

The Elusive Karl Polanyi

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Karl Polanyi had thought of calling his magnum opus *Origins of the Cataclysm*, or *The Liberal Utopia*, or *Freedom from Economics*. His publisher, worried about the book's marketability, instead gave it the title by which it eventually became famous: *The Great Transformation*. It was an ambiguous phrase. Readers might imagine that "the great transformation" refers to the history the book traces: the imposition, equally utopian and violent, of the market economy upon a recalcitrant society, spreading from England to encompass the globe and ultimately bringing on the collapse of world order in the twentieth century. But for Polanyi the great transformation lay not in the past but in the future. It referred not to the coming of market liberalism but of socialism, understood as "the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society." And this transformation would be the culmination of the dynamic that he famously called the "double movement," in which the ravages of the market inevitably lead society to "protect itself" against depredation.

The more optimistic title did not make the work a rousing success upon its publication in 1944. As the book went to press, its itinerant author returned to London from the United States and promptly failed once again in his attempts to secure permanent academic employment. By the time he finally landed at Columbia a few years later, he was over sixty years old and approaching retirement. Upon Polanyi's death in 1964, his brief *New York Times* obituary identified him simply as "an economist and former Hungarian political leader"—the indefinite article as revealing as the misleading choice of labels.

It was only in the decades after his death that Polanyi and his book would become iconic. In recent years he has been ubiquitous: one recent commentary claims (debatably, but not laughably) that his popularity among contemporary social scientists is second only to Foucault's. Yet Polanyi has had several distinct afterlives. The first wave of Polanyians, beginning in the 1960s, consisted mostly of anthropologists investigating the distinctive

economic logics of pre-capitalist societies. The second wave, beginning in the 1980s, were sociologists anatomizing the social networks and institutions in which our own economic activities are inevitably embedded. In the first decade of this century, Polanyi was taken up as a tribune of “counter-hegemonic globalization,” his double movement transplanted to the global South to analyze social movements in the age of Seattle and Porto Alegre.

Since the Great Recession, Polanyi has become something else: a totem for social democracy, much like Marx for communism or Hayek for neoliberalism. Both disciples and critics have portrayed him as the master theorist of the welfare state, with verdicts on the thinker reflecting deeper judgments of the system. Admirers have seen his work as the theoretical underpinning for a strong and slow boring of hard boards: a model of decommmodification that can tame the market without toppling it. And this in turn has engendered the beginnings of a backlash among those—predominantly Marxists—who charge that the Polanyi revival stems from mere nostalgia for a postwar social-democratic order that always contained the seeds of its own destruction.

Does social democracy need a totem? And if so, is Polanyi the man for the job? Both sides of this debate have often accepted a model that deserves skepticism—one in which canonical theorists do battle on behalf of entire social orders, like ancient champions settling wars by single combat. To some extent Polanyi’s current popularity reflects the desire of the non-Marxist left for a champion of its own to compete with that other Karl. But this is likely a case of misplaced envy, since it is doubtful that either Marx or Marxism has been well-served by the identification of thinker and movement. Social democracy will stand or fall regardless of whether it has a master theorist to underwrite it.

More importantly, Polanyi himself is an uneasy fit as spokesman for any specific social order. Like many other great thinkers, he was better at offering diagnoses than cures. (*Origins of the Cataclysm*, the working title of *The Great Transformation*, gives a truer sense of the book’s contents and its value.) Polanyi grasped the interplay between the expansion of markets and the protective reactions against them. But such reactions (as he was well aware) can take a variety of forms, many of them ugly. “Protection” was a notable keyword of Donald Trump’s recent inaugural address, second in prominence only to “carnage”—a pairing that would not have surprised Polanyi, although not even he could have anticipated The Donald in all his spray-tanned majesty.

What, concretely, would a healthy rather than pathological kind of protection look like? Polanyi never answered with much specificity, except to make clear that the postwar Western order was not it. The coming transformation was one that he foresaw only murkily. And this murkiness is characteristic of his thought, for even the canonical Polanyian concepts—double movement, fictitious commodities, embeddedness—prove surprisingly

elusive upon inspection. He was far from a systematic thinker, and could grow less convincing as he grew more systematic. But systematicity is not the only intellectual virtue, or even the most important; open-endedness, even at the price of tensions and ambiguities, may be just as valuable. What Polanyi offers is not so much a theoretical foundation or a practical program, but something vaguer and more inchoate: a vision of modern capitalism, a sense of its dynamics, an orientation toward what came before it, and what might come after.

