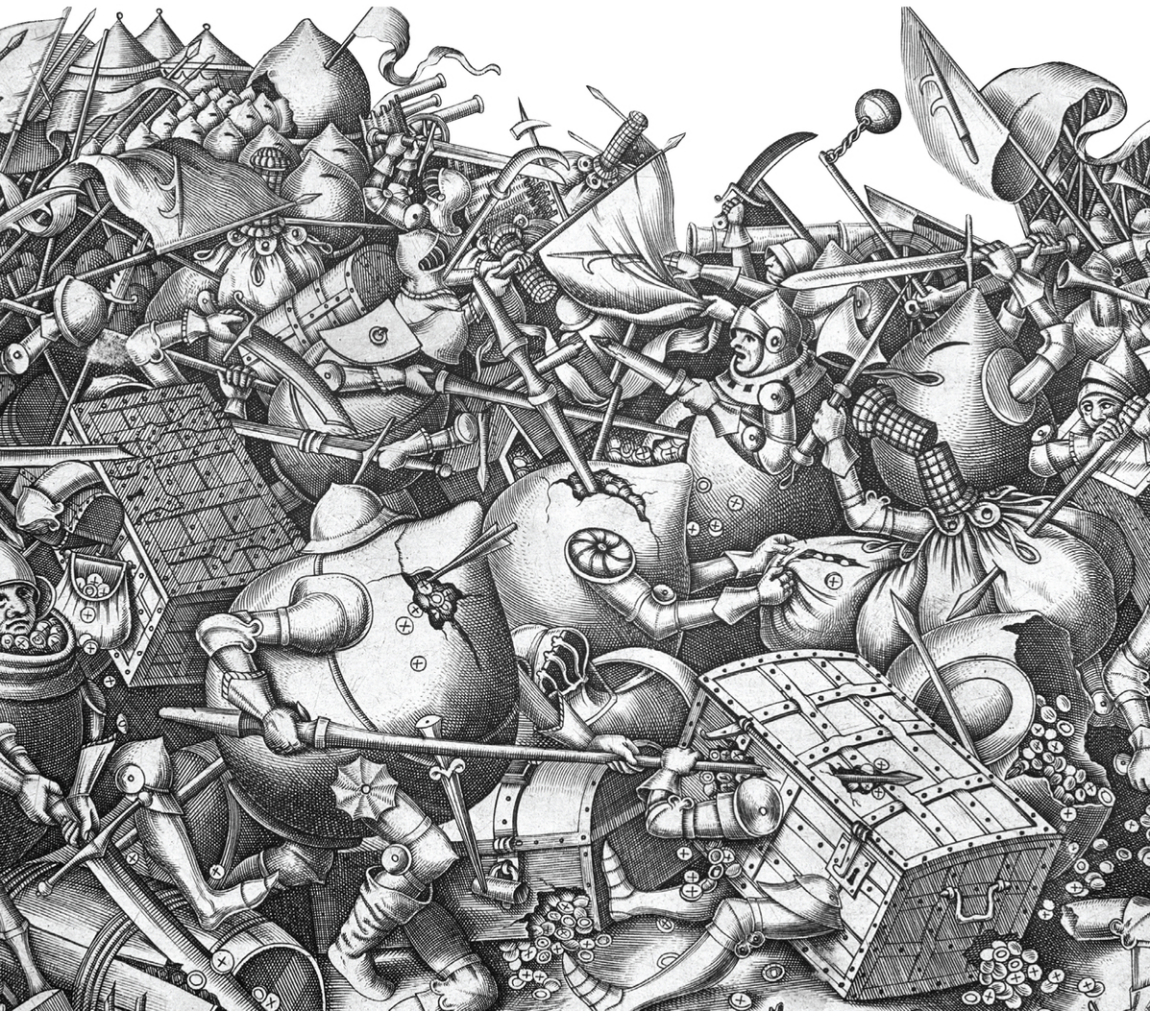


# KARL POLANYI

FOR A NEW WEST





For a New West



# For a New West

Essays, 1919–1958

Karl Polanyi

Edited by Giorgio Resta and  
Mariavittoria Catanzariti

Preface by Kari Polanyi Levitt

polity

First published in Italian as *Per un nuovo Occidente* © il Saggiatore S.p.A, Milan 2013

This English edition © Polity Press, 2014

Polity Press  
65 Bridge Street  
Cambridge CB2 1UR, UK

Polity Press  
350 Main Street  
Malden, MA 02148, USA

All rights reserved. Except for the quotation of short passages for the purpose of criticism and review, no part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher.

ISBN-13: 978-0-7456-8443-7

ISBN-13: 978-0-7456-8444-4(pb)

A catalogue record for this book is available from the British Library.

Typeset in 10.5 on 12 pt Sabon  
by Toppan Best-set Premedia Limited  
Printed and bound in Great Britain by Clays Ltd, St Ives PLC

The publisher has used its best endeavours to ensure that the URLs for external websites referred to in this book are correct and active at the time of going to press. However, the publisher has no responsibility for the websites and can make no guarantee that a site will remain live or that the content is or will remain appropriate.

Every effort has been made to trace all copyright holders, but if any have been inadvertently overlooked the publisher will be pleased to include any necessary credits in any subsequent reprint or edition.

