

The European Heritage in Economics and the Social Sciences
Series Editor: Jürgen Georg Backhaus

Jürgen Georg Backhaus *Editor*

The Beginnings of Scholarly Economic Journalism

The Austrian Economist
and The German Economist

 Springer

The European Heritage in Economics and the Social Sciences

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Jürgen Georg Backhaus

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DER ÖSTERREICHISCHE VOLKSWIRT MIT DER BEILAGE: DIE BILANZEN ERSCHEINT JEDEN SAMSTAG

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Dr. Gustav Stolper: Der Krieg.

Wenige Tage vor Überreichung des Ultimatums in Belgrad hat Graf Tisza im ungarischen Abgeordnetenhaus erklärt, daß eine ernste Wendung nicht als wahrscheinlich anzusehen sei. Wer je versucht hat, den Dingen auf den Grund zu sehen, hat sich durch diese Erklärung nicht über den Ernst der Situation täuschen lassen. Ob das, was geschehen, notwendig gewesen ist oder nicht, wird die Geschichte zu entscheiden haben. An dieser Stelle, wo seit nahezu zwei Jahren die Politik des Grafen Berchtold immer wieder den schärfsten Widerspruch hervorgerufen hat, muß betont werden, daß ihre Haltung seit dem Atten-

tat in Sarajovo ruhig, geradlinig und bestimmt gewesen ist. Und das gibt auch die Überzeugung, daß die überraschenden Umstände, unter denen die befristete Note an Serbien gerichtet wurde, und der Ton dieser Note, der eine glatte Unterwerfung Serbiens forderte, in besonderen Erwägungen begründet gewesen sind. Allerdings hat diese Note die Monarchie dort, wo man sich an Außerlichkeiten halten zu müssen glaubt, ins Unrecht gesetzt. In der französischen und russischen Presse ist ihr der Vorwurf gemacht worden, daß sie ein Ultimatum stelle, bevor verhandelt worden sei, und daraus wird gefolgert, daß es Österreich-Ungarn weniger um die Gewährung sachlicher Garantien gegen die großserbischen Entwürfe, als um die Demütigung Serbiens, bzw. seines Schutzpatrones Rußlands zu tun sei. Österreich-Ungarn hat, wie die Dinge einmal liegen, keinen Grund, diesem Gedankengang zu widersprechen. Daß es wirksame Garantien gegen die großserbische Idee nicht gibt, ist gerade in diesen Blättern immer wieder betont worden und auch die Forderungen, welche die befristete Note formuliert, bieten in Wirklichkeit keinerlei Schutz gegen die Fortsetzung der alban-serbischen Politik. Die Unmöglichkeit, wirklich sachliche Garantien ohne Niederwerfung Serbiens zu verlangen, dürfte in der Tat die hiesigen leitenden Stellen dazu veranlaßt haben, die Forderungen an Serbien in eine Form zu kleiden, die die Ablehnung oder wenigstens die vollständige Annahme als höchst wahrscheinlich erscheinen ließ. Heute handelt es sich längst nicht mehr um die Anerkennung der österreich-ungarischen Forderungen durch Serbien. Heute steht weit größeres auf dem Spiel.

„Die Monarchie setzt ihre ganze Existenz ein, wer ihr in den Weg tritt, muß den gleichen Einsatz bieten.“ So soll sich dieser Tage die maßgebende Stelle zum politischen Vertreter der „Frankfurter Zeitung“ geäußert haben. Dieser elementare Satz zeigt, wie weit die Dinge gediehen sind. Die leitenden Kreise der Monarchie sind zur Überzeugung gelangt, daß jetzt die Stunde gekommen ist, in der die Monarchie die Probe auf ihre Lebensfähigkeit als Großmacht ablegen muß, und die Einmütigkeit, mit der die gesamte Bevölkerung ohne Unterschied der Nationalität bewußt oder unbe-

Jürgen Georg Backhaus
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and The German Economist*

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Preface

Introduction

The twin journals, *Der Österreichische Volkswirt* and *Der Deutsche Volkswirt* were created by Gustav Stolper, godfather of Joseph Schumpeter, first in Vienna and subsequently after the First World War, in Berlin. Schumpeter was to become a frequent contributor of the Berlin based journal, which combined a successful blend of economic analysis and political and business insider knowledge which Stolper gained with his famous and sought-after parties at his Wannsee based villa “with sausage and beer” (quoted from memory of an invitation card found in the Stolper estate in the Federal Archive). After Stolper had to sell the influential weekly to an Arian – he himself was Jewish – the paper lost its attractiveness and importance, which in post-Second World War Germany it would never regain, despite the stunning economic policies it could have reported.

