Karl Polanyi: His Life and Times

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The publication in Hungary of *Democracy, Fascism and Industrial Civilization: Selected Essays*, a volume of writings by Karl Polanyi, marks an important event, a "homecoming", to use his own words. Karl Polanyi's most important and best known work, *The Great Transformation* (1944) was published when he was 58 years old. The results of his research on economic institutions in primitive and archaic societies appeared 13 years later as *Trade and Market in the Early Empires* (1957) and posthumously as *Dahomey and the Slave Trade* (1966). *The Livelihood of Man* (1977) edited by Harry

Pearson, is constructed from Columbia lecture notes and numerous manuscripts on the ancient world. Additionally, there is a useful collection, edited by George Dalton, *Primitive, Archaic and Modern Economies* (1968) which reprints some of his most important published papers. *The Great Transformation* has been translated into French, Italian, German, Japanese and Portuguese. A Turkish edition will be published in 1986.

The experience which gave rise to his mature work was a European one. Yet Polanyi scholars have been largely unaware of the origins of his world of thought. The problems which concerned Polanyi throughout his life arose from his experience as witness to the Great War, the Russian and Hungarian revolutions, the world economic crisis, the Second World War, and the post-war period of optimism which was undermined so rapidly by the onset of the Cold War.

Democracy, Fascism and Industrial Civilization presents a selection of the most significant of Polanyi's writings chosen from the literary legacy of his unpublished manuscripts and from articles contributed to short-lived, long extinct or otherwise inaccessible periodicals in Hungarian, German and English over a period of five decades. They illustrate both the wide range of his interests and the fundamental coherence and originality of his world of thought. Polanyi's search for concepts universally applicable to market and non-market economies was motivated by the problem of the contemporary human condition, and commenced with his perception of the breakdown of the liberal capitalist order in the first two decades of this century. In these essays, one can trace the roots of his thesis concerning the need for what he termed, "the deliberate subordination of the economy as a means to the ends of the human community." The articles treat subjects as diverse as the renaissance of Hungarian intellectual life before the Great War, the world crisis of the 1930s, the essence of fascism, parliamentary democracy, the Soviet Union in the international system, technology and freedom, Rousseau's social contract, and Shakespeare's *Hamlet.*

In a biographical note written in 1962, in the knowledge of the impending end of his life, Polanyi advises us that the influences which shaped his contributions to economic sociology and economic history are best understood by tracing back his completed work to the origins of its separate strands:

> The development of a world of thought may be presented in two different ways: either chronologically, or in the obverse direction, by following the essentials of the system back to their origins. The first, the chronological sequence may be inappropriate when the growth of thought is spread over the tortuous and discontinuous course of several decades of human affairs. In these last sixty years we experienced the dialectic of radical breaks, unmediated contradictions and repeated returns to already discarded positions which make it difficult, if not impossible, to discern the underlying logic of advance. The other way, as I said, of clarifying thought is to *trace it back* from the completed pattern to the origins of the separate strands. [Original emphasis.]

The explanation of his existential and social philosophy and the dialectic of the "tortuous and discontinuous path" which led him to devote the latter years of his life to an investigation of the shifting place of economies in societies, is to be found in what he termed, "two existential polarities": "Personality expressed itself in the manner in which this duality shaped thinking: fact and value; empiricism and normativity; society and community; science and religion. The directions themselves oscillated as they were being tested in life, thought and history. Yet in retrospect, it appears this polarity formed *the permanent axis of my world of thought.*" [Emphasis added.]

In the development of Polanyi's ideas, the evolution is clear. There were breaks with modes of thought which were rediscovered in later periods in different contexts, as in the case of a renewed and vigorous interest in Marx in the 1930s, or is reconversion to socialism, at the end of his life, as the means of "humanizing industrialism and building a purposeful society". But the unbroken line, the concern with freedom, the celebration of the culture of the common people, the search for a human socialism as the only true expression of democracy, these themes clearly find their roots in his life and work in Europe. The ultimate polarity, which forms such a remarkable unity in his work, is that of human freedom and the reality of society. Toward the end of his life, Polanyi outlined a book under the title *Freedom in a Complex Society* (1957) which was to remain unwritten.[1] As he wrote twenty years ago, his restlessness of spirit was that of an intellectual pioneer and, for this very reason, his work was incomplete. It was his stated intention to expand the philosophic outlook of *The Great Transformation* "beyond the brief hints on which that book closed". In an address on "Freedom and Technology" delivered at the University of Minnesota in 1957, he expressed the fear that

our society is destructible, that technology may make its very existence precarious, and that the omnipresent tendency to "uniformism, conformism and averagism" poses a profound danger to freedom.

The theme is a return to his remarkably prophetic essay entitled "Nezeteink Valsaga" (1909) which he translated into English and attached to a "Note on Sources" (1940) for inclusion in the Appendix to *The Great Transformation.* This "Note on Sources" with its attached text was ultimately omitted from the book. In the "Note" he explains that the term "socialism" in the 1909 article refers to "collectivist regulations" forecast by the increasing symptoms of the failure of market-economy in the years preceding the outbreak of the Great War.

In 1950, in a letter to Oskar Jaszi in which he takes stock of his life's work, he again refers to the significance of the 1909 essay in understanding his intellectual development: "In the 1909 Jubilee supplement of *Huszadik Szazad,* under the title "Nézeteink Valsaga" (The Crisis of our Ideologies) I put forward the hypotheses which thirty years later, notwithstanding the errors, still represent the development of my ideas." According to Polanyi, the supercession of liberal capitalism by some form of fascism could already be foreseen before 1914. The monopolistic and corporatist developments which eventually led to the emergence of national socialism were inherent in the deficiencies of market capitalism. He predicted that the "next period of the capitalist age" will produce an ordered, regulated capitalism. Its strength will be found in the impersonalization of human relations and the concentration of capital, as the enrichment of individual life and the "culture of consciousness" are replaced by a dehumanizing materialism.

A generous interpretation of his 1909 article actually takes us beyond the rise and fall of European fascism in the interwar period, to a characterization of contemporary corporate capitalism. Does it not make " 'critical ' states of mind superfluous, unnecessary, repulsive even immoral", as he wrote in 1909? Polanyi predicted that the sphere of free will will become more narrow, and that of compulsion, wider. The ruling classes, he suggested, will equip themselves with a pseudo-religious belief in the inferiority of the manual worker, and private exploitation will be superceded by state capitalism. The older, liberal appreciation of personality, with a maximum of

consciousness, will become anachronistic. The spiritual weapon of the working class, he wrote in 1909, will become part of the armoury of the capitalist class—in the form of economistic, technocratic and managerial ideologies serving the planned capitalist welfare state. As a description of the contemporary state of affairs in the Western world, Polanyi's predictions seem not inappropriate. Moreover, they go far towards explaining the resurgence of the radical 'new right' decked in the rhetoric of the defence of the individual against the mammoth state.

Polanyi believed liberal capitalism—or market economy, as he called it in his later work—to be existentially incompatible with the nature of man as a societal being (*Vergesellschaftlicher Mensch*. He considered capitalist society to be a form of "unfreedom" in the sense that interpersonal relations are veiled (*undurchsichtig*) and appear as responses to impersonal, 'objective' market forces, carrying no element of personal responsibility of human for human, or of people for their natural habitat. In the context of an advanced technological civilization, the impersonality of social interdependence, moreover, breeds fear, which becomes the psychological basis of the power of the state and, ultimately, the soil in which fascism takes root. A centralized 'command' economy was equally unacceptable to Polanyi, not primarily for reasons of its supposed inefficiency, but because it offers no choice and, thus, denies both freedom and responsibility of individuals for their fellows.