For further information on Polity, visit our website: [politybooks.com](http://politybooks.com)

# Contents

---

Editors' Note and Acknowledgments	vii
Preface by Kari Polanyi Levitt	viii
Introduction by Giorgio Resta	1
<b>PART I ECONOMY, TECHNOLOGY, AND THE PROBLEM OF FREEDOM</b>	27
1 For a New West	29
2 Economics and the Freedom to Shape Our Social Destiny	33
3 Economic History and the Problem of Freedom	39
4 New Frontiers of Economic Thinking	47
<b>PART II INSTITUTIONS MATTER</b>	53
5 The Contribution of Institutional Analysis to the Social Sciences	55
6 The Nature of International Understanding	67
7 The Meaning of Peace	77
8 The Roots of Pacifism	86
9 Culture in a Democratic England of the Future	92
10 Experiences in Vienna and America: America	101
<b>PART III HOW TO MAKE USE OF THE SOCIAL SCIENCES</b>	107
11 How to Make Use of the Social Sciences	109
12 On Political Theory	119

13	Public Opinion and Statesmanship	125
14	General Economic History	133
15	Market Elements and Economic Planning in Antiquity	148
<b>PART IV CRISIS AND TRANSFORMATION</b>		<b>163</b>
16	The Crucial Issue Today: A Response	165
17	Conflicting Philosophies in Modern Society	177
18	The Eclipse of Panic and the Outlook of Socialism	205
19	Five Lectures on the Present Age of Transformation: The Passing of the Nineteenth-Century Civilization	209
20	Five Lectures on the Present Age of Transformation: The Trend toward an Integrated Society	214
	Postface by Mariavittoria Catanzariti	221
	Index	242

## Editors' Note and Acknowledgments

---

The texts collected in this volume are archived at the Karl Polanyi Institute of Political Economy at Concordia University (Montreal). Many of them are difficult to decipher, either because of the handwritten comments and corrections by the author, or as a result of the bad state of conservation of the paper. We strived to provide a transcription as faithful as possible to the text and to the intentions of the author, pointing out in the footnotes the most serious doubts about the interpretation of the documents. Typing mistakes and awkward sentences have been corrected to make the reading easier. The original emphasis has been rendered, as usual, through italics. The sources to the originals in the Polanyi Archive have been listed in each chapter and the dates of the documents have been given wherever possible.

The editors would like to express their deepest gratitude to Kari Polanyi Levitt, for her continuous encouragement and support and for giving permission to publish her father's works, and to Marguerite Mendell and Ana Gomez, for their kind assistance in accessing the Polanyi Archive and for their guidance in deciphering the manuscripts. Our heartfelt thanks go to Michele Cangiani and David Lametti, for their thoughtful comments and suggestions, and to Manuela Tecusan at Polity, for her invaluable advice and support in completing the English edition of the book. The usual disclaimer applies.

# Preface

---

*Kari Polanyi Levitt*

Recent years have witnessed a remarkable resurgence of interest in the work of Karl Polanyi and *The Great Transformation* has been translated into more than fifteen languages, including Chinese, Korean, and Arabic. Special issues of reviews and journals have been devoted to the intellectual legacy of Polanyi, and his analysis of the development of capitalism is increasingly referred to in influential political forums – most recently the one at Davos in 2012, where it is reported that the ghost of Karl Polanyi was haunting the deliberations of the assembled global elite. The unfolding world economic crisis has once again posed the fundamental question of the place of economy in society – the central theme of my father’s entire oeuvre. To understand the profound challenge faced by our democracies in the most serious crisis since the 1930s, we need to revisit history. To this end, Giorgio Resta and Mariavittoria Catanzariti have provided us with an Italian translation of as yet unpublished lectures and manuscripts of Karl Polanyi from the early 1920s to his death in 1964. This fascinating collection of essays revisits the collapse of the liberal economic order and the demise of democracies in the interwar years. Both the present danger to democracy, which results from the unleashing of capital from regulatory control, and the prevailing neoliberal ideologies of market fundamentalism suggest a careful rereading of this volume.

To gain a better understanding of this collection of essays, let me share a brief account of the life and social philosophy of Karl Polanyi and my reflections on the contemporary relevance of *The Great Transformation*.

My father was a passionate man. He strongly believed that intellectuals have a social responsibility. In early articles and speeches in Hungary, he assumed, for himself and his generation (“Our Generation,” as he called it), the moral responsibility of the disaster of 1914 and the ravages of the Great War. For him, freedom was inseparable from responsibility. I believe his critique of market society was grounded in an aversion to the commercialization of daily life and, more generally, to the impersonalization of social relations. In his view, any form of socialism would have to ensure the responsibility of people for their communities, their societies, and their democracies. For these reasons he distrusted the idea of a centrally planned economy, with its inherent concentration of political power. In 1920s Vienna he engaged the principal advocate of economic liberalism, Ludwig Von Mises, in a debate on the feasibility of a socialist economy carried in the pages of the most important social science journal of the German-speaking world. Polanyi outlined a functionalist associational model of a socialist economy, where the interests of individuals as workers, consumers, and citizens could be reconciled through organized negotiation between constituent representatives. There are evident similarities with the guild socialism of G. D. H. Cole and the Austro-Marxism of Otto Bauer.

