised in his foreword to the English edition of her book on the Austrian Civil War of 1934, characterised her writings before and after World War II. Her journalistic activities were an attempt to create a critical public in Hungary, a continuation of her efforts to contribute to the creation of a democratic socialist society.

During the 1960s and 70s, she sought contact with the generation of those young Europeans who dedicated themselves to the tradition of the liberation struggles in the de-colonised countries.

Duczyńska also corresponded with members of the German *Außerparlamentarische Opposition* (Extra-parliamentary Opposition, or APO). In 1975, her study on February 1934 and Theodor Körner, the Hungarian-born Social Democrat and later President of Austria, was published.

In her book she once again underscored the fact that in the face of the fascist threat, violence was at times a politically legitimate, even necessary means.

However, she asserted, the use of violence always had to be linked to a pluralist, democratic – even anti-hierarchical – form of organisation. For only such a model would allow the sphere of power to be combined with that of humanity.

Biographical notes:

Ilona Duczyńska Polanyi (1897–1978) came into contact with socialist circles during her studies in Zurich and was convicted of high treason in Budapest in 1918. In 1920 she returned to Vienna, pursuing journalistic work. Subsequently, expulsion from the Communist Party of Hungary, later membership in the SDAP (until 1929), marriage to Karl Polanyi. Resistance activism from 1934 to 1936, followed by emigration to England and later to Canada. After 1945 she was active in the Hungarian left opposition. In 1975, her book on Theodor Körner, *Der demokratische Bolschewik: zur Theorie und Praxis der Gewalt*, was published, in 1978 followed the US edition, *Workers in arms: the Austrian Schutzbund and the civil war of 1934*.

FROM DEVELOPMENT ECONOMIST TO TRAILBLAZER OF THE POLANYI RENAISSANCE

Kari Polanyi Levitt's biography resembles that of her father in a particular aspect she espoused after his death: she always tied her own academic training to her political commitment.

ANDREAS NOVY

Today, Kari Polanyi Levitt lives in Canada where she has spent most of her life. The 97-year-old is the daughter of Ilona Duczyńska (1897–1978) and Karl Polanyi (1886–1964). Although she does have Canadian citizenship, her long-time colleague Lloyd Best, a Caribbean development researcher, has described her as a 'West Indian from Central Europe'. Indeed, her work and life cannot be understood without first delving into her Austrian heritage and her work in and on the Caribbean.

Kari Polanyi was born in Vienna, the impoverished former metropolis of Central Europe, in 1923. As Ilona and Karl's only child, she was equally a child of Red Vienna, raised in Vorgartenstrasse 203 in the second Viennese administrative district of Leopoldstadt, a stronghold of social democracy. Even today, she remembers her early happy years of life, which were just as formative for her as they were for her parents. To this day, she maintains contact with some of her surviving friends from that time. Kari enjoyed the freedom she had in school and the many leisure opportunities Red Vienna had to offer. Her very first political activities also date back to those days. In

February of 1934, after her father had already emigrated to England, the brief Austrian Civil War took place. The schools were closed for days, and when they reopened some of the teachers were gone. On the first day of school, all children were given a red-white-red badge. Excusing themselves to go to the toilet, Kari and a friend went out into the hallway, gathered all the buttons they could find and threw them down the drain.

A few months later, she followed her father to England. She finished school there and took up her studies of economics at the London School of Economics (LSE). Due to the war, the London-based universities relocated to Cambridge and Oxford, where Kari studied in a unique creative intellectual environment from that point forward. While British economists like John Maynard Keynes were in charge of managing the wartime economy in London, women like Joan Robinson and a great number of voluntarily or involuntarily exiled intellectuals, who were or would become renowned scholars, lived in Oxford and Cambridge: Nicolas Kaldor, Friedrich Hayek, Wassily Leontief, Ernst Schumacher, Michael Kalecki, to name but a few.

Kari Polanyi combined her academic training with her political activities from early on – in and on behalf of the trade unions, in adult education and in public service. The first influential study she was involved in examined the effects of the strategic bombardment of targets in the German war economy by allied aircraft. This study, conducted by lead researcher Nicholas Kaldor, concluded that the air raids did successfully destroy the railway infrastructure but failed to prevent the sharp rise in the German arms production.

In 1947 she left for Canada, where she met and married historian Joseph Levitt, with whom she raised two sons. In 1959 she completed her Master's degree at the University of Toronto. From 1961, she worked in the Department of Economics at McGill University in Montreal, where she was given emeritus status in 1992. As the trained statistician that she was, she conducted empirical research first in Canada and later increasingly in the Caribbean countries, serving on several occasions as a visiting professor in the Caribbean, including, among others, at the University of the West Indies. To this day, she escapes Montreal during the freezing cold winter months and spends lengthy periods in Trinidad.



Kari Polanyi Levitt, Karl Polanyi's daughter

For the best part of her working life, Kari Polanyi Levitt dealt with questions of development economics. What are the links between the Caribbean plantation economy, slavery and large-scale landholding on the one hand, and the wealth of Northern Europe and North America on the other? Her and Lloyd Best's combined contribution was that they described in detail this specific organisational form of capitalist production before the machine age. Exploited colonies like those in the Caribbean differed fundamentally from settlement colonies such as those in North America. Plantation slavery, a complex organisational form designed for the purpose of profit maximisation and a precursor to European industrial labour, already exhibited the dominance of financial capital: the merchants were more powerful than the producers. The view of the world economy from the perspective of the descendants of slaves inevitably directs attention to the down-sides of the capitalist success story. Kari Polanyi Levitt conceived of capitalism from its margins.

Development economics represents a sub-discipline of economics that is clearly distinct from the dominant approaches in the discipline. According to mainstream economics, there is a single, universal economic science that applies equally to all world regions and fields of politics alike. Development economics, by contrast, emphasises the institutional diversity and historical path dependency of development. Important inspiration for development economics came from Central European intellectuals like Albert Hirschman, Alexander Gerschenkron and, not least, Kari Polanyi Levitt. What they had in common was the experience of actually witnessing in person the asynchronicity of development dynamics in one and the same location. Modernisation and regression went hand in hand in their erstwhile origins in Central and Eastern Europe. Other important impulses for development economics also emanated from economists in the periphery. Kari Polanyi Levitt makes particular mention of the late Celso Furtado from Brazil and, more recently, Jayati Ghosh from Jawaharlal Nehru University in New Delhi.

Kari Polanyi Levitt earned herself a reputation through her book, *Silent Surrender. The Multinational Company in Canada*, first published in 1970 and followed by several subsequent editions. In this work, she studied the influence of US-American direct investment on the Cana-

dian economy. She analysed how the growth of foreign direct investment hollowed out Canada's domestic industrial base and increased its dependence on the mining sector. The last wave reinforcing this dependence was the fracking industry, the ecological consequences of which remain highly controversial. Given that economic development is closely connected to political power relations, a political-economic analysis is needed in order to expose these connections. It hardly comes as a surprise that this kind of approach meant she repeatedly ran into problems with state authorities and commissioning bodies throughout her lifetime.

For a long time, the relationship between daughter and father was characterised by congenial mutual disinterest in each other's academic work: Karl just could not get excited about development simply in terms of material improvement. 'Development, Kari? I don't know what that is', he once said to his daughter. She, in turn, young and politically committed as she was, was unable to make sense of her father's interest in ancient cultures and indigenous communities.

In retrospect, the fact that their views eventually converged comes as no surprise. Throughout his life, Karl placed his hopes on the renewal of the West's humanitarian values through the emerging countries of Asia, Africa and Latin America. One crucial factor driving Kari's convergence with her father's thought was that she took over the custodianship for Karl Polanyi's literary work from her mother in 1978. Only after this new task as inheritance and estate trustee did she begin to engage more thoroughly with her father's work. It was then that she discovered the many similarities between their respective critiques of dominant economic theory and a capitalist market economy endangering the very foundations of human life. In 1988 she was a co-founder of the Karl Polanyi Institute of Political Economy at Concordia University in Montreal. This institute, headed by Marguerite Mendell, today manages Karl Polanyi's archive material. Subsequently, she organised multiple Karl Polanyi conferences, which have certainly contributed to her father's increasing fame and popularity today.

Kari Polanyi Levitt describes her father as follows: 'Never doctrinaire ... Although he was not a Marxist, he was even less of a social democrat. Although he was a humanist, he was a profound realist.'

(Polanyi Levitt 2013, p. 41) In my view, the same applies to her, which is why she, as a non-doctrinaire socialist, has a clear opinion when it comes to the interpretation of her father's work. She criticises a 'soft' interpretation, according to which Karl Polanyi, as an institutional economist, had allegedly asserted a necessary pendular movement between more and less state intervention: the welfare state is followed by market fundamentalism, hopefully then followed once again by a solidarity-based welfare state model.

Her verdict is particularly harsh whenever Scandinavian Social Democracy is cited as Polanyi's role model. Karl Polanyi was not even interested in the Swedish welfare state, nor in any other welfare state model established after World War II. One may speculate as to why this was the case. One important reason for his public silence was most likely the self-censorship during the McCarthy era. Another may well have been the circumstance that postwar social democracy increasingly became more culturally conformist, more materialistic and fixated on mass consumption while increasingly abandoning educational work. Kari Polanyi Levitt therefore agrees with her mother that a 'hard' interpretation would more accurately represent her father's actual position. According to such a reading, then, capitalist market economies are fundamentally unstable because they produce these powerful counter-movements. Under capitalism, the economy functions, for the first time in human history, according to its own inherent laws, independent of society and nature.

However, there is an irresolvable tension between capitalism with its inherent logic on one side, and democracy and universal participation on the other. Inevitably, conflicts arise. Counter-movements set dynamics in motion that can lead to systemic changes. Either by undermining the inherent capitalist logic or democratic participation. This thesis was popularised by Dani Rodrik in the form of the globalisation trilemma he espoused (Rodrik 2011). According to Rodrik, it is impossible to reconcile democracy and national self-determination with hyper-globalisation. For the dominance of hyper-globalisation undermines either democracy or national self-determination. What would be desirable, according to Rodrik and Polanyi Levitt, is the reversal of economic globalisation in a way that resembles the Bretton Woods order after World War II: limited international financial

markets and a simultaneous promotion of international trade, as long as it is supported by all involved parties.

Her failing eyesight prevented Kari Polanyi Levitt from elaborating her new insights in a more systematic manner. And yet, in 2013, she still managed to publish a new book, *From the Great Transformation to the Great Financialization*, containing essays from the previous twenty years. The Spanish translation (*De la gran transformación a la gran financiarización. Sobre Karl Polanyi Y Otros Ensayos*) with a foreword by Dani Rodrik appeared in Mexico in 2018. The German translation has been published by Beltz-Verlag under the title *Die Finanzialisierung der Welt: Karl Polanyi und die neoliberale Transformation der Weltwirtschaft*, edited by Andreas Novy, Claus Thomasberger and Michael Brie, in 2020. In this book, the criticism of the exaggerated hopes for a new era of globalisation is of particular concern to her. Just like her father, she insists that national sovereignty, especially in the countries of the Global South, is a precondition, not an obstacle, for international solidarity. Only democratic states, and not civil society or a global set of rules, can set boundaries for transnational corporations, they both contend. Correspondingly, and this is something her father believed as well, to Kari Polanyi Levitt, regional planning thus represents an alternative to universal capitalism.

In recent years, Kari has returned to her Viennese roots. At the Department of Socioeconomics of Vienna University of Economics and Business (WU), she found an approach to economics that closely resembles that of her father's. She was particularly grateful for the interest the City of Vienna expressed both in her and her father. The municipal department 23, responsible for Economy, Labour, and Statistics, named its seminar room on the premises of the Ernst Happel Stadium in Vienna after her. Moreover, on 7 May 2018, Kari Polanyi Levitt was awarded the golden badge of honour of the City of Vienna by city councillor Renate Brauner in the Austrian National Bank.

Furthermore, it was Kari Polanyi Levitt who initiated the foundation of an international society that would support worldwide efforts to rediscover the work of Karl Polanyi in order to understand the fundamental changes occurring during the 21st century and contribute to peaceful, solidarity-based, humanitarian solutions. Since 8 May

2018, she has been the honorary president of the newly established International Karl Polanyi Society.

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FROM PHYSICAL CHEMISTRY TO THE PHILOSOPHY OF KNOWLEDGE

He studied and taught natural sciences, but would become a famous social scientist. Karl Polanyi's brother Michael, who was more liberal-leaning than Karl, developed the principle of 'tacit knowledge'.

FRANZ TÖDTLING

Michael Polanyi is Karl Polanyi's younger brother. Today, he is equally well-known in academic circles, albeit in rather different academic communities than his brother Karl. Michael Polanyi was firmly anchored in both the natural sciences and the social sciences and humanities, with the focus shifting from the former to the latter over the course of his lifetime. In the social sciences he is known in particular for his concept of 'tacit knowledge', which constitutes one of the foundations of today's approaches to the knowledge society, innovation, evolutionary economics and knowledge management (see below). How did this shift come about in the case of Michael Polanyi? And how did his relationship with his older brother Karl change in the process?

Michael Polanyi was born the fifth child of a Jewish family in Budapest in 1891. He completed his medical studies in Budapest in 1913. Following a deployment as medical officer during World War I, he took up studies in chemistry at the *Technische Hochschule Karlsruhe*. In 1919, he earned his PhD in physical chemistry in Budapest. In Karlsruhe, he met his wife Magda Elizabeth Kemeny, who was also a chemist, and with whom he went on to have two sons. His younger son John became a famous chemist just like him, even being awarded the Nobel Prize for chemistry in 1986. In 1920, Michael Polanyi moved

to Berlin, where he was appointed a head of department at the Kaiser Wilhelm Institute for Fibre Chemistry. While working in Berlin, he elaborated the mathematical foundation of fibre diffraction analysis and conducted research on the plastic deformation of crystals. In 1933, not least due to the increasing persecution of Jews in Nazi Germany, he accepted a chair in physical chemistry at the University of Manchester which he held until 1948.

During the 1940s, Michael Polanyi began pursuing a second academic career. He increasingly turned his attention to the social sciences and philosophy, developing a particular interest in the phenomenon of (scientific) knowledge, its essence and emergence. He regarded the power of independent thought and the motive of searching for the truth as the foundation of academic study, as he expounded in his 1946 book entitled *Science, Faith and Society*. The University created a new chair in social science in 1948 specially for him to conduct his studies. He was exempted from all teaching, which allowed him to write his philosophical *magnum opus*, *Personal Knowledge*, published in 1958. He was also appointed a Senior Research Fellow at Merton College in Oxford and completed a lecture series in the United States during the 1960s, including one at Yale University, each of which was received positively. A revised version of these lectures was published under the title *The Tacit Dimension*, in 1966. Other important essays by Michael Polanyi were published in 1969, entitled *Knowing and Being*. In 1975, his last monograph, *Meaning*, was published. It comprises Polanyi's lectures at the Universities of Texas and Chicago from 1969 to 1971.

'We know more than we can tell'

In the preface to his philosophical tract, *Personal Knowledge*, he describes the intention of the book as follows: 'This is primarily an enquiry into the nature and justification of scientific knowledge.' In his view, these studies brought to light the significance of a 'pre-scientific knowledge'. The larger part of his work consists of rendering visible this already existing pre-scientific knowledge, which he calls 'personal knowledge'. His efforts in this regard soon led him outside of the strictly scientific realm into other areas of human thought, into politics, arts, religion and the sphere of our everyday knowledge and capacities.



Michael Polanyi, Karl Polanyi's brother

Michael Polanyi was convinced that scientific truth can only be found in an integrated and coherent overall picture, not in its individual parts: 'My own theory of scientific knowledge is, (...) that science is an extension of perception. It is a kind of integration of parts to wholes, as Gestalt psychology has described, but in contrast to Gestalt, which is a mere equilibration of certain pieces to form a coherent shape, it is the outcome of deliberate integration revealing a hitherto hidden real entity.' In this sense, science to him is based essentially on an expansion of perception, for any perception without pre-existing knowledge prevents the integration into a broader overall picture. For example, the reliable identification of a disease pattern in an x-ray is only possible based on the pre-existing knowledge of an experienced doctor. The reference to such a truth, which scientists can reveal based on their pre-existing and scientific knowledge, places him somewhat in opposition to both the critical positivism of Popper, who believed that the truth can only be approximated, but not ultimately found, through the falsification of hypotheses, and to the work of Thomas Kuhn, according to whom research and the corresponding theories move within certain paradigms that periodically alternate. While Kuhn emphasised the historical and social conditionality of the constructed knowledge, and not the actual establishment of the truth, Michael Polanyi sought just that, taking into account the researcher's personality in the epistemological process.

Central theses from today's perspective

What are Michael Polanyi's key conclusions concerning the philosophy of (scientific) knowledge from today's perspective?

- As mentioned above, a person's or scientist's pre-existing knowledge, i.e. their 'personal knowledge', influences the epistemological process. That means that everything such a person already knows about a certain problem area has an influence on their basic understanding of a given problem and the trajectory of the associated epistemological process. In this context, Polanyi avoids classifying such knowledge into the categories of subjective and objective. He assumes that even insights based on one's 'personal knowledge' are not just subjective, but may rest on objective facts, too.

- Only part of the knowledge can be codified, that is, recorded. This component is also referred to as ‘explicit knowledge’. Another part always remains ‘tacit’, as a kind of ‘silent’ or ‘implicit’ experience-based knowledge of the persons involved. Michael Polanyi described this circumstance with the following phrase: ‘We know more than we can tell.’ The boundaries between explicit and implicit knowledge, however, are not rigid, but can shift. In this sense, experience-based knowledge can be codified through certain efforts and exertions such as, say, writing an experience report, a manual or scientific article, or through the application of new techniques that allow implicit knowledge to be made visible – that is to say, explicit.
- Conversely, codified explicit knowledge can be transformed into human and social habits and routines, and thereby become an advanced form of implicit experience-based knowledge. A few decades after Michael Polanyi published his theses, Japanese researchers Ikujiro Nonaka and Hirotaka Takeuchi developed a scheme of this process in their famous book, *The Knowledge-Creating Company*. They referred to the ‘spiral of knowledge’, which constantly expands the knowledge level of a company or organisation.
- Explicit and implicit knowledge is acquired and conveyed in very different ways. The former, which by itself is insufficient, may be acquired by reading scientific literature and academic journals, through internet research and the use of ICT (although this option did not yet exist in Michael Polanyi’s day), or the statistical analysis of data. Concerning the latter (i.e. implicit knowledge), which is just as important, there are several forms of learning, for example, learning through observation, ‘learning by doing’ and knowledge transfer through cooperation and personal contact with skilled persons.

Local and global knowledge

Apart from these insights, which can already be gleaned from Michael Polanyi’s work, there are present-day refinements of his ideas, which are quite significant in the literature on innovation and in economic geography but which he himself barely developed in any systematic manner:

- In this context, it is argued, that today’s processes of research and innovation taking place at universities, research institutions and

private enterprises draw on many distinct (local and global) sources of knowledge, employing various modes of gaining access to this dispersed knowledge.

- Tacit knowledge often constitutes ‘local knowledge’ that is tied to persons, organisations, enterprises or, in the form of ‘local culture’, to collective patterns of behaviour and routines characteristic of a certain region. It can only be accessed through local contacts, direct collaboration, etc. Such a locally bound knowledge can be found particularly in the area of specialised manufacturing and skilled craftsmanship in traditional industrial regions. Modern technology regions may also be bearers, or rather sites of such local knowledge. For example, many companies moved to Silicon Valley during the 1970s and ‘80s, a place regarded as the Mecca of the electronics industry at the time, in order to participate in the local knowledge exchange and innovation processes. Today, there are many such knowledge centres in various industries and technology fields in the United States, Europe and Asia. Examples of this may include Medicon Valley in the region of South Sweden and Denmark, the media cluster in Cologne, Germany, financial centres in London, Frankfurt or Singapore, or IT clusters in Massachusetts (US), Cambridge (UK), Munich, Bangalore in India or Shenzhen in China.
- Such locally bound knowledge and the related institutions and cultural patterns contradict the often-invoked thesis of a limitless and continuous globalisation, that is to say, the argument that thanks to modern ICT, social networks and sophisticated transport systems, a large part of knowledge today is ‘global’ and accessible from every location in the world. In contrast to this notion, the discipline of economic geography today emphasises that geographical distance is far from ‘dead’ and that the earth is not ‘flat’ in the sense of a ‘level playing field’, but that it features ‘mountains, valleys and deserts of knowledge’, thus producing ‘mountains, valleys and deserts of opportunities and prosperity’ as well.

The relationship with his older brother Karl

During the early years of their lives (1910s and 1920s), the relationship between Karl and his younger brother Michael was harmonious and caring, not least because Karl, as the eldest of the siblings residing in

the same city (their eldest brother Adolf lived in Japan) felt responsible for his younger siblings and supported them. During the 1930s, however, the two grew more distant both intellectually and politically. The younger Michael championed political and scientific (world-) views that were markedly distinct from those of his older brother Karl.

Michael adopted a far more liberal stance and thus a greater scepticism towards a too strong state and a centralised planned economy, as developed in the Soviet Union at the time. In his scientific-philosophical works, too, the individual took priority over its embedding into a social community which was the aspect Karl emphasised. On a spectrum ranging from 'society' (*Gesellschaft*), understood as a collective of individuals with equal rights, to 'community' (*Gemeinschaft*), understood as a coherent and culturally rooted group of human beings, his brother Karl was certainly closer to the community end, although he did not conceive of community as a traditional and retrogressive entity. While Karl was very critical of a market economy that was decoupled from its social embedding and responsibility, the younger Michael had more faith in the functioning of a market economy, as long as it was guided by adequate social rules and supported by policies in the sense of, say, Keynes.

That said, both brothers shared the scepticism towards and rejection of the neoclassical concept of a 'homo economicus', that is, the notion of fully informed and always rationally behaving individuals, who, as consumers consistently maximise their own benefit, while, as entrepreneurs, always maximise their profit, thereby inevitably contributing to the prosperity of all. In contrast to this image of a 'homo economicus', both brothers regarded individuals to be shaped by their respective history, background and social relationships, the combination of which also determined their actions in life. Correspondingly, both were ultimately 'socio-economists' who simultaneously placed a strong focus on the dynamic side of the economy, either as evolutionary process (Michael) or as historical process that evolves in relation to the contestation between social antagonisms (Karl). During their later years in life (the 1950s), not least due to Karl's illness, the two brothers became closer once again, which found expression in a profound mutual appreciation.

Biographical notes:

Michael Polanyi, born in Budapest in 1891, earned his doctorate in physical chemistry there in 1919. In 1920, he moved to Berlin, emigrated to Manchester in 1933, where he taught chemistry. In 1948, a chair of social sciences was specially created for him at Manchester University. He was subsequently a Research Fellow at the Merton College in Oxford and went on several lecture tours across the United States.

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MILIEUS IN KARL POLANYI'S LIFE

MICHAEL MESCH

Budapest 1900–1914: The aristocracy's monopoly on power, left counter-cultures and the 'Great Generation'

Budapest, the capital of the Hungarian part of the Austro-Hungarian monarchy, already had around 700,000 inhabitants in 1900. Between 1900 and 1914, the metropolis, in which Karl Polanyi grew up, studied and became a political activist, was the boomtown of the rapidly expanding Hungarian economy, where the first underground train network on the continent was built. Budapest was a city of great social differences, an emerging centre of science and academia, and a focal point of political contestations between the most diverse currents.

The cohort of major Hungarian intellectuals, artists and scientists living in Budapest at the time, the so-called 'Great Generation', included, alongside Karl Polanyi, his brother, chemist and social scientist Michael Polanyi, philosopher Georg (or György) Lukács, sociologist Karl Mannheim, social scientist and historian Oscar Jászi, legal philosopher and psychologist Gyula Pikler, social scientist Ervin Szabó, mathematician John von Neumann, physicists Leo Szilard and Edward Teller, composers Béla Bartók and Zoltán Kodály and poet Endre Ady.

They were aware of their country's relative backwardness compared to Western Europe and always followed the most recent political, intellectual and artistic developments. In their discourses, they conceived and discussed liberal, civic-radical¹ and diverse socialist visions of society.

¹ Translator's note: Oscar Jászi, one of civic radicalism's pioneers and founder of the National Civic Radical Party in 1914 (see below), developed the ideology of 'free socialism' in opposition to Marxism and Bolshevism, advocating 'free cooperation and decentralisation in opposition to the State Socialism of Marxists', disapproving of their 'doctrine of the class war'. Jászi is quoted as saying: 'We must create a new ideology of liberal, cooperative-based, anti-statist, anti-capitalist socialism.' See Zolt Czigányik (ed.) (2017), *Utopian Horizons. Ideology, Politics, Literature*, Budapest and New York: Central European University Press, p. 88ff.

They were united in their rejection of the politics of the Liberal Party which dominated from 1875 to 1905, and which was guided by the interests of aristocratic land barons, pursuing conservative social, economic and nationalities-related policies. Government policy during the Liberal Party era was marked, among other things, by numerous anti-democratic laws, directed in particular against workers and the non-Magyar nationalities. All these measures were implemented under the cloak of a constitutional state under the rule of law. The profoundly restrictive census suffrage granted voting rights to only about six per cent of the population and excluded the poorer peasantry, workers, menial staff and farmhands, and the petite bourgeoisie.

Many of those associated with the 'Great Generation' came from the assimilated and secularised Jewish minority. Most of them had been socialised in the middle-class milieu in the district of Pest along the east bank of the Danube. Even these socially integrated and professionally successful Jews from the bourgeois middle classes were treated as outsiders and not recognised as part of the national community by the political elite, particularly by the land-owning aristocracy, and encountered increasing levels of anti-Semitism.

In the late 19th century, Jews had played a vital role in Hungary's economic and cultural renaissance. The precondition of the social advancement of members of the ethnic minorities was their willingness to Magyarise, which often manifested itself in the change of the family name (Karl's father Mihály Pollacsek had changed his name to Polanyi).

In the assimilated and religiously indifferent Jewish middle class of the *fin de siècle*, a generational conflict was ongoing between the older generation on one side, who – benefiting greatly from expanding capitalism – had advanced socially as merchants, commercial and industrial entrepreneurs, lawyers and bankers, and the younger generation, who were socially engaged and drawn to socialist ideas, interested in the arts, culture and modern science, on the other. The central values of the Great Generation's cohort included education, scholarship and science, while they had only contempt for the pursuit of business success and profit.

At the beginning of the century, the Liberal Party came under pressure from various sides, as, firstly, the turbulent capitalist devel-

opment deepened the social divide and the conflicting interests between aristocratic landowners and agriculturalists vis-à-vis the industrial business community became increasingly pronounced, and, secondly, the conflicts among the various nationalities intensified. The large landowners opposed an economic policy that would foster industrialisation and simultaneously championed a conservative model of social and cultural politics. They stood in opposition not only to industrial entrepreneurs, but also to the emerging middle-class and industrial working class.

The aristocratic landowners dominated the National Party of Work that governed from 1910 onward, whose members essentially were the same as those of the former Liberal Party. The National Party of Work was a kind of melting pot of all those forces that opposed democratic reforms. Their politics ignored the dynamic economic and social changes that had taken place and failed to recognise the destructive power of Magyar chauvinism. The question of nationalities was also deployed as a political tool against social reforms and demands for democratisation.

In addition to that, on the right, anti-liberal forces among the peasantry and the anti-democratic and anti-socialist reaction among the aristocracy and petite bourgeoisie were forming a conservative, nationalist and for the most part anti-Semitic party, the Catholic People's Party (founded in 1895). It resonated particularly well with students.

Middle-class liberals advocated democratic reforms and an economic policy that promoted industrial development.

The opposition on the left formed, firstly, in the socialist labour movement represented by the Social Democratic Party (SDP) and its allies, the rapidly growing trade unions, and, secondly, the middle-class based civic-radical counter-culture. The SDP pursued a reformist labour and social policy and led the broad movement for democratisation, especially the universalisation of suffrage.

The radical counter-culture brought aesthetic radicals (Endre Ady, Béla Bartók) and civic radicals together in their opposition to the oligarchy, Magyar chauvinism and clericalism. Initially, the core of the middle-class based civic-radical part of the counter-culture was the Sociological Society, founded by Oscar Jászi and Gyula Pikler,

of which Karl Polanyi, a student at Budapest University from 1904 onward, was also a member. It advocated a liberal socialism. Liberalism, which had been discredited due to its opposition to further democratisation, the repression of agricultural labourers, the oppression of national minorities and the excesses of unbridled capitalism, was to be revitalised. A vanguard of reformist intellectuals was to lead Hungary on a path of modernisation positioned somewhere between aristocratic–petite bourgeois reaction and Marxist socialism. The education of the working class was a core component of the agenda of the ‘Society’. In their view, the precondition for liberal socialism was the existence of an educated working class. The SDP and the ‘Society’ agreed in many aspects, especially concerning democratisation.