Polanyi believed that the repository of social creativity lies in the culture of the common people. The originality of the work of Jean-Jacques Rousseau, according to Polanyi, lies in the fact that it is a celebration of the common people. This faith in the common people, moreover, underlies Polanyi's lifelong admiration for the revolutionary, the rebel, the Russian and Hungarian populists. In 1958, Polanyi and his wife Ilona prepared a translation of Hungarian populist poets, *The Plough and the Pen* (1963), inspired by the role of the poet in national regeneration. The Chinese cultural revolution rekindled Polanyi's belief in the revolutionary capabilities of the common people. In a letter to Erich Fromm written in 1961, he observed: "Now the world has been thrown wide open to the recognition of the roots of Marxism through the Chinese

explosion, which is the first non-Western event of these last two centuries that has an essence and core of its own, illuminating ours. By reclaiming Marxism for the 'West' you have infused a life-saving ingredient into both."

In his search for the means to transcend the limits of industrial society, Polanyi turned to Robert Owen and Karl Marx. In his "Biographical Notes" (1962) he wrote: "Of the 'utopian' thinkers of the early nineteenth century, [Owen] was the one to have exercised a great influence on Karl Marx. Like Owen himself, Marx never ceased to demand the perfecting of the industrial society as an instrument of human advance towards ideal ends. From whatever angle we approach the theme, we find their [Owen's and Marx's] values polarized as efficiency and humanity; technological and social progress; institutional requirements and personal needs." Polanyi notes the differences between Marx and Owen, particularly with respect to economic organization, "nevertheless, both built their thought structure on the reality of society, and the conviction that the future of man depends on his adapting his institutions radically to the nature of the machine within the limits of the laws governing real social existence." Industrial civilization could be transcended, according to Polanyi, by a "deliberate subordinating of the economy as a means to the ends of the human community."

Incomprehensible and irrelevant as he appears to be to all varieties of one dimensional ideologues and dogmatists, Polanyi's work has outlived him and is becoming ever more relevant. He was a keen observer of contemporary history and ideas, but steadfastly guarded his distance from political and intellectual fads, fashions and schools. He paid the price of his isolation, which at times was almost too difficult to bear. In a letter to Bé de Waard, former fiancé of the closest friend of his youth, Leo Popper, Polanyi wrote in 1958:

> My life was a world life—I lived the life of the world. But the world stopped living for several decades, and then in a few years it advanced a century! So I am only now coming into my own, having somewhere lost 30 years on the way—waiting for Godot—until the world caught up again, caught up to me. In retrospect, it is all quite strange, the martyrdom of isolation was only apparent—ultimately, I was only waiting for myself. Now the scales are weighed against us—against you, against me—because in ten years, I would stand vindicated in my own lifetime. My work is for Asia and Africa, for the new peoples. The West should bring them spiritual and

> intellectual assistance; instead the West is destroying the tradition of the 19th century and is even demolishing its Victorian ideals. . . My ideas at last are drawing opposition and that is a good sign. I would dearly have loved to live to fight for them but man is a mortal being.

His life was indeed, a 'world life', but it was deeply rooted in the formative years lived in his native Hungary. It was for Polanyi the crowning reward of his life to be invited to Budapest in 1963, to deliver a lecture to the Academy of Science on his work—and to find himself surrounded by friends, old and young. In the "Bequest of the Galileo Circle", published in *Ui Latohatar* in 1960, he wrote: "All I have become, I have become in Hungary. My life has been given sense by Hungarian lives. Any mistakes I have made, have been paid for here, in Hungary. Therefore, any good I might have achieved should benefit this country. That little I have been able to give the world should eventually return here."

Karl Polanyi's life falls into five periods, marked by three emigrations. The formative years of his childhood and growing up in Hungary terminated in 1906, when his father died. The next period is, perhaps, best known in Hungary, although little known elsewhere. It encompassed his activities in the Hungarian student movement, the editorship of *Szabadgondolat*, service in the Austro-Hungarian army in Galicia in the Great War, and his short venture into political life as a General Secretary of Oskar Jaszi's Radical Citizens Party. In 1919, Polanyi emigrated to Vienna after the Communist regime closed down *Szabadgondolat*. There, he was soon joined by the Hungarian emigrants who fled the White Terror in 1920. Among them was Ilona Duczynska. They met in 1920 and were married in 1923.

In Vienna, Polanyi commenced a serious study of economics and sociology within the context of his seminar on socialism. At the same time, he became an intimate observer of contemporary history, as senior editorialist for the *Österreichische Volkswirt*, specializing in international affairs. The Polanyi home was an intellectual centre, a kind of private mini-university with Polanyi as its scholar-in-residence. Vienna was his apprenticeship for his later work.

In 1933, there was yet another emigration, as the rise of Hitler lengthened the shadow of native Heimwehr fascism

over Austria. Polanyi left for the 'free soil' of England. As a continental, in relative isolation from the mainstream of British life, he found his real vocation as a teacher—in adult education, and in the small circle of the Christian Left group which he co-founded. He immersed himself in the study of English social and economic history. His continuing expertise in international affairs as coeditor and foreign correspondent for the *Öesterreichische Volkswirt* (until the Nazi occupation of Austria in 1938), combined with the requirements of course preparation for his Workers Education Association (WEA) classes, enabled him to underpin his train of thought with a perspective in economic history.

The result was *The Great Transformation*, a book which was conceived, in broad outline, during his Vienna years. The shock of the discovery of the dehumanizing effect of capitalism on the British working class, as contrasted with the high cultural standards achieved by the working class in socialist Vienna, goes far to explain the tone of *The Great Transformation*. The book was written in the tranquility of a three year appointment at Bennington College, Vermont, from 1940 to 1943. "Not since 1920," he wrote to a friend, "did I have a time so rich in study and development." Polanyi then returned to England and resumed his work with the WEA. At this time, Karl and Ilona met the Karolyis and participated in the activities of the Hungarian Association in preparation for the liberation of Hungary. An appointment as Visiting Professor at Columbia University in 1947 eventually led to the third emigration. The Polanyis made their home in Pickering, Ontario in 1950, because Karl was unable to persuade the American authorities to permit Ilona to enter the United States.

Growing up in the Polanyi Family Karl Polanyi was born in Vienna in 1886, the third child of Mihaly Pollacek and Cecile Wohl. In a comprehensive family chronicle, Ilona Duczynska records that in Karl, the unmixable elements of the strong but very different personalities of his parents mingled and came to balance: his father's unbending rectitude and strict puritanism with his mother's mental charm, the radiance of her wit, her vitality and her disorganized way of life—in brief, all that made 'Cecile Mama' in her later years, the focus of Budapest's literary and intellectual life.[2]

Mihaly Pollacek and his sisters—Lujza, Vilma and Teréz—came from Ungvar, then in Northern Hungary (now in the Soviet Union, just outside the Hungarian border). They were a part of the rising urban bourgeoisie and the movement for the natioal assimilation of Hungarian Jewry. The Pollacek women produced an extraordinary generation: Lujza's son was Ervin Szabo, a socialist *savant* and an inspiration to all early revolutionaries in Hungary, including Ilona, herself; Vilma's son was Ernö Seidler, military commander of Budapest during the Hungarian Commune of 1919; Teréz's son was Odon Por, known in England as a writer on guild socialism.

As for Mihaly Pollacek, he was unquestionably the most important single influence on the life of Karl. He studied civil engineering in Zurich and Edinburgh, became a successful railway contractor, and moved his family from Vienna to Budapest in the late 1880s. As his fortunes rose, an upper-middle class life style took shape at No. 2, Andrassy ut. It was, however, a non-conformist one centred on the spartan up-bringing of his five children. They received private tutorial instruction in the home, modelled on the highest standards of Western European elite education. Not until the age of 13 were the children allowed to enter school—the 'gymnasium'—which featured studies in classics. The home education included foreign languages (English and French); an early introduction in the reading of Greek and Latin; gymnastics and athletics for the boys, and music for the girls. Mihaly Pollacek regarded the Hungarian 'gentry' with horror and contempt, as he did the wealthy Jewish 'gentroid' bourgeoisie of Budapest. He maintained social contact with neither. Personally, he remained Jewish and a Pollacek, but Magyarized the names of his children to Polanyi and changed their religion to Protestant (Calvinist).