At that time he was earning what he called an honest living as a journalist. I cannot get too much into family anecdotes but his mother, my grandmother, had definite ideas as to the profession of each of her children. My father was to be a lawyer, my uncle Michael was to be a doctor, and the oldest brother, Adolph, was to follow in the footsteps of his father, as an engineer and entrepreneur. However, Adolph would have none of it and at a very early age traveled about as far as anybody could at that time – all the way to Japan. He later moved to Italy, where eventually he fell afoul of Mussolini and emigrated to Sao Paulo, where he lived for many years and died. To resume, my father, who articulated in the chambers of his prosperous uncle, decided to become what another family member described as a “drop-out” from the bourgeois world he was meant to inhabit. I think he was a superb journalist and political analyst. I have read all of the articles he wrote for *Der Oesterreichische Volkswirt*, the leading financial and economic weekly of German-speaking Europe at the time, which was modeled on the London-based *Economist*. He was senior editor of international affairs. With the accession of Hitler to office in 1933, the shadow of fascism crept over Austria. The owner and publisher of the journal regretfully decided he could no longer keep a prominent socialist like Polanyi on his editorial board. My father was advised to find a job in England. Within a few years,

he found employment as a lecturer for the Workers' Educational Association, an adult education extension of the Oxford and London universities. The subjects he was required to treat were contemporary international relations, with which he was of course familiar, and English social and economic history, which was entirely new to him. The lectures he prepared for evening classes held in the public libraries of provincial towns in Kent and Sussex became the skeleton of *The Great Transformation*. At this time he also produced a course entitled "Philosophies in Conflict in Modern Society," which is translated and published for the first time in the present book.

Like Marx before him, he located the origins of industrial capitalism in England – specifically, in the 30 years from 1815 to 1845 when the legislative and supportive infrastructures for markets in labor and land were instituted. The free market for money was of course older, dating to the abolition of the laws that prohibited usury – considered as sinful by Christian doctrine. Together, the markets for labor, land, and money had the effect of disembedding the economy from society. The economy assumed a life of its own, and society was reconfigured to serve the requirements of the economy. This was a very strange and historically unprecedented state of affairs, which, however, released an enormous energy of economic growth.

My father's intellectual ancestry, I suggest, runs from Karl Marx to Max Weber, Ferdinand Tönnies, and two students of primitive economies (now called economic anthropology): Thurnwald of Germany and Malinowski of Vienna. I mention this in connection with the contemporary debate on social rights and economic crisis, because in no era of in human history, recorded or unrecorded, do we find that individuals or individual families were permitted to fall into destitution or suffer starvation, unless the community as a whole fell on hard times. In primitive societies, failing harvests could bring severe shortage of food, but individual families could never be without the basic necessities of life while the rest of the community was provided for. The idea that fear of hunger and love of gain could become the motivating drivers of economic life is historically very recent – as recent as the early nineteenth century. For these reasons alone, without taking the story any further, I can say that a share in the social product as a citizen right would have won Karl Polanyi's support, both as a means of decommodifying access to economic livelihood and on grounds of moral justice.

Taking into account the contemporary debate on social rights and global public goods, I suggest that there are three distinct reasons why my father would have supported a universal basic income: the first is economic, the second is social, and the third (and not least

important) is political. The economic arguments are well known and have many times been repeated. You do not need to be a Keynesian to understand that people in need who receive a basic income will spend it on consumption goods, thus creating market opportunities for producers. Furthermore, the accelerating rate of technological innovation requires ever less labor input into industrial activity, from mining and manufacturing to transportation and commerce. And this is true on a global scale. In these conditions, it is no longer reasonable to consider earnings from wage employment to be the only – or even the principal – entitlement to the social product. In light of the increasingly precarious nature of the labor market, a basic income provides a platform from which people can organize economic activities with some relief from the debilitating stress of making ends meet.

The social argument is one of justice. Where there is a perception of social injustice, there will be problems of social cohesion. In these conditions, the state will be ineffective in negotiating conflicting claims to the social product. Such a society lacks the capacity to advance in terms of economic development. It is now recognized that societies that are more egalitarian and less riddled by inequities and injustices have been more successful at achieving economic growth and development. Speaking as an economist, I believe that mobilization for effective economic development ultimately rests on the degree of social cohesion and on the perception of social justice, releasing the energies generated by the hope and belief of the people that their sacrifices and efforts will result in a fair and equitable share of the social product.

The third reason why my father would support a basic income relates to his concern about freedom in a technologically advanced society, as expressed in the last chapter of *The Great Transformation*. In the 1950s, while teaching at Columbia and commuting between New York and Canada, he became increasingly preoccupied with the trend toward uniformity, conformity, and what he called “averagism,” which was manifested in a reluctance to dissent from prevailing opinions. This was the United States in the 1950s; and he suggested that a highly advanced technological society had within it the seeds of totalitarianism. I remind you that he wrote this before the role of the media had become so evident, before the total corporate control of the media had become so powerful, and certainly before what we witnessed in the United States after September 11, 2001, when the cost of dissent from official views became virtually prohibitive.

My father believed that the protection of liberty required the institutionalization of nonconformity. He saw this as a virtue of English

classical liberalism. But these liberties were available only to the privileged upper classes that benefitted from the rentier incomes of the late nineteenth and early twentieth centuries. Incidentally, most of this came from colonial possessions and extensive overseas investments of Britain and France. This was the *belle époque* period in England and France, in Vienna, and more generally in Western Europe. It produced great cultural achievements, but it was confined to limited sectors of the population. My father was familiar with classical Greek literature and particularly admired Aristotle, whom he credited with the discovery of economy as a distinct sphere of social life. But Greek democracy was dependent on the work of slaves. In bourgeois society, of which my father's family was a beneficiary, cultural expression was effectively limited to a privileged elite.