In 1908, Karl Polanyi founded the Galileo Circle together with Gyula Pikler and became its acting chairman for the following two years. Its members included above all young, mainly Jewish intellectuals and students. They considered their task to be the initiation of a discourse on ethically based politics and the dissemination of the modern insights of various academic disciplines. The Circle’s moral and pedagogical reformism – very much along the lines of the Russian Narodniks of the 1870s – found its practical expression in adult education and political education, namely in the form of more than two thousand lectures, courses and seminars per year. In terms of political demands, the Galileo Circle espoused universal suffrage and land reform, and a liberal policy with regard to the nationalities.

Just before World War I, the National Civic Radical Party emerged from the civic–radical counter–culture. Given his organisational and rhetorical talent, Karl Polanyi became the right-hand man of party founder Oscar Jászi. The main demands on the party’s agenda included universal suffrage, the separation of church and state, a federal structure of the empire, the expropriation of large landowners and land distribution, free trade and educational reform. The new left party was to win back large sections of the middle classes – white collar workers and civil servants, small business owners and intellectuals – for an emancipatory agenda. It sought an alliance with the SDP: only an alliance of intellectual and manual labour, organised separately but united in the crucial question of democratisation, would be able to liberate Hungary from its current situation.

During World War I, the left split into mutually hostile factions. Following the 'Aster Revolution' in late October of 1918, the Civic Radicals formed part of the bourgeois left-wing socialist government of the Hungarian People's Republic led by Mihály Károlyi, which, however, only managed to hold onto power until March of 1919 given the chaotic post-war situation. That is when the 'Age of Extremes' began in Hungary. The subsequent political developments – communist soviet government until the summer of 1919, White Terror and authoritarian Horthy regime – drove the larger part of the 'Great Generation' into exile. The individuals associated with the 'Great Generation', including Karl Polanyi, would have an impact on science and the arts not in Hungary, but abroad.

'Red Vienna' 1918–1934

'Red Vienna' symbolises the municipal politics in the Austrian capital during the Social Democratic government between 1919 and 1934, as well as the activities of the trade unions and proletarian social clubs surrounding the Social Democratic Workers' Party (SDAPÖ).

The pre-existing foundation on which the social democratic workers' movement was able to build in Vienna included the Christian Social 'community socialism' of the pre-war era and collective agreements won by trade unions, the tenant protection legislation from the war years and the major social reforms introduced by the Social Democratic-dominated federal coalition governments between 1918 and 1920.

Given the extraordinary circumstances of the post-war years – high levels of mobilisation of workers and demobilised soldiers, extra-parliamentary pressure from the workers' and soldiers' councils, communist dictatorships in Hungary and Bavaria – the SDAPÖ was able to wrest far-reaching reforms ('Austrian Social Revolution') from the scared bourgeoisie. Laws were passed that guaranteed unemployment insurance, mandatory health insurance, works councils, worker chambers, paid vacation and the eight-hour day. Further legal regulations pertained to Sunday and holiday rest, child labour and a ban on night work for women and children. Other important reforms included the Collective Agreements Act (*Kollektivvertragsgesetz*) and the Employees Act (*Angestelltengesetz*). This social legislation

became (and still is) an essential pillar of the welfare state established from the 1950s onward.

In the local council elections of 1919, the SDAPÖ managed to secure the absolute majority and retained it until 1934. In 1920, the SDAPÖ and the Christian Social Party agreed on the separation of Vienna from the state of Lower Austria. The status of Vienna as a federal state (*Bundesland*) was written into the federal constitution in November of 1920. After the end of the coalition at the federal level, Vienna, with its Social Democratic government pursuing socially progressive and more egalitarian politics, represented the antithesis to the different right-wing coalitions at the federal level and the states governed by the Christian Social Party. As a result of the newly acquired status as a state, or *Bundesland*, Vienna was in a position to raise its own taxes, allowing the city state to pursue independent politics even under the conditions of increasing political polarisation (particularly from 1927 onward) between the social democratic and bourgeois camps. Vienna was to become the model city of Social Democratic social policies, namely by way of reformist measures, that is, the gradual change of existing institutions and creation of new institutions through a democratic process.

The city councillor for finance, Hugo Breitner, opposed public borrowing on principle. He wanted to avoid any dependency on domestic banks close to the bourgeoisie or on foreign financiers. The city government introduced new taxes by state law, in particular 18 indirect taxes on luxury consumption and a welfare levy. Another progressive tax was the Housing Construction Tax specifically earmarked to finance the government's building programme.

During the post-war years (1918–1932), which were marked by severe supply shortages (food, fuel), epidemics (Spanish Flu) and hyperinflation, the city government had to deal with the immiseration of large sectors of the population and, from 1929 onward, mass unemployment and its consequences as a result of the world economic crisis and the federal government's deflationary economic policy. Apart from that, the focus of Social Democratic municipal politics was placed above all on social housing, healthcare, welfare and social policies, as well as education and culture, but also on transport (municipalisation and electrification of the city railway; modernisa-

tion of the tram system; introduction of a public bus network) and other infrastructural measures.

Given the dire housing shortage (the number of Vienna's inhabitants had risen to about two million during the war), the overcrowding of living quarters and the undignified sanitary housing conditions for many people, the creation of new, higher quality housing was the main concern of the city government.

The freezing of rents at the level of 1914 (*Friedensszins*) and massive inflation led to a drop in the average percentage of household income needed for rent payment from about 20 to 3 per cent. As a result of the Tenant Protection Act, many more families were able to afford their own flat without having to accommodate other family members as subtenants.

Private housing projects, however, had entirely come to a standstill as a result of the rent freeze. Between 1925 and 1934, the city built more than 60,000 decent-sized housing units, equipped with running water and toilets and energy supply, in municipal housing complexes, in part on generously sized residential estates with green spaces and courtyards. Internationally, the social housing projects pursued in 'Red Vienna' gained widespread recognition (and were in part emulated by other cities, such as Frankfurt and Zurich). Municipal housing was largely funded by the proceeds from the Housing Construction Tax and the welfare levy. The public housing units were allocated according to a needs-based points system.

As a result of the under- and malnutrition of the war and post-war years, the flu epidemic and rampant tuberculosis ('Vienna disease'), the state of health of many people was poor or impaired. A large number of healthcare, welfare and social measures were introduced to remedy this situation. City councillor Julius Tandler gave priority to welfare measures, in particular in the area of youth welfare. New institutions included the child adoption facility (*Kinderübernahmestelle*, subsequently called the Julius Tandler Family Centre), the school medical service, school dental clinics and the baby clothes package for every family. Case numbers of tuberculosis and infant mortality were reduced considerably. Many medical services were provided free of charge. The municipality created new nurseries, childcare facilities as well as public spas and swimming pools.

Municipal housing complexes included social facilities such as nurseries and maternity services.

The Social Democrats saw themselves as an 'educational movement'. Despite not legally having the adequate competencies to do so, Vienna implemented a school reform under the aegis of Otto Glöckel. Austro-Marxist authors emphasised the need to educate and nurture children and adults to capacitate them for democratic participation and thereby enable them to realise socialism as '*Neue Menschen*' ('New People'). Free-of-charge schooling and scholarships were introduced in order to improve the educational opportunities for worker children and the educationally alienated sectors of society. New forms of school organisation ('Work Schools'), student participation in decision-making and adult education were piloted. Popular education (in the sense of *Volksbildung*, i.e. workers' and adult education), public libraries and cultural life as a whole were strongly promoted. Living in Vienna from 1919 to 1933, Karl Polanyi was among those critical intellectuals committing themselves to adult education in 'Red Vienna'.

The yearning of many workers and white-collar employees for education, culture and meaningful recreational activities was responded to not least by the roughly 50 social democratic cultural and recreational clubs and societies (such as the 'Free Thinkers' ('*Freidenker*'), the 'Free School' Society (*Verein 'Freie Schule'*) or the 'Association of Youth Workers' ('*Verein jugendlicher Arbeiter*')), and they in turn reinforced a minority's enthusiasm for education. The institutional pillars of the political camp of social democracy and the workers' movement culture were the SDAPÖ (with its local party offices, workers' community centres and shop stewards), the free trade unions and other organisations affiliated with social democracy. The workers' movement culture reached one of its European peaks in Vienna before and after World War I. It was in a tense and conflict-ridden relationship with the 'wild' workers' culture and the diverse occupational cultures, and understood itself to be the counter-culture to hegemonic bourgeois culture. Indeed, the workers' movement culture partially became the hegemonic culture in 'Red Vienna'.

That said, it ought to be noted that the minority of worker activists and those eager for education was confronted with a majority of

blue- and white-collar workers who were only marginally involved in social democratic educational and cultural work and remained rooted in the 'wild' workers' culture and the petite-bourgeois world.

From the end of the 1920s onward, the workers' movement culture was already coming under pressure from the new mass culture, that is to say, radio and cinema. Toward the late 1920s, 'Red Vienna' came under pressure politically, too. The city's revenues were reduced by an appeal to the Administrative Court against state taxes and through the reduction of the revenue share of federal taxes. Adding to this were the massive effects of the world economic crisis in general and the bank collapses in particular. The end came in February of 1934. During the short-lived Austrian Civil War, mayor Karl Seitz was arrested, the city government deposed, and the city council dissolved. The authoritarian Fatherland Front (*Vaterländische Front*) assumed government power in Vienna, which was subsequently declared a 'city under direct federal control' (*bundesunmittelbare Stadt*).

London during the 1930s: a disoriented Left

In May of 1926, the General Council of the Trade Union Congress (TUC) affiliated with the Labour Party called for a general strike to prevent looming wage cuts and worsening working conditions for 1.2 million locked-out coal miners. After nine days, the unions had to give up. However, as 1.7 million workers joined the walk-out and a wave of solidarity engulfed the entire working class, the unions subsequently considered the general strike a 'brilliant failure'. The Labour Party, under the more moderate leadership of Ramsay MacDonald, opposed the general strike and expressed its conviction that social reforms would be best achieved through parliament. Despite this stance regarding the general strike, Labour benefited from the increased confidence of the working class and won 37.1 per cent in the general elections of May 1929, gaining the relative majority for the first time ever.

The minority Labour government led by Prime Minister MacDonald, a cabinet which for the first time included a woman, was tolerated by the Liberals. Due to its strengthened position in parliament, Labour was able to achieve an increase in unemployment benefits and – in response to the general strike – an improvement of working and wage

conditions in the coal mining sector, alongside a social housing programme that benefited former slum dwellers.

When international trade collapsed in the wake of the Wall Street stock market crash in October 1929, the impact on the strongly foreign trade-oriented British economy was immense. By late 1930, the number of unemployed had doubled to 2.5 million. Due to internal disagreements over the economic policy course, the government was unable to find an adequate response to the fall in demand, job losses and the dramatic increase in unemployment. Minister of Finance Philip Snowden, an adherent of fiscal orthodoxy, decisively rejected deficit spending for the stimulation of the economy, instead proposing massive cuts in government spending in order to balance the budget and keep the pound sterling at the gold standard.

Other cabinet members like Oswald Mosley and Arthur Henderson, by contrast, categorically ruled out approving any wage cuts in the public sector and the massive reduction in public spending, particularly with regard to unemployment benefits. Mosley submitted a series of proposals in the form of a memorandum in January of 1930 in which he called for government control over imports and banks as well as a pension increase in order to stimulate demand. The progressive wing, which advocated an abandonment of the dogma of a balanced budget and deflationary economic policy, found external support for their position: economist John Maynard Keynes, who had brought about a paradigm change in economic theory and, correspondingly, favoured a demand-oriented economic policy, and Liberal Party leader David Lloyd George, who had adopted Keynes' ideas as early as 1929 and championed an economic policy turn towards an expansive demand regulation ('We can conquer unemployment').

In July of 1931, a commission appointed by Snowden presented the so-called May Report which urged an extremely restrictive budgetary policy. This deflationary orientation gained only a slim majority in the cabinet, and the opponents of orthodoxy announced that they would rather withdraw from the cabinet than approve the proposed spending cuts. In August of 1931, the MacDonald government resigned.

Given the worsening economic crisis, MacDonald obliged the king's request and formed a national unity government together with the Liberals and Conservatives. The main goal of the 'national gov-

ernment' was a balanced budget. However, Great Britain was forced to leave the gold standard by September of 1931. The Labour Party and TUC officially distanced themselves from the new government's agenda and MacDonald was expelled from the party. The Labour Party split. In October 1931, Labour, now led by Henderson, suffered a crushing defeat in the general elections, in which it ran against the 'National Coalition' of the government parties. Because of its inability to reverse the dramatic increase in unemployment – particularly in industries such as mining, the steel industry, shipbuilding and the textile industry – Labour had lost the support of large parts of the British working class. Adding to this was the fact that the Catholic church had explicitly distanced itself from the Labour Party, not least because of the latter's Soviet-friendly foreign policy stance. As a result, Labour lost a significant share of the 2.5 million votes of the Irish-Catholic electorate. In 1932, the party suffered another split and the Independent Labour Party was founded.

This was the state of division, disunity and disorientation of the British left when Karl Polanyi came to London in 1933. Not only was Labour divided on the economic measures needed to combat the economic crisis, but also with regard to the stance vis-à-vis the Soviet Union and the approach to the Nazi regime in Germany.

Through some of his long-standing friends, Polanyi had been in close contact with the Labour wing of the Christian socialists and became an adult educator in their institutions. The extent of disorientation of large parts of the democratic British left found expression not least in the fact that even Christian leftists – among them Karl Polanyi – considered Stalin's terror regime to be a paradise for the working class.

The McCarthy Era in the United States 1950–1954

The transformation of the Cold War into an, albeit regionally confined, active war in Korea and the accumulation of corruption cases enabled the rise of a right-wing demagogue called Joe McCarthy to the national political stage and, subsequently, an anti-Communist hysteria dubbed the 'Second Red Scare'.

The Soviet Union had the atomic bomb by August 1949. In October of that same year, Mao proclaimed the People's Republic of China.

And in June 1950, the troops of Communist North Korea invaded South Korea. This unfamiliar experience of massive foreign policy setbacks shocked American society and caused disorientation.

With utter disregard for the truth, typical of a true demagogue, Republican senator McCarthy began vehemently proclaiming from 1950 that the Communists and left-wing intellectuals were to blame for all the world's wrongs.

The political mood turned against the Democrats, who had dominated domestic politics ever since 1933. The first time this new mood manifested itself legally was in 1950, when the 'McCarran Internal Security Act' was passed, denying foreign members of communist organisations entry to the US. (Karl Polanyi's wife Ilona Duczyńska was therefore unable to obtain an entry visa for the US.)

Following the victory of Dwight D. Eisenhower for the Republicans in the presidential elections of 1952, Joe McCarthy's heyday began, who quickly found an anti-intellectual, nationalist and also anti-Semitic following.

McCarthy and his allies took advantage of their chairmanships in important parliamentary committees to launch a veritable witch hunt targeting left-wing intellectuals, scientists and teachers, as well as an attack on allegedly communist tendencies in the entertainment industry and government apparatus. McCarthy, a ruthless psychopath, indulged in his power and personal prestige.

President Eisenhower had tolerated McCarthy's rampage for far too long before finally publicly distancing himself from McCarthy. Unlawful advantages for a favourite of his led to the opening of a parliamentary investigation against McCarthy in 1954. The trial, which was broadcast on TV, revealed the politician's rogue methods, and public opinion turned against him. By December of 1954, McCarthy's heyday had ended and the widespread hysteria receded.

POLANYI IN BUDAPEST

A key moment in the life of the young Polanyi, and the situation for Jews at the beginning of the 20th century.

GARETH DALE

In biographical terms, Karl Polanyi's expulsion from university was the most illuminating moment of his early life. I mean this not just in the immediate sense: that it led directly to his formation of the Galileo Circle, a student-led organisation dedicated to moral regeneration and social reform. I mean it also in a deeper sense. It provides a snapshot of Polanyi's 'polarised' existence, with one foot at society's margins, the other at its centre.

If we look at axes of privilege and oppression, the Central European period of Polanyi's life presents an image of contrasts. He lived only in the capital cities of the Dual Monarchy (apart from a year or two of enforced exile in Kolozsvár) and never once in a small town or village. His mother tongue was German, the lingua franca of the Habsburg Empire. With his wealthy family he inhabited a sumptuous apartment in Pest's most desirable boulevard, the Andrássy út. Although, following the liquidation of his father's business, the family was obliged to move to a smaller home in the Ferenciek tere, this was nonetheless a 'fine address' – in a square with more than its share of imposing buildings, including the Klotild Palaces. As a child, Polanyi received intensive private tuition and was sent to the best *Gymnasium* (grammar school). He then entered the country's top university, where he excelled – until his expulsion.

The backdrop to Polanyi's expulsion was rising antisemitism. The University of Budapest was an antisemitic stronghold, and during Polanyi's student years polarization between right-wing and left-wing (predominantly Jewish) students reached fever pitch. Antisemitic students and university officials accused a prominent Jewish sociologist, Gyula Pikler, of purveying an anti-Christian message, and when a talk given by Pikler to the socialist student society to



Karl Polanyi as a soldier in Budapest together with his niece and nephew Eva and Michael Striker

which Polanyi belonged was disrupted by their conservative peers, he responded by physically ejecting them from the room – an act for which he was exmatriculated.

As Jew-hatred grew in pre-war Hungary, Polanyi and his peers found themselves increasingly excluded from full national membership. Antisemites accused Jews of taking over the economy, education and the professions, and conjured an image of inundations of rural Jewish immigrants from the East. The greater the success Jews achieved in the limited precincts of economic life that were open to them, the more vociferously they were identified as cancerous intruders.

One form of antisemitism, directed at the ‘Eastern’ Jew, stereotyped Jews as particularist: they cleave to their cultural traditions, refusing to dissolve their identity in the warm bath of modern citizenship. Another was aimed at the ‘Western’ Jew. They epitomised the loss of ‘traditional values’ that Hungary was purportedly experiencing. Jews were singled out as the rootless cosmopolitans who threatened to corrupt the nation.

Photo: Kari Polanyi Levitt

Jews faced a double bind. A 'cosmopolitan' identity offered a means of disavowing the particularist ethnic identity that was condemned by the 'Eastern' stereotype. But the 'Western' stereotype identified cosmopolitanism as a characteristically Jewish trait, thus transforming a method of downplaying Jewish identity into its very badge. Ultimately, the only acceptable Jew was the non-Jew, but the charting of any route toward that goal could only affirm what it was attempting to deny. If a Jew maintained her traditional customs and appearance she would be stereotyped a ghetto Jew; if she attempted to assimilate, this was construed as a duplicitous exercise in camouflage.

If any city witnessed a confluence of Western and Eastern Jews it was Budapest. Nowhere in Central and Eastern Europe were Jews more integrated and secular than in the Pest of Polanyi's youth. They were vital elements in Hungary's economic and cultural renaissance. Yet Budapest was simultaneously a favoured destination for Jews fleeing the pogroms of Tsarist Russia. The new arrivals confronted, even from their 'own kind', racism of a standard format. They were seen as socially 'inferior' and this was racialized.

In a sense the Eastern Jew came to figure as the Western Jew's 'ugly sister' that antisemitic Hungary was reluctant to adopt. To this, assimilated Jews could respond in a number of ways. One was to humanize the Eastern Jew – to say, in effect, 'Look more closely: she's beautiful!' A minority view was revolutionary socialism, the universalism of which tended to favour assimilation but brooked no compromise with racism. ('The ugliness is not her, it's antisemitism!') But more common than either was for assimilated Jews to feel disdain for their Eastern brethren, even denigrating them as 'Asian.' It was a stance that breathed arrogance but also self-abnegatory displacement and an internalisation of racism. ('The Jew in me wouldn't be ugly if it were not in her too.')

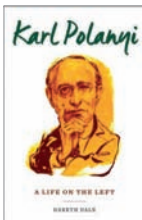
How did Polanyi navigate this treacherous landscape? He certainly adopted a cosmopolitan sensibility. Yet he dissociated himself from the radical internationalism that perceives nation states as the characteristic political form of capitalism and the organising force of xenophobia. Instead, he aspired to dutiful membership of the Hungarian nation, and even volunteered, blithely-idiotically, to serve as an officer in the war.

In short, while he felt uncomfortable in both his ‘national’ and ‘ethnic’ identities, he tended to aspire to one and to denigrate the other. Although a sworn enemy of Hungarian chauvinism, he maintained that the oppressed nationalities should be cohered under Greater Magyar hegemony – he did not support their right to secession.

One may speculate that his ethnic/class milieu influenced this position. Austria-Hungary’s assimilated Jews formed, so to speak, a *Staatsvolk*. Although they suffered oppression, often in harsh forms, in the swing of their *staatsvölkisch* integration into the Magyar-national fold, they could only with difficulty understand the discrepancy between their dreams and those of other nationalities. Why, they wondered, should Slovaks or Romanians not be equally content with integration into the Greater Hungarian cultural sphere? A similar line of thinking applied to the Eastern ‘ghetto’ Jews. Assimilated Jews tended to view them with condescension or disdain. To Polanyi they appeared to be mulishly resistant to modernity and Progress.

In Budapest, then, Polanyi was quite the ‘bourgeois radical.’ On one hand, a firebrand and political organiser, he fought for democratisation and humanitarian reform. On the other, a privileged trader’s scion, a dutiful soldier for a repressive empire, and a supporter of Magyar supremacy.

It was only later, in his final year or two in Hungary and then in 1920s Vienna and 1930s Britain, that Polanyi evolved the socialist perspective for which he became known. This centred on the thesis that liberalism, by supporting ‘free trade’ and the marketisation of the world (including workers and nature), breeds social dislocation and environmental disaster and provokes various forms of blowback – including, at the ugly end of the spectrum, fascism. If there is one takeaway from Polanyi’s work, that is surely it.



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KARL POLANYI AND THE LEGACY OF RED VIENNA

ROBERT KUTTNER

Karl Polanyi was a Hungarian intellectual, born in Vienna. Embedded in the contradictory dynamics of Central Europe, his oeuvre has been profoundly shaped by his interwar experience in Vienna, a Red island in a black sea, local socialism within a conservative Austrian countryside and a liberal world economy based on the gold standard and the League of Nations.

During the period between the two world wars, free-market liberals governing Britain, France and the US tried to restore the pre-World War I laissez-faire system. They resurrected the gold standard and put war debts and reparations ahead of economic recovery. It was an era of free trade and rampant speculation, with no controls on private capital. The result was a decade of economic insecurity ending in depression, a weakening of parliamentary democracy, and fascist backlash. Right up until the German election of July 1932, when the Nazis became the largest party in the Reichstag, the pre-Hitler governing coalition was practicing the economic austerity commended by Germany's creditors.

The great prophet of how market forces taken to an extreme destroy both democracy and a functioning economy was not Karl Marx but Karl Polanyi. Marx expected the crisis of capitalism to end in universal worker revolt and communism. Polanyi, with nearly a century more history to draw on, appreciated that the greater likelihood was fascism.

As Polanyi demonstrated in his masterwork *The Great Transformation*, when markets become 'dis-embedded' from their societies and create severe social dislocations, people eventually revolt. Polanyi saw the catastrophe of World War I, the interwar period, the Great Depression, fascism and World War II as the logical culmination of market forces overwhelming society – 'the utopian endeavor of eco-

conomic liberalism to set up a self-regulating market system' that began in 19th-century England. This was a deliberate choice, he insisted, not a reversion to a natural economic state. Market society, Polanyi persuasively demonstrated, could only exist because of deliberate government action defining property rights, terms of labour, trade and finance. 'Laissez faire,' he impishly wrote, 'was planned.'

After World War I, Polanyi decamped for Vienna, both to recover his health and to get off the political front lines. There he found his calling as a high-level economics journalist and the love of his life, Ilona Duczynska, a Polish-born radical well to his left. Central Europe's equivalent of *The Economist*, the weekly *Österreichische Volkswirt*, hired Polanyi in 1924 as a writer on international affairs. For a century, he regularly published his analyses of international politics – from the 1926 General Strike in Britain to Roosevelt's New Deal.

Polanyi came to the conviction that the only way politically to temper the destructive influence of organised capital and its ultra-market ideology was with highly mobilised, shrewd and sophisticated worker movements. He concluded this not from Marxist economic theory but from close observation of interwar Europe's most successful experiment in municipal socialism: Red Vienna where well-mobilised workers kept socialist municipal governments in power for nearly 16 years. Gas, water and electricity were provided by the government, which also built working-class housing financed by taxes on the rich – including a tax on servants. There were family allowances for parents and municipal unemployment insurance for the trade unions. None of this undermined the efficiency of Austria's private economy, which was far more endangered by the hapless policies of economic austerity that were criticised by Polanyi. After 1927, unemployment relentlessly increased and wages fell, which helped bring to power in 1932–1933 an Austrofascist government.

To Polanyi, Red Vienna was as important for its politics as for its economics. The perverse policies of England reflected the political weakness of its working class, but Red Vienna was an emblem of the strength of its working class. 'While Speenhamland caused a veritable disaster of the common people,' he wrote, 'Vienna achieved one of the most spectacular triumphs of Western history' (Polanyi 1944/2001, pp. 298–299). But as Polanyi appreciated, an island of municipal social-

ism could not survive larger market turbulence and rising fascism. In 1933, with homegrown fascists running the government, Polanyi left Vienna for London.

Polanyi was correct to observe that it was the failed attempt to universalise market liberalism after World War I that left the democracies weak, divided and incapable of resisting fascism until the outbreak of war. His historical analysis, in both earlier writings and *The Great Transformation*, has been vindicated three times, first by the events that culminated in World War II, then by the temporary containment of laissez-faire with resurgent democratic prosperity during the post-war boom, and now again by the restoration of primal economic liberalism and the neofascist reaction to it.

Polanyi got some details wrong, but he got the big picture right. Democracy cannot survive an excessively free market; and containing the market is the task of politics. To ignore that is to court fascism. Polanyi wrote that fascism solved the problem of the rampant market by destroying democracy. But unlike the fascists of the interwar period, today's far-right leaders are not even bothering to contain market turbulence or to provide decent jobs through public works. Brexit, a spasm of anger by the dispossessed, will do nothing positive for the British working class; and Donald Trump's programme is a mash-up of nationalist rhetoric and even deeper government alliance with predatory capitalism. The pessimistic Polanyi would say that capitalism has won and democracy has lost. The optimist in him would look to resurgent popular politics.

Discontent may yet go elsewhere. Assuming democracy holds, there could be a countermovement more in the spirit of Polanyi's feasible socialism. The legacy of Red Vienna can inspire contemporary local experiments. And indeed: New forms of progressive, red-green municipal politics that have emerged in different corners of the world over the last years, are signals of hope.

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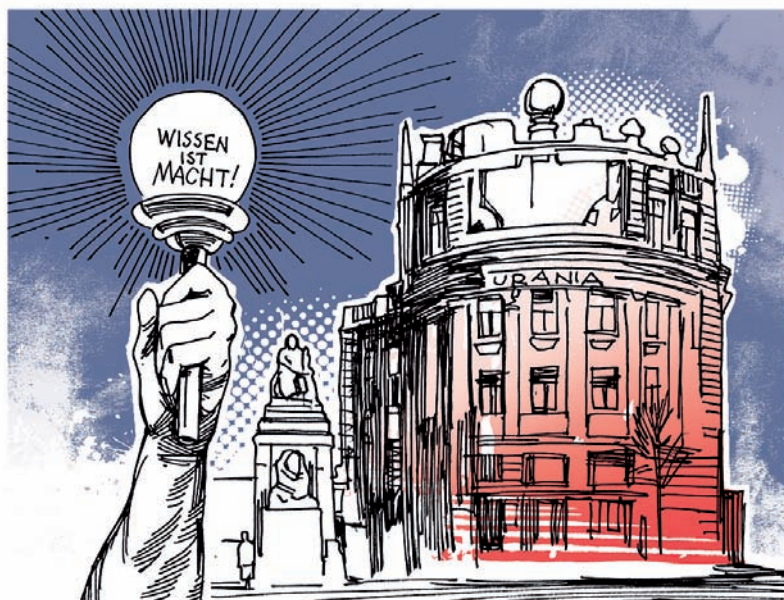
'THE EARLIEST BEGINNINGS OF HIS LATER TEACHING LIFE'

Karl Polanyi as a Popular Educator.

SABINE LICHTENBERGER

Karl Polanyi was born into a wealthy bourgeois-liberal Jewish family in Vienna in 1886. His father Mihály (1848–1905) was an engineer and railway entrepreneur. After the family had moved to Budapest for work-related and economic reasons, Karl then grew up there. His mother, Cecília 'Tsipa' Wohl (1862–1939), the daughter of a Lithuanian rabbi, was highly educated and ran a literary salon on the grand Andrassy út 2 – a boulevard comparable to the Ringstrasse in Vienna, with the opera and numerous mansions of businessmen, industrialists and bankers, famous stores and cafés located there – besides writing articles on art, pedagogy, psychoanalysis and political essays and also working in popular education. The marriage produced six children. One of the brothers was Michael Polanyi (1891–1976), a Hungarian-British chemist and philosopher. His sister Laura Polanyi (1882–1957), who also became politically active, would have an equally remarkable biography as feminist and author.