The children adored their father. He died in 1906, and on each anniversary of his death, Karl wrote to his remaining brothers and sisters. After the death of Laura in 1959, he continued the practice, writing to his daughter Kari until his own death in 1964.

> Ilona and I visited his grave in the cemetery in Budapest. I never loved anyone as much as him and that which is worth preserving about my very modest life's work I owe to him. Even in external regards I owe him a

> sportive training which saw me through when illness and later disease undermined my bearing; and it was his affectionate care that equipped me with the knowledge of languages which, in years of poverty, kept the worlds of learning open to me and allowed me access to broader horizons. (1961)
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> A year ago I wrote you what my father's death meant to me. How many years went by until I stopped dreaming of him—he had in my dreams returned to life. He had never died! I loved him so much. One of the certainties I have inherited was that he would have loved me to marry a girl just like mother is. Of course, there was much about this that was obvious, since he adored my mother, who belonged culturally to the Russian world, and I, myself, was in love with the thought of the Russian girl ideal. (Actually, our Viennese Russian friends grew up as our own family to me.) And so Ilona, who was Polish and a revolutionary, "filled the bill", I suppose. Our luck! But the truth was that my father's pure unadulterated idealism of the Western brand, (unspoilt by the Hungarian standards of the 19th century), infiltrated my upbringing and it was this mélange of Russian and Anglo-Saxon atmosphere that reached the Galileo students by way of my person. (1963)

The spirit of the Russian revolution came into the lives of the Polanyi children through the close family friendship with the Klatschkos. Cecile Wohl had been sent from Vilna to Vienna by her father when she was 17, accompanied by another young girl, Anne Lvova (Nyunia), daughter of the Mayor of Simperopol. Nyunia married Samuel Klatschko, who had been a Narodnik at the age of 14, run away from his rabbinical home in Vilna, founded a Utopian communist community in the United States (named after N.V. Tchaikovsky) which soon collapsed, returned to Europe, and eventually settled in Vienna. There Klatschko became the non-party envoy of all the illegal parties and movements then existing in Czarist Russia. Klatschko met many of the great early Russian revolutionaries—Plekhanov and Axelrod included—and Leon Trotsky was a daily visitor to his office in Vienna until his death in 1911.

In Klatschko, the cousins Ervin Szabo and Karl Polanyi found a beloved friend and mentor, their first great teacher. Shortly before his death, Polanyi jotted down some reflections on the life of Klatschko and noted, "He was the kindliest man I ever met." The Klatschko flat in Vienna was an underground post serving Russian revolutionaries, and the Polanyi home in Budapest on the Andrassy ut. offered overnight shelter to these nameless heroes of resistance to Czarist oppression. The Polanyi and Klatschko families spent many summer vacations together on the Semmering in Austria. Karl Polanyi throughout his life admired the Russian revolutionaries, indeed, re-

volutionaries of all time including, according to Ilona's memoir, the foremost of them all, Jesus of Nazareth.

Mihaly Pollacek's death in January, 1906, shattered the family. His financial fortunes had plumetted in 1900, and Karl, his elder brother Adolf, and his sister had to help out by doing private tutoring. When he was still in the gymnasium at the age of 16, Karl had joined a socialist student organization founded by his older brother Adolf and his cousin, Odon Por, in 1902. Egon Szecsi, who later married his sister Sophie, was also a founding member. It was in this context that Polanyi was introduced to Marxism and to the Social Democratic Party, under whose auspices the organization operated. Unable to take root, it died out some years later. Polanyi, disillusioned with both Marxism and Social Democratic party politics, resigned from the organization in 1907.

From the Galileo Circle to Emigration from Hungary Polanyi was a student of Gyula Pikler, an eminent authority on Roman Law at the University of Budapest, whose progressive opinions led to efforts to have him dismissed from his post. Polanyi recalled that a gang of reactionary students attacked Pikler but were successfully repelled. As a result, a number of students, including Polanyi, were expelled and Polanyi completed his degree in a provincial town in 1909. Following the Pikler affair, the progressive students formed the Galilei Kör in 1908. Polanyi was its first president and Pikler suggested its name.

For Polanyi, the student movement, the 'Russian one' dreamed of for so long, began to take shape. The Galilei Kör emerged in response to a need, well perceived by the community of progressive "free thinkers", to raise the level of social consciousness through learning and teaching. It was to be free in spirit, to keep away from party politics, to be dedicated, and to appeal to the many thousands of students living in poverty. According to Polanyi, the movement numbered 2,000 members in its first year and delivered more than 2,000 tutorial lectures in one year alone. Over the years, the Galileists taught tens of thousands of illiterate workers to read and write.

The formation of the Galilei Kör signalled a philosophic and scientific renaissance, a challenge to the backward and reactionary character of the University and the general per-

vasive morass of clericalism, corruption, opportunism, privilege and bureaucracy. In step with intellectual trends in Central Europe, the movement eagerly embraced the growing interest in positive science, as in the writings of Richard Avenarius and Ernst Mach, and in sociology, as in the work of Herbert Spencer.

Polanyi's writings on Mach point to the tensions between traditional and novel modes of thought: superstition and metaphysics had prevented the development of free thought; religion represented "freedom from thinking."[3] The Galileists in no way wished to destroy the existing ethical order. Rather, through the introduction of modern culture, science, art and sociology, they attempted to inject a new courage, to free the individual spirit. This spirit, for Polanyi, is expressed in ideology and in consciousness.[4]

For Polanyi, progressive social reform required both a spiritual awareness and a theoretical framework; one cannot wait for impersonal mechanisms to produce social change. Thus originated the objection to Marxist determinism and the basis for the perceived distance between the Galilei Kör and the socialists. But this distance has been exaggerated. To the question as to whether the Galilei Kör was a socialist organization, Zsigmond Kende, himself a co-founder, replies: "We also thought of ourselves as socialists. We all agreed that the direction of mankind was towards socialism, but we were not dogmatic as to its nature. However for practical reasons it was agreed from the beginning that the Galilei Kör would not be a socialist institution. At the same time, a knowledge of socialism, Marxism, historical materialism was always the object of our educational activities."[5]

Polanyi's own social philosophy at that time might best be described as idealist and populist. He greatly admired the work of Ervin Szabo, G.D.H. Cole, and the utopian socialist, Robert Owen. In an essay written in 1927, Polanyi maintained that in Hungary, democracy leads through the backwardness of the peasants.[6] Failure to understand this reality is failure to recognize the people, the common culture: "I wonder how many are among us who would realize that in a peasant country, democracy should be a peasant democracy and nothing else and we should not take the city civilization and culture

and equate it with democracy and impose it on a peasant society."[7]

Socialism can not be achieved by the "professional revolutionary" carrying a message constructed from a preconceived ideal which regards human society entirely as a system of production, and human history as the automatic function of economic factors. This would only suppress the development of a "culture of consciousness" of the people.[8] In Polanyi's tribute to Endre Ady, he refers to Ady as a "great dispenser of consciousness", not a "great dispenser of dreams". He recalls Ady's call to the youth of Hungary to emerge out of a state of resignation. These words shook a population then unaware of its own power to enact change. It was not a call to go *to* the people, but rather a call for a spiritual awakening *of* the people. A group of populist writers did emerge in the 1920s in response, it might be said, to Ady's call. They had "come out of the people" as Ilona Ducyznska wrote in *The Plough and the Pen*: "Politically, the Populists brought back to life the rural radicalism of the turn of the century."[9]

There is a marvellously dynamic quality to Polanyi's writings in this period. Interwoven among his analyses of political, social and economic events are deep personal reflections. This is not the work of a historian, nor of a social scientist, but rather a visionary idealist. He did not interpret reality; he lived it.