The Polanyi revival has now yielded the first full-length intellectual biography of the thinker. Gareth Dale is the author of a previous monograph on Polanyi, and his new biography *Karl Polanyi: A Life on the Left* does not wade deeply into the various interpretive debates that were surveyed in the earlier book; instead, it offers a brisk but thorough account of Polanyi's life and times. Despite this light touch, Dale's invaluable portrait unsettles some of the received images of its subject, above all by tracing his intellectual journey in its full sweep. Polanyi is unusual in being so deeply identified with a single book, and the temptation is to read *The Great Transformation* as the authoritative distillation of his thought. But it was only one step—and not the final one—in a career that was itinerant in both literal and intellectual terms.

Born in 1886, Polanyi grew up in Budapest to a prosperous German-speaking bourgeois family. His father made his money in railroads, but went bankrupt when Karl was a teenager and died five years later. Like Marx, Polanyi's maternal grandfather was a rabbi; again like Marx, his immediate family was highly assimilated and felt a certain contempt for the "ghetto" of Jewish communal life. "Polanyi" was a Magyarized version of the Jewish "Pollacsek," and although the family remained nominally Jewish—Karl remembered being raised with "an intense, if vague, religiosity"—both Karl and his brother Michael would eventually convert to Christianity. He grew up in the world of assimilated Budapest Jewry that would also produce his friends György Lukács and Karl Mannheim, and his eventual nemesis, Arthur Koestler.

Polanyi got his start as a journalist and political impresario rather than as a scholar. In 1914, he helped his mentor Oscar Jaszi found the Radical Bourgeois (or Civic Radical) Party, aligned with the reformist socialism of Eduard Bernstein in Germany. The year after, he volunteered for the Austro-Hungarian army, serving as an officer until a bout of typhus forced him home toward the end of the war. In the chaotic period following the collapse of the Habsburg Empire, Polanyi and the Radicals joined with the Social Democrats in the government of the new Hungarian Democratic Republic. When its leader was replaced by the communist Béla Kun, Polanyi—although anti-Bolshevik himself—accepted Lukács's offer to serve in the



In *The Great Transformation*, Polanyi wrote that Red Vienna's attempt to transcend the market economy produced "one of the most spectacular cultural triumphs of Western history." Here, Karl-Marx-Hof, the longest single residential building in the world, completed in 1930. Photo by Jan de Boer.

short-lived Hungarian Soviet Republic. But he left Hungary in June 1919 to undergo hospital treatment in Vienna, and two months later Kun's government fell, replaced the next year by the right-wing authoritarian regime of Admiral Horthy. Polanyi would not return to Hungary until he was an old man.

Polanyi lived in Vienna from 1919 until 1934, and it is in this period that his thinking began to mature. He was inspired by the city's political culture under its new Social Democratic government; looking back upon it in *The Great Transformation*, he would write that Red Vienna's attempt to transcend the market economy produced "one of the most spectacular cultural triumphs of Western history." His politics shifted to the left, as he got to know the leading lights of Austro-Marxism and traded Jaszi's reformism for guild socialism. In debates over the feasibility of a planned economy, he sought a middle way between central planners and free-market liberals, in the process crossing swords for the first time with Ludwig von Mises (who would serve as his main foil in *The Great Transformation*).

The most lasting new influence he encountered in the Vienna years was the woman who would become his wife: Ilona Duczynska, a revolutionary communist in exile from the counterrevolution in Hungary. Duczynska was

bolder and more radical than her husband: during the First World War, she had plotted to assassinate the Hungarian prime minister, and she would be expelled first from the Hungarian Communist Party and then from the Austrian Social Democrats for refusing to toe the party line. Yet the scholarly Karl and the activist Ilona complemented one another, and Dale suggests that their views converged gradually (if never completely) over the course of decades. Their forty-year marriage appears to have been a largely happy one—even if its outlines could sometimes be depressingly traditional, as Ilona reluctantly changed countries and continents to accommodate the vagaries of her husband's career.

After an initial flirtation with Marxism in his youth, Polanyi had turned against it in the years leading up to the First World War, and he never became any kind of orthodox Marxist. Yet the common tendency to set the two thinkers against one another obscures a more complicated intellectual relationship. In the Vienna years, he became increasingly sympathetic to Marx once again, and was particularly struck by the Marxian theories of alienation and commodity fetishism. Although Polanyi would distinguish his own theory of fictitious commodities from commodity fetishism, his broader vision of the “disembedding” of economy from society bears its imprint. He, too, envisions relations between persons becoming subordinated to relations between things—the rise of a “spectral world,” as he glossed Marx's theory, in which nonetheless the “specters are real.” And if this spectral world served as an acute diagnosis, Marx's “community of free individuals” provided an ideal and a path forward. Upon the publication of Marx's early writings in German—the same writings whose appearance in English and French a generation later would inspire the New Left—Polanyi declared that they “may still save the world.”