Polanyi believed that creativity was a basic human attribute and need and that the capacity to exercise it should be granted to the whole of humankind. In his view a popular culture was the collective wisdom, knowledge, tradition, and common sense of ordinary people. This had nothing to do with what is known as pop culture; rather it meant that different societies would have created different democracies, rooted in the collective pool of their unique popular culture. This is developed in an essay entitled "Jean-Jacques Rousseau: Is Freedom Possible?" written in 1953 and translated into Italian a few years ago.<sup>1</sup> This fascinating piece treats the classical issues of liberty and equality in the era of the Enlightenment. He finds in the writings of Rousseau support for his contention that the ultimate foundation of government must rest on that reservoir of wisdom, knowledge, tradition, and common sense of the people that is the popular culture. In a note penned a few days before his death, he wrote: "The heart of the feudal nation is privilege; the heart of the bourgeois nation is property; the heart of the socialist nation is the people, where collective existence is the enjoyment of a community of culture. I myself never lived in such a society."

As suggested earlier, I offer a few comments on the relevance of *The Great Transformation* to our times. It should be understood that, in Polanyi's writings, the great transformation referred to the transformation from the nineteenth-century liberal order, which collapsed in 1914, to measures taken by nations to protect economic livelihood, whether through national fascisms, Soviet social planning, or the New Deal in the United States.

In continental Europe conflicts between industrialists and parliaments dominated by socialist majorities brought the democratic political process to a virtual standstill. In a paper entitled "Economy and Democracy,"<sup>2</sup> written in 1932, he noted the conflicting interests

of the economy, represented by industrial capitalists, and democracy, represented by parliamentary majorities. Where the interests of industrialists predominated over socialist majorities in parliaments, the result was the suspension of democracy and the advent of fascism. Where the conflict was resolved in favor of political and also economic democracy, the result would be socialism. The suspension of democracy in South America and the installation of military dictatorships in the 1960s and 1970s were justified on the grounds of securing economic stability. The restoration of democracy was the result of 20 years of popular political mobilization against entrenched economic interests.

It is well known that the two penultimate chapters of *The Great Transformation* were written in haste and left for colleagues to edit from notes. My father was impatient to return from America to England in 1943, when it was clear that Nazism had been defeated at Stalingrad, the turning point of the war. He wished to participate in the discussion of the postwar world. His optimism was reflected in the penultimate chapter, where he wrote that labor, land, and money would no longer be commodities, countries would be free to adopt suitable domestic economic regimes, and the price of necessities and staple foods would be fixed and protected from market forces. In an 1945 essay entitled "Universal Capitalism or Regional Economic Planning"<sup>3</sup> he expressed the opinion that only the United States believed in universal capitalism and that the laissez-faire market capitalism of the nineteenth century was now history. We now know that this is not quite what happened, although the introduction of the welfare state, an increased role for government in economic and social advancement, and the achievement of full employment represented a significant and successful compromise of the conflicting interests of capital and labor.

*The Great Transformation* has enjoyed a steady readership since its publication in 1944, but it was not until the end of the twentieth century that it emerged as a truly transformative critique of a predatory capitalism that is destroying the natural and social environment that sustains life on earth. The conflict between capitalism and democracy, noted by Polanyi in the interwar period, has now assumed new and global dimensions. In the past 30 years capital has succeeded in rolling back many of the gains of the welfare state in North America – and now also in Europe – and has shifted the burden of taxation from the rich to the rest. The increases in productivity have gone to the profit of upper-income earners while the lower quintiles in the United States and Canada, where real median wages and salaries have hardly increased in 30 years, have been reduced to

poverty. Since capital was freed from all regulation and control, the concentration of financial wealth cannot meaningfully be described in numbers anymore and has significantly increased in the fallout of the financial crisis of 2008. Even the most powerful governments are now hostage to the dictates of financial capital.

In 1933 my father wrote a remarkable essay called “The Mechanism of the World Economic Crisis.”<sup>4</sup> He maintained that the ultimate source of the breakdown of the world economic order was not the stock exchange mania or the crash of Wall Street in 1929, or even the end of pound sterling gold convertibility in 1931, but the attempt by Britain, France, and the United States to restore the pre-1914 liberal economic order in conditions where empires of kaisers, kings, tsars, and sultans had come crashing down in a political earthquake. The human and social costs of the war were irreconcilable with the punishing reparations demanded from Germany and the structural adjustments required of weaker impoverished countries of continental Europe by the victorious western creditors.

This invites us to view the financial crisis of 2008 from the larger perspective of globalization and shifting power relations. In the western heartlands of capitalism a malaise of stagflation and declining returns on domestic investment triggered a neoliberal regime change in the 1970s, while East Asian economies initiated high-growth policies of industrialization. The shift of the growing points of the world economy from North and West to South and East, first discernible in the early 1990s, is now an inescapable fact of changing global power relations. While the European Union and the United States are still the largest markets, real production in the Global South has now surpassed that of the Global North in purchasing power terms. There is an unwinding of the traditional dependence of the rest of the world on export markets in Europe and North America, which has characterized the world economy since the middle of the nineteenth century.

It is the countries that were more closely integrated into the financial structure and trade relations of the capitalist centers that have been hit the hardest by the recent crisis – principally in the eastern and Mediterranean peripheries of Europe and in the southern peripheries of the United States. The crisis is far from resolved: the Eurozone is in question. The ability of the United States to reflate an economy of indebted households and businesses in the context of income inequalities that surpass the record levels of the 1920s and in a dysfunctional political system is also in question. By contrast, emerging economies that resisted excessive liberalization, maintained control over banks and the external capital accounts, and channeled their

investment into their domestic economies recovered rapidly from the financial crisis and resumed strong economic growth.