In "A Galilei Kör Merlege", Polanyi blames himself for the political inaction of the movement. His *mea maxima culpa* does not do justice to the remarkable achievements of the generation of students who nurtured an intellectual revolution in Hungary. As a voice of positive change in a nation caught between a heritage of backwardness and a precarious future, the movement played a radical role in raising the level of consciousness through learning and through teaching. Nor does Polanyi do justice to his own contributions to the movement: "He had the makings of a prophet. . . He was a genius, rhapsodic in his world of thought. . . He was not made for continuous political leadership. He was the fountainhead of the moral climate of the Galilei Kör."[10] It was in these and similar words that his fellow Galileists reflected on Polanyi many years later.

In 1912, Polanyi was called to the bar and worked for some time in his uncle's law office. He hated every minute of it. His detestation of the profession was boundless. Deserving clients often had no means to pay, and those who had means were often undeserving. As Ilona Polanyi put it, "He was not merely the man who would not tell a lie, but also the man who found his true vocation in telling disagreeable truths at all times and in all circumstances."[11]

The strain of the pressure of contributing to the family income eventually resulted in a breakdown of his health. He never regained his former strength. The stress was excessive. It was almost a relief to be called up for active war service in 1915. Polanyi served as a cavalry officer for three years until disabled by illness and hospitalized in 1917.

In a letter to a close friend, written in 1925, he revealed that he had suffered from progressive depressive melancholia from the time of his father's death in 1906, until 1917 when confined in the military hospital.[12] This letter did not come to light until 1975, having been miraculously preserved for 50 years. In it, Polanyi describes his state of mind as a tormenting senseless inner excitement, a poisoned feel of life, a narrowed down consciousness, suicide as a fate already consumated, preordained. All this worsened during the war, but eventually began to lift, perhaps in the crisis of hospitalization. He dates "the starting point of my later life" to his slow recovery, "which took away ten years of my life. . . I do not know what was choking me then, as a rope chokes a man going to be hanged: the problem of pure artistic form. Something else has taken its place; the ethical world, to live and comprehend the ethical reality. . .only now have I matured to be a man." It was in this later life, in Vienna, that Polanyi began his investigations into the social sciences. In this same letter, he writes:

> My ideas on social matters have broken forth passionately in these years. Social sciences, activity, but above all the possibility of the freedom of social thought. *How can we be free, in spite of the fact of society.* But not in *our imaginations only*, not in abstracting ourselves from society by denying the fact of our being interwoven with the lives of others, being committed to them, but in *reality*, by aiming at making society "übersichtlich", as a family's inner life is, so that I may achieve a state of things in which I have done my duty towards all men and so be *free* again, in decency, with a good conscience. I am working a great deal, scientifically, socially. I also earn my living with (fortunately clean) journalism.

Yet, his secret journeys to the inner frontiers of the mind were strangely resonant with the mood of the times which were so evidently 'out of joint'. In "The Calling of Our Generation" (1918) he recites the collective guilt of his generation which must bear true witness to the shame of its mindless participation in a war which spared neither women nor children, whose purpose nobody understood. There was a government that did not govern; an opposition that did not oppose; a business class which profited by shortages; peasants who shed their blood at the front, while getting rich in the rear; a proletariat which had lost its ideal (expecting that the day war broke out, the bourgeoisie would awaken to the internationale), burning in the sinful fevers of war, yet profiting, as organized labour was indispensible to keeping the war industry going. A world which had lost everything had received but one thing in exchange—an abundance of profound and ultimate disenchantment.

It was a call for a turning point, a commitment to resist all temptations to escape the burden of responsibility. For Polanyi, personally, the turning point was described in the letter from which we have quoted. From that point on, the darkness lifted. He became a social scientist in search of institutions which could ensure freedom within the realities of society. He shed his passivity; he became a committed socialist.

The Vienna Years Karl Polanyi arrived in Vienna in mid–1919, where he was admitted to hospital and underwent a serious operation. Ilona met him at Schwarzenberger's pension on the outskirts of Vienna, which sheltered several other Hungarian refugees. She recalls that he was 33 years old, wasted from long illness, and very lonely. He had taken into his affection a young communist student who was incurably ill with tuberculosis and, toward the end of the war, had made an unsuccessful attempt on the life of Count Istvan Tisza. Ilona wrote that: "He looked like one who looks back on life, not forward to it."[13]

In an unpublished 200 page manuscript written at that time, which he called "Behemoth", Polanyi dedicated himself to the discovery of the origins of the human suffering he so vividly described in "The Calling of Our Generation". He

predicted that the ordeal was far from complete. How true that prediction proved to be! "We live in times of trial. For six years, nations, classes, states and individuals have suffered ever heavier hardship. And nobody doubts that the measure of suffering is far from complete. It would seem 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 origins of our time is neither perceived nor acknowledged."[14] Thus, he made his commitment to a lifetime of research. We note that it was his wish that *The Great Transformation* (1944) be called *The Origins of Our Time*. It was under that latter title that the English edition appeared in 1945.

In "Behemoth", Polanyi passionately rejects deterministic theories of sociology and economics. He warns of the "fateful error" of belief in a science of the future (*Wissenschaft von der Zukunft*). He denies the existence of scientific laws of human development:

> Man believes in development as he once believed in God. But God lives in the human heart and we can read his laws in the soul. . .Development lives in the future. . . Never has there been such an absurd superstition as the belief that the history of man is governed by laws which are independent of his will and action. The concept of a future which awaits us somewhere is senseless because the future does not exist, not now or later. The future is constantly being remade by those who live in the present. The present only is reality. There is no future that can give validity to our actions in the present.[15]

It is interesting to note that in none of Polanyi's later work on the place of the economy in society is there reference to the concept of 'development' or 'underdevelopment'.[16]

His studies in Vienna commenced with a re-reading of Marx's *Capital* and the work of the Austrian economists—Menger, Wieser, Böhm-Bawerk and Schumpeter, and other marginalists such as Wicksteed and J.B. Clark. In 1922, he challenged Ludwig von Mises, then Professor of Economics at the University of Vienna, to a debate concerning the feasibility of a socialist economy. Mises maintained that *"wo der freie Marktvekehr fehlt, gibt es keine Preisbildung; ohne Preisbildung gibt es keine Wirtschaftsrechnung."*[17] Polanyi's initial article was published in the leading German language journal, *Archiv für Sozialwissenschaft und Sozialpolitik* (1922), and was followed by

contributions from Mises, Weil, Marschak, and Polanyi himself.[18]

In an important, unpublished, monograph-length manuscript, Dr. Felix Schafer, then a socialist student of economics at the University of Vienna, records the excitement he experienced when he saw the announcement of a seminar to be conducted by Polanyi on "guild socialism" in the premises of the Social Democratic student organization.[19] That was in 1924. The feasibility of a functioning socialist economy was, then, the most hotly contested subject of debate among students of economics. Socialism, in any form, was more a dream than a reality. Mises pronounced it to be impossible, with all the authority of his professorial status. The Russian revolution was a recent event, and the civil war had reduced the Russian economy to a shambles. The revolutions in Central Europe had all been defeated, and socialism was not yet on the agenda of the Soviet Republics. Polanyi's attempt to construct a positive theory of socialist economy, where the abolition of private property and class antagonism would open the way for the exercise of social responsibility by citizens, was rooted in his aversion both to market economy and to a centralized socialism. He considered both of these to be forms of "unfreedom".

The starting point was taken from the opening chapters of Volume I of Marx's *Capital.* Economic relations of an association of free men are transparent (*durchsichtig*) but, under capitalism, commodities appear to take on an independent life of their own. Polanyi argues that social relations must be personal, direct and unmediated, and *ubersichtlich* (transparent, literally translated as "overseeable"). His model of cooperative associations of producers and consumers, jointly determining the allocation and distribution of resources, was designed to lay the groundwork for a democratic socialist order after the abolition of private property had eliminated class conflict between owners and workers. He considered the subjective theory of value of the Austrian school to be superior to the classical and Marxian labour theory, and better suited to dealing with problems of choice. In this he followed Schumpeter, with the difference that he sought to give socialist content to the methodology of the Austrian economists.