But Stolper in New York could not repeat the successful business formula either, despite trying hard and although he established a similar network of brilliant personalities, many of whom had been likewise transferred from Berlin, some rising to power during the Roosevelt administration. In this sense, this volume reports a rather unique episode in European intellectual history.

The twin publications of the Austrian and the German Economist offer a kaleidoscope of many different ideas and concepts. It is therefore not surprising that a large number of different topics are addressed in this publication, as we try to reflect its variety. There are articles on the philosopher of culture – Michael Polanyi by Michele Cangiani and Alexander Ebner. In “a staggering world,” Polanyi certainly signifies one of the leading transformations of the social sciences stemming from Europe. As Stolper tried to reflect the major intellectual developments in his publication, Polanyi also being an author was nevertheless referred to again and again. Despite the coverage of the intellectual developments in the Austrian Economist, the intriguing question posed by Jürgen Backhaus, what the emperors could have done in 1914 if one of their advisors had carefully followed the *Österreichische Volkswirt* has a stunning answer: nothing.

There are articles focusing on demography at the beginning of the twentieth century (compare the chapter by Gerhard Scheuerer); articles covering monetary aspects (compare the chapter on theories of hyper inflation by Gerrit Meijer); articles on foreign developments in countries such as Bosnia, Russia, China and Iran (for the latter compare the chapter by Ursula Backhaus); as well as articles on employment policies and stabilization, which are analyzed by Marcel van Meerhaeghe, who covers the political reactions to the Treaty of Versailles and on the reparation problems, and by Günther Chaloupek, who analyzes topics “From stabilization to depression. Comments in the *Österreichische Volkswirt* on economic policy in Austria between 1923 and 1929.”

Perhaps the gem of the entire book is Sabine Wenhold’s chapter on “Lilo Linke und Gustav Stolper.” From being the secretary of Gustav Stolper, Lilo Linke develops into an influential political actor herself which has been overlooked in the scholarly literature so far. Her important role is described in the chapter in detail.

In 1932, Stolper organized a campaign against the launching of deficit based employment measures thought up by Lautenbach and Röpke, and this was actually published as a separate book. This activity certainly weakened the government and showed little understanding of Lautenbach’s lucid concept. Details are put together by Hans Frambach, “How to fight unemployment?” – Review of the strategy discussion in “*Der Deutsche Volkswirt*.”

After Gleichschaltung (equalization), the term refers to strict censorship, the journal totally lost its attractiveness. The poor Nazi bought it for good money after Gleichschaltung had acquired an empty shell. With the censorship, Stolper’s project was mute, as can be read in the chapter by Helge Peukert, “*Der deutsche Volkswirt* after Gleichschaltung (1933–1935).”

Gustav Stolper could not relaunch his project in the United States, but the inexhaustible mover found new projects, about which Nicholas Balabkins gives a vivid account: “Gustav Stolper’s Influence on U.S. Industrial Disarmament Policy in West Germany, 1945–1946.”

The only account of Gustav Stolper which so far has found its way into international scholarly journals originally also should have been included into this volume for completeness, but Duke University Press did not give us permission to reprint: Hansjörg Klausinger (Graz), “Gustav Stolper, *Der deutsche Volkswirt*, and the Controversy on Economic Policy at the End of the Weimar Republic.” *History of Political Economy*, Vol. 33, no. 2, 2001, pp. 241–267.