But Marx was not Polanyi's only prophet. At the end of the First World War, confined to bed with typhus, he converted to Protestantism, and he would remain a Christian for the rest of his life. The specifically theological content of his faith is unclear, and perhaps unimportant. Polanyi's Christianity was always a political creed, inextricable from his socialism. Jesus had revealed that the “true nature of man” was freedom achieved in communion with others; Marx had gone “beyond Jesus” by showing what attaining this ideal required in a complex industrial society. And so every true Christian must be a Marxist and every true Marxist a Christian. Leaving Vienna for London in 1934—once again, a step ahead of the counterrevolution—he immersed himself in the world of Christian Socialism and struck up friendships with stalwarts of the interwar British left like R.H. Tawney and G.D.H. Cole.

Polanyi's leftward turn in these years often put him at odds with intimates from his Budapest days—his former mentor Jaszi for one, but above all his younger brother Michael, the famous scientist, philosopher, and social theorist. Michael Polanyi was, among other things, a staunch

anticommunist, whose writings on “spontaneous order” would be an inspiration to Hayek. The brothers clashed repeatedly over the decades on the subject of actually existing socialism, in ways that do not always do credit to Karl. Michael was angered by Karl’s credulous excuses for Stalin’s show trials, and particularly his mealy-mouthed response to the treatment of their niece Eva, who had emigrated to the USSR before being imprisoned and interrogated on trumped-up charges at the height of the Great Terror. (Eva’s ordeal was among the inspirations for her onetime friend Koestler’s *Darkness at Noon*.)

The political tensions between the brothers would never fully subside. Yet they evidently shared a bond that kept them close when politics would otherwise have driven them apart. Michael was generous in his response to *The Great Transformation*, although he could hardly have agreed with much of its content; as Karl worked away at the manuscript during the war years, Michael described him to Ilona as “a man whose purpose must be to reap, to collect and bring to final shape the gains of a lifetime of thought. It is the only good he can do; to himself and to society.” Perhaps this was just fraternal loyalty. But reading the anticommunist insist to the communist on the importance of a work that bore her imprint far more than his, we can begin to get a sense of why so many have found the final product so compelling.

Polanyi had begun *The Great Transformation* in England in the late 1930s—much of his research on economic history began as drafts for the adult education lectures that were his primary employment—but he wrote the bulk of it from 1940–43 on fellowship at Bennington College in Vermont. His tranquil environs stood in sharp contrast to the chaos engulfing the rest of the world, but the book remains unmistakably a product of the war years, with the same urgency that marks contemporaneous works like Hayek’s *The Road to Serfdom* and Horkheimer and Adorno’s *Dialectic of Enlightenment*. In 1943, itching to get back to Europe for the end of the war, he left the nearly finished manuscript with three friends who got it into publishable form: one a liberal, the second a conservative, the third a socialist, he noted proudly, each of them “believing it to be essentially true.”

The Great Transformation is a mesmerizing and deservedly famous book, but it is not an orderly treatise. Some of this was due to the rushed circumstances of publication, some to Polanyi’s own cast of mind; even in less harried times he was never a methodical system-builder. The work is united by a set of broad themes: the impossibility of any society persisting on the basis of the market alone; the violence involved in attempts to impose a self-regulating market; the inevitable protective (and protectionist) measures by which society defends itself; the instability resulting from this “double movement.” Yet on the surface its changes of subject can be dizzying, as it jumps from the collapse of the international gold standard in

the 1930s to the anthropological evidence of “primitive” non-market economies to the effects of the Industrial Revolution in England.

Inevitably some parts have held up better than others. Polanyi’s English economic history—and particularly the enormous importance he attaches to the Speenhamland system of poor relief that began in 1795—has rarely found much favor with historians. The leading English socialist historians of the day, like Tawney and Cole, gave the book a polite but decidedly mixed response upon its publication; more recently, the sociologists Fred Block and Margaret Somers (in their sympathetic but not uncritical 2014 study *The Power of Market Fundamentalism*) have sought to salvage what is valuable in Polanyi’s Speenhamland narrative while discarding much of its historical account.