Károly/Karl studied law and philosophy in Budapest. As founder and first chairman of the Galileo Circle (*Galilei Kör*), made up mainly of Jewish students of the University of Budapest, the beginnings of his popular educational activities can be traced back to this time in Budapest, when he contributed to disseminating the ideas of civic radicalism and the natural sciences among Hungarian students and organised workers. He earned his doctorate in law in Cluj-Napoca (Hungarian: Kolozsvár, German: Klausenburg), Transylvania, in 1909, after which he worked as a lawyer for a short time. 'He never really wanted to do



Knowledge is power

that though, he wanted to be a free and independent intellectual', his daughter Kari Polanyi Levitt once said in an Austrian radio interview. During World War I, he served as a cavalry officer and was discharged from military service after being severely wounded. In June 1919, Karl Polanyi fled to Vienna, when the Horthy regime – which had come to power after crushing the Soviet Republic – declared him a *persona non grata*. In Vienna, he worked as the private secretary of writer, politician and sociologist Oscar Jászi (1875–1957), who had also fled to Austria, wrote articles for the *Bécsi Magyar Ujság* (Viennese Hungarian Newspaper), a paper that was widely popular among Hungarian émigrés. From 1924 onward, Polanyi worked as the foreign editor of *Der Österreichische Volkswirt* ('The Austrian Economist'), whose editorial offices were located on Porzellangasse 27, 1090 Vienna.

In 1920, he met his future wife Illona Duczyńska (1897–1978), a Polish-Hungarian communist, in Hinterbrühl in the *Heimstreitmühle* run by the educator Eugenie Schwarzwald (1872–1940), where he and other Hungarian refugees recuperated and received meals. Their daughter

Kari was born in 1923 and grew up in Vorgartenstrasse 203, in the second administrative district of Vienna. The family's flat was also the meeting point of an intellectual circle that included, among others, philosopher Aurel Kolnai (1900–1973), economist Peter Drucker (1909–2005), the two co-authors of the study on the unemployed in Marienthal published in 1933, Hans Zeisel (1905–1992) and Paul Lazarsfeld (1901–1976), and philosopher of science Karl Popper (1902–1994). Karl Popper's uncle, Walter Schiff (1866–1950), professor of economics and statistics, as well as vice-chairman of the 'Volkshochschule Wien – Volksheim' ('Adult Education Centre Vienna – Volksheim'), invited Karl Polanyi to work as a lecturer for the centre (Hacohen 2000, p. 118).

The Viennese Society for Popular Education (*Wiener Volksbildungsverein*) dates back to the year 1897. Its founders came from the liberal middle class, national academic circles and also from the working class. From 1893 the Viennese Society – together with the *Volksheim Ottakring*, which had hitherto been located in a basement premises at Urban-Loritz Platz 1 and whose new building was inaugurated on Ludo-Hartmann Platz 7, the Urania, which opened in 1910, the branches in the various Viennese administrative districts and the popular university courses – formed the foundation of the Viennese popular education of the First Republic. Alongside the salon and coffee house culture, a 'creative milieu' emerged, where science and the arts were to be made accessible to a broader audience and renowned speakers delivered courses and individual lectures.

Karl Polanyi himself gave 48 courses, mainly in the Leopoldstadt/Zirkusgasse branch of the Vienna *Volkshochschule* (adult education centre) that was founded in 1920 – organised by the 'headquarters' of the *Volkshochschule 'Volksheim'*. In 1930/31, his courses dealt with 'select problems of economics' and 'the introduction to economics'. In the context of the expert group on tourism, he gave an introductory lecture on the national economy of Italy in preparation for a study excursion to Italy. In 1931, he delivered lectures on 'select problems of the world economy' and the 'principles of modern economic life'. In 1932/33, he addressed current problems of the economy, market and planned economy, and economic current affairs. In 1933/34, he lectured on 'price, money and capital' as well as on economic current affairs. In Vienna, Karl Polanyi was also in close contact with the

Ernst Mach Society (*Ernst Mach Gesellschaft*) named after Ernst Mach (1838–1916), an organisation which was part of the Viennese workers' education movement and simultaneously the distributive organ of the Vienna Circle. Like the Galileo Circle in Budapest, it pursued the goal of 'popularising' a scientific worldview by way of popular education. Polanyi worked as a lecturer for this circle.

When it became clear, following the events of 1933/34, that remaining in Austria was not an option, Karl Polanyi fled the country. Many other economists and sociologists shared the same fate, among them Otto Neurath (1882–1945), Emil Lederer (1882–1939), Walter Schiff (1866–1950), Marie Jahoda (1907–2001), Eduard März (1908–1987) and Edgar Zilsel (1891–1944), to name just a few. He left for England, and his wife and daughter would follow shortly after. He was fortunate enough to retain his employment with *Der Österreichische Volkswirt* ('The Austrian Economist') as 'foreign correspondent' (Stadler 1987, p. 425). In addition to that work, he was also able to continue his work as a lecturer with the Workers' Educational Association (WEA) and in advanced training courses for the Christian Left, the counterpart of the League of Religious Socialists (BRS) under the 'little Otto Bauer' (1897–1986) in 'Red Vienna', which Karl Polanyi had already been in contact with in Vienna (Henseler 2010, p. 2). Furthermore, he worked as a tutor for external examinees at Oxford University and various faculties of London University. This work as a tutor brought him into contact with the life of the British working class. 'He was teaching – and he was learning', his daughter noted about this time (Kenneth/Polanyi Levitt 2000, p. 311). He would teach weekly courses in the small towns and villages of Sussex and Kent and the coal mine districts of East Kent, which he travelled to using the buses of the 'Green Line'. Seeing as it was often impossible to return home the same night, he often stayed overnight at the home of one of the course participants or in other accommodations, during which he learned a great deal about the workers and their families as well as their working conditions: an insight which would subsequently feature in the analysis of the economic and social consequences of the Industrial Revolution in his *magnum opus*, *The Great Transformation*.

In 1940 he moved further afield, this time to the United States, where he was able to continue teaching at US universities. His daughter

cannot say with certainty whether or not Karl Polanyi ever returned to Austria after his escape. What she does remember is that her parents went on a trip to Hungary to visit relatives shortly before his death in 1964. Yet the visits to Europe were always of a private nature: Karl Polanyi apparently never received an official invitation to Austria.

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III

Intellectual
Debates

THE GREAT TRANSFORMATION: REFLECTIONS ON A LIBERAL ILLUSION

How Karl Polanyi's *magnum opus* *The Great Transformation* came about, how and when the book was published, and the era in which this all took place.

ANDREAS NOVY AND RICHARD BÄRNTHALER

Karl Polanyi was a thinker in times of great change, in an era of society's reorganisation. Understanding upheaval became his *raison d'être*, something almost forced upon him by the historical events in Central Europe that shaped his life, starting with the tragedy of World War I, which he experienced as a cavalry officer in Galicia until he was seriously wounded in 1917. Born in Budapest into an educated middle-class family, which later almost sank into poverty, Polanyi grew up in liberal-progressive circles. The upheaval of the Great War was thus all the more dramatic for him, representing the apparent end of an era.

As early as 1920, Polanyi began seeking the reason for the collapse of the cosmopolitan civilisation that had developed during the 'hundred years of peace', from the Congress of Vienna in 1815 to the

FARRAR & RINEHART

INCORPORATED
PUBLISHERS
232 MADISON AVENUE
CABLES - FARRINE - NEWYORK 16

3rd March 1944

Karl Polanyi, Esq.,
49 Hornsey Lane Gardens,
London, N. 6, England.

Dear Mr. Polanyi:

Copies of THE GREAT TRANSFORMATION are now available, and under separate cover we are sending you your six author's copies. We will send you three copies this week and another three copies in about ten days.

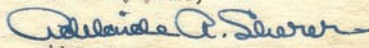
We are very pleased indeed with the appearance of the book and hope that you will be too.

Publication has been scheduled for April thirteenth.

By this same mail we are sending a couple of copies of the book to our agents, Curtis Brown, Ltd., c/o Miss Juliet O'Hea, 6 Henrietta Street, Covent Garden, London, W. C. 2, since they will be handling the placement of the English publication rights. If you have any definite thoughts about a publisher who might be better for the book than any other, I am sure that Miss O'Hea would appreciate a call from you.

With good wishes,

Sincerely yours,



Adelaide A. Sherer

AAS:MR

"We are very pleased indeed with the appearance of the book ..." -
Letter from the publisher to Polanyi on the publication of "The Great Transformation"

outbreak of World War I in 1914: ‘Nobody doubts that the measure of suffering (of the past six years) is far from complete. It seems self-evident that this commands us to engage in a restless search for the origin of this agony and pain, so we could, individually and together, eliminate it. But the necessity to know and understand the *origin of our times* is neither perceived nor acknowledged’ (Polanyi Levitt 1990, p. 119). It would be many years before, in *The Great Transformation. The Political and Economic Origins of Our Time*, Polanyi would eventually find some answers to this existential question. How can the economy of the machine age, of our modern technological society, be organised so that production satisfies social and cultural needs while maintaining social cohesion?

Unquestionably, the book’s most moving appraisal came shortly before its appearance, from Michael Polanyi (Karl Polanyi’s brother). In a letter to Karl, he summarised the book’s meaning in relation to its author’s journey. It says ‘pretty well all you had to say’ and gives expression to ‘the thought and passion of a lifetime’. So intensely personal is it, ‘so passionate and eloquent in your own particular tone of sentiment’, that it could not have been written by anybody else (Dale 2016, p. 172).

The Great Transformation, published in April 1944, underwent a turbulent 75-year history. Translated into nine languages, the book’s resonance was somewhat muted as a result of the Cold War, bringing the lively discussions of the early 1940s about a new world order to an abrupt end. Moreover, the repressive McCarthy era further prevented the book’s analysis and especially its political implications from becoming a subject of public debate. Even before *The Great Transformation* was completed, Polanyi’s US publisher had asked him to write a sequel. The manuscript produced in 1943 was titled *The Common Man’s Master Plan* (published in English in *Economy and Society. Selected Writings*). Thanks to Michael Brie, the texts were eventually made accessible to the German audience in 2015 in the book *Polanyi Neu Entdecken* (Rediscovering Polanyi).

The text, aimed at the ‘common man’, intended to describe the causes of the ‘global catastrophe’ in simple, yet practically relevant, terms and to develop possible solutions. His interpretation, however, did not significantly influence the debate of the time on the post-war world order.

What is more, it was not this interpretation of *The Great Transformation* that set the tone in the discussions that followed. The decisive reading arose from fields of study that Polanyi turned his attention to after 1944: anthropology and economic history. While, during the 'golden decades' after World War II, it all went rather quiet on the subject of Polanyi's *magnum opus*, this changed with the movement of 1968 and its critique of industrial society. In 1977, *The Times* newspaper hailed *The Great Transformation* as one of the 'greatest books of the 20th century'. The first German translation was also published in 1977 by the Europa Verlag publishing house, and just a year later in 1978, the 'classic' Suhrkamp edition came out. The new interpretation of the book was reflected in its German title, which translates as: *The Great Transformation – The political and economic origins of societies and economic systems* (as opposed to the English *The political and economic origins of our time*). This *faux pas* is rooted in the post-humous reinterpretation of what Polanyi meant by 'great transformation'. Henceforth, Polanyi was associated with the description found on the back cover of the German edition: 'If industrialism is not to lead to the extinction of humanity, then it must be subordinated to the needs of human nature.'

Although this summary was not fundamentally wrong, it significantly distorted the author's meaning. *The Great Transformation* was not primarily intended as a critique of industrial society. The transition from agrarian to industrial society does not even come close to what Polanyi meant by 'great transformation'. For him, the 'great transformation' was about the rise of fascism in response to the attempt to restore the illusionary liberal economic doctrine of the 19th century, a doctrine that subjected the governance of societies to market logics. It was not Polanyi's aim to demonise industrial societies; rather he sought to ascertain how societies could be organised in the 'machine age' to minimise upheaval. In his analysis, Polanyi combined elements of romanticism with the view that technological progress could not be reversed, and that liberal values of individualism and the right to nonconformity should not be reversed. This relationship of tension remained a constant influence on Polanyi's thinking throughout his lifetime. He thought dialectically and, in many respects, also pragmatically, with a finely-tuned sixth sense for totalitarian philosophies.

How could an economy become dominant in which the fear of hunger and the pursuit of utility and profit were the driving forces of an entire society? How could economic and materialist motives be decoupled from issues of status and propriety as well as time-honoured traditions and routines? Polanyi certainly did not glorify traditional societies. Rather his critique was characterised by a deep-seated contempt of utilitarianism and of what was later referred to as a mass consumption society. Traditional communities helped him to relativise what could be considered normal. Polanyi's hopes were pinned on a form of Western modernity based on democracy and equality, individualism and responsibility, where livelihoods were organised in a way that allowed people to live well and in freedom.

In the late 1930s, Polanyi developed a new explanation for the collapse of the 19th century world. He used the term 'great transformation' as an epochal watershed not simply referring to the transition from agrarian to industrial society, but explicitly describing the end of the disastrous liberal economic experiment. During the 'conservative' 1920s, those in power had set about restoring the pre-war order. According to Polanyi, this attempt rested on four components: first, a global order that would prevent one single country from dominating; second, the international gold standard, which facilitated global economic integration via a single currency, the reestablishment and ultimate abandonment of which shaped the interwar years; third, a self-regulating market, which unleashed undreamt-of productive forces and, yet, at the same time, destroyed livelihoods; and finally, the liberal state.

As senior editor of the premier economic and financial weekly of Central Europe, *Der Österreichische Volkswirt* (The Austrian Economist), Polanyi had his finger on the pulse when it came to European economics and politics. Well versed in current events during the 'conservative' 1920s and the 'revolutionary' 1930s, Polanyi was able to embed his analysis of current affairs in broader contexts. 'Red Vienna' of the interwar years made a substantial contribution to his understanding of 'habitation', a key concept in *The Great Transformation*. In the German *Suhrkamp* edition, 'habitation' is translated as *Behausung*, which emphasises the physical dwelling. Arguably, however, *Beheimatung*

THURSDAY, APRIL 13, 1944.

BOOKS

Books of the Times

By JOHN CHAMBERLAIN

GREAT books can sometimes be pernicious books, and I fear that Karl Polanyi's "The Great Transformation" belongs to this category. For this beautifully written essay in the revaluation of a hundred and fifty years of history adds up to a subtle appeal for a new feudalism, a new slavery, a new status of economy that will tie men to their places of abode and their jobs. All of course, in the name of "freedom" and "the greatest good of the greatest number," the individual must give way to the "primacy of society." Putting it that way, what Polanyi has to urge sounds liberal as the word is used these days. But it is a reversion, an admission that the great nineteenth-century attempt to separate the economic sphere from the sphere of State action has ended in defeat.



Karl Polanyi

Polanyi begins by arguing that neither labor nor land should be regarded as commodities to be bought and sold in a free market, for a commodity is properly to be defined as something that is brought into being by human action on raw materials, and the word should not be stretched to cover either flesh and blood or the earth's surface, which are facts of nature. The medieval peoples, and practically all pre-nineteenth-century societies, sheltered both land and human beings from the impartial action of the laws of the market place. We must go back to the medieval theory, says Polanyi, in the interests of restoring man's "habitation." For men must have the "right to live" regardless of their economic ability, and soil must be kept in place if the basis of all life is to be preserved.

His History Fights His Argument

So stated, Polanyi's argument would seem to be irrefutable, but the historical portions of his book, which are excellent as simple narration and exploration, tend to contradict the argument. Polanyi is too honest an investigator to blind the cutting edge of his facts, even though he fails at times to ask certain crucial questions. In the Seventeenth Nineties, in England, a law was passed that was designed to give permanent Government underwriting to every man's life. By the terms of the so-called Speenhamland rate, each Englishman was entitled to a living allowance whether he worked or not. If he happened to be employed by someone who couldn't afford to pay him the amount of the Speenhamland rate, the Government made up the difference. "Freedom from want" was the national policy in those days.

But on Polanyi's own showing, Speenhamland almost ruined the English population. It subsidized a low-grade existence and paralyzed the

spring of action. The industrial revolution couldn't get along until Speenhamland was repealed. Yet Polanyi, in essence, is asking us to go back to the principle of the Speenhamland law.

He doesn't exactly put it that way. And he seems to have a great fondness for men like Robert Owen, who wanted to start utopian colonies outside of the orbit of the State, and Jeremy Bentham, who urged capitalists to "incorporate" the unemployed to make cheap goods. But when he comes to his prognosis, he forgets that Owen and the Quaker John Belshers did not depend on State action. Polanyi seems to identify "society" with the State. And what he seems to be asking for is a mild type of national socialism that will not allow a man to refuse work, or to regard himself or his property as free entities.

Man as a Trading Animal

Learned in anthropological lore, Polanyi goes to Melanesia to prove that man is not necessarily a trading animal. In Melanesia men distribute goods by reciprocity; they often compete in giving their substance away. But Polanyi doesn't go on to make the observation that non-trading societies are run by priestly castes; they are half-ridden, unrevolutive non-democratic. Witchcraft and magic are invoked to make "reciprocity" work.

Naturally, Polanyi doesn't want to make Trobriand Islanders out of the dwellers in a technological civilization. But just what does he want? If the "primacy of society" is to be made the basis of our civilization, what happens to the "right of man"?

Polanyi lived in Vienna before the Nazis drove him out, and in Vienna he must have crossed intellectual swords with F. A. Hayek, who has leveled a searching criticism at the type of thinking that Polanyi represents. If the "right of the individual" ceases to be the prime concern of society, then the matter, in F. A. Hayek's estimation, comes down to Lenin's old question of "who, whom?"—who is to decide for "whom." Is the "primacy of society" anything the majority says it is? And if so, what if the majority wants to penalize, or obliterate, a minority? The question isn't as simple as Polanyi makes it seem. The Nazis tried to make it simple, and saw what happened.

The "laws of the market" may sometimes work to brutal ends. But men don't necessarily have to depend on the coercive state to protect themselves against these laws. By combination, by free association in cooperatives, in unions, in mutualized insurance and finance companies, individuals can combat the exploitation of those who try to drive successive bargains. We are forgetting that private collectivism is a potent factor in defense of the free individual.

Polanyi forgets, too. He hasn't made any clear distinction between "society" and the state. But society is much larger than formal government; it consists of individuals, groups, churches, benevolent orders, guilds, unions, associations—a whole host of entities that create common social goals. If the "primacy of society" is Polanyi's deepest concern, he should have first made it plain what society is.

*THE GREAT TRANSFORMATION. By Karl Polanyi. 354 pages. Farrar & Rinehart. \$5.

'Great books can sometimes be pernicious books.' The conservative libertarian critic John Chamberlain combined his praise for *The Great Transformation* with a word of warning in his New York Times review.

(referring rather to a home in the spiritual-emotional sense) would be a more faithful translation as it expresses cultural embeddedness as well as uprooting resulting from capitalist modernisation.

Polanyi observed that, in Vienna, it had proven possible to organise livelihoods in a way that allowed people to lead dignified lives and make the city their home. In the Appendix of *The Great Transformation* he praises the 'Vienna system' as having 'achieved a level never reached before by the masses of the people in any industrial society' (Polanyi 1944/2001, p. 299). In 1933, following Dollfuss' suspension of the Austrian parliament, it became impossible for *Der Österreichische Volkswirt* to continue supporting Polanyi's overtly socialist opinions and he was advised to emigrate to England. From London, he remained a regular correspondent for the financial weekly up until Hitler's occupation of Austria in 1938.

Polanyi's clear style and language was shaped by his professional experience, teaching adults, first in Vienna and then in England where he earned a living as a lecturer for the Workers' Educational Association (WEA), Oxford University's provider of adult education. In England, a country Polanyi had always admired from afar, he discovered a deeply class-divided society. He held evening classes on international relations and the social and economic history of England. During overnight stays with families in the small towns where he was teaching, he experienced first-hand the cultural impoverishment of the working class in what was then the wealthiest country in Europe. This he compared to the high quality of life enjoyed in 'Red Vienna', the capital of an impoverished Austria. At the same time, he observed a ruling class with a deep-seated aversion to even modest reforms.

In the late 1930s, Polanyi penned some of the first drafts of what would later become *The Great Transformation*. Fundamental to the book were Polanyi's lecture notes from his WEA courses. From 1941 to 1943, the Rockefeller Foundation provided Polanyi with a scholarship to fund his writing. As early as 1940, at Bennington College in Vermont, USA, he delivered a series of five lectures, in which he presented the principal theses of *The Great Transformation*. It is during these Bennington lectures that Polanyi introduced the basic premise which shaped the structure of *The Great Transformation*: 'In order to

comprehend German fascism, we must revert to Ricardian England' (Polanyi 1944/2001, p. 32). Polanyi saw the political disaster as having economic roots: economic liberalism and its faith in self-regulating markets was largely to blame for the decline of liberal civilisation in the 19th century.

Thus, Polanyi interpreted the rise of countermovements, such as fascism and Soviet communism, as a reaction to the laissez-faire doctrine of strict non-interventionism regarding the functioning of the market economy. In his view, it was particularly the dogmatic adherence to the illusion of self-regulation, contradicting empirical evidence, that strengthened anti-liberal forces. Polanyi described the obsessive manner in which League of Nations' economists pursued their liberal austerity policy, to secure the gold standard, as follows: 'Had the aim not been intrinsically impossible, it would have been surely attained, so able, sustained, and single-minded was the attempt' (Polanyi 1944/2001, p. 240). Reading these words, who could not be reminded of Greece in 2015? By employing increasingly authoritarian methods in the face of declining popular support, the gold standard was clung onto way beyond the onset of the global economic crisis. Highlighting this principle thesis, the title Polanyi originally proposed for his book was *Liberal Utopia: The Origins of the Cataclysm*. But, given the connotations of the term 'liberal' in the US, where it had by then come to be almost synonymous with 'left', the publisher rightly suspected that this would lead to confusion. Polanyi's proposed title was therefore rejected.

To some it may come as a surprise that Polanyi's critique of laissez-faire is consistent with important liberal analyses of the 1930s. Walter Lippmann and later Friedrich Hayek were both also critical of economic liberalism in situations where the state failed to create the appropriate conditions for a functioning market economy. The liberal utopia that Polanyi criticised features a market society where power is absent and where state institutions lack the capacity for action. Polanyi did not doubt the efficiency of self-regulating markets. His criticism was of a moral and political nature. Polanyi believed that the dynamics of the market economy could become so destructive, potentially uprooting entire communities, that it was simply not possible to sustain this system in democratic societies. He saw

political and cultural countermovements as an inevitable consequence.

Polanyi's critique of economic theories, however, was limited to Malthus and Ricardo's laissez-faire, thereby reducing a critique of the market as such to one of the *self-regulating* market. For a theoretician of Polanyi's calibre, this interpretation was far too simplistic and neither empirically nor theoretically tenable. Unlike John Maynard Keynes, he overestimates market rationality and, as Polanyi's exceptional biographer Gareth Dale demonstrates, also underestimates the possibility of stabilising market economies through government regulation. Markets can be shaped to a far greater extent than Polanyi was ready to admit. Based on a mixed economy, post-war Keynesianism succeeded in doing just that well into the 1970s. But even the ordo-liberalism of the past decades has resulted in a stable political and economic regime, albeit accompanied by rising costs.

Thus, as the 20th century progressed, Keynes and, over time also Hayek, appear to have been proven right: the former in his belief that market economies could be regulated, and the latter because a strong state turned out to be perfectly capable of stabilising a liberal capitalist system – at least for a certain period of time. That said, what kind of stability are we talking about with leaders such as Donald Trump and Viktor Orbán in power? It is certainly not a stability of peaceful coexistence among pluralist democracies and free world markets.

The renewed interest in Polanyi's work today is in all probability down to the fact that two of his key themes have once again become highly relevant. The first is his analysis of fascism and the second, his critique of civilisation. The powerless response to growing right-wing populism and illiberal democracies is reminiscent of Polanyi's analysis of the rise of fascism. Moreover, the climate crisis and digitalisation raise questions about how we deal with major civilisational change. In a similar vein, in their dystopia *The Collapse of Western Civilization: A View from the Future*, Naomi Oreskes and Erik M. Conway identify two causes of the collapse of Western Civilisation: market fundamentalism and positivism, i.e. the illusion of 'value-free' and 'apolitical' science (Oreskes/Conway 2014). Presumably, Polanyi would have put it the same way.

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FRIEDRICH HAYEK AND KARL POLANYI. DEFINING FREEDOM: WHAT KIND OF FREEDOM? AND WHOSE FREEDOM?

Despite Polanyi's flexibility and the contrasting dogmatism of his 'antithesis', Friedrich Hayek, the two philosophers have more in common than one might initially think, and not just when it comes to their biographies.

ANDREAS NOVY

It is not known whether Friedrich Hayek and Karl Polanyi ever actually met in real life. However, they are justifiably seen as representing two important narratives, which remain both appealing and influential to this day. Both were visionaries in their respective schools of thought. Hayek by transcending the liberal idea of the minimal state and Polanyi in his belief that central planning was just as illusory as free markets. According to Hayek's new liberal utopia, a strong state guaranteed market freedom. In Polanyi's vision of a democratic society, regulations and planning allowed freedom for all.

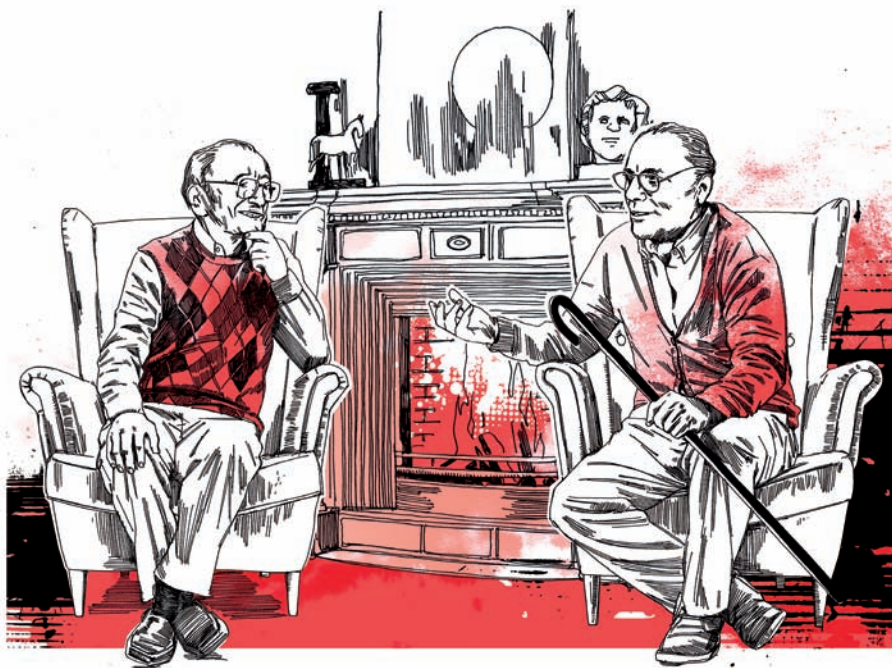
Neither their works nor their influence can be fully understood without first taking a look at their biographies and what the two have in common. Both were born in Vienna, Polanyi in 1886 and Hayek in 1899. The political world views of both were shaped by the decline of the liberal cosmopolitan *fin de siècle* world as well as the 'Red Vienna' of the 1920s. Both left Vienna for England in the interwar years then going on to become world-famous – a destiny shared by many intel-

lectuals from Central Europe. Hayek left to take up an appointment at the London School of Economics, while Polanyi fled from the rise to power of Austrian fascism. For many years, both were largely unknown in their home country and both were far more than economists. They could in principle be categorised as socio-economists had it not been for Hayek's profound aversion to the word 'social' which he felt had become a meaningless term.

Nevertheless, both men were undeniably social theorists and they shared the conviction that an essential feature of a good society is that it guarantees the individual freedom of its members. Both Karl Polanyi and Friedrich Hayek grew up in privileged families.