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Chapter 1

“A Staggering World”: Karl Polanyi’s Contribution to *Der Österreichische Volkswirt**

Michele Cangiani

1.1 Polanyi and the *Volkswirt*

Karl Polanyi (1886–1964) was a member of the editorial team of *Der Österreichische Volkswirt* from 1924 to 1938, when the journal interrupted publication as a result of the *Anschluss*. He was editor for foreign and world affairs, co-editor after Gustav Stolper’s departure for Germany, “foreign editor” from 1933,¹ when he had to move to England for political reasons. According to Kari Polanyi-Levitt and Marguerite Mendell, “he was the most outspoken, left-wing member of the *Volkswirt* editorial team” and “was advised by his colleagues to emigrate” (Polanyi-Levitt and Mendell 1987, p. 24).² Polanyi himself comments the crisis and the turning point of March 1933, when the Dollfuss government assumed a “new attitude [...] amounting to a *coup d’état*”, attempting to face the Nazi menace in Austria, after the German elections of that month and the collapse of Bavarian autonomy; among other things, “public meetings were forbidden and the press put under censorship” (Polanyi 1933, p. 578).

* Part of this paper is a reduced and revised version of M. C., “Prelude to *The Great Transformation*”, in K. McRobbie, ed., *Humanity, Society and Commitment. On Karl Polanyi*, Montréal/New York/London: Black Rose Books, 1994, chapter 2.

¹ See below, attached to this paper, the advertisement of the *Ö. V.* in *The Economist*, May 26, 1934.

² Also the editor, founder and publisher of the journal, Walther Federn, had later to emigrate; he died on February 1, 1949, in New York. Polanyi was doing his job in that city since 1947, as visiting professor at the Columbia University; he wrote in German an “Eulogy for Walther Federn” (ms., Karl Polanyi Institute of Political Economy, Montreal, *K. Polanyi Archive Catalogue*, box 14, file 16) probably intended for a meeting of common friends in Vienna.

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Polanyi wrote 250 pieces for the *Ö. V.* – full-length articles, reports on foreign affairs and reviews.³ There are also other unsigned short pieces and foreign news items that are probably written by him as well. This impressive body of journalism succeeds in highlighting the epochal change, which is epitomized in the title of the second chapter of Polanyi's book of 1944, *The Great Transformation*: "Conservative Twenties, Revolutionary Thirties". His analyses and comments for the Viennese weekly allow a better understanding of the premises and different forms of the "great transformation" of economic and political institutions, with which he deals in his book within a wider historical perspective. World politics and economy constitute the main themes of the articles, but the internal situation of several countries, the United Kingdom in the first place, is also analyzed.

His first emigration brought Polanyi to Vienna from Budapest in 1919. The periodical *Szabádgondolat* (*Free Thinking*), of which he was the editor since 1913, was closed down by the Communist government. In 1920, many Hungarians moved to Austria, escaping the White Terror, when, as Polanyi writes, "after a nine months' interval almost equally divided between a democratic and a Communist revolution, the feudal nobility regained political control" of Hungary (Polanyi 1937, p. 29). In Vienna, Polanyi's old familiarity with socialist ideas turned to full adhesion; his political–philosophical position is expounded in several articles he wrote for the *Bécsi Magyar Újság* (*Hungarian News in Vienna*) between 1919 and 1923. Most of his articles for this newspaper deal, however, with political events in foreign countries; this was, in fact, the premise of his job at the *Österreichische Volkswirt*.

The extremely stimulating reality of the *rote Wien* was as important for Polanyi's formation as the milieu of progressive-radical Budapest students before the war. The socialist municipality of Vienna became the seat of memorable intellectual and political advancements. In one of the "Notes on the sources" added to *The Great Transformation* Polanyi recalls with never-ending enthusiasm that "unexampled moral and intellectual rise in the condition of a highly developed industrial working class" (Polanyi (1944) 2001, p. 299). He maintained a fruitful relationship with Austrian socialists. An article he published in the journal of the latter (Polanyi 1925) has been included in the anthology *Austro-Marxistische Positionen* (Mozetic, Hg., 1983). Also very important was the link with Austrian economists, who were the main reference for Polanyi's economic studies, up to the second after-war period, when his research concerned the comparative analysis of economic systems and the method of economics (see e.g. Polanyi 1961). Polanyi's polemical confrontation with free-market ideas of second-generation Austrian economists, such as Ludwig Mises and Friedrich Hayek, is constant all along his life, and constitutes, in particular, a basic motive of *The Great Transformation*; but its beginnings are to be found in Vienna after the First World War. The discussion Polanyi entertained with Mises about the features and feasibility of a non-centralized socialist economy dates back to that period (Polanyi 1922, 1924).