Polanyi is hardly the only theorist to fall back on a little potted history. But the difficulties in the book extend to some of its main concepts. Notably, Polanyi’s theory of “fictitious commodities” holds that the commodification of land, labor, and money has uniquely destructive effects upon society. He writes that “land, labor, and money are obviously *not* commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them.” Although the theory is among Polanyi’s most well-known innovations, it has perplexed most commentators who have studied it closely—not least for the implication that other objects sold on the market simply *are* commodities in some natural and non-fictitious sense. However important decommodification might be as a political program, it is hardly obvious that it can or should proceed along the line demarcating Polanyi’s fictitious and non-fictitious commodities. And once again sympathetic critics like Nancy Fraser have tried to salvage what is valuable in the theory in ways that render it largely unrecognizable from the original version.

Elsewhere, Polanyi’s arguments might best be described as productively ambiguous. Consider the most famous Polanyian concept of all, “embeddedness.” What does he mean by the claim that “[e]conomic systems, as a rule, are embedded in social relations”? It could be understood as a claim about human motivations; the same sentence goes on to specify that “distribution of material goods is ensured by noneconomic motives.” It could also be a claim about social structures: material distribution is governed by institutions other than price-making markets, and there is no economic sphere distinct from the broader society. Or it could be a claim about origins: markets do not exist naturally, but must be created by conscious and continuous political interventions.

Most importantly, how should we read the phrase “as a rule”? Does it mean “universally,” or “typically”? The ambiguity speaks to a deeper question in Polanyi’s work: is it possible for an economy to be *disembedded* from society, and is this what has happened under modern capitalism? Or is every economic system, including our own, inevitably embedded? Polanyi



The facade of *Hundertwasserhaus*, another well-known public housing complex in Vienna. Photo by Olga Khomitsevich.

emphasizes that the classical economists' faith in a self-regulating market—that is, a disembedded one—was a utopian delusion. But was it delusional because a disembedded economy is impossible, or simply disastrous?

Polanyi looks rather different depending on our answers to these questions. Take him as a theorist of what Block and Somers call the “always-embedded market economy,” and he begins to look like a contemporary economic sociologist, the discipline that made embeddedness into a catchword by seeking to show the inevitable social underpinnings of markets and the networks connecting actors within them. An eminently sober research program, and a useful check on the wilder speculations of the grand theorists—if sometimes a bit bloodless, bearing little resemblance to the Polanyi who aspired to grasp “the meaning of life in an industrial civilization.” Take him to be envisioning a genuinely disembedded economy, by contrast, and Polanyi begins to look more like a classic social theorist along the lines of Marx and Weber. (Or Ferdinand Tönnies, another major influence upon Polanyi, who had written of a “great transformation” separating *Gemeinschaft* from *Gesellschaft*.) This would be a more pessimistic Polanyi, envisioning the disembedded market as a specter that is nonetheless all-too-real.

Which of these is the real Polanyi? The “always-embedded” interpretation tends to find more favor with scholars today, but the evidence in Polanyi’s own work is scattered and ambiguous. Block and Somers suggest that Polanyi had gradually, but not fully, left behind his Marxian roots in writing *The Great Transformation*; although he “glimpsed” the idea of the always-embedded economy, he was not able to name or develop it. Dale is less convinced by this developmental story, and he suggests that over time Polanyi became more the grand social theorist, increasingly attached to the vision of a chasm dividing modernity from what came before. It is probably impossible, and certainly unnecessary, to resolve the question definitively; Polanyi’s ambiguity on this central point is part of what has made his thought so fertile.

Polanyi had agreed with his publisher to write a sequel to *The Great Transformation* (with the unpromising title *The Common Man’s Master Plan*) spelling out the concrete political proposals implicit in the first book. But he never wrote the sequel, and his failure to do so might indicate that he himself was unsure of the exact political implications of his argument. The two decades that passed between his masterpiece and his death saw the growth and zenith of the postwar welfare state that then began to disintegrate in the 1970s. This is the social order whose champion Polanyi is often held up to be. Yet anyone hoping to find a sustained justification of it in his later writing, or even a sustained analysis, will be disappointed; mostly it figures as an absence.

This is not to say that he was entirely politically apathetic or withdrawn. He had initial high hopes for the Attlee government in Britain, as he had earlier for the New Deal, but this enthusiasm soon cooled. International rather than domestic politics occupied the bulk of his political attention, and as the war wound down he trained his sights on Bretton Woods. He saw the new monetary system as a continuation of the same impulses that had underlain the gold standard and free trade, those “primitive Trotskyist forms of capitalism” which he blamed for the collapse of world order. Only by further insulating themselves from the forces of international capitalism could Britain and other countries hope to build socialism at home.