Polanyi's upper middle-class life came to an abrupt end with the financial difficulties and subsequent death of his father. In Vienna, he led a modest existence and throughout his life he always maintained a deep sympathy for the ordinary people. He was horrified by the poverty suffered by the English working class in the 1930s and saw the self-confidence of the Viennese workers as a sign of civilisational progress. This is probably *the* crucial difference between Polanyi and Friedrich Hayek with his deeply elitist worldview, and something that helps us to understand some of the contradictions inherent in Hayek's thinking. When we first read his famous work *The Constitution of Liberty* written in 1960, for instance, we are somewhat surprised to discover his assertion that a century earlier, a process of liberal progress lasting thousands of years had come to an end. How, we might ask ourselves, can such an intelligent individual claim that in 1860, with half of America still a slave society, freedom prevailed and then, as civic, political and social freedoms were gradually extended to all citizens, this freedom was allegedly under threat? Do Otto von Bismarck, Neville Chamberlain, Karl Lueger and all the other anti-socialists therefore really represent the triumph of socialist thinking for Hayek?

On the face of it, this of course seems illogical and makes sense only when we realise that Hayek regarded civilisation and inequality as two sides of the same coin. Aristotle and erudite plantation owners emerged only because they were served by slaves; the pyramids and railways resulted from the maltreatment of farmers and workers in the name of their construction. If a civilisation based on inequality is



replaced with egalitarianism, this, according to Hayek, would destroy culture and community – Bismarck’s reforms were the first step in this direction and the Bolshevik dictatorship the inevitable second. Thus, for Vienna’s bourgeoisie, domestic workers being granted the same rights as their employers during the interwar years was seen as expression of cultural decay. Imagine how threatening it must have seemed when a fundamentally middle-class, even upper middle-class district such as *Währing* suddenly had a Social Democratic district mayor because of the introduction of universal suffrage. It is arguably this preconception regarding the superiority of the traditional elites (with the addition, in modern capitalist society, of a few social climbers), which prompted Hayek to remark in his Preface to *The Road to Serfdom* that there were already signs of totalitarianism in ‘Red Vienna’ as it attempted, through social and education reforms, to afford everyone the same opportunities for freedom.

While, after much humiliation and disappointment, Hayek ultimately ended up on the winning side, Polanyi only briefly enjoyed the illusion of being on the right side of history, on the side of the victors,

at the end of World War II. Economic liberalism had been discredited by the world economic crisis of 1929, clearly suggesting the need for a fresh democratic start to rein in the destructive power of the markets. Yet, with the onset of the Cold War, the McCarthy era and the associated witch-hunt persecuting American left-wing intellectuals, it quickly became clear that Western democracies were not going to see a fundamental abandonment of paternalist administration and a social system dominated by consumption and market forces any time soon.

While economic liberals such as Ludwig von Mises, Hayek's mentor during the interwar years in Vienna, were already '(Cold War) warriors' battling against communism at an early stage, Hayek was not particularly interested in the critique of the planned economy as he saw its demise as a foregone conclusion in any event. Hayek identified another adversary as far more important, namely the middle class, the mainstream with their faith in progress. In 1947, the German Christian Democrats were still toying with the idea of anti-capitalism in the Ahlen Programme, and Italy's Christian Democrats passed a constitution that made labour rather than the market the foundation of the liberal post-war order. All Western economic systems during the post-war era were based on the idea of a mixed economy, in which nationalised industries and banks and public services went hand in hand with a market economy and world trade. In this context even neoliberals like Ludwig Erhard felt compelled to call their economic policy model a social market economy: a society in which markets are regulated as much as possible while, at the same time, it is acknowledged that state intervention is necessary for socio-political reasons and to prevent monopolies.

Here Hayek positions himself in direct opposition to the zeitgeist and criticises the Christian and social democratic as well as the social liberal currents for naively overlooking the fact that any moves to restrict the market and expand the scope of the government's social and economic policy must inevitably culminate in totalitarianism. Initially ridiculed but then increasingly accepted, von Mises and Hayek eventually imposed a dual worldview of 'good' and 'evil', according to which there are only two paths: one to freedom and the other to servitude, in other words totalitarianism. Their belief that the path to freedom was only possible in market economies implied that

any encroachment on the market and competition would ultimately result in totalitarianism. Hayek's main political achievement was to denounce any action that restricted the market as leaning towards totalitarianism. Today this is the prevailing view. To a great extent, politics, the media and public debate are shaped by a neoliberal philosophy. The marketisation of all areas of life, which even includes individuals renting out their own bedrooms would, in the 20th century, presumably have been regarded as a regression to the wretched times of the 'bed lodgers'. Yet today Airbnb symbolises the avant-garde of digital capitalism.

It is remarkable that it is precisely this comeback of economic liberalism, something Polanyi saw as quite inconceivable, that ended up promoting his own renaissance. Now more than in the post-1944 period, Polanyi has become a source of inspiration for critics of economic liberalism. This is largely due to the severity of the 2008 financial crisis, which, in a moment of surprising frankness, even the former chair of the US Federal Reserve, Alan Greenspan, blamed on the illusory belief in the self-regulating market.

You would be hard pushed to find another theorist who has contributed as much as Polanyi to our understanding of the synthesis of free-market economic liberalism ('more market, more freedom') and authoritarian, reactionary and even fascist ('order and isolation') tendencies, which we are observing once again despite the fact that the combination is seen as implausible. Is it conceivable that illiberality and neoliberalism will become equally dominant? And what are the dynamics that have allowed for developments such as those we are currently seeing in Turkey, Hungary, Russia and the US, with their different ideologies and manifestations?

Hayek and Polanyi can both help us in finding the answers to these questions. Let us start with Hayek. Not only was he, along with other liberals such as Walter Lippmann, not a fan of *laissez-faire*, but in fact, like Polanyi, he identified adherence to this illusory ideology as one of the reasons for the decline of liberalism. Hayek called for more government intervention, but he saw the state as having a very specific role, namely that of a sovereign state authority to plan the measures required for effective competition. Hayek was no advocate of a simple 'more private sector, less state' kind of ideology. Hayek, like Polanyi,

essentially had no problem with an effective state, especially if there were neoliberals at the helm. What he did want to know was what the state was doing and what its power was being used for. Hayek defined freedom as the absence of coercion, and here he meant state coercion, which individuals were powerless to escape. Free-market societies are governed by the rule of law and voluntary relations between individuals. Arbitrary power exercised by governments and bureaucracies must be kept to a minimum. This is why Hayek believed that democratic governments often presented a more serious threat to civil liberties and ownership rights than dictatorships. He perceived the tenant protection legislation, which was introduced by the monarchy in 1917 and saved many people from eviction, as insidious expropriation. His affinity for authoritarian governments which establish free markets, such as Pinochet's in Chile in 1973, for instance, is therefore hardly surprising.

Polanyi's analytic conclusions are not immune from overly simplistic explanations either. For example, he depicts an irresolvable tension between capitalism and democracy, which, in his view, will inevitably involve sacrificing one or the other. He devotes very little attention to the possibility of an institutionalised class compromise. That said, during his term as editor of *Der Österreichische Volkswirt* (The Austrian Economist) he learned to view things from different perspectives in order to understand diverse interests. This approach led him to produce pragmatic analysis, in which it was not the true and the good that was aspired to but rather what was historically possible in each situation. He demonstrated this particularly clearly with his analysis of the 1926 General Strike in the United Kingdom, where neither side came up with a way forward. This failure to reach an agreement played a significant role in the victory of the mining corporations but also in Britain's subsequent economic decline. Bearing this in mind, an accurate interpretation of Polanyi's works would be one that emphasises the antidogmatic nature of his ideas. The aspect of market fundamentalism that bothered Polanyi the most, for instance, was its fundamentalism. Liberal dogmatism disturbed him just as much as Marxist dogmatism and the idea of a centralised planned economy. And on this matter, he did not hesitate to admit that von Mises was right.

The right of an individual to express their own opinion, their right to nonconformism were values Polanyi held in high esteem. The alternative to neoliberal dogmatism cannot be another form of dogmatism but rather has to be the stimulation of public debate. Hayek was an astute thinker who made some essential contributions to our understanding of market economies. It would be disastrous if critics of neoliberalism refrained from studying Hayek and learning from his insights. At the same time, it is clear that the mindset Hayek developed resulted in conceptualising all spheres of life as parts of 'One Big Market', and all relationships being evaluated in terms of their utility.

The marketisation of all spheres of life contains the real danger of a totalitarian market system being established. Here Polanyi helps to make a distinction, which, in light of fake news and climate change denial is highly necessary: if truth itself becomes a commodity that is for sale, this represents a threat to science. If lies are used as a method for as long as such behaviour pays off, for as long as it attracts votes or generates profits, this endangers democracy. The critique of totalitarianism, which is the central theme of both Hayek and Polanyi's works, is once again of the utmost relevance today.

KARL POLANYI, LUDWIG VON MISES AND THE ISSUE OF PLANNING

An economist who believed in the market and an economic historian who was highly critical of it debate the prospects of a socialist system of accounting.

PETER ROSNER

After the end of World War I and the political collapse of several European states, a socialist transformation seemed like a real possibility. Russia's Communists successfully managed to consolidate their power. Germany's two socialist parties initially won over 40 percent of the vote. In 1919, the Austrian Social Democrats were the strongest party in the National Assembly and, from 1920, the second largest party in parliament. For the three social democratic parties, the notion of a transition to a socialist society was a foregone conclusion.

But what is actually meant by a 'socialist society'? For starters, it would certainly be productive and fair. These are two characteristics that capitalist society lacks. Capitalist society is unproductive because it has a superfluity of small companies using old technology. And it is unjust because it enables people to have an income without working. Indeed this was the main credo of socialist ideas in Germany and Austria and here Karl Marx provided plenty of material to draw on.

Advocates of socialism could not count on Marx when it came to the organisational form of the society they aspired to, however, as this was not something he had written about. One thing was clear though – it would be a planned society. The formation of a socialist society is a conscious act. It is not something that simply happens behind the backs of the historical actors, like the replacement of feudalism with capitalism.



This topic was the subject of broad debate. In an article published in 1922 in the erstwhile academic journal *Archiv für Sozialwissenschaft und Sozialpolitik* ('Archives for Social Science and Social Welfare'), Karl Polanyi, a socialist but not a Marxist, addressed a preliminary issue for all forms of socialist planning: socialist accounting. The question was, how a society in the process of making the transition to socialism could present the gains and costs to the economy, which is something it is obliged to do for the purposes of internal planning and control.

Although Polanyi never explicitly mentioned Ludwig von Mises, his article can be interpreted as a response to a paper by the economic historian published in the same journal two years earlier under the title *Accounting in Socialist Societies*. Von Mises argued that centrally planned economies had to suppress all freedom of choice. Moreover, they were also inefficient because they simultaneously suppressed any initiative from individual members of society. In 1922, von Mises expanded his arguments and published them in a 500-page book, in which he celebrated his aversion to social planning, to all concepts of the welfare state and to the Catholic Church.

In his article, Polanyi supported von Mises' assertion that a centrally planned economy could not work. But he failed to substantiate

his opinion. Perhaps he saw it as self-evident. At the time though, this central planning was not one of the direct tasks of a socialist party, with the obvious exception of the recently created Soviet Union. Even there, although the party had consolidated its power it was still not in a position to organise any form of central planning. This was the rationale for its decision to open up the market to free enterprise and allow products to be sold on the market – the New Economic Policy.

While von Mises concluded that the impossibility of detailed planning made social reforms equally impossible, Polanyi posed the question of how concepts of social reform could be incorporated into the economic structure of a society. He did not discuss whether or not that was feasible. And why would he? In his view, a socialist political system would be absurd if reforms were not possible.

Either way, socialist aims need an accounting system to plan and evaluate policy. This is something which today sounds rather trivial. But, at the time there was no accounting of any kind to record the economic performance of regions, states or economic sectors. It was not really down to a lack of data so much as to the absence of a theoretical framework for the collection of this data. There was neither a system of national accounts nor of input-output accounts.

Polanyi explored the possibility of accounting in a society where, unlike in the capitalist economy, achieving maximum profit was not the sole objective. The priority would be social goals, including the production of goods and services and their distribution, as well as the economical use of resources. The system would not be based on general principles of justice. In his analysis, Polanyi did not raise the question of when someone should be entitled to more and who has to content themselves with less. His focus was much more on ensuring that everyone was supplied with basic goods. In light of the prevailing hardship in Austria at the time, this strategy made absolute sense.

A socialist society also has to stimulate the production of specific goods. There are goods that capitalist societies do not produce because companies only target the consumers as individuals. The examples Polanyi refers to include public goods such as libraries, and expanding the consumption of cultural goods to reach broader sections of society. Theatres, museums, music etc. were of great importance to Austrian social democracy. Rapidly changing trends, seductive advertis-

ing and such like were all rejected. Nowadays this might seem a little strange, even slightly old-fashioned. But even today, the real hardship experienced by poorer populations makes government intervention in real production desirable. An economy should not be producing luxury goods for the few when there are too few goods for the masses.

Polanyi identifies two aspects of accounting. The first is related to the costs of production, and the second to the evaluation of social objectives. Polanyi's aim was not to develop a theory to reflect 'true' costs. He saw this as an issue for economic theory, about which he had nothing to say. Without explicitly referring to it as such, this was a rejection of Marx's labour theory of value which was highly popular among the socialists in German-speaking countries. But it also implied a rejection of the interpretation of Austrian utility theory advocated by von Mises. He argued that utility was subjective and that, as such, we could not speak about social utility because this would require an intersubjective measurement.

Polanyi asserts that politically fixing certain prices does not compromise accounting systems because these continue to have a forward effect within production chains. The price level of the primary product influences the costs of the next stages of production and consequently also the price of the final product. The costs can thus be aggregated from one stage to the next. The modern term 'value creation' in a given sector of the economy clearly articulates this as a self-evident fact. The concept is independent of the underlying theory of value. For von Mises, on the other hand, even the slightest attempt to fix prices was like giving the devil the proverbial inch – and him then taking a mile. Polanyi, however, points to the fact that there has always been intervention in prices, in the form of tariffs and taxes.

The purpose of accounting is to make sure that the planned society knows what it can produce and what the costs of this production are; but also what the costs of social rights are. Polanyi illustrates this with the following example: during the postpartum period, women should be given undergarments free of charge. The production costs must increase the unit costs of the underwear sold. Accounting should be tantamount to instructions for tangible action. The example Polanyi chose was probably quite an accurate reflection of the ongoing discussions in Vienna at the time. Although this measure was

never actually adopted, in Vienna in 1927, a 'baby clothes package' was introduced ('No Viennese child should be born onto newspaper'). The objective was a realistically achievable improvement in the position of the poor and not a fundamentally different society.

One question that remained unresolved was how to conduct the evaluations and how the related economic decisions should be organised. In von Mises' works, the answer is clear. A socialist society can only have one centre where all decisions are made. Any form of decentralised structure for collective decision-making would trigger conflict between the relevant actors. Such a structure is not needed in a pure market economy.

Should anyone find this explanation inadequate, the onus is on them to come up with a better idea as to how to address the problem. And Polanyi does just that in his article. He distinguishes between two groups of actors. The first comprises the regional political administrative entities. They define the social objectives. In this context, Polanyi refers to municipalities. The second group are the associations of producers. As autonomous economic actors, the function of these associations is to conclude contracts with one another about the goods to be delivered and the price of those goods. In this concept, the workers' councils that were so popular at the time play an important role in managing production planning. The aim was for them to solve the problem of productivity. Polanyi emphasises that associations like these are capable of achieving a higher productivity in manufacturing goods than the small companies exposed to competition. Since they do not seek to make a profit, the profit of capitalist monopolies and syndicates disappears. Here Polanyi draws on syndicalist concepts, such as those advocated by the English economist G.D.H. Cole, with whom he had frequent contact. The Austrian Social Democrat, Otto Bauer, was impressed by these ideas because syndicalism seemed to be a way of organising workers around economic and socio-political issues without subjugating them to the state.

An organisational structure of this type cannot help but be conflict-ridden. Each association wants the best for those they represent. Here, even the best socialist ethos in the world is not much help and this is something that Polanyi was all too well aware of. He envisaged a hierarchy of decision-makers, much like the stages of judicial

review. When conflict arises, the higher level bodies have to intervene in a supervisory capacity. This point was discussed further in two other shorter articles published in the same journal.

So what are we to make of this now, almost a century later? Well, von Mises and Polanyi were certainly right to reject the centrally planned economy. The attempts made to implement such a system over the last 100 years have been horrifying. The validity of Polanyi's suggestion to conclude contracts between the different sectors of the economy is questionable. This is something that might work in a small, closed economy. One example of how a system of this type could function effectively is the price regulation implemented by Austria's Parity Commission in the 1960s and 1970s. This involved the individual branches negotiating prices and wages under the oversight of the central associations – but with no socialist aim in sight. (Are readers under the age of 60 even aware that such a thing existed?) In an open economy, however, this proposal is simply unfeasible.

That said, Polanyi's line of enquiry remains valid. If we are not satisfied with the results of a pure market economy, and there are good reasons for this to be the case, decisions have to be made on the collective level. The decision about how many CO₂ particles will be deposited in our atmosphere in the coming years is inescapable. Von Mises was aware of this problem. He writes that a region should be allowed to decide against building a power plant in order to prevent the destruction of a beautiful waterfall. This is something he saw as a local problem that would not result in any kind of major disruption to the effective functioning of the market economy, and thus he graciously allowed it.

We pursue social objectives in health, education, care, poverty reduction and other aspects of welfare. They all require collective decisions. And this, in turn, calls for a system of accounting. In today's economy, this is seen by the majority as a self-evident fact (with the exception of a few preachers of pure market economics who remain unconvinced). Unfortunately, there are only a handful of viable collective decision-making concepts. One thing is for certain, neither the pure market economy nor the centrally planned economy are good systems. The former leaves no scope for addressing issues of social welfare and the latter only accepts a sole decision-maker.

KARL POLANYI AND LUDWIG VON MISES: CONTESTED VIEWS ON WORLD DEVELOPMENT

KARI POLANYI LEVITT

Ludwig von Mises, patron and teacher of Friedrich Hayek, is perhaps the most important and influential of the generation which gave birth to neoliberalism. Over the last decades, Karl Polanyi has become an inspiration for those opposing neoliberalism in theory and practice. Today, there are Mises clubs around the world and Polanyi Institutes in Montreal, Seoul, Budapest and Vienna. Intellectual adversaries, Polanyi and Mises did not meet face to face, however, they were both deeply influenced by the politics and intellectual debates in Vienna, world city in decline.

In the first national election of the Republic of Austria, the Socialists polled well in Vienna and in other more highly industrialised regions of the country. The Conservatives attracted votes from the peasantry and polled strongly in the Alpine provinces. The socialist Karl Renner was appointed the first Chancellor of post-war Austria and Otto Bauer, a leader of the Social Democratic Workers' Party, as Foreign Minister. The brilliant, but unpredictable, Schumpeter was invited to become Finance Minister. Schumpeter agreed with the socialisation programme, but warned that enterprises which strongly depended on foreign trade should be treated with caution. Eventually, he accepted an invitation from a German university and ultimately from Harvard where he supervised the work of graduate students including the Polish socialist Oskar R. Lange whose thesis, *On the Economic Theory of Socialism*, became required reading for socialist planning.

Red Vienna (1919–1934) is best known for its pioneering social housing. The cost was met by taxation on owners of private apartment buildings and the occupants of these apartments. Taxation varied based on the number of domestic servants they could afford to employ. Vienna's bourgeoisie were opposed to social housing. Like the upper-class English who believed that if individual bathrooms were rented to working-class people they would put coals in the bathtub, the bourgeoisie of Vienna believed that the workers of Vienna were incapable of maintaining the high quality of these modern facilities provided to them. Bright and modest municipal housing replaced the rat-infested tenement flats where two shift workers often shared a bed and tuberculosis was endemic. The old tenement flats did not have bathrooms, and toilets located in hallways or corridors were shared by two or more flats. The new buildings were designed by Austria's most famous architect and contained spaces with trees, grass, facilities for childcare, restaurants and cafes, and clinics where medical services were provided free of charge for residents. The entrances to these apartments were accessible from the shared, spacious courtyards.

Mises and Hayek, on the one hand, and Polanyi, on the other, had opposing views on Red Vienna: For the former it paved the road to serfdom, to the latter it was a pioneer of democracy and socialism. But both were at the margin of fervent intellectual life in Vienna. Neither Mises nor Polanyi were employed by any formal university. The Austrian Chamber of Commerce provided Mises an office in their luxurious mansion located on the Stubenring, well-described by Quinn Slobodian in his excellent historical account, *Globalists: The End of Empire and the Birth of Neoliberalism*. Following a tradition established by Böhm-Bawerk, Mises conducted a regular private seminar from his office, attended by eager young professionals with university degrees aspiring to join Vienna's bourgeoisie. Polanyi lectured on guild socialism under the auspices of the People's University, which was funded by the Socialist administration of Vienna. And he engaged in the Socialist Calculation debate, reproduced in the pages of Austria's foremost social science journal at the time, *Archiv für Sozialwissenschaft und Sozialpolitik*.

Mises argued that a socialist economy could not allocate resources efficiently without the information generated in a free and liberalised

economy. Prices for all commodities and services, as well as a stock exchange, required free markets for all commodities and factors of production, including capital. Mises feared that the end of the Hapsburg Empire would be detrimental to the freedom of trade and the security of foreign investment. He was concerned that nation-states would assert national ownership of resources limiting the security of cross-border capital flows. The challenge to socialists was taken up by several contributors to the Socialist Calculation debate. Unlike other contributors, Polanyi did not favour a moneyless or so-called 'natural' economy, nor a centrally administered Soviet-style socialist model. He advocated for a more participatory, inclusive and democratic approach best known as associational or functional socialism. Having noted that a person is, at the same time, a producer of goods and services, a worker concerned with wages and working conditions, a consumer, and a citizen of a city, province and country, each of these functions were represented by corporations or producer cooperatives, trade unions, consumer cooperatives and political parties. He advocated for the participation of an individual in all of these activities and suggested that important prices – like that of bread and milk, or construction material like cement and soft wood, or municipal rent – should be negotiated collectively at local, regional and national levels by associations representing the individual in his or her respective capacity. Mises replied and Polanyi was given the opportunity to respond (Polanyi 1932/2018).

This economic debate has been widely discussed (cf. the article by Peter Rosner in this volume). Less well known is the fact that it has to be embedded in a broader political concern and a deep nostalgia of the founders of neoliberalism for the empire and Western supremacy. Mises considered the establishment of nation-states, to replace the collapsing Hapsburg Empire, dangerous to foreign private investments located within national boundaries. National governments considered that, on principles of national sovereignty, natural resources were the collective property of the citizens of the nation. Minerals in the rocks or fish in lakes, rivers and oceans should be brought into collective national ownership. Foreign-owned enterprises were thus in danger of nationalisation and Mises believed they should be protected. Socialism was popular in the new nation-states

and Mises wrote a critical book entitled *Socialism*, originally published in 1922, where he observed that:

Socialism is the watchword and the catchword of our day. The socialist idea dominates the modern spirit. The masses approve of it, it expresses the thoughts and feelings of all; it has set its seal upon our time. When history comes to tell our story it will write above the chapter 'The Epoch of Socialism' (Mises 1951, p. 37).

After World War II, neoliberals of the Mont Pelerin Society were hostile to the United Nations, because they did not approve of small African countries gaining nationhood and receiving membership with equal voting power as the major European countries. They believed rule by white people was essential to preserve western civilisation. They aborted the establishment of an international trade organisation and dismantled a UN-based trade agency to control transnational corporations.

Karl Polanyi has not only criticised economic liberalism and free trade, but also promoted a multilateral world order based on regional blocs and a plurality of economic models. Which model will prevail in the 21st century remains an open question.

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KARL POLANYI AND JOHN MAYNARD KEYNES: TWO MEN BUCKING THE MAINSTREAM

Both are, in essence, market sceptics, but the perspectives of their critique differ. Keynes, the British economist, targets the state while Polanyi, the economic historian, focuses on power relations in society.

ELISABETH SPRINGLER

It has been more than a decade since the onset of the last major financial and economic crisis. In the last few quarters, European countries have recorded positive economic growth, albeit on different levels. Yet across Europe, asymmetries are still ubiquitous, which is particularly evidenced by unemployment rates and per capita GDP. In the heart of Europe, for instance, the unemployment rate is on the decline with Austria and Germany recording rates (measured according to the EU method) of 4.7 and 3.4 percent, respectively, in May 2018, while Greece saw unemployment of almost 20 percent and Spain of around 15 percent in the same period (Source: OeNB)

John Maynard Keynes' analysis in his *The General Theory of Employment, Interest and Money* (1936) was frequently quoted in the period immediately after the onset of the crisis and often referred to in the search for economic policy alternatives and a more general alternative perspective on the economy beyond deregulated markets. Keynes rejected the proposition that monetary policy could serve as a panacea for economic downturns and demonstrated the necessity of state intervention to overcome crises. In *The Great Transformation*



(1944/2001), Karl Polanyi, a theoretician who, unlike Keynes was seldom referred to in the debate on how to solve the global financial and economic crisis, also warned against the illusion that free markets and the progressive deregulation of international financial markets combined with a continuous reduction of the public sector could contribute to a steady state economic growth path. In fact, Polanyi felt even more strongly than Keynes that this was an unfeasible combination.

While both the economist Keynes and the economic historian Polanyi turned out to be alternatives to the prevailing economic mainstream, their critique takes different angles. Keynes sees focusing on components of aggregate demand as key to economic stability. If the state steps in, it can stabilise the development of the national economy. Government intervention of this type becomes necessary if private investment activity declines due to false or negative expectations about the future, if consumption and thus also income falls due to an increase in unemployment or if, as a result of an international crisis, there is a drop in export activity. The institutional framework

of a market economy provides the essential prerequisites for these proposed fiscal measures. From a Keynesian perspective, a strong state and regulations can tame the market mechanism and institutionally mitigate deregulation mechanisms.

Not only did Polanyi regard the development towards a free market economy as problematic for economic development more generally, but he also saw it as a utopian vision which undermines the fabric of society and the economy and which brings a collision of the heterogeneous interests of market participants in its wake. Discarding the utopia of a self-regulating market ultimately entails the great transformation of society. Polanyi's line of argument is thus geared towards the behaviour of different groups of actors in the social process and the balance of power between them, whereas Keynes does not address power relations as a factor in its own right. From Polanyi's viewpoint, therefore, the solution is not the introduction of regulatory measures to rein in the market, but rather the intrinsic regulatory oversight of a society based on democratic values that subjugates market forces. For Polanyi, the starting point is the mercantilist society, as, industrial society, in his view, is already the manifestation of the market liberalisation and deregulation project (= self-regulation). In mercantilism, however, 'the economic system was submerged in general social relations; markets were merely an accessory feature of an institutional setting controlled and regulated more than ever by social authority' (Polanyi 1944/2001, p. 70).

In Polanyi's analysis, the key to a functioning self-regulating market was the acquisition of the fictitious commodities of labour, land and money. But Polanyi recognised that this was based on a fallacy as 'labor, land and money are obviously not commodities' (Polanyi 1944/2001, p. 75). Keynes' reflections also focused on the labour market and the importance of money, which enables us to draw a number of parallels.

Polanyi describes the misconception about the importance of labour in the self-regulating market: 'Labor is only another name for human activity, which goes with life itself, which in its turn is not produced for sale but for entirely different reasons ...' (Polanyi 1944/2001, p. 75). He shows that the labour market was the last of the markets to be liberalised by industrial capitalism. However, the distinctive-

ness of the market and the direct impact it had on society meant that more regulations had to be introduced to protect society from liberalisation. The trade union and labour protection laws created for this purpose torpedoed the self-regulation of the market and caused a permanent conflict between society and market mechanisms. The growing desire for liberalisation came up against increasingly complex socio-political measures for mitigating the negative effects.

Polanyi thus focused on the permanent tension between the competitive forces of the self-regulating market and state regulation for the purposes of safeguarding the welfare of society. Although Keynes also described the labour market as a very specific type of market in his analysis, he concentrated more on the discrepancy between a micro- and macroeconomic approach and here, too, argued for institutional assuagement. In Keynes' view, for instance, falling wages, which in principle should have a positive impact on companies by improving their cost structures, actually result in a drop in wage income and thus, from a macroeconomic perspective, bring about a decline in consumption. In the interest of economic development, Keynes also advocated, albeit in a different theoretical context, the introduction of labour protection laws and other forms of institutional protection such as trade unions. Polanyi referred to the emergence of a double movement: while the market expanded, 'this movement was met by a countermovement checking the expansion in definite directions' (Polanyi 1944/200, p. 136). Unlike Polanyi, here too, Keynes disregards the permanent tension and the dynamic interaction between unleashed market forces and the social countermovement. Instead Keynes saw the institutional framework as providing a stable buffer against market domination.

If we apply the observations of the two economists in an attempt to identify the root causes of the 2008/2009 financial and economic crisis, the importance of money and the debate on the speculative behaviour of international financial markets take centre stage. Here, the views of both Polanyi and Keynes go against the economic mainstream as both perceive money as credit and thus a relationship of indebtedness. For Keynes, the speculative element is a result of the uncertainty of investors. These investors use international financial markets to reduce their uncertainty, attempting to convert their less

liquid investments into liquid financial assets. Herd mentality on international financial markets then further encourages the development of speculative bubbles.