From 1924 onwards, for 15 years, the *Ö. V.* required the greater part of Polanyi's work. In an issue of the journal, Richard Bermann, a member of the staff, describes

³Some have been recently republished in Polanyi (2002, 2003).

the meetings of the editorial team, every Tuesday morning at Porzellangasse 27. He mentions Polanyi’s “truly cosmic briefcase” containing “every possible available piece of information relating to economic and political events reported anywhere in the world in the past week. Or not yet reported” (Bermann (1928) 2006, p. 325). That briefcase was an indispensable reference in the discussion; the purpose of the meetings was in fact, Bermann continues, “to monitor new developments, determine editorial policy, but most especially to select the themes of the economic and political Notes (*Glossen*)” (ibid.).

The next paragraph rapidly reviews Polanyi’s contribution, the themes and type of which reflect the evolving historical situation; thus, some light is also shed on the vicissitudes of the journal. The rest of the study is dedicated to some significant issues dealt with in Polanyi’s work; the choice of them is inevitably partial and reflects my own point of view.

1.2 Polanyi’s Articles: An Overview

Approximately 10% of Polanyi’s articles deal with the economic, social and constitutional innovations of the American New Deal, and with the political and constitutional contrasts that policy brought about. About 5% of the articles discuss Germany, the USSR, Austria and other countries, while the rest – some 85% – can be divided equally between two main themes: world politics and economy, and Great Britain. Sometimes these two themes overlap, in the sense that the writer deals with international problems from the point of view of British interests and diplomatic activity, as well as outlining the debate over such issues within Britain itself.

For a closer look at the contents and characteristics of these articles, it is best to divide them chronologically. Not many pieces were written between 1924 and 1932 (eight per annum at the most). A good part of these pieces deal with Great Britain, and in particular with the organization of the workers’ movement, the question of the coal mines, the struggles culminating in the 1926 General Strike and the reforms proposed by the more advanced wing of the Liberal Party. Then there are international problems, which are often viewed through the work of the League of Nations. The main problem dealt with is that of peace. European states were continuing to negotiate on national security, war reparation and debts, border disputes, disarmament and the rights of defeated nations. But Polanyi considered that the very premises for a real and lasting peace were missing. Europe seemed incapable to settle its disputes, those open by the Peace Treaties included. The fact that victorious powers denied Germany the parity of status seemed to him as unfair as dangerous.⁴ In general, in his view, only a wider and deeper democracy could ensure peace, but precisely neither a development of this kind was satisfactory within individual states, nor was there a supranational organization that could wield any effective power.

⁴Shortly before Hitler’s rise to power, he dedicated two articles to this question: “Gleichberechtigung und Völkerbund”, 25 June 1932, and “Gleichberechtigung und die deutsche Linke”, 22 October 1932.

Along with the essay “Der Mechanismus der Weltwirtschaftskrise” (which the Viennese journal published in a special supplement), Polanyi wrote 14 articles in 1933. These deal with various topics: Hitler’s rise to power and its political and economic consequences for Germany and Austria; the Soviet planned economy; the change brought about in America by Roosevelt’s presidency; the difficulty of facing the current economic crisis, not only because of its scale and the fact that the remedies proposed were either obsolete or of dubious efficacy, but also because different countries failed to agree on a common policy (witness the failure of the World Economic Conference held in London⁵). By the end of the year Germany withdrew from the Disarmament Conference and the League of Nations (“Der 14 Oktober”, October 21, 1933), and the world appeared to be more unstable, more staggering than ever (“Ein Welt im Wanken”, 23 December 1933).