According to Schafer, Polanyi many times referred to Max

Adler's well-known formulation concerning man in society: "Man is not a social being because he lives in society, but rather man can live in society because he is essentially social within his own consciousness. Thus, "society" is not something *between* men, nor *over* them, but is *within* them, within each and every one of them, so that *society as reality*, not as a concept, is inherent within the consciousness of each individual."[20] The 'reality of society' is a concept central to Polanyi's world of thought; indeed, "socialized man" is the key to Polanyi's later essay on Jean-Jacques Rousseau. A recent Austrian anthology of Austro-Marxist writings includes an article by Polanyi, published in *Der Kampf* in 1925, which summarizes his position in simpler, non-technical language. The editor of the collection situated Polanyi with Lazarsfeld, Gerschenkron, Ernst Fisher, Käthe Leichter and the late work of Hilferding, "on the fringes" of Austro-Marxist theory.[21]

Polanyi's polarity, "Market Economy/Purchasing Power Economy" of 1922, marks an early perception of the distinction between micro and macroeconomics. Incidentally, he was familiar with all the published work of Keynes and particularly admired *The Economic Consequences of the Peace*. This polarity led him, later, to distinguish the formal from the substantive meaning of economics, and to investigate the differences between market and non-market economies. The concept of special purpose money was already present in 1922.

From 1924 to 1938, Polanyi was on the editorial board of the *Österreichische Volkswirt*, as the specialist in international affairs. The journal was co-edited by Gustav Stolper and Walter Federn. Some time after Stolper's departure for Germany, Polanyi was appointed co-editor. He was the most outspoken, left-wing member of the *Volkswirt* editorial team. The situation became increasingly difficult as the rise of Austrian fascism forced the journal to engage in unofficial self-censorship. In 1933, he was advised by his colleagues to emigrate to England, but continued to contribute to the paper until it was effectively silenced after the Nazi occupation in 1938. He wrote several hundred articles and short notes (unsigned *Glossen*) between 1924 and 1938. In his papers, there is a listing which he had compiled of 112 articles on the subject of Russia alone: foreign and domestic policy; foreign relations; foreign trade; internal political developments; the Five Year Plans; agriculture; the

war in China; and other topics. He read the international press daily, including *The London Times, Le Temps* of Paris, the *Frankfurter Allgemeine Zeitung*, as well as the Austrian *Arbeiter-zeitung* and—with complaints!—the *Reichspost*, the paper of the ruling conservative party. In addition, he lectured regularly at the People's College in Vienna, and discussed world affairs and ideas with the stream of visitors to the Polanyi home, including Felix Schafer, Hans Zeisel, Paul Lazarsfeld, Karl Popper, Aurel Kolnai, Irene and Donald Grant, Hugh Gaitskill, and many others.

In the (deceptive) tranquility of socialist Vienna in the 1920s, from his editorial post at the *Österreichische Volkswirt*, Polanyi observed the rise of fascism: Catholic varieties in Italy and Austria; national socialism in Germany. In fascism, he saw a denial of the western heritage of Christianity: only socialism could secure for the personality its God-given unique value. Christians, he wrote in a letter to Donald Grant in 1929, must come down to earth and accept the reality of society.

> The "reform of human consciousness", a term of Karl Marx's, will turn sentimental Christianity into something new and much more effective by self-limitation, self-restriction, what the Germans call *sich-bescheiden*, by putting up with the fundamentals of society, as we have put up with the fact of inevitable death... We cannot deny power in society, which has as its origins nothing but the wishes, the hopes, the fears, the moral judgements of men. What we are answerable for is the sort of power we are helping to create: a power for good or a power for evil, for this depends essentially on ourselves.

These ideas underlie his essay, "The Essence of Fascism", which was first published as *"Das Wesen des Faschismus"* in 1930 in *Menschheits Kampf*, the organ of a small group of Austrian religious socialists.

"The Mechanism of the World Economic Crisis" was written in 1933 for a special twenty-fifth anniversary edition of the *Österreichische Volkswirt*. It combines the journalist's familiarity with the detail of events and the analytical insight of the historian. The crisis of the 1930s was the postponed harvest of interventionist measures taken to restore the pre–1914 order of things in a world permanently disordered by the economic and social cataclysm of the Great War. Rentiers, workers and peasants each demanded their promised rewards, while the mounting deficits of both victor and vanquished nation-states were temporarily covered by a cascade of US

credits. When the American boom collapsed in 1929, the whole structure came crashing down.

Polanyi felt his Vienna years were wasted because of the variety of his interests: "*Ich bin viel zu polyphon: deswegen bringe ich nichts fertig*," he told Schafer.[22] But that was an illusion. It was precisely his detailed observation of the course of contemporary European history, his extensive studies of economics, sociology, literature and aesthetics, and last but not least, his unqualified admiration of the cultural achievements and class consciousness of the proletariat of Vienna, which bore fruit in the work he later published in England and America.

With the assistance of friendships and connections made in Vienna to English pacificist and Christian socialist circles, Polanyi established himself in England in 1933. Kari was sent to join him after the victory of Heimwehr fascism in 1934. Ilona remained to participate in the illegal Schutzbund until ill health forced her to leave for England in 1936. In London, he wrote and lectured on Austrian and German fascism at the Royal Institute of International Affairs, the Workers' Education Association, and numerous gatherings and conferences of organized left-wing groups within the Student Christian Movement. The Workers' Educational Trade Union Council published *Europe Today*, with an introduction by G.D.H. Cole, in 1937. English friends assisted with the organization of lecture tours to colleges in the United States, where he was much impressed with the interventionism of the New Deal and, most particularly, the Tennessee Valley Authority project.

Christianity, Marxism and Fascism Through his Vienna friendship with the Grants, Polanyi participated in the formation of a small group of socialist intellectuals calling itself the Christian Left. Irene Grant, who was the principal organizing spirit of the group, stated that, "without Karl Polanyi, the Christian Left would have had no theoretical basis." The group consisted of intellectuals, many of them activists in the Labour or Communist parties. At least one member served with the International Brigade in Spain. Many of the group, including Polanyi, were Christians in belief but not affiliated with any church or denominational group. They all committed themselves actively in the struggle for socialism. Polanyi animated study groups, prepared educational materials and con-

tributed to the formulation of the objectives and policy positions of the group.

The arrival from Switzerland of the Landshut-Meyer edition of the early writings of Marx stirred great interest among the members of the Christian Left movement, for whom these writings provided a theoretical foundation for a society based upon Christian fellowship. They embarked on a study of Marx, painfully translated from German to English. As Polanyi wrote in "Christianity and Economic Life": "According to Marx, the history of human society is a process of the self-realization of the true nature of man. In our present society, the urge of our nature towards direct, personal, i.e., human relationships is being thwarted," and thus society does not conform to its essence. Man depends upon these human relations for survival. He also depends upon nature: thus, the importance of the material organization of society. Man's interaction with man is the basis for Christian community, which must not be seen as synonymous with society. This is a distinction important to the Christian definition of community, which regards society as a functional set of institutions. It is the dialectic between community and society that becomes significant. This is well expressed in the early writings of Marx, says Polanyi, as the self-estrangement or alienation of man, the loss of Christian community set against the economic organization of society, the development of private property.