Similarly, in his attempts to explain speculative behaviour, Polanyi also refers to the relevance of international financial markets, which, thanks to globalisation are becoming increasingly important and opening up more and more opportunities for capitalists and *rentiers* to profit from this particular deregulated market. These groups doubly benefit from the situation because the aforementioned counter-movement of the nation-states with the aim of reducing the destructive social effects of deregulation at the national level also results in investment subsidies. The social countermovement thus in effect reinforces the mechanisms used by those profiting from deregulation and, according to Polanyi, increases the distributive injustices between the economic classes.

Moreover, according to both Polanyi and Keynes, the development of speculative behaviour and the growing functional income inequalities are exacerbated by the gold standard, which is supposed to facilitate international free trade. By fixing an exchange rate for gold, the gold standard establishes the convertibility of international trade transactions, while international current account imbalances should be counteracted through internal devaluation of wage income. *Rentiers* and capitalists, which Polanyi saw as the high finance emerging from the landed aristocracy as a remnant of the feudal system, fare better in this system than those dependent on wage labour.

If we link Keynes' and Polanyi's critique of the deregulated global financial system with the theoretical shortcomings of a gold standard system and apply this to the present day, what we get is an explanation for the asymmetrical development we are observing in Europe and for the 2008/2009 financial and economic crisis. The development of the eurozone and its mainstream economic manifestation as an optimum currency area, can according to the line of argument pursued by Keynes and Polanyi, be perceived as the further development of the gold standard. The convertibility of commodities into euros, which if you like is the gold in the system, further strengthens the uneven development between different commodities and thus between *rentiers* and capitalists and wage earners. The development

of an economy is not necessarily linked to social development in the form of rising employment and increasing wages.

Against the backdrop of the end of the Great Depression of the 1930s, Polanyi argues that the New Deal and fiscal measures could only be effective once the gold standard had been abandoned. 'The New Deal could not have been launched without going off gold, though foreign exchange actually mattered but little' (Polanyi 1944/2001, p. 237). Thus, after World War II, both Polanyi and Keynes sought a reorganisation of the global financial system to pave the way for Polanyi's *embedded liberalism* or the *Keynesian consensus*. Bretton Woods represented an important institutional safeguard for the operation of liberalised markets, as did the International Clearing Union proposed by Keynes, the aim of which was to enable the balancing of outstanding receivables from and liabilities to central banks. Accordingly, the last nearly 40 years since the deregulations of the 1980s, which included the eurozone project, represent a phase of *disembedded markets*, which has fostered speculation and asymmetries.

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KARL POLANYI AND NANCY FRASER IN DIALOGUE

The US social philosopher Nancy Fraser is one of the American left's most prominent thinkers. The views she expressed on Karl Polanyi made her German contemporary Michael Brie feel slightly uneasy. After hearing her speak, he penned this fictitious dialogue.

MICHAEL BRIE

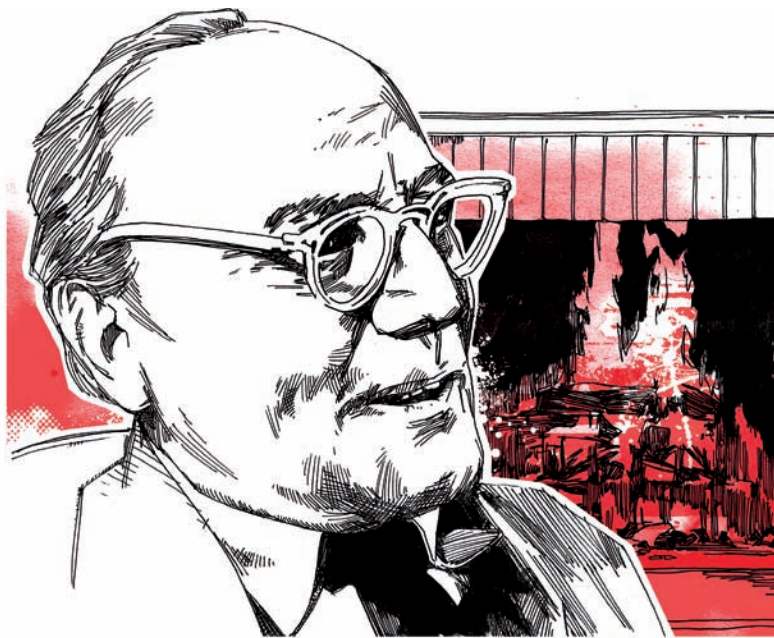
One dark autumn evening in Berlin six years ago Nancy Fraser delivered a lecture entitled, in reference to Karl Polanyi, *A Triple Movement. Parsing the Politics of Crisis* in which she provided listeners with a comprehensive interpretation of the historical background to today's situation. Sitting in a slightly dingy, overcrowded room in a former brewery in Berlin's Alte Mitte, she asked why there had been no 'Polanyian countermovement for the "protection of society"' against neoliberalism. Did Polanyi not speak of an almost spontaneous form of resistance in the 19th century, both from above and below? He talked about factory legislation, working time regulations and approaches to the creation of the welfare state. He claimed that as soon as the 'free markets' were established, they were immediately constrained.

In her lecture, Fraser listed the obstacles currently in the way of such a countermovement. She referred to the lack of clear leadership for such a movement, the fragmentation of the organised labour movement and the decline in significance of the national arenas of struggle. Yet, for Fraser, none of these obstacles adequately explained the lack of effective resistance to neoliberalism, the forces of opposition being so weak given the extent of the plight. However, she also made it quite clear how suspect she found the previous incarnation of 'social protection'. Never again should a movement be unleashed like the one which, after World War II, led to bureaucratic, patriarchal, even racist

welfare and development states. Had the new movements of the 1960s and 1970s not been absolutely right to be up in arms about this? For Fraser, a mere repetition of the same old countermovement seemed both impossible and undesirable. She believed that a real fresh start would only be possible in alliance with a third movement, with the emancipation movements mentioned earlier. She saw these emancipatory movements as the product of struggles over post-war capitalism that would not 'fit either pole of the double movement': 'Demanding access as opposed to protection, their paramount aim was not to defend "society", but to overcome domination.' (Fraser 2013, p. 129) In the process, liberatory aspects of the markets should not be ignored 'to the extent that the protections it disintegrates are oppressive.' (Ibid.)

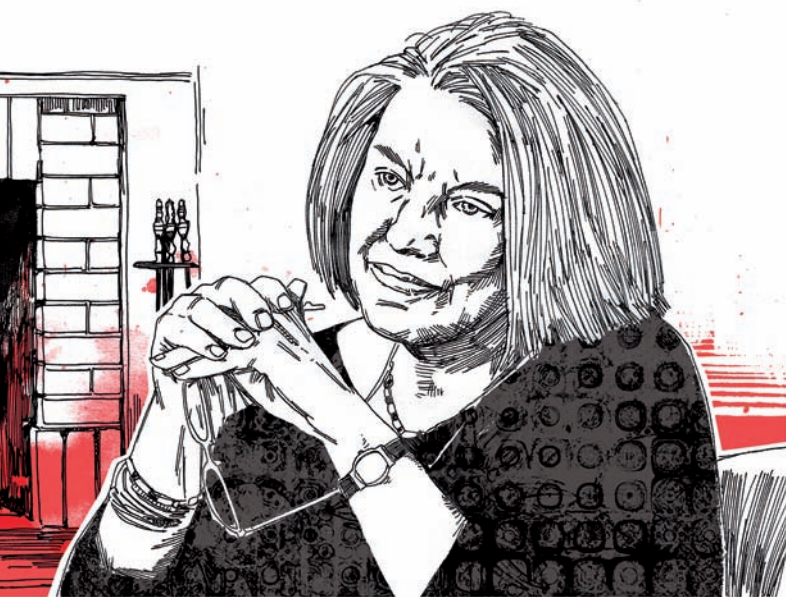
Fraser described the diagnosis of the times she developed based on this as a triple movement: 'Like Polanyi's figure, the triple movement serves as an analytical device for parsing the grammar of social struggle in capitalist society. But unlike the double movement, it delineates a three-sided conflict among proponents of marketization, adherents of social protection and partisans of emancipation. The aim here is not simply greater inclusiveness, however. It is rather to capture the shifting relations among those three sets of political forces, whose projects intersect and collide. The triple movement foregrounds the fact that each can ally, in principle, with either of the other two poles against the third.' (Fraser 2013, pp. 128–129) On this basis, Fraser developed her vision of a new emancipatory project, connecting the legitimate concerns about emancipation, social protection and individual rights and liberties.

Precisely because I consider this project to be so important, at one point, as I was listening to Fraser's lecture that evening, I was overcome by a feeling of uneasiness. I had the impression that the discussion taking place was with Polanyi's *doppelgänger*. It was an incidental remark made by Fraser that struck me: 'We can already see, contra Polanyi, that social protection is often ambivalent.' (Ibid., p. 129) But does this really get to the heart of Polanyi's understanding of the main conflicts of his day? Did he lack the emancipatory dimension? Did I completely misinterpret his now famous book *The Great Transformation*, not to mention the many anti-fascist articles he wrote in the 1920s and 1930s?



In Nancy Fraser's view, Polanyi appears simply as a reformer who wanted to force the unleashed markets back into the socially confined riverbed, indifferent to the specific forms of social control and regulation – as long as they curbed the destructive effects of the markets. In this rendering, Fraser portrayed the double movement as completely one-dimensional. Roosevelt's New Deal, Hitler's racist genocidal project of a Eurasian continent ruled by a greater Germany as well as Stalinist state socialism were all indiscriminately subsumed under the category of countermovements. In difference to Fraser, Polanyi saw the key crossroads of his time not as being between market radicalism and an abstract 'social countermovement' but rather between fascism and socialism, both of which were 'rooted in a market society that refused to function.' (Polanyi 1944/2001, p. 248)

In my view, the Polanyi 'light' of the double movement has to be set apart from the real Polanyi: the Polanyi who strove to come up with emancipatory solutions to the massive crisis that threatened the entire civilisation at the time, solutions based on the principle of solidarity that safeguarded freedom; the Polanyi who is, for this very reason, still of such crucial importance today. To my mind, Fraser has fallen



victim to the success and popularity of the overly simplistic Polanyi 'light'. This interpretation of Polanyi trims him down and shoehorns him into the thesis of a necessary 'social' reining in of the excesses of globalised markets, of financial market capitalism and neoliberalism and in so doing divests him of his radical content, the elements of his work that get to the root of the problem. Today this would be the concept of a social democracy based on and accepting neoliberalism – as 'the highest form of liberalism'. Colin Crouch advocates this very approach. For him, the solution to the challenges presented in Polanyi's work is quite simple: 'The point is to note when a destruction occurs; to ask what the market puts in its place; to ask also whether this is an improvement; and, if not, to propose alternatives.' (Crouch 2013, p. 49) And Crouch's conclusion in terms of the implications for today's world: '... not only can social democracy thrive in a liberal capitalist environment, but in that environment it produces a higher degree of liberalism than conventional liberalism left to its own devices, because it is the clash between liberalism and social democracy that generates the incentive to keep seeking new creative compromises.' (Ibid., p. 139) Karl Polanyi thus appears as the progenitor of an 'embedded neoliberalism'.

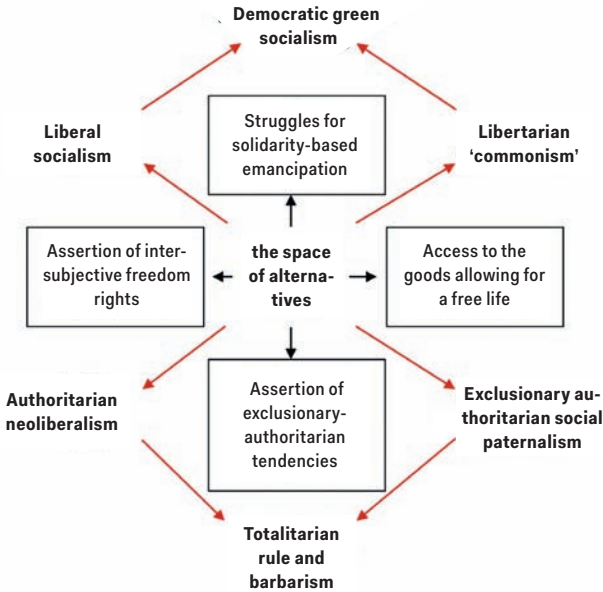
This Polanyi would no longer be 'Polanyi light' but rather quite simply 'Polanyi faked'.

For Polanyi, both socialism and fascism were products of the great crisis of his day. For him, both developments were 'revolutionary' insofar as they wanted to go beyond the status quo or back to how things were before, respectively. It is both striking and frightening in equal measure that the perception of *The Great Transformation* completely neglected to address the author's 'anxious question', in Polanyi's words: '... is freedom an empty word, a temptation, designed to ruin man and his works (as with liberalism – M.B.), or can man reassert his freedom in the face of that knowledge (of the reality of complex societies – M.B.) and strive for its fulfilment in society without lapsing into moral illusionism?' (Polanyi 1944/2001, p. 267) Polanyi had hoped that 'the spirit and content of this study (*The Great Transformation* – M.B.) (...) should indicate an answer.' (Ibid.)

Against the backdrop of the great crisis, the destruction of democracy and world war, for Polanyi there could be no doubt about the necessity and inevitability of the end of the liberal age. And he saw the socialism and fascism of his time as two real historical candidates for how things might develop, either 'going beyond' or 'returning to the past'. The direction of these two ideological currents could not, in his eyes, have been more divergent. Socialism would help fulfil 'man's claim to freedom' in a complex society. Fascism, by contrast, comes to the conclusion, based on liberalism's socially destructive tendencies, that freedom itself, the uniqueness of the individual and unity of humanity must be destroyed.

The true 'Polanyi moment', so they say, is not the countermovement to market radicalism but rather the search for a radical alternative. Authoritarian defence of capitalist market society or democratic forms of subordinating the economy to the freedom of all, collectively, as well as each and every individual. This 'Polanyi moment' does not pertain to the point in time at which the pendulum would have to swing back to new social regulation, nor can the situation be properly grasped in all its complexity using Fraser's concept of the triple movement. If we want to understand the political grammar of the present, we cannot turn a blind eye to the ever-stronger tendencies towards authoritarian and barbaric regression, as have long been observed

ALTERNATIVE MOVEMENTS OF THE PRESENT



Michael Brie graphically represents today's conflicts along two axes: on the horizontal axis are social versus liberal orientations and on the vertical one are emancipatory versus authoritarian tendencies.

in the shift towards repressive structures, different forms of fundamentalism, fortress capitalism and a new qualitative arms race. There is, in fact, a fourth tendency, namely towards authoritarianism and right-wing nationalism. But Fraser's triple movement model does not factor in movements that are primarily regressive.

However, the transition from a triple to a quadruple movement alone is not enough to do justice to Fraser's real project, which is to forge an alliance between social and emancipatory movements and, at the same time, to embrace the starting points associated with securing freedom through the expansion of market opportunities and libertarian rights. In my view, today's struggles have to be positioned in a two-dimensional space with two axes. The two extremes of the horizontal axis comprise, on the one hand, liberalism's commitment

to defending individual rights to freedom and, on the other, citizens' expectations that, as members of communities, they are entitled to and will be provided with the basic conditions of a good life – work and education, healthcare, an unpolluted environment, democratic participation and peace. These are the two poles of the horizontal axis. The poles of the vertical axes in contrast would comprise emancipatory versus authoritarian mediation of these basic contradictions of modern societies. Put another way: there can be no emancipation based on solidarity without a new synthesis of inter-subjective freedom rights and access to the basic goods of a free life, the commons.

If we examine the space of alternatives (see graph on p. 147) created by these two axes more closely, it is easier to understand and accurately categorise the real movements that Polanyi and Fraser see themselves as facing. A dialogue with an entire spectrum of movements and countermovements emerges. Let us now take a closer look with specific reference to neoliberalism, liberal socialism, libertarian commonism and authoritarian social paternalism.

Let us begin with neoliberalism, a term that refers to the combination of capital valorisation interests and the recognition of an individual's right to freedom, while disregarding the social conditions required for the fulfillment of that right. The resulting contradictions are mediated in an authoritarian manner by pointing to the imperatives of financial market capitalism. There is also a second movement, one that does not yet have much political clout. This movement is primarily formed around a Green New Deal, a New Public Deal, the concept of a global Marshall Plan etc. What these all have in common is that they are rooted in a renewed or radicalised form of social liberalism. Even Keynes had already conceived a vision of liberal socialism that went beyond the conventional form of social liberalism. He described his vision in a nutshell: 'The question is whether we are prepared to move out of the nineteenth century laissez-faire into an era of liberal socialism, by which I mean a system where we can act as an organised community for common purposes and to promote social and economic justice, whilst respecting and protecting the individual – his freedom of choice, his faith, his mind and its expression, his enterprise and his property.' (Keynes 1982, p. 500)

A third new movement of growing importance today is related to the reappropriation of common goods as a realm where the conditions for free communality are created. This includes commoning, the solidarity economy and various forms of alternative production, from cooperatives to a peer-to-peer economy. It also encompasses initiatives to reconfigure the welfare state as a participatory social infrastructure and combine it with greater autonomy and self-determination in the field of gainful employment. We can refer to this movement as libertarian commonism. But there is also a fourth movement which, once again, takes an authoritarian, paternalistic approach to defending the social and communal, which strives to reduce the negative rights of freedom (starting with ‘foreigners’, ‘people of another religion’ etc.) and tends to exclude those who think differently or who are different. The umbrella term for this is exclusionary authoritarian social paternalism.

The choices Polanyi faced in his day are the very same we face today: either the foundations of our societies will be irreversibly destroyed by the imperative of capital accumulation or they can continue to function, realising their own potential and fulfilling their purpose of enriching human life, today and in the future.

Yet, this latter option (at least in Polanyi’s view) is incompatible with a capitalist market society. The ‘conflict between the market and the elementary requirements of an organized social life’ (Polanyi 1944/2001, p. 257) must be resolved by abandoning market society, or the inevitable result will be the demise of civilisation and the rise of barbarism. This was Karl Polanyi’s firm conviction in the face of the epochal crisis of the 1930s and ‘40s.

The key strategic task of any transformatively oriented left in the spirit of Karl Polanyi and Nancy Fraser would be to help challenge the basis of the so-called double movement – the capitalist market society. This, in turn, now overlaps with the objectives of the ‘non-reformist reform policies’, of the type favoured by Fraser. She describes the two facets of these policies: ‘On the one hand, they engage people’s identities and satisfy some of their needs as interpreted within existing frameworks of recognition and distribution; on the other hand, they set in motion a trajectory of change in which more radical reforms become practicable over time. When successful, nonre-

formist reforms change more than the specific institutional features they explicitly target. In addition, they alter the terrain upon which later struggles will be waged. By changing incentive structures and political opportunity structures, they expand the scope of feasible options for future reform. Over time, their cumulative effect could be to transform the underlying structures that generate injustice.' (Fraser 2003, p. 79 f.) Thus, socially and environmentally oriented initial projects towards a Green New Deal would merge with those working towards a solidarity economy in the broadest sense, towards a reproductive economy based on commoning.

If we were to reformulate Fraser's message of a triple movement in the spirit of Karl Polanyi, based on the approach developed here, the following wording might be fitting: We should work towards counter-acting the alliance between neoliberalism and social paternalism in its prevailing form with an alliance of liberal socialists and thoroughly libertarian 'commonists'.

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IV

Understanding Contemporary Capitalism

POLANYI'S PRESCIENCE: COVID-19, MARKET UTOPIANISM, AND THE REALITY OF SOCIETY

MARGARET SOMERS AND FRED BLOCK

One of Karl Polanyi's fundamental concepts is 'the reality of society', a term he uses in *The Great Transformation* (TGT) (Polanyi 1944/2001) to contest the idealised model of the autonomous self-regulating market. Modern economies, he argues, are comprised as much by 'society' – our collective social interdependence and political institutions – as they are by 'market forces'. Polanyi's concept is both descriptive and normative, macro and micro: at the micro level, not only are we inextricably socially interconnected so that each person's actions affect the fates of unknown numbers of others; we are also ethically responsible for the far-reaching consequences of our own behaviours. And at the macro, really existing markets, even in a so-called 'free-market' regime, are fundamentally constituted by political power and civil society institutions.

The reality of society is Polanyi's challenge to the two foundational assumptions of today's market fundamentalism: One, that economic processes are driven by an aggregate of autonomous individuals, each of whom seeks to maximise his or her utility, and for whom freedom depends upon absolute independence and sovereignty. Two, that

national prosperity is best served when organised through self-regulating global markets, free of governmental inefficiencies and perverse social conditionalities. If Polanyi's nemesis in the first instance is Margaret Thatcher's famous assertion that 'There is no such thing as society...', the second is today's lean 'just in time' global supply chain system that invests only in a low-paid 'flexible' precariat, designed to avoid costly inventories by producing all commodities on the global cheap in response to immediate market signals, and in defiance of what public health professionals define as the vital social infrastructural needs and public goods essential to the long-term well-being of populations.

For Polanyi, these two precepts – radical individualism and a theology of the 'self-regulating' market-centred society – add up to what he calls a 'stark utopia'. It is utopian because, like all utopias, market fundamentalism represents an imaginary ideal based not on actual human experience, but on a thought experiment. In this case, the ideal is a world dominated by the propertied, free of political, social, and democratic interference, and modelled on the make-believe symmetry between the laws of nature and the laws of the market. For Polanyi this is a fictional delusion. While they are made to appear 'natural' human economies are social and political institutions. And while capitalism treats people with the callousness of Thatcherites, in practice it knowingly exploits the care and mutual support people, by necessity, provide to each other.

It is also utopian because commodifying our vital social substances requires massive social and political engineering – the continuous exercise of political and economic power, which conflicts with the market's claim to being 'natural'. Among Polanyi's greatest insights is that the alleged absence of state power in a free-market regime is chicanery. For while government 'meddling' in the interest of the public good is said to have perverse consequences, the government is very much the market's accomplice-in-chief in redistributing wealth and income upward, as, for example, when taxpayers fund vital medical research which, under the guise of public-private partnerships, accrues private gain exclusively to pharmaceutical companies.

And finally, it is utopian because a self-regulating market can never be realised without destroying the society it aims to marketise.

The market fundamentalist ideal requires that almost all the social and natural world be commodified and subject to the price mechanism. Yet it is only by *removing* certain social substances from the market that social life remains viable. The more widespread the commodification, the more destined it is to produce a dystopia that threatens the survival of humanity.

In *The Great Transformation* Polanyi explains how that dystopian nightmare erupted in the late 1920s and 1930s, first in a world-wide economic collapse that caused untold suffering, and then into fascism, which threatened the future of humanity. Today, Covid-19 has precipitated another global crisis: It has exposed the profound damage that market utopianism has imposed on our collective well-being, producing afflictions that have already taken the U.S. far down the road to dystopia.

Covid-19 has confronted the U.S. with two overwhelming challenges. One, how to contain its exponential spread across the population, and second, how to cope with the overwhelming strain on the nation's flimsy healthcare system. More than anywhere else, the U.S. has failed spectacularly with each of these, and Polanyi can help us understand why: each of these failures maps precisely onto the micro and macro fault lines of market utopianism.

For forty years we have been told that human freedom depends on absolute autonomy unimpeded by other people or government; that taking risks is a personal matter; and that assuming individual responsibility for whatever suffering we endure is what makes us morally worthy. Pandemics make a mockery of this worldview. Contagion, by its very nature, thrives on the reality of social interconnect-edness. So, in the effort to curb the spread, public health experts from the outset mandated a series of critical practices – repeated hand washing, no touching, hugging, or hand-shaking, social distancing, staying at home.

At first it appeared that ‘we’re all in this together’ had overtaken the folly of ‘I’m on my own’. But few would have predicted what happened when public health experts declared that mask-wearing in public settings is essential to stop the spread of the virus. Much to everyone’s surprise, this seemingly innocuous face covering exposed

just how deadly is the claim that freedom lies in being only responsible for oneself. For the paradox of masks, like the reality of society, is both sociological and ethical. We wear them not to protect ourselves but to protect others from the airborne particles we may unknowingly transmit, just as others wear them to protect us. Masks, it turns out, embody the truth of Polanyi's ethics of solidarity. Wearing them indicates a recognition that our *de facto* interconnectedness inevitably risks infecting others, and mask wearing expresses our understanding that we are implicated in the fates of all those around us.

The consequence has been an extended mask war between conflicting freedoms – the freedom from getting infected by others versus the 'threat to individual liberty' many claim its wearing imposes. In Flint, Michigan, a store employee was shot dead for asking a customer to wear a mask. In Tulsa, Oklahoma, where Trump gave a huge indoor rally, the state's governor refused to require attendees to wear masks because he 'didn't want to take sides in a political debate'. In Nebraska, the governor passed an executive order *denying* critical funding to any municipalities that require mask wearing. A Montgomery, Alabama City Councilman voted against mandatory mask-wearing by declaring '[a]t the end of the day, if an illness or a pandemic comes through we do not throw our constitutional rights out the window'. Most prominently of all, and with a boastful defiance of what he calls 'political correctness', President Trump triumphantly models his mask-free virility by holding indoor political rallies, coralling thousands of his followers into congested assemblages where they shout and spew particles on one another, all the while celebrating their freedom to refuse masks.

Covid-19 has clearly precipitated a dramatic confrontation between Polanyi's opposing principles of the reality of society and the putative freedom of radical individualism. Contagion couldn't hope for a better host than an illusory utopianism that defies the mortal urgency of ethical solidarity. In contrast to most other countries, infection rates in the U.S. continue to rise as the virus free rides on the back of the denial of the reality of society.

Even before the mask wars broke out, the most immediate and shocking impact of Covid-19 was its exposure of the catastrophic weak-

nesses in the US healthcare system. Everything was in short supply – personal protective equipment, N95 masks, ventilators, hospital beds, and the all-important testing kits. Instead of sanctuaries for the sick, hospitals became nothing short of dystopias as nurses and doctors were forced to reuse contaminated masks and to swaddle themselves in garbage bags. To date, hundreds of healthcare workers have died of the virus, many of whom could have been saved with the right protective gear. And there's no way to know how many of the approximately 140,000 dead Americans might be alive today had there been adequate medical supplies and care.

How was this possible in the richest country in the world? This is where Polanyi's macro critique of market utopianism becomes relevant. In a system of production and exchange organised exclusively by short-term market signalling, the needs of public health are systematically undermined. In just-in-time global supply chains, anything not being used is seen as a drag on the system; stockpiles have all disappeared, even those once used for indispensable medical supplies. Why pay for hospital beds that aren't being used? Or for a back inventory of ventilators if they can be procured whenever the market demands? In a system organised by the assumption that companies should only buy when necessary, manufacturing medical commodities has chiefly migrated abroad to seek the lowest labour costs (and the meanest conditions), leaving the U.S. with virtually no domestic production of medical necessities.

The fragility of such a system is stunningly obvious, and in a matter of weeks from the pandemic's arrival the global supply chains collapsed so dramatically that it was a crash heard around the world. In the face of overwhelming shortages, the Trump administration followed the market utopian playbook perfectly. The government refused to help provide essential supplies for the states and, pressured by private business, declined to deploy the 1950 Defence Production Act that would have required manufactures to produce necessary supplies. Instead, evoking the chillingly dystopian *Hunger Games*, Trump watched with perverse amusement as he forced the fifty states to compete frantically against each other to get the urgent medical equipment – by whatever means and at any cost. Denying there was a shortage, Trump even accused hospital workers of stealing masks

and equipment. Combined with the absence of any meaningful social infrastructure for health care – counties with no hospitals in the wake of Medicaid cutbacks; ICU's with insufficient beds; sick Americans without health insurance who simply forego medical care; health-care workers receiving counterfeit masks and PPE – the American encounter with Covid-19 has proved the truth of Polanyi's inevitable path from market utopianism to dystopia.

The health care crisis exposes the tragic consequences of organising social life around the deadly logic of market utopianism, in which there is no place for public health. Public health treats disease not from the perspective of the healthcare industry but from the understanding that pathogens thrive in the deep webs of interconnectedness that characterise whole populations. Tasked with anticipating and preventing disease, public health work requires *removing certain life and death necessities from the commodity regime* and disentangling health care from the churn of the global market. This would entail government stockpiling of essential medical supplies as well as public investment in medical research, not only in funding but also in controlling the distribution and pricing of critical medicines and vaccines rather than handing over the work of public innovation to the logic of the marketplace – a logic that too often leads Big Pharma to abandon unprofitable vaccines and antibiotics. Above all, public health requires government planning, an old-fashioned word that was weaponised during the Cold War to evoke Soviet inefficiencies, the perversion of business incentives, and the alleged 'road to serfdom' posed by any deviation from Hayek's free-market spontaneity.