## Notes to Preface

1. Available in Italian translation as “Jean-Jacques Rousseau, o è possibile una società libera?” in Karl Polanyi, *La libertà in una società complessa* (Turin: Bollati-Boringhieri, 1987), 161–9.
2. “Wirtschaft und Demokratie,” *Chronik der großen Transformation: Artikel und Aufsätze, 1920–1945*, vol. 1 (Metropolis-Verlag: Marburg, 2002 [1932]), 149–54.
3. Originally published in *The London Quarterly of World Affairs*, 10 (3), 86–91.
4. “Der Mechanismus der Weltwirtschaftskrise,” *Der Oesterreichische Volkswirt*, 25 (suppl.), 2–9.



# Introduction

---

*Giorgio Resta*

Karl Polanyi has been described as an “outdated” thinker, and not for purely chronological reasons.<sup>1</sup> Born in Vienna in 1886 to a Hungarian father and brought up amid the intellectual fervor of Budapest,<sup>2</sup> Polanyi was one of the most acute investigators of the disappearance of the “world of yesterday.” After serving in the Great War as an officer in the Austro-Hungarian army and witnessing the Hungarian Revolution, Polanyi took part in the extraordinary cultural and political laboratory of socialist Vienna before migrating to London after the rise of national socialism. He eventually settled permanently in North America, whence he observed the tensions of the Cold War.<sup>3</sup> It is the ideas of Karl Polanyi rather than the man himself that seem outdated, mostly because of their distance from the ones that dominate the present age. They are, according to Michele Cangiani, ideas “of another time” and “of another place,” born of a now distant historical context and a singular life experience.<sup>4</sup> Polanyi never interpreted his role as an intellectual to be that of a detached and impassive “historical notary”; he was instead animated by an intense civic passion and an anti-deterministic faith in the possibility of “shaping our social destiny”<sup>5</sup> and making it respond to the needs of the human personality. The construction of a *new West* – centered on the values of freedom, pluralism, and social justice (the true heritage of the “cultural West,” wasted by the errors of the “political West”),<sup>6</sup> and hence open to dialogue with other cultures rather than turned in on itself and on its economic monologue – represented, even in his final years, the central objective of Polanyi’s intellectual and political efforts.<sup>7</sup> As an adolescent, Polanyi already

developed a firm belief in the possibility of making democracy real, thereby securing the effective liberation of the human being through socialism.<sup>8</sup> This faith was the constant guiding force throughout his *Lebensweg* and served as a never-ending intellectual inspiration that guided and focused his research. Thanks to his passion and goals, that research often evinced a pioneering spirit.

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 . . .

These verses, taken from Hegel's poem "Entschluss" [literally "Unclosing"], were much loved and often quoted by Polanyi (if in abbreviated form).<sup>9</sup> They reflect not only his ideals but also that tension between the value of human freedom and the "reality of society" that represents one of the dominant themes of his work.<sup>10</sup> He was a scholar who swam against the current; hence he can seem even more out of synch with the spirit of the times today. And yet, over the past thirty years or so, his decidedly unorthodox ideas have attracted ever-growing interest and attention in the social sciences. *The Great Transformation* has become a classic and has been translated into over fifteen languages.<sup>11</sup> Even his later works, most notably *Trade and Markets in the Early Empires*, have exerted a considerable influence in various fields – for example economic anthropology, historical sociology, or economic history.<sup>12</sup>

The rebirth of the intellectual legacy of Karl Polanyi should not come as a surprise. Few other analyses of modern society prove to be as original and profound as those of this Hungarian author; Polanyi has always demonstrated a marked ability to see beyond the confines of a particular field and to "read" reality from a variety of complex – and never reductionist – perspectives. Polanyi succeeded in maintaining an admirable balance between his different approaches, combining the sensibilities of the legal scholar (he studied jurisprudence at the Universities of Budapest and Kolozsvár),<sup>13</sup> the economist (this discipline captured his attention already in Vienna, where he was co-director of the political and economic weekly *Der Österreichische Volkswirt*),<sup>14</sup> the historian (a skill he refined most of all during his time in London)<sup>15</sup> and the anthropologist (his interest in anthropology, already evident in *The Great Transformation*, became especially marked after his migration to North America).<sup>16</sup> This methodological richness on the one hand exposed his work to some inevitable criticisms,<sup>17</sup> on the other hand allowed

him to develop a wider perspective on social phenomena, as well as certain instruments of analysis that are of indubitable significance even to contemporary thought, from the distinction between formal and substantive meaning in economics to the notion of embeddedness and the category of “double movement.” Yet, beyond these tools of analysis, it is the subjects he studied and the problems he raised that are still of central importance today, albeit within a greatly changed frame of reference (one need only think of the current importance of financial economics).<sup>18</sup> Suffice it to list a few: the problem of the relationship between economy and democracy;<sup>19</sup> the trend to universal commodification;<sup>20</sup> the question of control over technology;<sup>21</sup> the regulation of transnational trade.<sup>22</sup> It comes as no surprise, then, that Joseph Stiglitz, in the foreword to the latest American edition of *The Great Transformation*, observes: “it often seems as if Polanyi is speaking directly to present-day issues”,<sup>23</sup> or that Polanyi’s warning about the destructive tendencies of a self-regulated economy resounds especially today, in the midst of a new and dramatic crisis of the capitalist economy – and that it does so with such intensity, from city squares to university classrooms, that it has inspired talk of a true “Polanyi’s revenge.”<sup>24</sup> The questions posed by Polanyi some seventy years ago have not lost their relevance – on the contrary, they reassert themselves with even greater intensity in the context of contemporary “supercapitalism”; the latter has indeed provided further evidence that the general loosening of market constraints represents a serious threat not only to the environment but to the fundamental feasibility of democracy.<sup>25</sup>