For Polanyi, this was the third encounter with the study of Marx. It illustrates the dialectic which he describes in his biographical notes as the "repeated return to positions already discarded." In his youth, he had rejected the Marxist materialist conception of history as deterministic and irreconcilable with man's ultimate responsibility for his actions. In the 1920s, he returned to a study of Marx in search of a model of socialist economy in which man's relations to man and nature would be direct, personal and *durchsichtiq*. The key was Chapter I of *Capital*: "The theory of the fetish character of commodities is rightly regarded as the key to Marx's analysis of capitalist society." ("Christianity and Economic Life") Whereas Marx developed the argument to prove exploitation in the process of production, Polanyi placed at the center of his critique of capitalism the capitalist market mechanism as the source of self-estrangement and social dislocation. "(Marx's)

fetish theory of commodity values is but an application of the principle of self-estrangement to economic phenomena under capitalism." ("Marx on Self-Estrangement")

This is the reason why he greeted the early writings of Marx with such enthusiasm. He did not agree with those who set the late Marx against the early Marx. There is only one Marx, he insisted. But in *The Economic and Philosophic Manuscripts of 1844* Marx elaborated precisely those aspects of commodity fetishism, objectification and alienation which Polanyi had long considered to be central, and which he later explored in their historical dimension in *The Great Transformation.* Polanyi's argument that in capitalism the economy is "disembedded" from society, resulting in a conflict of "habitat versus improvement", flows from its universalized market, as distinct from its exploitative character. From this it follows that his abhorrence of capitalism—which he shared with Marx—was not *primarily* due to the fact that workers were exploited, but rather because they were dehumanized, degraded, decultured, reduced to toilers in William Blake's "dark satanic mills".

The ultimate degradation of the working class—and indeed all other sections of the population—is fascism. Fascism, he said, is the common enemy of socialism and Christianity alike. Fascist ideology correlates democracy, socialism and individualism. "The Essence of Fascism", originally written in Vienna, was published in England in a collection of papers which Polanyi co-edited. *Christianity and the Social Revolution* (1935) also included contributions from Joseph Needham, John Cornford, John MacMurray, and Reinhold Niebuhr.

Polanyi explains that the incompatibility of democracy and capitalism can be resolved in one of two ways. The first is the extension of democratic principles to economics, which implies the progressive abolition of the private ownership of property and the means of production. In this socialist solution, the democratic political sphere then becomes the whole of society. Alternately, the second, fascist solution is the abolition of the democratic political sphere, leaving only economic life. Human beings then become producers and producers alone: fascism becomes the final safeguard of economic liberalism. In "Fascism and Marxian Terminology" he attacks the 'pseudo-Marxian' proposition that democracy is the appropriate political superstructure of capitalism. In a developed capitalist

society, he says, a conflict arises between politics and economics as the working class is able to use its political power to demand protection against the destructive forces of the market. The fascist reaction is a radical, indeed a revolutionary solution to this conflict, which keeps capitalism untouched. Under fascism, democracy goes and capitalism remains. For humanity, this spells a moral and material retrogression. To the working classes, the rise of fascism is a test of their capacity to subordinate sectional interests and convincingly represent the interests of wider groups of the population in the presentation of a socialist alternative to fascism.

Education and Class With the assistance of socialist scholars such as R.H. Tawney and G.D.H. Cole, Polanyi obtained employment in adult education with the Extra-Mural Delegacies of the Universities of Oxford and London, and the Workers' Education Association. He lectured to evening classes in small provincial towns in Kent and Sussex. In addition to courses on international relations, he was required to teach the social and economic history of England, a subject about which he knew very little. In the letter to Oskar Jaszi, cited above, Polanyi states: "I was fifty years old when circumstances in England led me to studies in economic history. I earned my living that way, as a teacher. For I was born to be one. I little thought then, that yet another vocation was in store for me and that I was preparing myself for it... About three years later, " he continued, "I wrote a book." The outline for the book, *The Great Transformation*, had taken shape by 1940.

Participation in the workers' education movement, however, had begun long before his arrival in England, with the Galilei Kör in Hungary and the Workers' University in Vienna.[23] "Forty years of my life were spent in the workers' educational movement—ten of them in this country. I was engaged mostly in the study of the social sciences including the Marxian approach. The happiest memories link me with the W.E.A.; and wholesale attacks on Marxism still make me react in favour of a creed which has earned the fanatical detestation of fascists all the world over."[24]

Following an extended lecture tour of the United States in 1935 at the invitation of the Institute of International Affairs in New York, Polanyi published a series of articles on the

subject of education and class in which he contrasted the educational systems of Britain, the US and continental Europe. In "Conflicting Philosophies in Europe" (1937), he examines the differences between the British and continental ideals of democracy, and presents a devastating critique of British class society and the crucial role played by the educational system in maintaining class divisions. "Social groups in England are separated by their education whereas in continental nations, education rather tends to bring social groups together." In England, only the "educationally favoured child of the common people. . .leaves his class and passes into a different social stratum." Otherwise the rigidities of caste erect barriers, a "cultural chasm separating the social classes."

It was in England, the classical species of class society in its classical homeland, that Polanyi confronted for the first time a need to press for a genuine, working class education. Coming from the continent where equal access to education had long been a basic right, where the working class had never been subjected to the degradation of slums nor to a caste system of education in which exclusive 'private' public schooling was available only to the upper class, Polanyi found the realities of English class society in the 1930s devastating.

However, a genuine working class education implied more than equal access to education. It meant "*the development of human personality out of basic experiences towards basic ends. . .towards the ends of the society. . .*free of the underlying assumptions of a capitalist society. . .such as the inevitability of the wage system; the acceptance of a community in which economic activities are removed from the orbit of public life and social morality; the erroneous view that radical change is either impossible or immoral." [Original emphasis][25] This was the continental orientation towards *Bildung*, which stressed the importance of self-improvement and education as "the most suitable way of advancing the social interests of the working class. . .to transform working class citizens into a 'socialist humanity' by a politics of pedagogy."[26] This had been, since 1860, an objective of the *Bildungsvereine* or cultural societies, out of which the Austrian socialist movement emerged. In his notes on sources to "The Great Transformation", somewhat mysteriously entitled "Speenhamland and Vienna", he pays tribute to the socialist administration of Vienna, which "achieved a level never

surpassed by the masses of the people in any industrial society."[27] And so the shock of England.

There was hope for major educational reforms following the June 1945 election of the Labour Party. For the first time, the struggle for a genuine working class education might be realized: "It will be a tremendous job to recast our curriculum, to reshape our methods of instruction, to redraw the frontiers of subjects so as to produce an education for a working class that will be a challenge to academic education."[28] Debates over the nature of working class education, which had been waged for years in England, became more vigorous now that labour had a representative government. Polanyi participated in these discussions, pressing for "an adult education committed to the socialist mission in broad human terms."[29] Throughout his WEA affiliation, he had argued against its traditional concept of adult education. Unless there was a real, working class education, there would be no possibility (as he later wrote in "Jean-Jacques Rousseau, or Is a Free Society Possible?") of discovering the creative role of the people in human culture, of achieving a democracy "in which the people themselves and not their betters or superiors set the measure." Education for politics could remain the exclusive privilege of the ruling class; the working class would remain, in Polanyi's words, "out of touch."

Democracy and Co-existence Polanyi was the principal author of the Christian Left Bulletin entitled *Russia and the Crisis*, in which he notes the achievements of the Five Year Plans and Stalin's successful break with world revolution. He celebrates the building of socialism in one country: "Russia, which ten years ago was of no account as an industrialized country, now ranks among the very first." Regarding the Moscow Trials, he finds the old Bolsheviks, both of the right and the left, guilty of conspiracy against Stalin, which would have delivered the Soviet Union into the hands of its enemies. He urges the British working class to stand up for Russia in the name of socialism. He was consistent and unrelenting in his appreciation of the Soviet Union, before and during the Second World War.

In "Why Make Russia Run Amok" (1943) Polanyi argues the case for a post-war order of peaceful coexistence between

the Anglo-Americans on the one hand, and the Russians on the other. He appeals to the United States to resist the anti-Russian strain so evident in the pre-war policies of the British government. Chamberlain's Four Power Pact policy constituted a munumental blunder. Russia, Polanyi argued, had abandoned world revolution in 1929, when she turned her energies to the building of a modern industrialized country. Only the blind class prejudice of the products of English public schools (designed to train an elite immune to the lessons of the French Revolution) could explain pre-war British policy with regards to Russia. Polanyi, however, noted that there was no indication on the part of the US State Department that the US was prepared to take Russian national interests into account in planning the post-war world. As a student of European politics, Polanyi maintained that Russia's interests must necessarily include plans for Finland, the Baltic countries, and all the countries of Eastern Europe, and that this must be recognized in order to avoid chaos and disaster in the post-war period.