For Polanyi 1933 was a crucial year (it was a key year in his private life as well, the year of his second emigration, as we have seen). It had become impossible to ignore the fact that the tendency towards democracy and socialism had been defeated, that nations seemed inclined more towards war than peace, and that the great crisis was bringing about important institutional changes. The articles of 1933 – together with one written at the end of 1932 (“Wirtschaft und Demokratie”, December 24) – deal directly with the main themes of *The Great Transformation*: the complex crisis within the liberal-capitalist system, a crisis involving liberal democracy, the economic system and the world power balance (i.e. peace). Two articles on the beginnings of Nazi regime (“Gegenrevolution”, 11 February 1933, and “Hitler und die Wirtschaft”, 29 July 1933) are as accurate in analyzing the ongoing events as illuminating on the deep nature of that “counterrevolution”.

Polanyi considered 1935 to be another “milestone” (“Markstein 1935”, 21 December 1935). The Italian Fascist war in East Africa ended all hope of peace. It was by now clear that international relations were determined by the conflict between the various forms of government (and even of social system), which resulted from the crisis of the liberal system. As we will see in greater detail below, most of the articles written the previous year (1934) deal with the corporative-democratic transformation within Great Britain. From 1935 onwards, Polanyi also dedicated several articles to the American transformation signified by the New Deal.

From 1936 to 1938, Polanyi wrote numerous short incisive pieces, almost always on diplomatic news or international events. The only question analyzed in depth is that of the New Deal and correlative developments of *démocratie en Amérique*. Clearly the need for self-censorship had become stronger than it had been in the past: symptomatic of this fact is that, after 1933, Polanyi did not publish any more articles on the subject of Fascism in *Der Österreichische Volkswirt*. He continued, however, to deal with that subject in his 1934 articles for the English periodical *New Britain*, in the 1935 essay *The Essence of Fascism*, and in numerous lectures and seminars held in Great Britain and in the USA, the manuscripts and outlines of which are conserved at the Karl Polanyi Institute in Montréal.

⁵See “Roosevelt zerschlägt die Konferenz”, 8 July 1933. N. B.: from here on Polanyi’s articles in the *Ö. V.* are referred to in the text by their title and date.

1.3 Social Struggles in England

A substantial number of articles in the pre-1926 period discuss the British workers’ movement. There is also an article on the 1925 Socialist International Congress held in Marseilles (“Die neue Internationale”, 12 September 1925). In this piece, Polanyi shares the position of the Austrian delegation, supporting a more open and fruitful relationship between different achievements and tendencies of socialism, and with the Communist International. This would also be the premise of the taking on of the international role of promoting peace, a role that, in Polanyi’s view, only the socialist movement could successfully perform.

Polanyi’s political position was close to “functional” socialism propounded by Otto Bauer in Austria and to the Guild Socialism “restated” by G. D. H. Cole in England (1920). He was therefore more sympathetic towards the Independent Labour Party and its “political-socialist perspective” than towards the Labour Party. He considered, however, the first Labour government an important achievement and a confirmation of the role of English Socialism as a reference point for all European Socialist parties, because of its democratic spirit, its “religious foundation”, its willingness and ability to assume the responsibility of government, and its effective diplomatic initiatives in the cause of peace (“England und die Wahlen”, 9 November 1924).

As G. D. H. Cole has written, British Socialism had become “a formidable force since the great labour unrest of 1910–1914” (Cole 1935, p. 36); at the end of the First World War it was strengthened even further. In 1924, the Labour Party formed a government that fell after a few months. In his comments upon this episode, one can see not only Polanyi’s admiration for British democracy, but also his conviction that the experience of government had helped to transform the Labour Party into a “great popular socialist party”, which could now act like a “political” rather than a “trade union” body. However, the Socialist Left, which was led by the Independent Labour Party and was pushing in this direction, was divided (“Zur Krise der englischen Arbeiterbewegung”, 25 April 1925). The “possibilism” of the Labour Party’s leadership, its government spirit and what G. D. H. Cole calls its “constitutionalism” were leading to an attempt to achieve social peace at any price, with the support of the Trade Unions, which formed the power base of the party.

In Polanyi’s view, this weakened the Party’s policy programme and the demands it made upon employers and government. Besides, at the base of the workers’ movement, any attempt to pursue an overall programme in the general interest was impeded by “trade unionism” – that is, by the *petty bourgeois* defense of the economic interests of particular groups.