As a democratic public good, public health planning conflicts fatally with market utopianism. Reflecting on the collapse of civilisation in the 1930s, Polanyi wrote: '[T]he victory of fascism was made practically unavoidable by the liberals' [market utopians'] obstruction of any reform involving planning, regulation, or control' (Polanyi 1944/2001, p. 265). This obstruction does not reflect a conflict between market versus government, for the market *always* entails state 'planning, regulation, [and] control', and Covid-19 demonstrates once again just how much the state is handmaiden to the market. The real question is to what end government control is being exercised and to what kind of power will it be subject-democratic or oligarchic? Is it toward

commodifying, defunding and enfeebling the infrastructure of public health in the interest of corporate gain? Or toward strengthening the public good by enhancing solidarities across the whole population by decommodifying and supporting the human right to health care?

For the dirty little secret of even the most marketised of societies is that none can survive without robust social underpinnings. The problem arises when, with the power of state behind it, the market devours those foundations by turning its elements into commodities. This happens when medically necessary supplies are subjected to the whims of the price mechanism, and when workers are forced by bosses and government mandate (as in the case of the meatpackers) to sacrifice their health and possibly their lives. Add to that the tragedy of African American, Latino, and Native American communities disproportionately dying of the virus—because they make up the predominant share of the low-paid ‘essential’ workforce and cannot work from home, and because the American health care system is riven with systemic racism. While markets are fine for widgets and iPads, ‘To allow the market mechanism to be sole director of the fate of human beings and their natural environment ... would result in the demolition of society’ (Polanyi 1944/2001, p. 76).

Covid-19 has revealed how deeply entangled are the deadly trio of market utopianism, the denial of society, and the descent into dystopia. At a similarly dark moment in history, Polanyi praised the progressivism of Franklin Roosevelt’s New Deal to make the point that fascism in Europe was not the only or the necessary response to the contemporary crisis. Many hold out hope that today’s pandemic sets off a similar period of progressive democratic change. Yet the threat of a regressive and authoritarian regime designed to protect the interests of the wealthy remains very real. As Polanyi tried to teach us decades ago, rediscovering the reality of society can lead either to social reform or to fascism.

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'YOU, AS A GERMAN, ARE WORTH NOTHING AT ALL'

The rise of right-wing populism – a right-wing workers' movement?

KARINA BECKER AND SOPHIE BOSE

We are currently witnessing the rise of right-wing populist formations in a number of early industrialised countries, which marks a caesura for the political system. Although populist parties generally recruit their voters from all classes and strata of society, it is noticeable that they enjoy above-average levels of support from the working classes. Apart from the support he received from middle-class and petite-bourgeois voters, US president Donald Trump owes his electoral victory not least to production workers in the de-industrialised Rust Belt cities.

The Brexit campaign, led by the right-wing UKIP party, was also met with above-average approval rates among workers. In the Austrian presidential elections, a staggering 85 percent of workers voted for FPÖ candidate Hofer (a total of 46.2 per cent of the vote), while his ultimately victorious rival Van der Bellen received only 15 per cent of the working-class vote. In France, the *Rassemblement National* (formerly *Front National*) has accrued record election results in former Communist Party (PCF) strongholds since the 1990s.

The electoral successes of the Alternative for Germany (*Alternative für Deutschland* – AfD) also conform to this pattern. Alongside the liberal party FDP, the AfD was the real victor of the 2017 general elections. In the eastern German states, it generally gained as many votes as any major party, emerging as the strongest party in the state of

Saxony, where it received 27 per cent of the vote. The AfD was also the strongest party among workers and the unemployed (21 per cent each), while also receiving double-digit votes from among other occupational groups and those with an intermediate secondary school leaving certificate (comparable to the British O-level) or secondary modern school qualification (enabling graduates to start professional training). The AfD won slightly above-average support from trade union members, receiving 15 per cent of the vote; winning 22 per cent of the vote among eastern German trade union members, it was on par with the Left Party. The right-wing populists gained votes particularly in those cohorts comprising most economically active people, and especially among male voters aged 25 to 59.

Given this situation, the question arises how the strong acceptance of the *völkisch* Right among workers – including unionised workers – can be explained and whether we are seeing the rise of a right-wing workers' movement.

A Polanyian-type movement

In order to answer this question, it appears conducive to explore the conditions under which the rise of right-wing populist formations occurs. Karl Polanyi's concept of the double movement can help us understand what is currently emerging in the form of *völkisch* populism, and in fact intensifying in some countries, including Germany. Accelerated by free-market ideologies, market-restricting institutions and organisations were weakened in recent years, markets were socially disembedded, and market-dependent individuals and groups were subjected to a principle of competition in which there are winners and losers. The disembedding of markets, as a result of which the fictitious commodities labour, land and money are treated like any other commodity, has triggered counter-movements from below all around the globe. This ties in with a certain critique of capitalism that does not proceed from Marx's analysis of class-specific inequalities and exploitation, but from the socially destructive consequences of this development.

Polanyian-type movements are directed against a market-driven transformation of modern societies. We have interpreted what can currently be observed during elections as a kind of imaginary, con-

formist revolt in opposition to an excessive market regulation of gainful employment. It evolves in opposition to the universalisation of market socialisation and competition, and especially against its consequences.

Economic market power takes effect as a vague and abstract force and can only rarely be clearly pinpointed, while the critique thereof can be politicised in more than one direction. Movements against the market, such as the early socialist labour movements, may indeed pursue anti-capitalist, system-transcending objectives. However, they may also demand protection from market-mediated competition and begin to exhibit reactionary nationalist or, as in the case of fascist mobilisation, even terrorist characteristics.

Conflict between insiders and outsiders

‘You, as a German, are worth nothing at all.’ This is a view that we frequently came across, to varying degrees, during interviews with male, industrial workers active in trade unions, which we conducted in the state of Saxony in 2017. Based on this research, we would like to share our insights into how the right-leaning workers and active trade union members we interviewed rationalise their own situation and the reality that surrounds them and illustrate that the current *völkisch* nationalism and its appeal to workers can be read as a Polanyian-type movement.

The wage earners we interviewed in whom we identified right-wing populist views consider themselves to be part of the social centre, or describe themselves as ‘just normal’. Although they are relatively satisfied with their own situation in life, they are concerned about the widening ‘gap between rich and poor’. Despite their current contentment, they feel that their situation is not consistent with the model of life that is presented to them as normal and worth aspiring to. For example, two of the eight respondents have two children and, despite their full-time employment and that of their partners, they barely make ends meet. Going on holiday or to a restaurant with the whole family, which to them would be part of a ‘normal’ life, is hardly ever possible, with the family budget being simply too meagre. They feel insufficiently recognised and materially remunerated as ‘hard-working German citizens’ and ‘ordinary people’. They feel dis-

advantaged vis-à-vis refugees, as for the latter, all of a sudden, there seems to be enough money available, after the education system and social housing have suffered from underinvestment for years.

Be it for refugees, overpaid politicians, or to bail Greece out – it is always the common German worker who has to pay. Respondents portray ‘the Germans’ as a community of honest, hard-working people who are being betrayed by their own government. The real social problem – that many wage earners are only barely able to sustain their families despite full-time employment – is reconceived in national terms: as Germans, they deserve a better life, social security and recognition, while ethnic ‘strangers’ and people who have not contributed to the country’s prosperity do not. The latter should be excluded, housed in collective accommodation centres and provided with only the most basic necessities.

The feeling of not being able to live up to what is portrayed as ‘normal’ is exacerbated by demeaning working conditions. An authoritarian leadership style among superiors, paternalism, limited opportunities for workers to participate in decision-making and a lack of wage increases form the essential horizon of experience and, according to the union secretaries we interviewed, are by no means exceptions in the regions studied. These kinds of experiences can make people feel powerless and permanently disadvantaged, increasing the general frustration and anger. That said, such sentiments do not automatically result in right-wing populist or even *völkisch* movements, although they can be mobilised by them.

A specifically East German experience was important for many of our respondents. Following the process of socio-political change (the so-called ‘*Wende*’) that led to the peaceful revolution and ultimately reunification in 1989/90, many East Germans saw the rapid and complete devaluation of everything that had been valid up to then. As East Germans, they were not only economically disadvantaged compared to West Germans; as citizens of East Germany, they also felt culturally patronised and debased, and that their life realities were not being recognised by West German politicians, employers and others.

Such sentiments correspond to tangible disadvantages and a lack of recognition, seeing as people living in the eastern states of Ger-

many continue to be under-represented in high-level positions in all areas and the media. To this day, wages and the quality of work in eastern parts of the country remain at a lower level than in the west. Following the profound upheaval of the 'Wendezeit' after 1989/90 – with regard to occupational biographies and the socioeconomic and demographic situation – many East Germans have only just returned to some kind of normality and stability, which they see under threat once again as a result of the arrival of foreign refugees.

What is apparent is that the desire to be able to live a normal life based on one's own income, receive better material compensation for and recognition of their performance and hard work, but also the reality of their lives, finds expression in exclusionary solutions. We term this attitude exclusive solidarity – *with* the productive workers and the national performance-oriented community and in *dissociation* from the unemployed and 'culturally alien, useless migrants'.

This basic problematic can be summed up more concisely in the following thesis: the less of a chance an individual felt they had, despite all their efforts, of keeping in touch with a society that is constantly portrayed as prosperous, the more the workers we interviewed perceived themselves as being on the losing end of distributional injustice. As a result, they conceive of the current situation as a conflict between insiders – well-performing, industrious Germans – and outsiders – that is, the foreign intruders allegedly unwilling to work and incapable of cultural integration.

The good people versus the corrupt system

The respondents in our study draw a distinction between the people and the desired national community of high performers on one side, and 'the system' on the other. They criticise selfishness, the greed for power and profit, as well as individual atomisation, yearning for more solidarity and togetherness, which they hope to achieve within the nation or national community. Conflicts of interest and the pluralism of opinions do not feature in this image. This is all the more surprising given that the active, unionised shop stewards believe that a strong counterweight of the workers vis-à-vis management is needed. Yet they fail to relate this clash of interests at the shop floor level to broader society: here, the notion of a German 'people' is regarded a

uniting factor beyond all conflicts of interest and makes them allies – in an ethnic sense – in the fight against ‘the system’.

The critique of the system frequently encourages interpretations rooted in conspiracy theory. Even though they may have the feeling that ‘something is wrong with the system’, it is striking that the respondents’ critique does not address the deeper causes of social injustice, the capitalist valorisation logic or social isolation. They simply blame individuals or diffuse powers which are allegedly responsible for all the wrongs in today’s society and deliberately hold Germany back; migration, the supposed cartel of political parties and the media, politics, the Left, the USA, or simply ‘they’, or ‘someone’.

The widespread critique of increasing social inequality, the awareness of injustices in the world of work, the feeling of not being represented politically, the notion that one’s own concerns go publicly unnoticed, and the lack of material and social recognition as a worker all merge with racist resentment and are channelled into a *völkisch* movement of the Polanyian type. This movement is not directed against an exploiter class, capitalism or similar, but against the diffuse ‘system’ and supposed culturally alien intruders. Correspondingly, the boundaries between ‘us’ and ‘them’ do not run along class-specific lines, but according to performance and ‘culture’.

It is a movement of the Polanyian type because it is directed against the (alleged) social competition with migrants and aims to preserve one’s own social status. It aims to (re-)establish citizens’ entitlement to social security and a ‘good life’ in the future, but not to actually challenge and overcome the underlying social and economic causes of competition. Respondents conceive of right-wing populist, nationalistic movements such as *Pegida* as movements representing the majority, articulating the genuine voice of the people and leading a crusade against, in their view, the deceitful ‘politics of the system’ with the aim of erecting a true, direct democracy.

Outlook: more comparative research is needed

Right-wing populist formations address a real lack of recognition and issues which, for a long time, were successfully addressed by left and centre-left parties. In doing so, they offer exclusionary, ‘national-social’ solutions very much along the lines of ‘Germans first’ or ‘Austri-

ans first', justifying and radicalising racist and nationalist attitudes and behaviour. The social-populist rhetoric and the combination of social issues with immigration policy ultimately always boil down to restricting or preventing migration and pitting social groups against one another, in that sense serving as a distraction from tackling the real social problems.

The conditions enabling the rise of right-wing populist formations and their appeal to workers include political discourses, the balance of political forces, socio-economic changes, deficits in political representation and similar, which occur in distinct ways in different countries and must be studied comparatively. Our own research has so far only been conducted in Germany and mainly in industrial enterprises. A more systematic investigation would also have to include other sectors such as the service sector.

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WHY POLANYI DUBBED NATURE A 'FICTITIOUS COMMODITY'

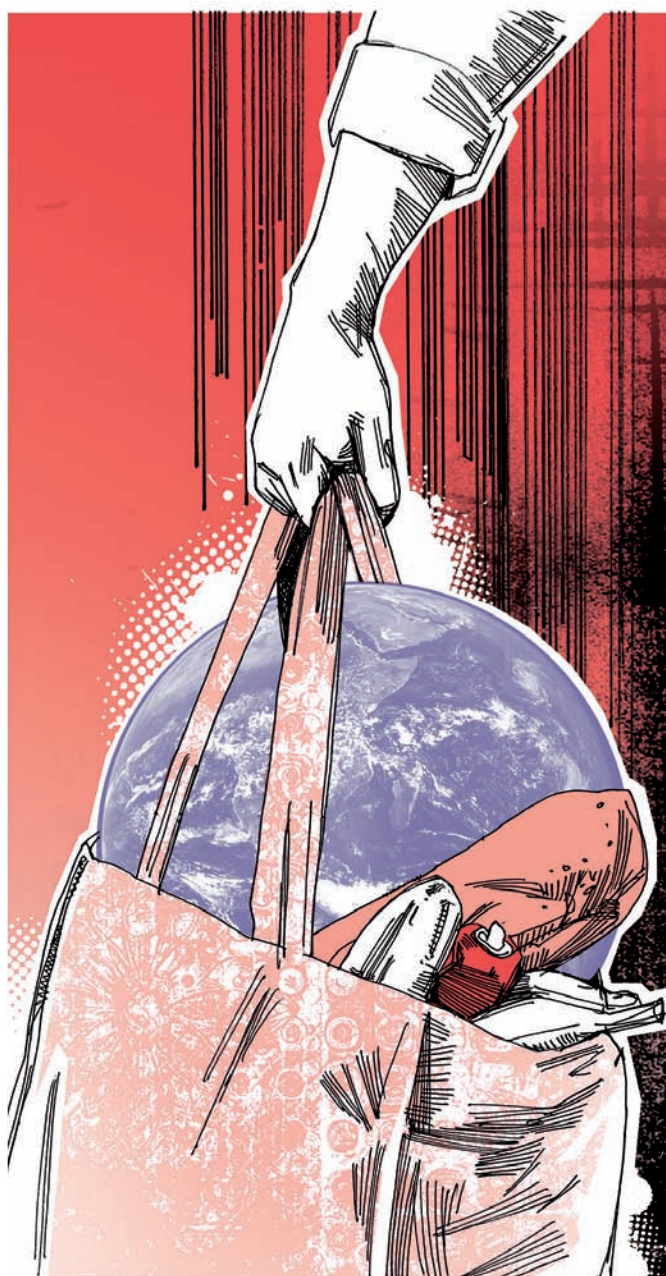
Nature is not for sale. But that does not stop capitalist systems from trading it as a commodity. This is asking for trouble.

MARKUS WISSEN

'What we call land is an element of nature inextricably interwoven with man's institutions. To isolate it and form a market for it was perhaps the weirdest of all the undertakings of our ancestors', writes Karl Polanyi in *The Great Transformation* (Polanyi 1944/2001, p. 187). Nowadays it is the norm to trade nature as a commodity, whether in the form of land, raw materials, water or the services (such as CO₂ storage) it provides people. It would even be normal to ask ourselves how Polanyi could ever have thought this 'weird'.

The answer lies in how we define the concept of commodity. A commodity is a good that is manufactured to be sold. Nature, similar to labour and money, does not fall within this definition. As part of emissions trading, people may plant trees to sell their capacity to remove CO₂ from the atmosphere via photosynthesis. Those trees, however, provide the service of photosynthesis with no intention of selling it.

Although nature is not produced to be sold, it is still traded as a commodity under capitalism. According to Polanyi, this is what makes it a fictitious commodity. That said, the commodity stops being fictitious when we explore – drawing on Marx – what actually happens when a part of nature is sold: it is not nature itself that changes hands, but rather the results of human labour, maybe added to nature



in the past, but above all, what is actually being sold is the right to the returns that can be generated using nature in the future.

If, for instance, someone purchases a piece of land which is presumed to contain coal, he or she does not pay for the process of fossilisation that resulted in this coal. This 'labour' was completed by nature with no monetary incentive whatsoever. Rather the individual or company buying the piece of land is purchasing the mining equipment that may already exist. First and foremost, however, they are purchasing the right to extract the coal or to arrange for its extraction and to make a profit or generate revenue from the efforts of those who carry out this work.

The notion of trading nature as a commodity is, historically speaking, a relatively recent phenomenon. Based on the example of England, Polanyi distinguishes between three 'stages in the subjection of the surface of the planet to the needs of an industrial society' (Polanyi 1944/2001, p. 188).

In the first stage, the land is detached from communal or feudal control. At the same time, the direct producers are emancipated from personal relations of dependence, 'liberated' from controlling their means of subsistence, and instead made into wage workers, thereby likewise being detached from the communal or feudal cultivation of land. The private ownership of land as well as the right to trade it thus becomes a key component of individual freedom.

As a result, in the second stage, the ability to meet the basic needs of a growing proportion of the population became dependent on the market. From the second half of the 18th century, foodstuffs which had been produced either for subsistence or for trade on the local markets well into the early modern era had to be transported over increasing distances and sold to provide for the rapidly expanding population of the emerging industrial cities, who had nothing other than their own labour power at their disposal.

The third stage saw this development repeated on a global scale. Free trade meant that 'the industrial-agricultural division of labor was applied to the planet' (Polanyi 1944/2001, p. 190). The industrial centres imported mineral and metallic raw materials and agrarian goods and used them for individual as well as 'productive' – i.e. industrial – consumption. Obviously, these stages are more of a heuristic

to help us understand contemporary forms of the commodification of nature than a completed process. One form of modern land appropriation that is similar to Polanyi's first stage is the much-discussed and criticised phenomenon of *land grabbing*. This comprises common land, frequently extensively cultivated according to unwritten rules, first being subjected to a formal legal system and subsequently privatised and used to cultivate products intended for export.

The urbanisation that characterised Polanyi's second stage can be observed today in the emerging economies. The cities on China's east coast are growing at a breathtaking pace. They attract labour from rural regions, whose reproduction, similar to that of the proletariat in the English industrial cities of the 19th century, then becomes heavily dependent on food markets.

Third, an important way in which capitalism attempts to overcome its recurring crises is by ramping up the commodification of labour and nature on a global scale. There is nothing more to the much-heralded phenomenon of 'globalisation' than this: capitalism is advancing into more and more new spheres. Agro-industrial or pharmaceutical companies in the global North, for instance, purchase the intellectual property rights to the biological diversity of the global South to use the information contained in plants' DNA exclusively for the development of biocapitalist high-tech products.

The key contradiction inherent in commodification is that the services nature provides for society are simultaneously being both appropriated *and* endangered. Treating nature as a commodity means extracting the utmost possible yield (in whatever form that may be) from it. The materiality of nature, its reproductive necessities, are subordinated to this goal. And the result? Soil erosion, water pollution, the destruction of small-scale agriculture and global warming.

In the past, the destructive consequences of the commodification of nature repeatedly triggered countermovements. These were often politically reactionary, for instance when the large-scale landowners opposed the 'mobilization of the land' (Polanyi 1944/2001, p. 194) and fought for agrarian protectionism.

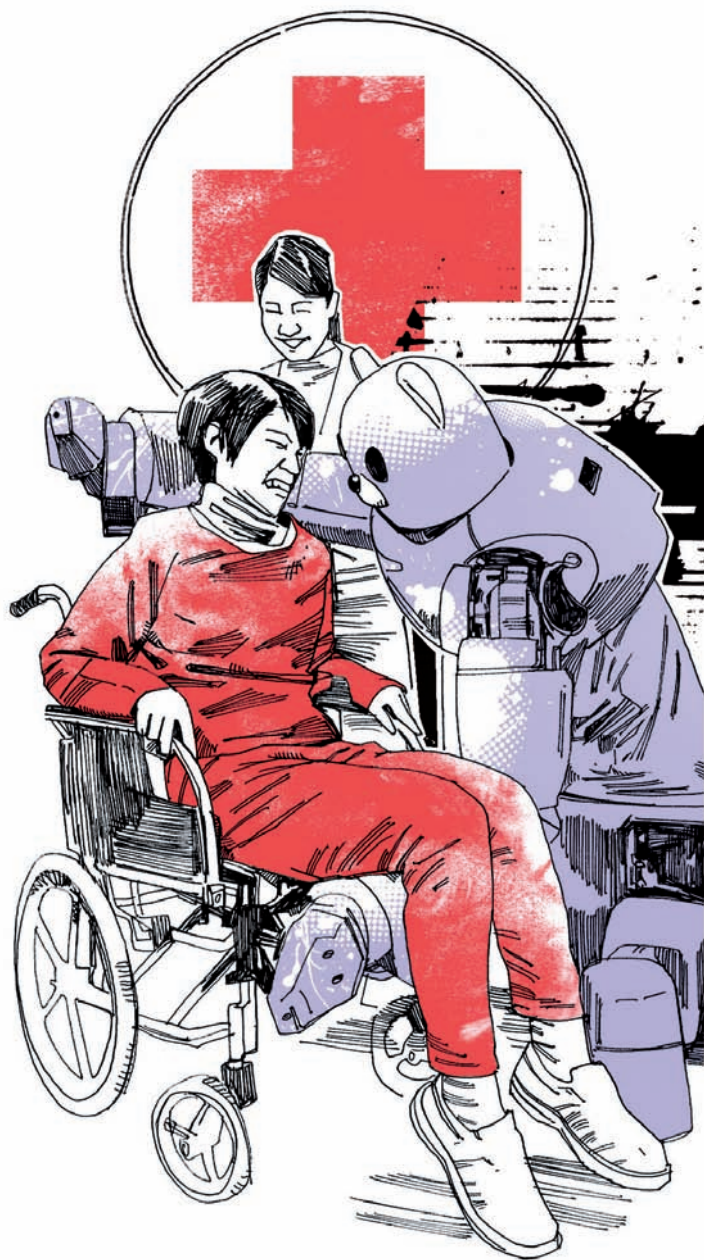
Progressive countermovements have fought for land reforms to withdraw land use from the logic of the liberal market as well as from the reactionary rule of large landowners. They advocate for the

democratic control of a basic infrastructure system such as water and energy supply, which were privatised during the heyday of neoliberalism. They thus pre-empt collective und sustainable forms of economic activity beyond capitalism.

Polanyi himself doubted that the social and economic problems of his time could be solved within what he calls the 'Market Society', or in other words capitalism. Instead he considered a socialist transformation to be of the essence, specifically in the interests of individual freedom, which, under capitalism, comes inevitably at the expense of others. In light of the multitude of crises – not least the crisis of nature exacerbated by the 'free' markets – this postulation is more relevant today than ever.

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CARE MARKETS: FROM CARELESS TO CARING CAPITALISM?

The robot carer is a dubious symbol of the idea that life as such can be controlled through technology.

BRIGITTE AULENBACHER

Capitalist society is a careless society – not in the sense of being care-free and enjoying the lightness of being, but rather in terms of not being careful in regard to its treatment of the ecological and social foundations of life. This includes care – for oneself and for others.

Each and every individual, in every phase of their lives – not only in childhood and old age, when frail and infirm – depends, on a daily basis, on their own self-care and someone else caring for them. But caring for ourselves and for others is not only essential for individuals. It is also crucial for the effective functioning of society as a whole, and that includes the economy.

The economy harnesses labour, workers who are raised in families and looked after in nurseries, educated in schools and treated in hospitals. Due to its obsession with profit, profitability and efficiency, however, the economy either disregards care needs or, if fulfilling those needs holds the promise of economic benefits, it appropriates them. Working hours that are conducive to self-care and the care for others and thus also the coexistence of parents and children, young and old, healthy and infirm are the exception rather than the rule and are certainly not a basic right. What large companies do care about (in the form of financial support) is enabling their women employees to opt for ‘social freezing’, freezing eggs to allow them to postpone having children so that they can dedicate the most productive stage of their lives to their careers and companies.

In such a careless society, it is hardly surprising that self-care and care for others has been put on the back burner, even being neglected to the point of placing its very existence in jeopardy. Equally unsurprising, however, is that wherever this care can be lucratively marketised, it is turned into a business.

Over the last couple of decades, very much in line with Polanyi's arguments, market mechanisms have increasingly permeated the social organisation of self-care and care for others. Care markets have emerged, selling care services and care work in a multitude of different forms. Similar to land, labour and money in Polanyi's analysis, self-care and care for others are also fundamental requirements for the life of society, and to commodify them, in other words, to turn them into commodities, goes against their nature and puts a strain on society. Moreover, if it is the market that exclusively determines the way in which self-care and care for others is commodified, this threatens to destroy what is or should be its essence – vital care in the treatment of humans and nature. Self-care and care for others is a 'fictitious commodity' in the true Polanyian meaning of the word.

The marketisation of self-care and care for others is nothing new per se. Yet the range of different ways in which an ever-increasing number of care fields have become marketable and are being marketised is wider than ever before: from spas and wellness to the organisation of children's birthday parties, from 24-hour home care to a fresh start later in life in an assisted living flat or nursing home care in different regions around the world, from surrogacy to the social freezing mentioned earlier, from 'ambient assisted living', which involves the digitally supported organisation of day-to-day life to the use of care robots. What, we might ask ourselves, is so bad about that? Or, rather, can this really be worse than the situation we have had since times immemorial, with the miserable existence of self-care and care for others in overwhelmed families, the unequal distribution of the duties and burdens of care between women and men, inadequate social services of the welfare state, children and young people stepping into the breach to care for adult relatives?

Although it is important to acknowledge these problems, in other words, the fact that we have never satisfactorily resolved the issue of how to provide self-care and care for others in a society that is fun-

damentally careless, the new care markets themselves are not the solution.

There are several reasons for this. The market alone cannot fix the situation. On the contrary, according to Karl Polanyi, it is precisely this economic-liberal idea of the self-regulating market, where the principle of survival of the fittest apparently dictates who can stand up to the competition, that in fact inflicts the most damage on the ‘fictitious commodities’ of land, labour and money. To a certain extent, the same applies to the ‘fictitious commodity’ of care.

Nursing homes are forced to compete with one another, and this is something that their staff and patients in particular have become painfully aware of in recent years: economically efficient care is care at one-minute intervals, far removed from any notions of good care associated with the professions in this sector. The savvy client – which is market jargon for patients, irrespective of their infirmity – can choose between care facilities and, if they have the financial means, they can opt for a high-price segment which might provide better services.

In the field of 24-hour care – around the world often provided by migrant carers who move into the homes of the families, children, elderly or infirm requiring care – agencies in places like Singapore advertise that they will provide the households with their services free of charge, while the staff they supply will not take any days off and work for low wages. But how can this possibly function? It functions because it is based on a transnational labour market comprising mostly female labour forces from the Philippines who are available to work under these conditions because they simply have no other alternative, and the agencies that find them the jobs retain a share of their earnings. For couples and singles in the global North who want to have children but are unable to, their dreams are fulfilled thanks to surrogacy, commercially organised in the global South. Nothing in this context is really based on the principle of voluntariness: who cares for whom and how or who is to be cared for by others is driven by economic necessity and social privilege.

Now, in line with Polanyi’s vision, liberated from mechanisms of the self-regulating market, industrial civilisation could in fact make freedom and justice a reality. Of course, the robot carer would not

be an option without the economic development achieved so far, but there is more to it than the economic-liberal idea of the self-regulating market. It is almost symbolic of the notion that life, with all its uncertainties, sickness, vulnerability and age, can be controlled through technology. An idea that is just as questionable as that of the self-regulating market.

Care markets are not the route to a caring society, it would be more accurate to say that they perpetuate the lack of concern so characteristic of capitalism. For those who have the money, they provide a range of new care options. But this is not a solution for those who are obliged to provide this care because they have no other choice. Neither is it a viable solution for society as a whole. Society has to agree what self-care and care for others is worth – and this will certainly far exceed the market value.

KNOWLEDGE AS 'FICTITIOUS COMMODITY' AND THE KNOWLEDGE SOCIETY

If knowledge becomes a commodity, human beings are reduced to 'mere chunks of raw material' (Karl Polanyi).