The argument is carried several steps further in "Universal Capitalism or Regional Planning" (1945) where Polanyi outlines the case for a reorganization of the international system which would recognize that Russia was no longer a world revolutionary center, but a regional socialist power with a need to be surrounded by friendly neighbours. Universal liberal capitalism, Polanyi argues, had broken down, although Americans continued to believe in it and the United States was powerful enough to attempt to reconquer the globe on its behalf. Britain faced a choice: either to become an independent regional power with special links to the Commonwealth, or a subordinate partner in the American scheme of things. The option outlined for Britain by Polanyi in this paper is similar in many ways to that proposed by Lord Keynes, which, however, proved unacceptable to the Americans in the course of the Bretton Woods negotiations.

Polanyi's plea for a post-war order in which the United States, as the only economic and military super power in the world, would respect the national security interests of the Soviet Union and resist the opportunity to globalize the capitalist market system, underestimated the significance of his own observation that "Americans everywhere equate democracy with capitalism." Liberty, equality and fraternity, as var-

iants of democratic ideologies deriving from the French Revolution, can be accommodated within a national or regional community. Capitalism is, in its essence, expansionary and global.

In hindsight, we now know that the Cold War was in preparation long before Germany and Japan were defeated. This directly affected Polanyi's life, insofar as US authorities did not permit Ilona to join him in New York when he took up his appointment as Visiting Professor at Columbia University in 1947. As prospects for work were not available in the UK, and repatriation to Hungary was not considered advisable at that time, the Polanyis decided to make their home in Canada in 1950. This represented a sacrifice. Ilona would have greatly preferred to stay in England, while Karl was obliged to commute between Toronto and New York until his final retirement from Columbia in 1957, at the age of 71.

The Columbia Years In 1947, Polanyi received his first full-time academic appointment as Visiting Professor of Economics at Columbia University, where he taught General Economic History until 1953. During this period, he applied for and received support from the Council for Research in the Social Sciences at Columbia to research the origins of economic institutions. "The real surprise," he wrote to Oskar Jaszi, "came to me in the last four years. These four years were spent in the fever of one, single, uninterrupted work day. The outcome, whether I conclude my book or not, will be an interpretation of the economies of early societies, especially regarding trade, money and market phenomena, which will lay down the foundations for comparative economic history."

A Ford Foundation grant permitted him to continue his research after his retirement from teaching. The Interdisciplinary Project on the institutional aspects of economic growth, as it became known, was co-directed by Polanyi, Conrad Arensberg and Harry Pearson until 1958. A university seminar on the same topic was held at Columbia until 1955. The findings of the project were published as *Trade and Market in the Early Empires* in 1957.

The publication of this volume, and in particular Polanyi's article, "The Economy as Instituted Process", challenged the prevailing orthodoxy in economic anthropology, which had

applied the assumptions of neo-classical economic theory to its study of so-called traditional or non-market economies without reservation or inhibition. That the institutional framework of these societies differed so markedly from market society mattered not. Implicit, of course, was the idea that non-market societies should be regarded as preindustrial and thus only stages removed from industrial development.

Interestingly, Marxist anthropology posed no real threat and was rarely addressed by the dominant, formalist school, notwithstanding the important contributions of scholars such as Chayanov, Meillassoux and Godelier on primitive societies, or Wittfogel and Childe on archaic or ancient society. Polanyi's contributions, however, stirred great interest, and a rival school led by Polanyi emerged. The 'formalist-substantivist' debate which followed is well known.

Prior to the publication of *Trade and Market in the Early Empires*, social institutions were axiomatically ruled out of the scope of investigation. They were assumed to play no role in the determination of economic behaviour. To quote Melville Herskovits, a leading proponent of the formalist position, since the economist is examining only "a single aspect of social behaviour", information pertaining to cultural institutions is an encumbrance, a burden, a mass of "non-economic, ethnographic and psychological data."[30] Social systems, which had none of the features of market society, therefore were examined with analytical methods which assumed the existence of universally functioning markets. The writings of Polanyi and the substantivist school challenged the formalist position head on and shook its very foundations.

Non-market society was, in a sense, a laboratory in which Polanyi tested the thesis of *The Great Transformation*. "The outstanding discovery of recent historical and anthropological research," he wrote, "is that man's economy, *as a rule*, is submerged in his social relationships." [Emphasis added.] The disembedded economy, Polanyi maintained, was unique to market society. Markets had "never before" been "more than accessories of economic life." His lifelong focus on market society, however, yielded to the analysis of traditional society following the publication of *Trade and Market in Early Empires* and the controversy it generated among anthropologists and American institutionalists. Interestingly, it was this detour into

economic anthropology which secured him a permanent place in the social sciences.

With the termination of the Columbia Project, Polanyi returned to the theme of freedom in a technological society. In 1960, as the first cracks appeared in the ice of the Cold War, he initiated a new journal, *Co-Existence*, the first issue of which appeared shortly after his death in April 1964. In 1961 he paid his first visit to his homeland, and in 1963 he was invited to lecture to the Academy of Sciences in Budepest. In 1986, on the occasion of the hundredth anniversary of his birth, his bodily remains were transferred to his homeland to rest in peace with those of his beloved companion in life, Ilona Duczynska.

Freedom and the Reality of Society It is our hope that the publication of *Democracy, Fascism and Industrial Civilization: Selected Essays of Karl Polanyi* will illuminate Polanyi's long and tortuous search for the origin of our times, as well as the nature of the perils he so evidently believed to be inherent in our complex technological civilization. The outline of the book, *Freedom in a Complex Society* (1957) which he did not live to write, is hauntingly reminiscent of the tone of "The Calling of Our Generation", written in 1918. The Great War ushered in three decades of indescribable human suffering and heroic sacrifice in the conflict between fascism on the one hand, and socialism and democracy on the other. Most of the selections in *Democracy, Fascism and Industrial Civilization* were written during those three decades. Without an understanding of his life and vocation, it is impossible to comprehend either the motivation that led him to his research on non-market economies or its intended significance for our contemporary industrial society—the need to re-embed the economy in society, and to restore to the individual the sense of purposefulness rooted in the culture and creativity of the people.

Polanyi's belief in the way of life of the common people as the repository of civilization is stated with reference to Rousseau's vision of a new hero, his "discovery of the people; not as a political term meaning the multitude; not as an economic term meaning the poor; but the people as the repository of culture."

> His hero was the people. . .as bearers of all human values. He pleaded for a popular culture, a civilization expressed in the life of the people. . .the font of collective life, its emotional, imaginative, and religious mainspring. This also meant the rejection of values that could not be shared by the people. A culture apart from the people, a civilization vested in the few was to him a contradiction in terms. What the people felt, thought and did; the way they worked and lived; their traditions, their loyalties were valid and sound. Their faiths and beliefs were deep and inspired; their native vigour and moral sense made them the stuff of God's creation. In its positive aspect it was a discovery of the people's creative role in human culture.

This was central to Polanyi's concept of freedom within society, of democracy as a way of life in which people themselves, and not their superiors or betters, set the measure. Democracy thus cannot be some particular set of institutions found in a particular culture; even less can freedom be equated with free enterprise. "England, America, France, Russia, China and India mean by democracy very different ways of life. But what separates them equally from the ancien régimes is the fact that they take the concept of popular culture for granted. It is in the concrete medium of cultures, however much they differ, that liberty and equality may co-exist and should seek simultaneous fulfilment."