Whereas the persistence of the problems criticized by Polanyi adds to the evidence for his critique of “market society,” it could, conversely, represent a trap: there is a risk of trivializing the content of these problems by dissociating the author’s arguments from their original context, thus losing sight of their original presuppositions and implications. As has been rightly observed, and as Polanyi himself taught in his lessons on historicism, both history and ideas from the past can “serve to better understand the present only so long as the differences are not smoothed over.”<sup>26</sup> For this reason, when we approach the work of Polanyi today, it is important not to limit ourselves to his major works but to consider the entirety of his output: this consists of numerous essays, conference papers, and incidental writings that, while less known, contain much material of interest and contribute to a better understanding of his intellectual evolution. Italian readers find themselves in a particularly privileged position in this regard due to the wealth of collections of the minor writings of the author that have been published in recent years,

mostly thanks to the efforts of Alfredo Salsano and Michele Cangiani.<sup>27</sup>

The writings presented in this volume constitute a new contribution to the ever growing collection of Polanyi's published works, making available a series of unpublished pieces taken from the archive of the Polanyi Institute for Political Economy in Montreal.<sup>28</sup> They span the entire breadth of his career: from "The Crucial Issue Today," written in German and dating back to 1919 and his time in Vienna, to the eponymous work of this volume, "For a New West," composed a few years before his death in 1958 and intended as the opening chapter in a book of the same name, which Polanyi never completed.<sup>29</sup>

*For a New West* is a collection of heterogeneous works. With the exception of pieces originally intended for publication in books or periodicals, most of the works are lecture notes and addresses for conferences, together with lessons and university courses delivered in England, before the completion of *The Great Transformation*, and in the United States, following the last of Polanyi's many migrations. As the reader will quickly gather, the interest of these works extends well beyond simple intellectual curiosity. In them Polanyi not only anticipates and synthesizes ideas developed in his major works – like the short circuit between self-regulating markets and parliamentary democracy, or the distinction between formal and substantive concepts of "the economic" – but also pauses to dwell on questions elsewhere addressed only in passing. These include the relationship between class structure and the nature of English culture,<sup>30</sup> or between public opinion and the art of governing;<sup>31</sup> the relevance of the education system for the nature of American society;<sup>32</sup> the problems of pacifism and war as "institutions";<sup>33</sup> and the idea of a sociology of knowledge.<sup>34</sup> These pieces can serve to improve our understanding of Polanyi's thought, offering examples of the breadth of his interests, of his extraordinary ability to deconstruct the many sides of society, and at the same time of the internal coherence of his intellectual journey.<sup>35</sup>

In chronological order, the first work is "The Crucial Issue Today: A Response," completed, according to the archives, in 1919. It was probably written in Vienna, as Polanyi refers to the Hungarian Soviet Republic as a concluded episode; and his migration to Austria coincided chronologically with the rise to power of the reactionary government of Miklós Horthy.<sup>36</sup> That piece, though tightly bound up with the political events of the era, still merits rereading, as it prefigures certain ideas and questions he would develop more thoroughly in the 1920s; also, certain key elements of his philosophy

of politics emerge here.<sup>37</sup> In particular, Polanyi tracks the genealogy of liberal socialism – a movement to which he had been drawn since his Hungarian period<sup>38</sup> – outlining how it differs from Marxism and identifying the unifying principle behind the assumption that “freedom is the foundation of all true harmony.”<sup>39</sup> This presupposition constitutes the crux of Polanyi’s own social philosophy: in this essay he already distances himself clearly from both “the anarchic market of the capitalist profit economy” and the communist centrally planned economies.<sup>40</sup> His rejection of unregulated capitalism is based primarily on its dependence on the exploitation of labor, which, recalling the thesis of Eugen Dühring,<sup>41</sup> he traces to “the *political* law of coercive property in land that actually prevails and nullifies free competition,”<sup>42</sup> and hence to the absence of free access to arable land. Here the theme of enclosure crops up: this concept will be thoroughly investigated in Chapter 3 of *The Great Transformation* and will assume a crucial role in Polanyi’s analysis of the rise of the market economy.<sup>43</sup> Second, Polanyi finds unregulated capitalism unacceptable because its intrinsic dynamic leads it to “bring production into conflict with social need,”<sup>44</sup> so that it would provide no protection for collective interests. The idea that self-regulated markets are structurally unsuited to create an economic environment that serves a social function – a concept encountered here in its embryonic state – would find fuller expression in his writings from the 1920s on the subject of socialist calculation. In that later work he develops the argument that “private economy, by its very nature, cannot recognize the adverse effects of production on the life of the community.”<sup>45</sup> In the 1930s, moreover, he put forward the thesis that, barring some form of regulation (*Übersicht*) of the economic players regarding the consequences of their choices, the market economy will ignore personal responsibility, will fracture social cohesion, and will create disincentives to individual moral action.<sup>46</sup> Yet he asserts with equal force his position on the second prospect – that of the nationalization of the means of production and of a centrally planned economy. This prospect conflicts, above all, with the ideal of freedom of choice, which Polanyi applies not only to individuals, but also to medium-sized groups. According to Polanyi,