MICHELE CANGIANI

Karl Polanyi's statement that 'labor, land, and money are obviously not commodities' because they are not produced for sale must be understood in connection with his other theoretical assertions and within the broader context of his analysis. Labour cannot be detached from the rest of a worker's life. The worker is the subject, not the object of production. Land is just another name for nature, which human cultures have generally regarded as common heritage, to be preserved as the basic requirement of human life. Money is 'merely a token of purchasing power', a means, not an end. Consequently, Polanyi writes: 'The commodity description of labor, land, and money is entirely fictitious' – whether driven by logical ethical or empirical motives – if it acquires a more general meaning as a result of being applied to labour, land and money per se. Only with the rise of capitalism does this fiction become 'the organizing principle of society'. These chance conditions of labour, land and money should not be misinterpreted as their 'substance' (Polanyi 1944/2001, pp. 75–79).

In capitalist societies, goods are produced to be sold as commodities; labour and land, however, are not *produced* in the capitalist sense of the word but are bought and sold on the market of production factors. It is hardly surprising that knowledge, too, has become a com-

modity. Indeed, knowledge has acquired particular importance as a production factor in the current phase of the 'knowledge society'.

Can knowledge be considered a fictitious commodity in the Polanyian sense? Unlike labour, land and money, knowledge is in fact the result of human labour. Perhaps, in light of this, the following might be a more apt way of phrasing the question: What are the modalities and consequences of the increasing capitalist management of the production and use of knowledge?

This is not a new issue. Karl Marx writes that the process by which knowledge is appropriated by capital and becomes an autonomous 'potentiality for production which is distinct from labour and presses it into the service of capital [...] is developed in manufacture [...] and is completed in large-scale industry.' (Marx 1977, p. 482). During the phase of the 'knowledge society' – and triumphant neoliberalism – this general tendency takes on a new form and entails increased potentialities.

Scientific discovery and knowledge were originally seen as distinct from technological inventions, with the former remaining a common good. Later, however, they tended to merge and more recently this process has noticeably gathered pace. The emergence of the 'techno-sciences' – information technology and genetic engineering, for instance – bears witness to this. Correspondingly, the US saw the share of GDP spent on research and development (R&D) increase from 0.4 per cent in 1940 to 2.79 per cent in 2015 (the global share in 2015 was 2.09 per cent).

These developments, which went hand-in-hand with the rise of the 'knowledge economy', were also underpinned by changes in the intellectual property regime, such as patenting and licensing. Starting in the US in 1980, the laws on intellectual property rights have undergone a fundamental shift with patentability being extended to also cover scientific discoveries. The Bayh-Dole Act, together with the amendments to the law that came into effect in the years that followed its adoption, allowed for and even encouraged collaboration between companies and research organisations, particularly universities. Private funding and private interests were stimulated by the fact that the law provided for patent protection and commercialisation through licensing. Patents could be obtained for the results of

scientific research such as genome mapping or modification and for the discovery or creation of microorganisms.

Two points are worth exploring further here. Firstly, patents for scientific discoveries create an artificial – fictitious – scarcity of goods that were previously considered common goods. Not only are these goods the result of the accumulation in time and space of innumerable contributions, they are also non-rivalrous and non-excludable, in other words, it is both possible and advisable for them to be available for universal use. Using these goods does not mean they are reduced, quite the contrary in fact, their use contributes to improving them and increasing their number. Secondly, private financing of basic research tends to view that research in terms of the profit that can be made by placing goods on the market derived from the application of its scientific results.

In his works, Polanyi adopts a critical position on both of these points. Regarding the first point, he explains that only in the market-capitalist economy must a good be scarce in order for it to be seen as valuable, that is, as a *commodity*. Scarcity becomes a universal premise here because economic activities assume the form of *economisation*, in other words using money to make more money. Intellectual property rights including patents do in fact expand the field of valuable commodities and thus also of capital investment.

As for the second point, Polanyi assumes that the economy is autonomous, something he considers a distinctive feature of modern society. Economic aims and processes are thus not suited to the well-being of society, including the ecological equilibrium of the planet. Knowledge in particular tends to be instrumentalised for monetary purposes, which generally disregard the politically established public interest. For instance, it is highly questionable whether genetically modified seeds and chemical products being imposed on agriculture by big corporations is actually something that benefits society. A precondition for this is the monopolistic control of knowledge, either produced by the company itself or acquired through patenting of existing (and indeed at times ancient) cultural traditions.

The commercialisation of knowledge in today's socio-economic context also implies a growing commodification of 'fictitious commodities'. When it comes to money, a huge mass of speculative capital

investments – fictitious monetary values – is threatening our future. In terms of nature and labour, the former is ‘reduced to its elements’ (Polanyi 1944/2001, p. 76) for the purpose of direct exploitation, while human beings are organised under the command of capital ‘as though they were mere chunks of raw material’ (Polanyi 1977, p. 9). Indeed, this process is continuously being driven forward: the development of digital technologies has recently enabled rapid growth of what have been dubbed ‘platform-based companies’, which provide underpaid workers with fragmented and precarious employment, depriving them of rights and security. Big Data processing fosters this type of work as well, but more than that, it also creates a concentration of knowledge and power, creating previously unimaginable opportunities to control and influence public opinion.

Polanyi, in contrast, was convinced that the dissemination of information and the spread of democracy were interdependent and both were required to counter society’s entropic tendencies. Our primary purpose, he says, should be to ‘to lead democracy to maturity through knowledge and personal responsibility.’ (Polanyi 1932/2018, p. 65)

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THE SECOND GREAT TRANSFORMATION

The market-driven digitalisation of work unfetters it from labour and social protection rules.

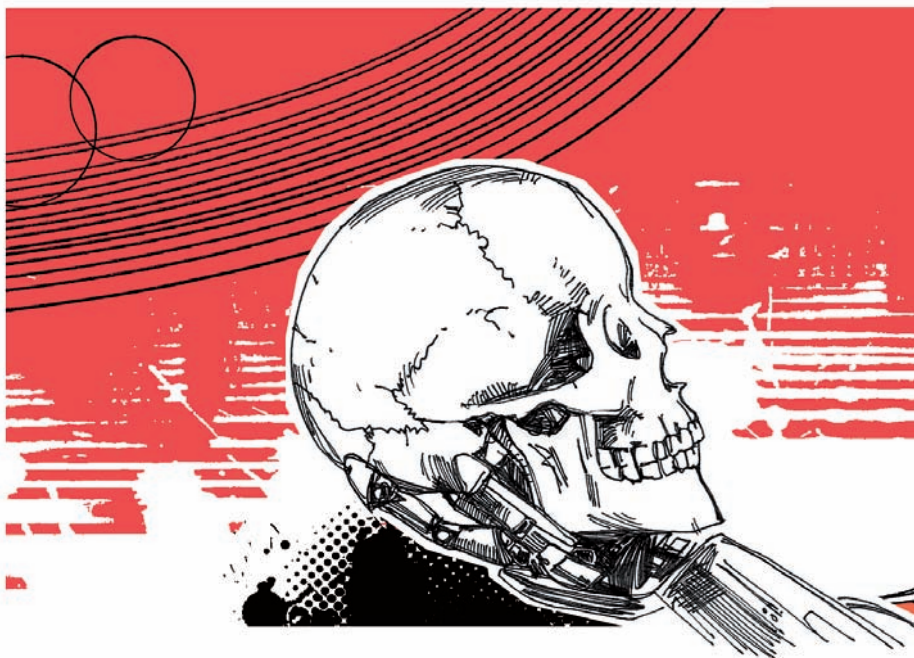
HANS-JÜRGEN URBAN

There is growing interest in Karl Polanyi's works. And justifiably so. Not only is Polanyi's *The Great Transformation* a classic in the history of economics, it also has phenomenal potential to stimulate analysis of major upheavals and transformations in contemporary capitalism. The much-discussed process of digitalisation is no exception here.

In his *magnum opus*, Polanyi focuses on the origins of liberal market societies in the 19th century and their degeneration into fascist regimes in the mid-20th century. His argumentation boils down to the thesis 'that the origins of the cataclysm lay in the Utopian endeavor of economic liberalism to set up a self-regulating market system' (Polanyi 1944/2001, p. 31).

Here Polanyi argues that market societies emerged as a result of the divorce of the markets from social relations. In this system, the order in the production and distribution of goods was entrusted entirely to unregulated markets. Along with labour, land and money. Including them in the 'satanic mill of the market', however, meant to 'subordinate the substance of society itself to the laws of the market' (Polanyi 1944/2001, pp. 75, 77). Labour, land and money are, after all, not conventional but rather fictitious commodities. Attempting to treat them like other goods will inevitably result in them being damaged, in terms of both their substance and their social function.

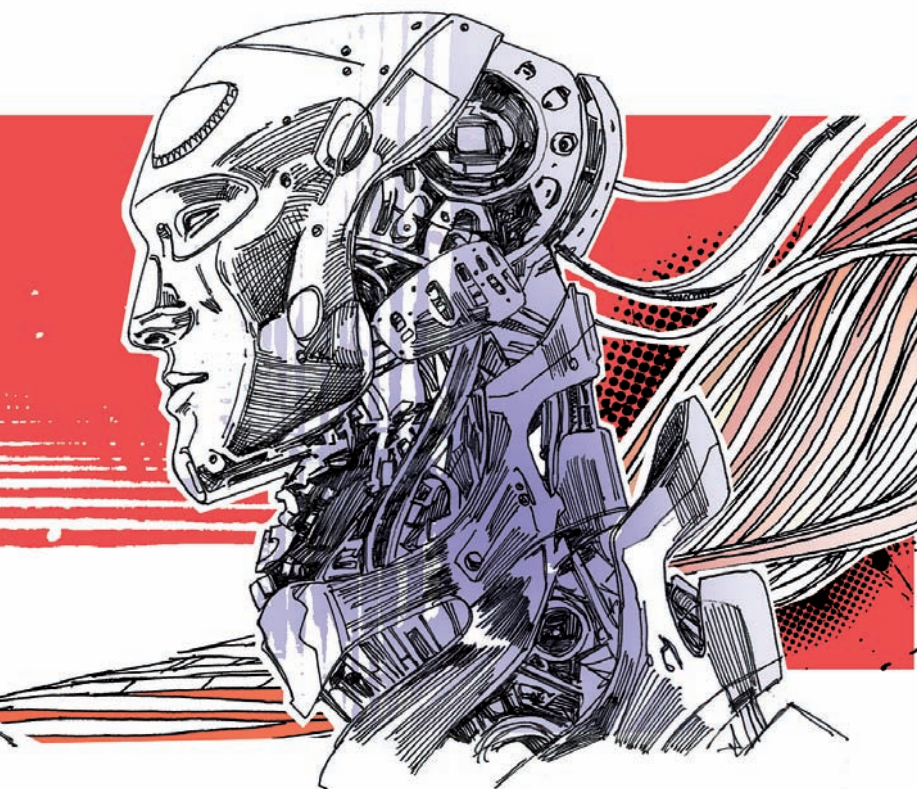
The case of labour illustrates this particularly clearly. Labour cannot exist without human beings. Labour power thus 'cannot be shoved about, used indiscriminately, or even left unused without affecting also the human individual who happens to be the bearer of that particular commodity' (Polanyi 1944/2001, p. 76). It is therefore hardly



surprising that societies rapidly felt compelled to form a counter-movement and, for their own self-protection, adopt measures to regulate the markets in the form of social legislation.

Social science research has repeatedly drawn analogies between Polanyi's analysis and the development of contemporary capitalism. Once again, we are today witnessing a disembedding of capitalist markets from state regulation in the transition from welfare-state capitalism to global financial market capitalism. The destructive forces of unregulated markets are once more having a socially divisive impact, tendencies of social disintegration are manifest and different forms of postdemocratic authoritarianism are evolving. It suffices to turn our minds to the rise of right-wing populist movements in response to social divisions and feelings of cultural insecurity.

On top of all this, we are now also confronted with digitalisation. Digitalisation is giving impetus to a new wave of marketisation



and rationalisation in society. This wave is, in turn, driving a double structural transformation: the transformation of labour, in the sense of fundamentally restructuring work processes and work organisation, and concurrently the transformation of the institutional setting of social regulation, or social protection rights, on which the previously achieved degree of decommodification of labour in the welfare state depended.

As a market-driven process, and this is something we have learnt from Polanyi, digitalisation will likely facilitate the decoupling of labour from the protective regulatory framework of labour and social law. And this is precisely what started the neoliberal politics of deregulation and privatisation in the first place. To counter the anticipated subsequent damage for society would require a countermovement in the Polanyian sense. Such a movement would need to oppose digital rationalisation from above as well as the dismantling of the welfare

state, and it would have to do this by humanising labour policy from below and re-establishing intervention rights for the purposes of labour protection.

Of course, this is easier said than done. Digitalisation does not adhere to any kind of natural law of technology. Its development is shaped by social conflicts over the course of transformation. Whether the digital revolution takes the form of capital-centric rationalisation or whether its technological potential can be harnessed for the humanisation of labour, all this is determined in the context of these conflicts.

Here, several key axes of conflict can be identified. The conflict over the social status of labour is one. Is it possible to provide social protection for the new type of knowledge-based work, or will we see the emergence of a legion of self-employed individuals faced with precarious working conditions?

No less important in this context is the conflict over time. Can the opportunities of digital communication be translated into more time sovereignty for workers or will they lead to unlimited working hours and workers' permanent availability? Then, lastly, there is the conflict over the acquisition of qualifications. Will we manage to create employment conditions that promote learning and under which employees are also able to acquire social competencies and the ability to act in solidarity with others? Or will training and professional development programmes degenerate into the transfer of functional skills and people be reduced to human capital?

These and other conflicts determine the digital future. We need trade unions and workers' representation. But they will not have an easy time. Employers will push for digitalisation to be used to increase productivity and strengthen workplace hierarchies. They will point to the competitive pressure on national and global markets that is increased by digitalisation.

One thing we can predict is that, should the version of digitalisation triumph that is centred on humanising labour, it would have to go hand in hand with a democratisation of labour. This is about institutional channels of influence that enable worker representation, trade unions and others committed to humanising work to develop sufficient clout to assert the interests of labour.

It cannot be just the trade unions raising such questions, however. A Polanyian countermovement has to be supported by broad social alliances, including political actors and a critical academia. Unless influence is exerted over the course of events, a humane form of digitalisation compatible with the needs of society is likely to remain no more than a distant pipe dream for contemporary capitalist society. And this is yet another thing we can learn from Polanyi.

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V

Polanyi
Today

IT'S TIME FOR CHANGE!

On 8 May 2018, the International Karl Polanyi Society was founded in the Vienna Chamber of Labour. It set itself the ambitious but vital goal of putting the economy back in its place.

ANDREAS NOVY AND BRIGITTE AULENBACHER

'If the economy does well, we are all doing well.' This advertising slogan for Austrian businesses aptly reflects today's zeitgeist, albeit in a somewhat boorish way. We live in a world where the economic rationale of performance optimisation is increasingly shaping all spheres of life. Despite growing social wealth, everything still revolves around efficiency and productivity, with no sign of debate about the whys and wherefores. Not just in business, but also in education, healthcare and culture; everything has to 'pay off'. At the same time, it is becoming increasingly uncertain whether the economy will continue to 'do well'. Global competition presents a growing challenge and we increasingly fear for our own jobs and the future life opportunities of our children. As a consequence, there is more and more uneasiness about this type of economy in the context of neoliberal globalisation. Wealth and inequality are both rising in equal measure and as a result we find ourselves faced with social divisions and polarisation. The seeds of change have been planted and the ground is fertile. But the form these changes are taking, and could and indeed should take, is socially contested.

Social change since the mid-1970s, and particularly since the 1990s, forcefully implemented economic liberalisation, the concomi-

tant far-reaching environmental crises and the imminent upheaval of the ecosystem have all been developments that have caused society to sit up and take notice, and, particularly after the 2008/2009 financial crisis have sparked protest and debate. Movements such as Occupy Wall Street, the Indignados in Spain and many more were vehemently critical of an economic and social order that brought such disastrous environmental and social ramifications in its wake.

However, this development has provided reactionary, retrograde political forces in particular with the impetus and opportunity to implement their agendas: national isolationism in the face of neoliberal economic globalisation that has gone off the rails and, at the same time, an economic and welfare agenda that above all privileges the brash and the bold who are perceived as able and strong. Individuals with impaired capacity or those who assume special responsibility for children, the elderly or others requiring care are increasingly cut off. Instead of receiving free childcare, they work 12-hour days. The message this sends could not be clearer. Ostracise. Isolate. Even if this means guaranteeing freedom for an ever-smaller number of people.

In times of unsettling change, the promise that 'We ourselves don't have to change at all' provides an 'illusionary' (Polanyi 1944/2001, p. 266) sense of security. Faced with the challenges of global migratory movements, challenges that will not disappear in the future, it is attractive to hold on to the belief that the rich nations of the world can manage without immigration or that they can effectively seal off their borders. It is all too tempting to hope that e-cars will prevent the climate crisis. But, according to Polanyi, this is illusionary.

Karl Polanyi is a theorist of great transformations. It is presumably because modern societies are now facing radical change and multiple crises that we are seeing his renaissance. Particularly the 2008 financial crisis with its clear similarities to the world economic crisis of the 1930s sparked a renewed interest in Polanyi and his works. Yet, there are other economists, most notably John Maynard Keynes, whose theories and ideas could provide similarly helpful explanations for this development. Why refer to Polanyi? A plausible explanation is the paucity of theoreticians who have connected political-economic analysis with cultural issues. It is precisely this link that we need to

help us better understand the current endeavours to restructure society; including Trump, Brexit and Erdoğan.

However renowned Karl Polanyi is for his critique of ‘market fundamentalism’, his relevance today is largely due to his integrated explanatory approach which, in retrospect, is probably best described as cultural political economy (CPE). In the 1930s, he linked an analysis of economic liberalism with the crisis of democracy at the time, claiming that the two were incompatible. Today we can draw on his approach to conduct a critical analysis of the link between neoliberal globalisation and the diverse cultural, social and political counter-movements, whether guided by solidarity or emancipatory objectives, or indeed irrational, retrograde or even fascist.

How should right-wing populism be interpreted? What should be done with global platforms? Is care something that can be organised on a national level and what are the potential consequences of isolation? Is progressive politics compatible with global financial markets? What regulations and new structures are required? These are questions that have been posed by a plethora of people from all walks of life: university researchers, concerned individuals who worry about the future on a daily basis, people actively involved in political activism and civil society through participation in neighbourhood associations or NGOs, members of professional associations and many more.

The aim of the International Karl Polanyi Society (IKPS), founded on 8 May 2018 in the Vienna Chamber of Labour, is to bring all these individuals together. The overcrowded venue at the IKPS launch, the presence of international experts on Polanyi and the lively media response are evidence that the advocates of the Society were right in their belief that it could make an important contribution to helping us understand and also shape the transformation we are facing today (see Founding Declaration).

The IKPS is based at the Institute for Multi-Level Governance and Development, Vienna University of Economics and Business (WU Vienna). The Institute is part of the Department for Socioeconomics, which adheres to the very Polanyian guiding principle that socioeconomics reminds us ‘that the economy is embedded in nature and society’. The IKPS is, however, not a scientific association but rather a knowledge alliance with members from academia, civil society,

public administration, but also interested and engaged citizens who believe that a collective effort is required to shape the imminent changes in a peaceful manner, based on the principle of solidarity, and to ensure economic activity is subordinate to the goal of welfare provision and social resilience.

With this in mind, the objective of the IKPS as a knowledge alliance has to be to put the economy back in its place. The word economy comes from the Greek *oikos* and *nomos*. Polanyi reflected on its origin in the context of the economic principle ‘householding’ (Polanyi 1944/2001, pp. 45ff.). He defined economic activity as organising men’s livelihoods. According to this definition, economic activity goes beyond the market and monetary economy. Existing hierarchies of types of economy must be called into question. For example, when it comes to the contribution made by economic sectors, which – to quote Adam Smith – only skim off the benefits of the productive work done by others.

Here Mariana Mazzucato refers to ‘extractive’ sectors, particularly the financial sector, and, to a certain extent, also the real estate sector (Mazzucato 2013). Conversely, Polanyi can also help us to make the invisible visible. Feminist economics, for instance, emphasises that housework and care work are both crucial economic activities. But neighbourhood assistance and friendly favours, public pay-as-you-go pension schemes, all of this is just as much a part of the economy, even if it is not part of the capitalist market economy. The economy should serve society and not vice versa. What is more, it should support life in the true sense of the word, both socially and ecologically.

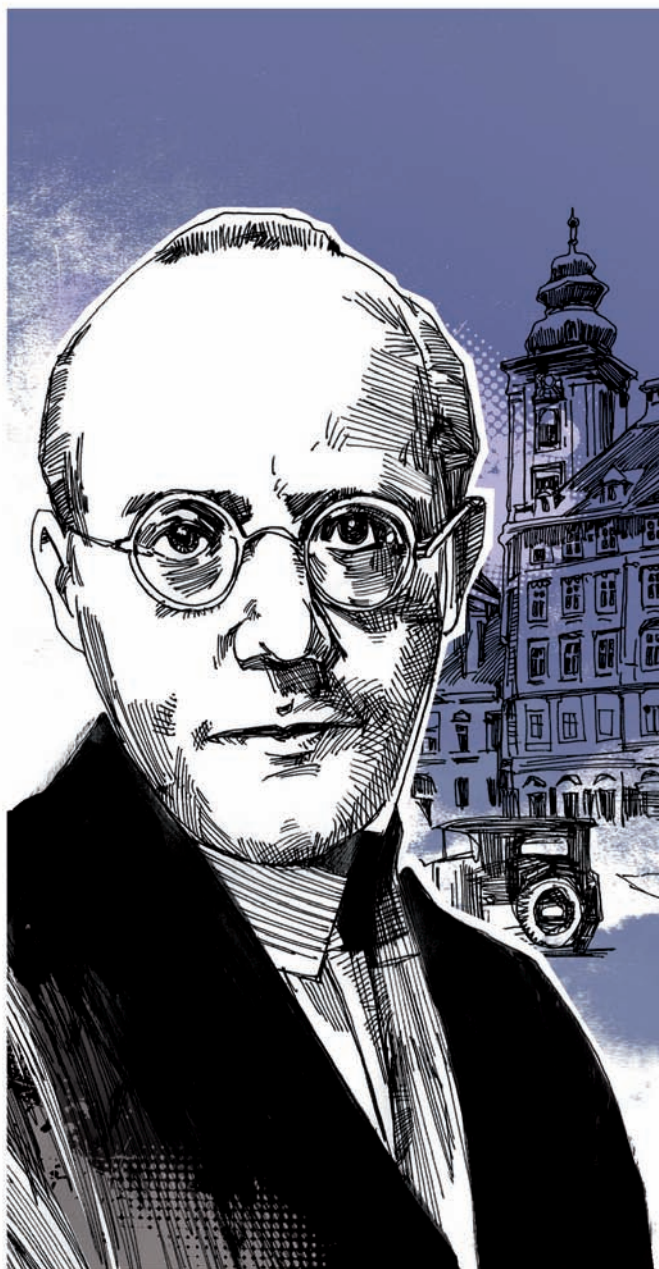
Putting the economy in its place should also be the ethical guiding principle in debates about the current environmental changes. The climate crisis is closely linked to the highly productive fossil capitalism, whose growth has brought prosperity and at the same time has undermined the foundations of life on this planet. Many feel that the economic model based on fossil fuels has run its course and that fundamental changes are due. This transition to another form of economy will present a huge challenge if, instead of seeking the solution in the faith in progress that has prevailed to date, caring humans and the natural world are to take centre stage.

Putting the economy in its place will reset social values: the destructive hierarchy that makes hedge fund managers into service providers and yet perceives primary school teachers as a burden on the public budget will be placed back on its feet if the contribution to the foundations of life and the common good is seen as the yardstick for economic efficiency.

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WHY POLANYI IN VIENNA TODAY?

Why was the International Karl Polanyi Society founded now, and why in this particular city?

MARKUS MARTERBAUER AND ANDREAS NOVY

The relationship between Karl Polanyi and Vienna is multifaceted. Polanyi was born in Vienna in 1886 and, from 1919 to 1933, spent several happy and formative years in the city. Interwar Vienna was a shadow of its former self, reduced from a cosmopolitan metropolis at the centre of the Austrian-Hungarian Empire to the capital of a small country and, as such, there were substantial doubts about its ability to survive. Nevertheless, Vienna was still a vibrant city, buzzing with intellectual debate, a city where the Austrian Social Democrats succeeded in pushing through the ambitious and far-reaching socio-political reforms that also paved the way for the creation of the welfare state during the post-war era.

The relationship between Polanyi and Vienna endures to this day, a fact that the guiding principle of the Department for Socioeconomics at Vienna University of Economics and Business bears witness to. Drawing on Polanyi, the Department's mission statement reminds us that 'the economy is embedded in society and nature.' Here, 'economy' refers not only to the market economy, however. Besides market exchange, Polanyi also identified reciprocity (mutual assistance, neighbourliness and support), redistribution (from the better-off and the employed to children, the sick and the elderly) and households (the subsistence economy and non-monetary areas of economic activity and care as described in feminist economics) as significant economic institutions. Moreover, in his analysis, he included companies and administration, which are characterised by command structures.

For the majority of his life, Polanyi did not actually earn his living as a scholar. From 1924 to 1933 he worked as senior editor of the premier economic and financial weekly *Der Österreichische Volkswirt* (The Austrian Economist). He also dedicated a lot of his time to popular and adult education, conducting lectures at evening classes. This helped him to develop the ability to describe complex political and economic developments in an accessible and understandable way and, on the basis of his extensive theoretical knowledge, also to link different aspects of these developments. Polanyi saw the government and currency crises, strikes and social struggles of the 1920s as an expression of deeper tensions between companies' strategies, geared towards being competitive on global markets, and the interests of the people who did not want to be surrendered, defenceless to the vagaries of the global market. The 1930s symbolised the irreconcilability of capitalism and democracy. In the wake of World War II, people strove to learn from the tragedy of fascism and to deal with the inherent contradiction between capitalism and democracy in a constructive manner. In Austria this took the form of the establishment of the social partnership and the welfare state.

With the defeat of fascism, the – temporary – rolling back of market fundamentalism and the transition to mixed economies and extensive welfare state systems, Polanyi was all but forgotten during the post-war era. Interest in his work was only sparked again when, in the 1970s, welfare capitalism, which had successfully maintained social justice for decades, was plunged into crisis. The climate crisis, which threatens to destroy the planet's life support system, the increasing concentration of income, wealth and life chances, as well as the marketisation of all areas of life means that, particularly in the wake of the 2008 financial crisis, the economy and society are once again confronted with fundamental changes.

Today, more urgently than ever, we need a public debate about contemporary responses to these challenges. For decades, Austria's social partnership was an internationally recognised example of how to work in unison to try and overcome the prevailing class differences. The country's economic success and highly developed welfare state, the relatively favourable development of the labour market and the high labour law standards all bear witness to this. The strength of the trade unions and the Chamber of Labour also played an important

role in facilitating these developments, making it no coincidence that the Vienna Chamber of Labour was chosen to host the founding of the International Karl Polanyi Society. It is, after all, here that we can draw on the country's best intellectual traditions and it is here that we have access to a forum for the discussion and public debate that is so essential for generating new and critical feedback enabling us to develop relevant solutions to the problems confronting us today.

Any deliberations about innovations must incorporate new and pluralist forms of economic activity; for instance, in the field of the 'commons' (self-organised and needs-oriented production of resources), the new cooperative movement or codetermination. But such a debate must also include new forms of democracy and participation (in the political arena, in neighbourhoods and in everyday life). Cooperation between universities and important stakeholders such as the Chamber of Labour have a key role to play in this context.

The aim of the Vienna-based International Karl Polanyi Society is to build on the vibrant intellectual discussions and practical experiments of the 1920s. This was a time of manifold pragmatic but also far-reaching reforms in housing, education, social and youth welfare or adult education. At the same time, outside the universities, there were major debates taking place about the fundamental questions of the economic order. In a private seminar he held in his office at the Chamber of Commerce, Ludwig von Mises set out the foundation for a neoliberal world view according to which a market economy was the only feasible alternative to a centrally planned economy.

Karl Polanyi, in contrast, argued for a democratic economy. He tried to draw a distinction between the system he was advocating and misleading oversimplified dichotomies such as 'a centrally planned versus a free market economy' or 'private versus state'. His ideas tended towards a pluralist economy based on negotiation and expertise, a system which incorporated the market as one of many institutions and which should be open to democratic experiments. Polanyi attempted to maintain the compatibility of individual freedoms and a complex social division of labour. And today, once again, there is an urgent need to develop credible and feasible alternatives to reactionary and authoritarian models of society.

BRUSH UP YOUR POLANYI

BRIGITTE AULENBACHER, FABIENNE DÉCIEUX AND
CHRISTIAN LEITNER

Karl Polanyi's magnum opus *The Great Transformation. The Political and Economic Origins of Our Time* was published in 1944. It has since become a classic, appearing in many different languages, and even today sparks and influences debate and discussion.