The Great Transformation remains Polanyi's most important work. His critique of liberal capitalism is precisely that it subordinated all other aspects of the way of life of the people to the exigencies of universalized market exchange relations. It is a gigantic mechanism of social dislocation, individual self-estrangement, and degradation of the human habitat. Perhaps Polanyi was premature in his obituary of the liberal capitalist model—although the variant reconstructed after the Second World War assigned a significantly larger role to social intervention in the form of the welfare state. Nevertheless, his insistence that societies will and must demand a greater measure of control over their economies in the face of unacceptable compressions. . .living standards transmitted through external financial pressure, is as true in the 1980s as it was in the 1930s—with the difference that the economic pressures of the international market now operate on a world scale, a world transformed by decolonization.

In a retrospective review written 30 years after the publication of *The Great Transformation*, Maria Szesci März, an Austrian economist and historian, observed that the spiritual her-

itage and political experience of Austria-Hungary decisively shaped Polanyi's message:

> Polanyi foresaw in a period wholly unaware of the problem, the existential dangers which an uncontrolled industrialism could bring with it. . . With the apt formula 'habitat versus improvement' he put his finger on a problematic which only in the sixties and seventies began to loom large. . .'Habitat' he understood to embrace the habitability of the natural environment, as well as the security of individuals in their socio-economic environment, 'the quality of life'. A great deal of what Polanyi said in this connection anticipates the concerns of the 'neo-Marxist' Frankfurt School and more generally the intellectual movement that became known in the fifties as 'socialist humanism'.[31]

Polanyi was haunted throughout his adult life by a quasi-religious sense of responsibility for the fate of humanity. This did not express itself in political activism, but rather in the search for the origin of the cataclysm which caused millions to suffer and perish in prisons, in concentration camps, and in the infernos of war. His was not the role of the revolutionary or the statesman, but the often lonely role of the teacher and scholar. In an article he published at the peak of his career in 1954, Polanyi tells us that his vocation was revealed to him in the Russian winter, on the blackish steppes of Galicia during the First World War, at a time when his personal life had taken a turn toward darkness. Throughout his years of service in the Austro-Hungarian army, he carried with him a volume of Shakespeare's plays. It is through his essay, "Hamlet", that we gain insight into Polanyi's most personal, inner self.

"I read my Hamlet," he writes, "and every word, phrase, intonation of my hero's ravings came through to me clear and simple: in his utter dejection he is averse to any kind of action. . . The appearance of the Ghost starts the tragedy. . . Hamlet is commanded to do his filial duty. . . To obey implies becoming king, the princely ruler of the court. . .a radiant sun among the Rosencrantzes and Gildensterns. Hamlet knows in his bones he will never comply. . . Hamlet's refusal to set the world aright springs from his dread of becoming a part of the world he detests with all his being."

Polanyi's "Hamlet" is a personal statement. He was compelled to do his filial duty, to fulfill the promise of his obvious gifts. Yet he hated the society in which he was expected to be successful. He felt it to be poisoned. He avoided the bourgeois

life, and he kept his distance from the intellectual elite of Budapest who gathered around the extraordinary personality of his mother, Cecile. He became a self-educated scholar. He did not want to inherit the Kingdom of Denmark. His role was that of the independent spirit. The remarkable legacy of his work was his creative response to the revealed reality of death, as expressed in the closing passages of *The Great Transformation.* In the last weeks of his life, he summed up his own life philosophy in these lines of Hegel:

> *Brich mit dem Frieden in dir*
> *Brich mit dem Werte der Weit*
> *Besseres nicht als die Zeit*
> *Aber auf's Beste zu sein.*[32]

Notes

This article is the text of the introduction to *Democracy, Fascism and Industrial Civilization: Selected Essays of Karl Polanyi,* a volume published in Hungarian by Gondolat (Budapest) in 1986, on the occasion of the hundredth anniversary of the birth of Karl Polanyi. It has been translated into Japanese and will also appear in Spanish. The translation of the original Hungarian and German quotes was done by Ilona Duczynska and the authors.

1. This unwritten book had several titles, including *Freedom in a Technological Society* and *Freedom and Technology.*
2. I. Duczynska, "Karl Polanyi (1886–1964) A family chronicle and a short account of his life," *Szazadok* 1 (1971), pp. 89–95.
3. "A destruktiv iranyrol," *Szabadgondolat* 6 (1911), pp. 195–97.
4. "Forradalom és ideologia: Jegyzetek Szabol Ervin Hatrahagyott muvehez," *Mecsi Magyar Uiseao,* 111 evf/1921, 221/p. 7.
5. Zsigmond Kende, *A Galilei Kor Megalakulasa* (Budapest, 1974), p. 103.
6. "A magyar demokracia celkituzeseirol," *Lathatar* (March-April, 1927).
7. Ibid.
8. Letter to Erich Fromm, 14 Jan. 1961.
9. Ilona Duczynska and Karl Polanyi, eds., *The Plough and the Pen* (Toronto, 1963), pp. 19–20.
10. Zsigmond Kende and Maurice Korach quoted in Ilona Duczynska, "Karl Polanyi – Notes on His Life," in K. Polanyi, *The Livelihood of Man,* ed. H. Person (New York, 1977). p. xii.
11. I. Duczynska, "Karl Polanyi", p. 92. (See n. 2, above.)
12. Letter to Richard Wank, 1925.
13. I. Duczynska, "Karl Polanyi", p. 93.
14. "Behemoth", unpublished ms., Vienna, n.d. (circa 1921–22).
15. Ibid.
16. Polanyi hoped his work would assist the new nations of Asia and Africa. He did not consider them to be "underdeveloped".
17. "Without a free market, there can be no price formation, and without price formation, there can be no economic accounting".

18. K. Polanyi in *Archiv fur Sozialwissenschaft und Sozialpolitik* 49 (1922), 377–420; L. von Mises in Ibid., Vol. 52 (1924), pp. 196–217; and K. Polanyi in Ibid., Vol. 52 (1924), pp. 218–227.
19. F. Schafer, untitled, unpublished ms. Dr. Felix Schafer was a Professor of Economics at the University of Victoria in New Zealand and was the principal student in Karl Polanyi's Vienna seminar on socialist economics. The manuscript, written in the 1960s and early 1970s, contains his recollections of Polanyi in Vienna and provides a detailed and complete account of Polanyi's life and work in this period.
20. Ibid.
21. K. Polanyi, "Neue Erwagungen zu unserer Theorie und Praxis," *Der Kampf* (1925), pp. 18–24. Reprinted in Gerlad Mozetic, ed., *Austro-Marxistische Positionen* (Wien, 1983).
22. F. Schafer. (See n. 19, above.)
23. For an excellent account of workers education in Vienna, see J. Weidenholzer *Aufdem Weg Zum "Neuen Menshen"* (Europa Verlag, 1981).
24. "What Kind of Adult Education"? *Leeds Weekly Citizen*, 21 Sept. 1945.
25. Ibid.
26. Anson Rabinbach, *The Crisis of Austrian Socialism* (Chicago, 1983).
27. K. Polanyi, "Notes on Sources – Speenhamland and Vienna," *The Great Transformation* (Boston, 1957), p. 288.
28. "What Kind of Adult Education?" (See n. 24, above.)
29. Ibid.
30. Melville Herskovits, "Economizing and Rational Behaviour" in *Economic Anthropology: Readings in Theory and Analysis*, eds., E.E. LeClair Jr. and H.K. Schneider (New York, 1968), p. 59.
31. Maria Szesci März, "Looking back on *The Great Transformation*," in *Monthly Review* (Jan. 1979). Originally published in *Wirtschaft und Gesellschaft* 4 (1977).
32. The Hegel lines literally translated mean: "Break with the peace within you/Break with the values of the world/You (cannot be) better than the times/But to be of the best. . .". This German text often quoted by Polanyi is not quite correct, i.e., not exactly as written by Hegel. It is however exactly as recollected by Karl and Ilona.