In the years to come Polanyi would carefully chart all the facts that gradually destroyed the illusions, though not the hopes, raised by English democracy and the socialist movement. In 1926, he tries to clarify the responsibilities of the Labour Party and Trade Union leaders for the failure of the General Strike, without neglecting, of course, to analyze the effective strategies adopted by employers and the government. He saw the Strike and its failure as the opportunity for the ruling class not only to

put the Labour Party in a difficult position, but also, generally speaking, to conclude the counter-revolution by ending a long period of social struggle to its own advantage (“Probleme des englischen Generalstreiks”, 29 May 1926). It is significant that after this date Polanyi ceased for many years to publish articles on the English workers’ movement in the *Ö. V.* He will write further articles on the subject in 1934; but these articles are expressly designed to show just how much the situation had changed: the Labour Party and the Trade Unions were now involved in supporting the corporatist transformation of British society. Polanyi saw the 1926 Strike as the end of an historical period, one in which it had seemed possible that the growing political influence of the workers’ movement operating within democratic institutions could lead to the gradual achieving of a real democracy in all spheres, including the economic.

Beyond Polanyi’s analyses on England and the problems he raised about the socialist movement of that country, there was his interest for the vicissitudes of the tentative construction of a socialist democracy in Austria. Also 1926 was the year in which Otto Bauer, at the Linz Conference of the Austrian Social-Democratic Party, had admitted both the theoretical and practical difficulties of a gradual and peaceful development of democracy into Socialism. However, Bauer did not cease to believe in the continuity between the bourgeois and socialist revolutions, between the ideal affirmation of democratic principles, which characterized the beginning of modern society, and the implementation of those principles, which would be made possible by a move beyond capitalism (see Bauer 1934, 1936).

This idea of continuity is also central to Polanyi’s thought. Like Bauer, he believed that the move beyond the institutions of liberal capitalism should protect, even strengthen, individual liberty and individual rights against arbitrary decisions of the powers-that-be. Both Polanyi and Bauer viewed Fascism as representing the very negation of the historical achievements of modern society. Seen in this way, Fascism is much more than a reaction against the real or feared political and economic gains made by the working classes. Fascist regimes went so far as to completely eliminate the very idea of free political agents, denying a right which had up to then been possessed (at least theoretically) by all individuals. This is what Polanyi is referring to when he talks of the abolition of “the political State” and the negation of the modern concept of society by Fascism.

The refusal to acknowledge the continuity between the affirmation of democratic principles in modern society and their implementation through socialism, the tendency to consider democracy as a merely illusory superstructure of a capitalistic organization of the means of production, are things which Polanyi criticizes even in the official Marxism adopted by the Third International. He was of the opinion that such a position made Marxism incapable of understanding either the general characteristics of Fascism or the historical juncture of the Crisis of the 1930s, which enabled it to make its breakthrough to power in many countries, in a situation in which capitalism and democracy seemed to have become incompatible (see Polanyi 1934, p. 128, 1935, p. 391).

In the articles written during the 1920s, and again in *The Great Transformation*, it is pointed out that a socialist revolution very quickly ceased to be a real possibility

after the Great War, if indeed it had ever been one. However, the political institutions of liberal democracy continued to admit the possibility of a “popular government”, or at least the representation of the interests of the working classes. That representation, according to Polanyi, was the main – that is, the most feared and criticized – ground of the political-democratic “interference” with the functioning of the market economy. The conflict between classes resulted in a contraposition between politics and the economy, which ended by damaging the economy and discrediting democracy. The economic crisis and the crisis of democracy fuelled each other, creating a social and institutional *impasse*, in which Fascism made easily its way.