Karl Polanyi wrote his book against the backdrop of the economic liberalisation that came about after World War I and culminated in the stock market crash of 1929, the Great Depression and ultimately World War II. In using the term 'great transformation', Polanyi was referring to the failure of market fundamentalism at the time and socialist and fascist attempts to create a new social order, but also to the New Deal. Yet Polanyi's book not only deals with the era in which it was written. *The Great Transformation* is a comprehensive economic, social and cultural history of capitalism.

Karl Polanyi shows how, through the establishment of industrial capitalism, the 'liberal creed', the 'utopia' of the 'self-regulating market' could gain traction for the first time. His history of capitalism is depicted as that of a 'double-movement': of the 'movement' which subordinated society to the forces of the market and ultimately turned it into a 'market society' and the 'countermovements' with which people sought protection from it.

Much of this seems just as pertinent today. Economic development, particularly since the 1990s, accompanied by expanding, barely controllable financial markets cutting across all of society and then the 2008/2009 financial crisis sparked a wave of protests. And this is why we would like to invite you, under the motto 'Brush Up Your Polanyi', to explore his thoughts and be inspired by him to better understand the capitalism of his time and of our own.

Karl Polanyi summarises the realisation of the liberal idea of the self-regulating market and its consequences as follows:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way. It was this dilemma which forced the development of the market system into a definite groove and finally disrupted the social organization based upon it. (Polanyi 1944/2001, pp. 3–4)

The fact that the market had managed to acquire such status is, however, not self-evident. According to Karl Polanyi, there are numerous principles of economic activity in premodern societies, such as reciprocity, redistribution and householding, that are embedded in society. In other words, principles that are geared towards social concerns and needs. However, the market, and more precisely the manner in which it develops over the course of the emergence of capitalism, is of particular relevance:

The market pattern, on the other hand, being related to a peculiar motive of its own, the motive of truck or barter, is capable of creating a specific institution, namely, the market. Ultimately, that is why the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society. (Ibid., p. 60)

Markets already existed in preindustrial and pre-capitalist societies. However:

Regulation and markets, in effect, grew up together. The self-regulating market was unknown; indeed the emergence of the idea of self-regulation was a complete reversal of the trend of development. It is in the light of these facts that the extraordinary assumptions underlying a market economy can alone be fully comprehended. (Ibid., p. 71)

Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (always including services) but also for labor, land, and money, their prices being called respectively commodity prices, wages, rent, and interest. The very terms indicate that prices form incomes: interest is the price for the use of money and forms the income of those who are in the position to provide it; rent is the price for the use of land and forms the income of those who supply it; wages are the price for the use of labor power and form the income of those who sell it; commodity prices, finally contribute to the incomes of those who sell their entrepreneurial services, the income called profit being actually the difference between two sets of prices, the price of the goods produced and their cost, i.e., the price of the goods necessary to produce them. If these conditions are fulfilled, all incomes derive from sales on the market, and incomes will be just sufficient to buy all the goods produced. (Ibid., p. 72)

So, in Karl Polanyi's view, what happens to society if the market mechanism becomes the main mode of regulating the economy?

Such an institutional pattern could not have functioned unless society was somehow subordinated to its requirements. A market economy can exist only in a market society. We reached this conclusion on general grounds in our analysis of the market pattern. We can now specify the reasons for this assertion. A market economy must comprise all elements of industry, including labor, land, and money. (In a market economy money also is an essential element of industrial life and its inclusion in the market mechanism has, as we will see, far-reaching institutional consequences.) But labor and land are no other than the human beings themselves of which every society consists and the nat-

ural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market. ” (Ibid., pp. 74–75)

Why does Karl Polanyi deem it a problem for land, labour and money, none of which were produced or intended for sale, to be marketised?

” The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact these markets form an absolutely vital part of the economic system. But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them. In other words, according to the empirical definition of a commodity they are not commodities. Labor is only another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance. None of them is produced for sale. The commodity description of labor, land, and money is entirely fictitious. ” (Ibid., pp. 75–76)

It is not barter or exchange per se that is the problem, but rather exchange according to the self-regulating market that Karl Polanyi sees as destructive:

” To allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed, even of the amount and use of purchasing power, would result in the demolition of society. For the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this peculiar commodity. In disposing of man's labour power the system would, incidentally, dispose of the physical, psychological, and moral entity "man" attached to that tag. Robbed of the protective covering of

cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society. Undoubtedly, labor, land, and money markets are essential to a market economy. But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill. 📌 (Ibid., p. 76–77)

What is more, it is impossible to resolve the problem within a market economy and market society of this type:

📌 The extreme artificiality of market economy is rooted in the fact that the process of production itself is here organized in the form of buying and selling. No other way of organizing production for the market is possible in a commercial society 📌 (Ibid., p. 77)

That said, the history of capitalism is not just a history of expanding markets but is also a history of people trying to protect themselves from the market's grip on land, labour and money:

📌 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 dimensions, 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. 📌 (Ibid., p. 79)

☞ Indeed, human society would have been annihilated but for protective counter-moves which blunted the action of this self-destructive mechanism. Social history in the nineteenth century was thus the result of a double movement (...) 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. ☞ (Ibid., pp. 79–80)

What does Karl Polanyi mean by the term ‘double movement’?

☞ Let us return to what we have called the double movement. It can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and the landed classes – and using protective legislation, restrictive associations, and other instruments of intervention as its methods. ☞ (Ibid., pp. 138–139)

☞ Our own interpretation of the double movement on the other hand is borne out by the evidence. For if market economy was a threat to the human and natural components of the social fabric, as we insisted, what else would one expect than an urge on the part of a great variety of people to press for some sort of protection? This was what we found. Also, one would expect this to happen without any theoretical or intellectual preconceptions on their part, and irrespective of their attitudes toward the principles underlying a market economy. ☞ (Ibid., pp. 156–157)

In Karl Polanyi’s view, these countermovements are only partially linked to class politics in capitalist societies; the crucial experience is that of life in a market economy:

☛ Actually, class interests offer only a limited explanation of long-run movements in society. The fate of classes is more frequently determined by the needs of society than the fate of society is determined by the needs of classes. Given a definite structure of society, the class theory works; but what if that structure itself undergoes a change. ☛ (Ibid., p. 159)

☛ The spread of the market was thus both advanced and obstructed by the action of class forces. Given the need of machine production for the establishment of a market system, the trading classes alone were in the position to take the lead in that early transformation. A new class of entrepreneurs came into being out of the remnants of older classes, in order to take charge of a development which was consonant with the interests of the community as a whole. But if the rise of the industrialists, entrepreneurs, and capitalists was the result of their leading role in the expansionist movement, the defense fell to the traditional landed classes and the nascent working class. ☛ (Ibid., p. 162)

The 'fictitious commodities' land, labour and money, the emergence of countermovements and the rise of fascism in Karl Polanyi's time:

☛ What we call land is an element of nature inextricably interwoven with man's institutions. To isolate it and form a market for it was perhaps the weirdest of all the undertakings of our ancestors. Traditionally, land and labor are not separated; labor forms part of life, land remains part of nature, life and nature form an articulate whole. Land is thus tied up with the organizations of kinship, neighborhood, craft, and creed – with tribe and temple, village, guild, and church. ☛ (Ibid., p. 187)

☛ Most of the confusion existing in monetary theory was due to the separation of politics and economics, this outstanding characteristic of market society. For more than a century, money was regarded as a purely economic category, a commodity used for the purpose of indirect exchange. ☛ (Ibid., pp. 204–205)

9 Economic liberalism had started a hundred years before and had been met by a protectionist countermove, which now broke into the last bastion of market economy. A new set of ruling ideas superseded the world of the self-regulating market. To the stupefaction of the vast majority of contemporaries, unsuspected forces of charismatic leadership and autarchist isolationism broke forth and fused societies into new forms. 9 (Ibid., p. 209)

9 The fascist solution of the impasse reached by liberal capitalism can be described as a reform of market economy achieved at the price of the extirpation of all democratic institutions, both in the industrial and in the political realm. The economic system which was in peril of disruption would thus be revitalized, while the people themselves were subjected to a reeducation designed to denaturalize the individual and make him unable to function as the responsible unit of the body politic. This reeducation, comprising the tenets of a political religion that denied the idea of the brotherhood of man in all its forms, was achieved through an act of mass conversion enforced against recalcitrants by scientific methods of torture. 9 (Ibid., p. 245)

Karl Polanyi saw socialism and fascism as social countermovements with which society sought to protect itself from market fundamentalism:

9 Fascism, like socialism, was rooted in a market society that refused to function. Hence, it was worldwide, catholic in scope, universal in application; the issues transcended the economic sphere and begot a general transformation of a distinctively social kind. It radiated into almost every field of human activity whether political or economic, cultural, philosophic, artistic, or religious. And up to a point it coalesced with local and topical tendencies. No understanding of the history of the period is possible unless we distinguish between the underlying fascist move and the ephemeral tendencies with which that move fused in different countries. 9 (Ibid., p. 248)

Regarding the liberal experiment of the 'self-regulating market' as having failed, Polanyi takes stock on the matter of the market society and reflects on what might come next:

☛ The true criticism of market society is not that it was based on economics – in a sense, every and any society must be based on it – but that its economy was based on self-interest. Such an organization of economic life is entirely unnatural, in the strictly empirical sense of exceptional. Nineteenth-century thinkers assumed that in his economic activity man strove for profit, that his materialistic propensities would induce him to choose the lesser instead of the greater effort and to expect payment for his labor; in short, that in his economic activity he would tend to abide by what they described as economic rationality, and that all contrary behavior was the result of outside interference. It followed that markets were natural institutions, that they would spontaneously arise if only men were let alone. Thus, nothing could be more normal than an economic system consisting of markets and under the sole control of market prices, and a human society based on such markets appeared, therefore, as the goal of all progress. Whatever the desirability or undesirability of such a society on moral grounds, its practicability – this was axiomatic – was grounded in the immutable characteristics of the race. ☛ (Ibid., pp. 257–258)

☛ In effect, the disintegration of a uniform market economy is already giving rise to a variety of new societies. Also, the end of market society means in no way the absence of markets. These continue, in various fashions, to ensure the freedom of the consumer, to indicate the shifting of demand, to influence producers' income, and to serve as an instrument of accountancy, while ceasing altogether to be an organ of economic self-regulation. ☛ (Ibid., p. 260)

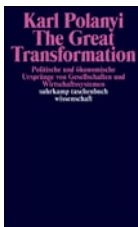
Once the market society has been left behind, can justice and freedom become a reality in the context of industrial civilisation?

☛ Clearly, at the root of the dilemma there is the meaning of freedom itself. Liberal economy gave a false direction to our ideals. It seemed to approximate the fulfillment of intrinsically utopian expectations.

No society is possible in which power and compulsion are absent, nor a world in which force has no function. It was an illusion to assume a society shaped by man's will and wish alone. Yet this was the result of a market view of society which equated economics with contractual relationships, and contractual relations with freedom. The radical illusion was fostered that there is nothing in human society that is not derived from the volition of individuals and that could not, therefore, be removed again by their volition. ♡ (Ibid., p. 266)

♡ The passing of market-economy can become the beginning of an era of unprecedented freedom. Juridical and actual freedom can be made wider and more general than ever before; regulation and control can achieve freedom not only for the few, but for all. Freedom not as an appurtenance of privilege, tainted at the source, but as a prescriptive right extending far beyond the narrow confines of the political sphere into the intimate organization of society itself. Thus will old freedoms and civic rights be added to the fund of new freedom generated by the leisure and security that industrial society offers to all. Such a society can afford to be both just and free. ♡ (Ibid., p. 265)

2019 was the 75th anniversary of Karl Polanyi's diagnosis of *The Great Transformation*, which provided a formidable opportunity for people around the world to engage with his work again and to explore his thinking in more depth. Although we may not express ourselves in quite the same way nowadays, one thing is certain: today, more than ever, it is worth brushing up your Polanyi to develop a proper understanding of the society in which we live.



Cover of the German translation of:
Polanyi, Karl (1944/2001): *The Great Transformation*:
The Political and Economic Origins of Our Time.
Boston: Beacon Press.

POLANYI RESEARCH INTERNATIONAL

**Four cities, three continents and four institutions
dedicated to the work and influence of Karl Polanyi.**

MONTREAL

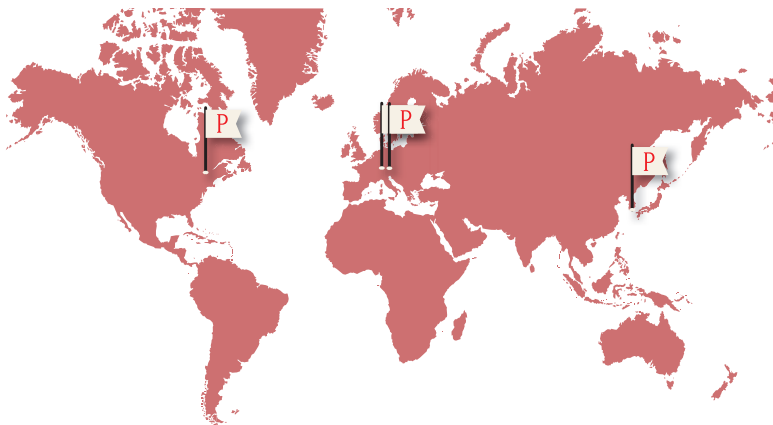
The eponymous Institute of Political Economy dedicated to the memory of Karl Polanyi was established in 1988 at Concordia University Montreal. Its mission is to preserve Polanyi's intellectual legacy and to contribute to policy debates on alternative and innovative development strategies, both locally and internationally. The Director of the Institute is Marguerite Mendell, and the Honorary President, Kari Polanyi Levitt. The Executive Committee comprises Michele Cangiani, Gareth Dale and Claus Thomasberger, all of whom have contributed to this volume.

The Karl Polanyi Institute of Political Economy at Concordia University also houses the Karl Polanyi Archive. The archive is gradually providing open access to its material and, over the years, has welcomed scholars, researchers and students from around the world.

Karl Polanyi's intellectual legacy is a rich and vast collection of material including notes, lecture notes and outlines, outlines of planned books, drafts of manuscripts (published and unpublished), unpublished papers and published articles written by Karl Polanyi as well as papers by other authors.

The collection also includes letters Polanyi exchanged with important intellectuals, political figures, students, colleagues, family members and friends throughout his life. The archive contains material in Hungarian, German and English. It is also possible to arrange a visit to the Institute (registration required).

www.concordia.ca/research/polanyi.html



VIENNA

On 8 May 2018, the International Karl Polanyi Society (IKPS) was founded at the Vienna Chamber of Labour.

The IKPS is based at the Institute for Multi-Level Governance and Development at Vienna University of Economics and Business (WU Vienna). The Institute is part of the Department for Socioeconomics, which adheres to the very Polanyian guiding principle that socio-economics reminds us ‘that the economy is embedded in nature and society’. The IKPS is, however, not a scientific association but rather a knowledge alliance with members from academia, civil society, public administration, but also interested and engaged citizens who believe that a collective effort is required to shape the imminent changes in a peaceful manner, based on the principle of solidarity, and to ensure economic activity is subordinate to the goal of welfare provision and social resilience. *Contact: ikps@wu.ac.at. For more information, see: www.karlpolanyisociety.com*

BUDAPEST

Since 2017, Corvinus University has housed the Karl Polanyi Center for Global Studies. The President of the centre is the economist József Böröcz, Professor at Rutgers University in New Jersey, USA, which, alongside the Central European University, is also a partner institution of the Budapest Karl Polanyi Center.

The centre promotes comparative and interdisciplinary studies with a global perspective at the intersection of economics, sociology and international relations, simultaneously analysing global and local dynamics and their interconnectedness. Its aim is to scrutinise historically evolved transnational linkages, persistent inequalities and conflicts between social groups, communities and different regions of the world.

The centre's researchers strive to conduct research which avoids the pitfalls of Eurocentrism and to expose entrenched ideas that are used to justify forms of redistribution and inequalities. The centre focuses on conducting future-oriented studies by reflecting on possible alternatives to prevailing governmental practices, both at the local and the global level.

polanyi.center@uni-corvinus.hu

SEOUL

A Memorandum of Understanding between the Seoul Metropolitan Government and Concordia University led to the creation of the Karl Polanyi Institute Asia (KPIA) in November 2014. The mission of the KPIA is to broaden the influence of the work of Karl Polanyi throughout Asia, and to generate dialogue and research on the social economy in Korea and throughout the continent. The KPIA was inaugurated on 24 April 2015; Dr Alan Shepard, President, Concordia University, and Professor Kari Polanyi Levitt attended the opening ceremony along with the Mayor of Seoul, Won Soon Park.

In his speech, Won Soon Park noted: 'It was Antonio Gramsci who said, "The crisis consists precisely in the fact that the old is dying and the new cannot be born." Everyone maintains that we are in a crisis. Yet the "new" that we need to replace or change the old, has shown no sign of emerging. Since "crisis" is just another name for opportunity, we have to turn this crisis into a "great transition" to a new society and new civilisation. Karl Polanyi has given us the motivation to develop new ideas and a new model of societal development ...'

www.kpia.re.kr

AUTHORS

BRIGITTE AULENBACHER is Professor of Sociological Theory and Social Analysis at the Johannes Kepler University Linz, Austria, and Vice-President of the International Karl Polanyi Society. Her main research areas are the theory of the society and the analysis of contemporary capitalism, labour and gender studies, and sociology of care. Recent book: 'Capitalism in transformation. Movements and countermovements in the 21st Century' (co-ed. with Roland Atzmüller, Ulrich Brand, Fabienne Décieux, Karin Fischer, Birgit Sauer), Edward Elgar: Cheltenham.

RICHARD BÄRNTHALER is a university assistant pre-doc at the Vienna University of Economics and Business at the Institute for Multi-Level Governance and Development (Department of Socioeconomics). His research focuses on urban studies, especially on the foundational economy, social-ecological infrastructures and urban transformation processes. He co-authored 'Zukunftsfähiges Wirtschaften' (Beltz Juventa, 2020) with Andreas Novy and Veronika Heimerl.

KARINA BECKER is Professor of Social Policy at the Duale Hochschule Gera-Eisenach. Recent publications include: Becker, Karina/Dörre, Klaus/Reif-Spirek, Peter (2018): 'Arbeiterbewegung von rechts? Ungleichheit – Verteilungskämpfe – populistische Revolte'. Frankfurt am Main, New York: Campus.

FRED BLOCK is Research Professor of Sociology at University of California, Davis. His most recent book is: 'Capitalism. The Future of an Illusion' (University of California Press, 2018). With Margaret Somers he co-authored 'The Power of Market Fundamentalism: Karl Polanyi's Critique' (Harvard, 2014).

SOPHIE BOSE completed her Master's degree in sociology in 2017 at Friedrich Schiller University Jena. She works in political education with a focus on right-wing extremism, right-wing populism, discri-

mination, trade unions, social inequality and gender relations. She co-edited (with Klaus Dörre, Hartmut Rosa, Karina Becker and Benjamin Seyd) 'Große Transformation? Zur Zukunft moderner Gesellschaften', Sonderband des Berliner Journals für Soziologie, Wiesbaden 2019.

MICHAEL BRIE, Prof. Dr. habil. is a social philosopher and Senior Fellow at the Institute for Critical Social Analysis of the Rosa Luxemburg Foundation. His research focus is the field of socialist transformation research and the history of socialism. He is a Member of the Scientific Advisory Board of ATTAC and a Member of the Board of Trustees of the think tank Institut Solidarische Moderne as well as the Leibniz Society. Recent publications: 'Rediscovering Lenin. Dialectics of Revolution and Metaphysics of Domination'. Cham: Palgrave Macmillan 2019 and: 'Karl Polanyi in Dialogue. A Socialist Thinker of Our Times'. Montreal: Black Rose Books 2017.

MICHAEL BURAWOY is a British sociologist who was president firstly of the American and subsequently the International Sociological Association, where he paved the way for the development of a public sociology. He is a professor at the University of California in Berkeley and has authored several articles on Karl Polanyi, including 'For a Sociological Marxism: The Complementary Convergence of Antonio Gramsci and Karl Polanyi' (Politics and Society 2003) and 'From Polanyi to Pollyanna: The False Optimism of Global Labor Studies'. (Global Labour Journal 2010)

MICHELE CANGIANI is Professor of Sociology (emeritus) at Ca' Foscari University in Venice, Italy, and Member of the Board of Directors at the Polanyi Institute Montreal. He has written many books and publications including several on Karl Polanyi, e.g. 'Social Freedom in the Twenty-First Century. Rereading Polanyi'. Journal of Economic Issues, 51/4, 2017.

GARETH DALE teaches at Brunel University. His publications include books on Karl Polanyi, the GDR and Eastern Europe, EU migration, and 'green growth.' He writes for <https://theecologist.org/profile/gareth-dale> and tweets at @Gareth_Dale. He is the author

of 'Karl Polanyi. A Life on the Left' and of 'Reconstructing Karl Polanyi: Excavation and Critique' and co-edited (with Christopher Holmes and Maria Markantonatou) 'Karl Polanyi's Political and Economic Thought, A Critical Guide'.

FABienne DÉCIEUX is a doctoral student at the Institute of Sociology, Johannes Kepler University (JKU), Linz, Austria and a research associate at the Institute of Sociology at the University of Vienna. She co-edited with Karina Becker and Kristina Binner 'Gespannte Arbeits- und Geschlechterverhältnisse im Marktkapitalismus', Wiesbaden 2020.

VERONIKA HEIMERL worked as a research assistant at the Institute for Multi-Level Governance and Development and the Institute for Economic Geography and GIScience, both at Vienna University of Economics and Business (WU Vienna).

VERONIKA HELFERT is a postdoctoral fellow at the Central European University Budapest/Vienna (Department of Gender Studies/ Department of History). She is a member of the board of *fernetzt*, a network for women's and gender history. Her most recent book is 'Frauen, wacht auf! Eine Frauen- und Geschlechtergeschichte von Revolution und Rätebewegung in Österreich, 1916-1924' (December 2020).

ROBERT KUTTNER is the founding co-editor of *The American Prospect*. He holds a chair in political economy at Brandeis University. He is a former national staff writer at *The Washington Post*, as well as a former columnist for *Business Week*, and the author of twelve books, including 'Can Democracy Survive Global Capitalism' (2017) and 'The Stakes: 2020 and the Survival of American Democracy' (2019). He was educated at Oberlin College, The University of California at Berkeley, and The London School of Economics.

CHRISTIAN LEITNER is a social worker and currently writing his Master's thesis in sociology at the Johannes Kepler University Linz, Austria.

KARI POLANYI LEVITT was born in Vienna in 1923 and grew up in the district of Leopoldstadt. She emigrated to England in 1934 and then went on to complete her studies at the London School of Economics. In 1947, she moved to Canada where she married historian Joseph Levitt and took on a position at McGill University in Montreal. In 1992, she gained emeritus status. She holds several visiting professorships in the Caribbean. Her most widely known book is 'Silent Surrender. The Multinational Company in Canada'. Her collected essays were published in 2013 under the title 'From the Great Transformation to the Great Financialization'. She serves as the honorary president of the International Karl Polanyi Society.

SABINE LICHTENBERGER is a historian working for the Institute for the History of the Chamber of Labour and Trade Unions at the Vienna Chamber of Labour. She co-edited 'Rote Tränen. Die Zerstörung der Arbeiterkultur durch Faschismus und Nationalsozialismus' (Vienna, 2017) with Konstantin Kaiser and Jan Kreisky.

MARKUS MARTERBAUER is Head of the Department of Economics and Statistics at the Vienna Chamber of Labour. He co-edited (with Brigitte Aulenbacher, Andreas Novy and Armin Thurnher) 'Karl Polanyi, Wiederentdeckung eines Jahrhundertdenkers', Falter Verlag Wien, 2019.

MARGUERITE MENDELL is Distinguished Professor Emerita, School of Community and Public Affairs and Director, Karl Polanyi Institute of Political Economy, Concordia University, Montreal, Canada. She co-founded the Polanyi Institute with Kari Polanyi in 1988. Her main areas of research include the social and solidarity economy, social finance, the commons, processes of economic democratization and the life and work of Karl Polanyi. Recent publication: 'Commoning and the Commons. Alternatives to a Market Society'. In: Karl Polanyi's Vision of Socialist Transformation (Brie, Michael/Thomasberger, Claus, eds.). Montreal: Black Rose Books, 2018.

MICHAEL MESCH is an economist and economic and social historian in the Department of Economics and Statistics at the Vienna Chamber of Labour.

ANDREAS NOVY is a socioeconomist, Director of the Institute for Multi-Level Governance and Development (Department of Socioeconomics at WU Vienna) and President of the International Karl Polanyi Society. His research focuses on urban development, social innovation and social-ecological transformation. He co-edited (with Brigitte Aulenbacher and Richard Bärnthaler) 'Karl Polanyi, "The Great Transformation" and Contemporary Capitalism', *Österreichische Zeitschrift für Soziologie* 2/2019.

PETER ROSNER, born in 1948, was a professor in the Department of Economics at the University of Vienna. He has authored numerous publications on social policy and the history of economic theory.

MARGARET SOMERS is Professor Emerita of Sociology and History at the University of Michigan, Ann Arbor. Her most recent books are 'The Power of Market Fundamentalism: Karl Polanyi's Critique' (Harvard, 2014), co-authored with Fred Block, and 'Genealogies of Citizenship: Markets, Statelessness, and the Right to Have Rights' (Cambridge, 2008). Her main research areas are in the work of Karl Polanyi, economic sociology, citizenship rights, social theory, and the political economy of moral worth.

ELISABETH SPRINGLER is an economist at the University of Applied Sciences BFI Vienna where she is the director of the BA and MA study programmes on European Economy and Business Management. Previously she was a university assistant at Vienna University of Economics and Business (WU Vienna), Marshall Plan Chair at the University of New Orleans, Louisiana and worked in the Department for Economic Analysis at the Österreichische Nationalbank (National Bank of Austria). She is currently also a member of the Austrian Fiscal Advisory Council as well as the Financial Market Stability Board (FMSG).

CLAUS THOMASBERGER is an economist (emeritus) at the University of Applied Sciences in Berlin and has published on the works of Karl Polanyi. He co-edited the book 'Economy and Society' (Cambridge, 2018) with Michele Cangiani and 'Karl Polanyi's Vision of a Socialist Transformation' (Montreal, 2018) with Michael Brie.

ARMIN THURNHER is the publisher and editor-in-chief of the Vienna weekly newspaper *Falter*. He published the *Falter* supplement 'Karl Polanyi, Wiederentdeckung eines Ökonomen', no. 43a, 2018

FRANZ TÖDTLING is a retired professor of regional and innovation studies and works at the Institute for Multi-Level Governance and Development at Vienna University of Economics and Business (WU Vienna). Recent publication: Tödtling Franz/Trippl, Michaela (2018): 'Regional Innovation Policies for New Path Development – Beyond Neoliberal and Traditional Systemic Views'. *European Planning Studies*. 26 (9), 1779-1795

HANS-JÜRGEN URBAN is a Member of the Executive Committee of the trade union IG Metall in Frankfurt/Main. Since his habilitation in 2014 in sociology, he has been a private lecturer at Friedrich Schiller University in Jena and, since October 2015, a Permanent Fellow at the Research Group 'Post-Growth Societies' at Friedrich Schiller University (FSU) in Jena. Recent publications: 'Ausbruch aus dem Gehäuse der Economic Governance. Überlegungen zu einer Soziologie der Wirtschaftsdemokratie in transformativer Absicht' (Berlin, 2018), 'Gute Arbeit in der Transformation. Über eingreifende Politik im digitalisierten Kapitalismus' (Hamburg, 2019).

MARKUS WISSEN is a Professor of Social Sciences, focussing on socio-ecological transformation processes, at Berlin School of Economics and Law. Together with Ulrich Brand, he authored the book 'The Imperial Mode of Living. Everyday Life and the Ecological Crisis of Capitalism', London: Verso, 2020.

FALTER

On 8 May 2018, the International Karl Polanyi Society was founded in Vienna. This marked the beginning of a new phase of engagement with a thinker who had already come to be regarded as a centennial figure in the Anglo-Saxon world.

This book serves as an introduction to *The Great Transformation*, Polanyi's *magnum opus* and one of the most important works of the 20th century. It helps us to understand the background to Karl Polanyi's intellectual career, sketches the lives of his family members, describes the milieus of Budapest, Vienna, London and New York, which were such informative influences in his life, and sheds light on his relationship with contemporaries such as Keynes, Mises and Hayek.

Renowned Polanyi researchers, including, most notably his daughter Kari Polanyi Levitt, elucidate Polanyian concepts such as 'fictitious commodities' and apply his analysis to an era when everything seems to be subjected to the mechanics of the market.



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