Liberal socialism is fundamentally *hostile to force*. For liberal socialism, not only the state as an organism exercising domination over persons, but also the state as an administrator of things is, practically speaking, a necessary evil and, theoretically speaking, a superfluous and harmful construct. Any attempt to use state power to replace what

can only arise through the life and activity of the individual inevitably has devastating consequences.<sup>47</sup>

Moreover, this solution was technically impractical for one fundamental reason: eliminating the system of free trade would make it impossible for economic processes to function. No method of statistical verification would be capable of creating an effect analogous to the free flow of supply and demand. In an observation that reveals Polanyi's affinity with the "Austrian" view of the market,<sup>48</sup> he writes: "The economy is a living process that can by no means be replaced by a mechanical apparatus, however subtly and ingeniously conceived." This particular kind of market is characterized as "a peculiar sense organ in the literal sense, and without it the circulatory system of the economy would collapse."<sup>49</sup> The economy envisioned by liberal socialism – and by Polanyi himself<sup>50</sup> – is not, then, a centralized economy without free trade, but a cooperative economy in which labor, consumption, and production are all represented and problems are solved in concert:

This is why cooperative socialism is synonymous with market economy; not the anarchic market of the capitalist profit economy as a field in which the plunder of the surplus value concealed in the prices is realized, but the organically structured market of equivalent products of free labor.<sup>51</sup>

This text contains, then, two ideas that would be central in Polanyi's work: his critical view of self-regulating markets; and his insistence on the value of freedom as a suitable criterion for evaluating any political and economic system.

While the exploration of cooperative socialism would find a fuller exposition only a few years later, in Polanyi's rebuttal of von Mises' thesis regarding the unfeasibility of a socialist economy,<sup>52</sup> the theme of freedom would remain central to Polanyi's thought.<sup>53</sup> It was by means of this concept that the valorization of the uniqueness of the individual, in contrast to any type of social collectivism, married so well with a radical criticism of that form of liberalism that, as Giacomo Marramao has written,

presupposes the individual, that is, assumes the individual is already formed and is not instead the product of some outside process, and so renders the individual meaningless; by reducing him or her to an *a-tomon* – an *in-dividuum* – we sever those connections to the critical constitutive processes that alone can make him an individual.<sup>54</sup>

The unavoidable tension between the freedom of the individual and the “reality” of social boundaries constitutes one of the key problems faced by Polanyi and comes up often in his work. He says as much in “The Meaning of Peace”:

The recognition of the inescapable nature of society sets a limit to the imaginary freedom of an abstract personality. Power, economic value, coercion are inevitable in a complex society; there is no means for the individual to escape the responsibilities of choosing between alternatives. He or she cannot contract out of society. But the freedom we appear to lose through this knowledge is illusory, while the freedom we gain through it is valid. Man reaches maturity in the recognition of his loss and in the certainty of ultimate attainment of freedom in and through society.<sup>55</sup>

However, it is only in Polanyi’s post-World War II writings that the problem of “freedom in a complex society” – the title of the last chapter of *The Great Transformation* – becomes absolutely central.<sup>56</sup> Some of these writings are collected in this volume (“For a New West,” “Economics and the Freedom to Shape Our Social Destiny,” “Economic History and the Problem of Freedom,” “New Frontiers of Economic Thinking”). Among the myriad questions raised by Polanyi in these writings, two in particular merit closer consideration.

The first question regards controlling the forces of technology, economic organization, and science in an increasingly artificial social context, characterized by very real threats to the survival of the human race (we are now, after all, in an era of Cold War, with the impending risk of nuclear arms race). Polanyi’s main concern is “restoring meaning and unity to life in a machine civilization”<sup>57</sup> – a concern reinforced by his awareness of the historical responsibility of the West for the paths of industry, science, and economy, which have influenced worldwide development since the Industrial Revolution. That event, as he writes in “For a New West,” constitutes a watershed moment in the history of mankind:

Three forces – technology, economic organization, and science, in this sequence – each from separate and undistinguished parentage, linked up, inconspicuously at first, to form, hardly a hundred years ago, into a social maelstrom that is still engulfing new and new millions of people, in an irresistible rush.<sup>58</sup>

The sequence outlined by Polanyi (who here synthesizes in a few brush strokes the central analysis of *The Great Transformation*) is

very precise: first came the introduction of new industrial machines; then followed the process of market organization – which, contrary to liberal doctrines, was not at all “natural,” but rather the result of deliberate institutional choices;<sup>59</sup> finally, about a century later, science was added to the mix. “All three then gathered speed: technology and science formed a partnership, economic organization made use of its chance, forcing the efficiency principle in production (both by market and planning) to vertiginous heights.”<sup>60</sup> Subordination of those forces (science, technology, and economic organization) “to the will for a progress that is human and to the fulfillment of a personality that is free has become a necessity of survival.” It falls to the West, then, the genitor of industrialized society, “to discipline its children.”<sup>61</sup> And this not only because of its historical responsibility, but also because it is only in this way that the West can re-establish dialogue with the other cultures of the world and demonstrate a genuine concern for the problems of the entire human race. The alternative is to repeat the mistakes of the past, and in particular the mistaken assumptions that colonialism represents progress and capitalism represents democracy. Polanyi’s fierce criticism of the “political West” (that is, of the collective choices made by capitalist states) does not spare the intellectuals; for he believes that, through their conformity and willingness to acquiesce in the impositions of government propaganda, they have betrayed the true patrimony of western civilization, namely personal universalism.<sup>62</sup>