This understanding of the crisis was apparent long before *The Great Transformation*, and can be found in the 1932 article “Wirtschaft und Demokratie”, in which Polanyi was most probably thinking in particular of the Weimar Republic. Another early expression of these ideas is the analysis of the crisis in Great Britain he published a year earlier (“Demokratie und Währung in England”, 19 September 1931). This article discusses theories about the economic crisis and possible remedies; in particular it describes the position of the Committee on Finance and Industry, which was chaired by Harold Macmillan and included John M. Keynes amongst its members. According to Polanyi, the new ideas put forward were hampered by the attachment to classic economic theory in a country where, he says, “the Gold Standard was part of the Constitution”. Of course, behind this attachment to the pound sterling there was the pressure from the City to reduce unemployment benefits and, in the future, wages themselves. Dominant industrial and financial interest groups were not even reassured by the fact that the Labour government seemed willing to accept the idea of defending the currency, and the consequences of this choice: such a government had to fall. Like others, English society was now at an *impasse*, and the severity of the crisis meant that the inevitable move to a new institutional arrangement could only be traumatic. A reform and new economic institutions were unavoidable, but the dominant interest groups feared that the change could be done at their disadvantage if a “popular government” was in charge, however moderate it was. Thus the Labour leader Macdonald formed a National Government with members of the Conservative and the Liberal parties. So doing, Polanyi writes in “Demokratie und Währung...”, he “broke with the traditions of democracy – to the disadvantage of the working classes.” Polanyi’s interpretation of this historical turning point was confirmed by the fact that on September 21, immediately after the publication of his article, the Gold Standard was abandoned – one of the very first measures taken by the National Government.

The difference in tone between Polanyi’s comment in this occasion and his confidence in the first Labour government, when he had still been full of faith in the future of democracy and of socialist movement, reveals just how much things had changed in the course of a few years. Also Harold Laski, among others, argued that any attempt to render social and economic structures congruent with political democracy would, even in the case of England, encounter a reaction aimed at hampering the achievement of such an end (see Laski 1933, 1934).

Polanyi’s experience as observer and commentator of the situation in England had an undoubted influence upon the genesis of *The Great Transformation*.

One need only think of the real and symbolic importance this book attributes to the collapse of the Gold Standard, or to the evidence that a new economic policy had only become possible after the weakening of working class resistance and the collapse of socialist or socialist coalition governments, thanks also to the constraints imposed by the old-style economic policy. All in all, England was the home of the “market system”, and the fate of such a system throughout the world was linked to the fate of British hegemony.

1.4 A Democratic-Corporatist Transformation

We may now turn to a subject that occupies a central place in Polanyi’s articles but remains generally implicitly presupposed in *The Great Transformation*: the industrial reorganization of Great Britain, seen from a technical, economic and, above all, political point of view. Initially, Polanyi pays particular attention to the coal industry. Later, in 1934, he wrote numerous articles on the textile and steel industries, and on the new “managerial and self-sufficient” agricultural policy that cut the import from the Dominions, thus weakening the imperial link (“Agrarische Zwangswirtschaft in England”, 3 March 1934; “Elliot oder Empire?”, 19 May 1934). The Minister of Agriculture, Walter Elliot, and industrialists alike all put great reliance on the customs barrier, which had been set up in 1932. After a century of free trade, Great Britain too adapted itself to the “new wave of protectionism”, the approaching of which Polanyi had already observed (“Neue Schutzzollwelle”, 28 November 1931).

Polanyi never considered the technical-economic aspect of industrial problems in isolation; he always looked at the overall social context and the historical situation. When analyzing coal industry, in 1925–1926, he looked at the social struggles in which the miners had played a leading part, at wage and normative agreements, at government intervention and at the possibility of socialization (such socialist idea was encouraged in the post-war period also by the experience of the wartime economy; no need to recall the debate on *Sozialisierung* in German-speaking countries). As already pointed out, Polanyi would later realize the ways in which the situation changed. The period during which the workers’ movement had been growing, and had been able to put forward solutions to the problems of an industrialized society, came to an end; the initiative lay henceforth with the other side.

In two 1928 articles (“Liberale Wirtschaftsreformen in England”, 11 February 1928 and “Liberale Sozialreformer in England”, 25 February 1928) Polanyi discusses the reforms proposed in *Britain’s Industrial Future*, the report published by the Liberal Industrial Enquiry, which was set up under the auspices of Lloyd George and took advantage of the collaboration of J. M. Keynes. Polanyi points out that the “Liberal reformers’ liberalism” goes beyond classic utilitarianism and individualism, beyond a pure and simple faith in market forces. It even envisages a sort of “social policy” rich in “psycho-logistic pragmatism” – that is, it pays careful attention to workers’ ideas on their own situation, and it is founded on the conception