It is on this point that Polanyi raises his second major question, namely the “dogmatic belief in economic determinism” as an ideological barrier to capitalist reforms that promise economic freedom and equality. Knowing full well that such a reform would necessitate “fulfilling the requirements of social justice, as a consciously pursued human aim,”<sup>63</sup> Polanyi seeks, in “Economics and the Freedom to Shape Our Social Destiny,” to refute the thesis according to which any restriction of economic freedoms would automatically have a negative effect on civil liberties. This argument, as is well known, is central to *The Road to Serfdom*,<sup>64</sup> where von Hayek maintains that the introduction of any economic planning will lead to the inevitable disappearance not only of the unregulated market, but also of freedom itself. But Polanyi equates this with the equivalent and opposite argument (adopted in Marxist trends) according to which a change in economic organization would bring with it the disappearance of free institutions – insofar as these are a “bourgeois fraud.”<sup>65</sup> Both positions, the liberal and the Marxist, suffer from the same problematic assumption: dogmatic faith in economic determinism, or rather the belief that economic relations do not only limit but rather *determine*

the cultural aspects of societies – the “institutions of freedom” among them.<sup>66</sup>

In order to illustrate the falsity of this assumption, Polanyi turns to history, demonstrating that, even if the determinist model may appear feasible in the context of nineteenth-century market society, where humans (labor) and their natural habitat (land) are reduced to commodities and bound by the powers of a self-regulating market, this is not the case in most situations. Even admitting that economic and technological factors play a large part in determining the cultural attitudes of a society, these attitudes are not *determined* by the means of production.

But the pattern of culture, the major cultural emphasis in society, is *not* determined by either technological or geographical factors. Whether a people develops a cooperative or a competitive attitude in everyday life, whether it prefers to work its technique of production collectively or individualistically, is in many cases strikingly independent of the utilitarian logic of the means of production, and even of the actual basic economic institutions of the community.<sup>67</sup>

The same can be said for the propensity of a community to guarantee civil liberties by means of specific institutions:

Emphasis on liberty, on personality, on independence of mind, on tolerance and freedom of conscience is precisely in the same category as cooperative and harmonious attitudes on the one hand, antagonistic and competitive attitudes on the other – it is a pervasive pattern of the mind expressed in innumerable ways, protected by custom and law, institutionalized in varied forms, but essentially independent of technique and even of economic organization.<sup>68</sup>

Here Polanyi emphasizes the intrinsic weakness of the thesis according to which the disappearance of civil liberties follows from the restriction of freedoms of the market. Citing various examples, Polanyi ably shows that “under private enterprise public opinion may lose all sense of tolerance and freedom,”<sup>69</sup> while, in contrast, a satisfactory level of civil liberty can be guaranteed even in a heavily regulated economy. He concludes the analysis in “General Economic History” in no uncertain terms, by returning to the question of determinism:

In truth, we will have just as much freedom in the future as we desire to create and to safeguard. Institutional guarantees of personal freedom are in principle compatible with any economic system. In market

society alone will the †. . . ‡ economic mechanism lay down the law for us. Such a state of affairs is not characteristic of human society in general, but only of an unregulated market economy.<sup>70</sup>

At the heart of Polanyi's argument lies the recognition of the specificity of nineteenth-century market economy.<sup>71</sup> In that particular case, the economic factor arguably played a determining role in relation to social institutions. Once the normative and cultural obstacles preventing inclusion of land and labor in competitive markets had been lifted, the basis was established for a completely autonomous economy and a radical overturning of the relationship between that economy and the other social spheres. This came about thanks to an institutional shift: the fear of hunger and the desire for wealth drove individuals to engage with the processes of production. This is the well-known thesis of the disembedded economy as a distinctive feature of the "market society" – a society where economic activity is no longer a constituent part of social, cultural, and religious institutions but society itself is instead absorbed in the network of economic activity. That thesis is developed in *The Great Transformation* and in two chapters in Part IV of this volume.<sup>72</sup> For Polanyi, ignoring the historical or cultural specificity of that period and elevating the deterministic approach to a general rule leads to two fundamental errors. Applied to the future, the proposed model generates mere prejudice, as we have seen. But, applied to the past, it creates an unsustainable anachronism.<sup>73</sup>

This last position lies at the core of the research in economic history that Polanyi conducted after his move to the United States. It found expression in a series of books (*Trade and Markets in the Early Empires*; *Dahomey and the Slave Trade*; *The Livelihood of Man*) and articles that had notable influence in the fields of anthropology and sociology. The characteristic features of Polanyi's approach are outlined clearly in Parts II and III, especially in Chapters 5 ("The Contribution of Institutional Analysis to the Social Sciences"), 14 ("General Economic History"), and 15 ("Market Elements and Economic Planning in Antiquity"). Chapter 14 is of particular interest, insofar as it reproduces the introductory lessons of a course of the same name that Polanyi taught at Columbia University in the early 1950s; it contains a clear exposition of his methodological approach.<sup>74</sup> Polanyi proposes that the fundamental objective of "economic history" is to study "*the place occupied by the economy in society as a whole*, in other words the changing relation of the economic to the noneconomic institutions in society" [p. 133]. If one is to pursue these goals, which Polanyi also identifies in the work of Max Weber,