Throughout the Cold War, Polanyi was determinedly anti-anticommunist, even as comrades from earlier days lined up on the opposite side. (He spent his final years planning a journal to counter the various “pseudoscholarly American-sponsored organs that are carrying on Cold War propaganda” abroad—a scarcely-veiled jab at his brother Michael, who had gotten into bed with Koestler’s Congress for Cultural Freedom.) He remained uncritical of the USSR to a fault, and his postwar optimism about the Soviets’ willingness to tolerate democracy in the Eastern Bloc has not aged well, although he was deeply moved by the 1956 Hungarian uprising

when it came. As for the situation at home, Dale notes the “ambiguity and ambivalence” of Polanyi’s occasional treatments of market society’s postwar evolution. On the whole, his gloomy view of the dawning “Machine Age” was consonant with that of other postwar critics of mass industrial society. What divided him from the nascent New Left was not so much his higher estimation of the Western status quo—for he shared many of their diagnoses—but his Old Left instincts when it came to actually existing socialism.

Still, Polanyi’s postwar career was hardly idle or unproductive. Disappointed with the present, he turned his attention to the past. Ensnared at Columbia, he began sustained investigation into a topic that had figured importantly, but only briefly, in *The Great Transformation*: the nature of economic life in non-market societies. In that book, he had been largely content to follow anthropological studies on the economics of “primitive man”; now he cast his net wider, looking beyond these stylized portraits of tribal life to examine kingdoms and empires in greater detail. His work in these years became the wellspring of the so-called “substantivist” school of economic anthropology. Its influence is visible in the works of his students and collaborators—Moses Finley’s *The Ancient Economy*, Marshall Sahlins’s *Stone Age Economics*—as well as in more recent works like *Debt: The First 5,000 Years*, by Sahlins’s own student David Graeber.

What officially divided the substantivists from their opponents, the “formalists,” was a somewhat abstruse dispute about the proper definition of economics: the substantivists thought of it in terms of the satisfaction of material needs, the formalists (more abstractly) as any kind of rational choice under conditions of scarcity. In practice, however, the debate revolved around the broader question of whether economic concepts developed to analyze the workings of modern capitalism might legitimately be used to understand all societies across history. Polanyi and his followers insisted on the historical exceptionalism of modern market society, and the wide variety of ways that humans have organized economic life throughout history. Once we understand that market society is the aberration, Polanyi suggested, history will no longer appear as one long quest to achieve *laissez-faire*. We will instead see history as a catalog of other ways that societies have organized themselves, and might still again.

Polanyi’s detractors across the political spectrum have always accused him of romanticism, of idealizing pre-capitalist societies and ignoring the forms of oppression that underlay them. In its cruder forms, the accusation is unfair, for Polanyi never suggested that a return to earlier modes of life was possible or desirable. He aimed at “freedom in a complex society” (the title of *The Great Transformation*’s coda), with “complex” understood to mean modern, differentiated, democratic, industrial. But on some level the charge sticks: a vision of *Gemeinschaft* is central to his work, and those allergic to

that sort of thing will want to look elsewhere.

In a way Karl, like his brother Michael, remained a theorist of spontaneous order, the difference lying in which forces they took to be organic and which to be artificial. Karl's aphorism that "[l]aissez-faire was planned; planning was not" is sharp and suggestive, but equally it illustrates the ways in which (as scholars like Philip Mirowski have pointed out) his thought often moved within the same dichotomies as his opponents'. The market becomes the artificial product of conscious intervention, society's self-defense against the market becomes spontaneous and natural.

A more effective response to the errors of classical liberalism would leave behind the unhelpful category of the "spontaneous" altogether. Doing so would let us see both sides of Polanyi's double movement as products of willful and concerted interventions of various kinds. Certainly this seems a better angle from which to analyze our own predicament. Will society protect itself against the present ravages of the market? We may hope so, but if it does there will be nothing inevitable or spontaneous about it. Polanyi, writing in the wake of fascism, was certainly aware that the second side of the double movement had its own dangers, but his categories risked eliding this fact, and subsequent Polanyians have often forgotten it. The current political moment should remind us that we cannot fall back on romanticized entities like "society" or "the people" to do our work for us.

Still, what traces of romanticism remain in Polanyi's work have a value of their own. If he can glide over the oppressions involved in past forms of social life, he nonetheless offers a useful corrective to the more frequent tendency to see history as consisting of nothing but oppression and resistance to it. The longing for a pre-capitalist or pre-industrial past has played an enormous role in the popular history of the left, yet the movement's resolutely modernist theoreticians have generally treated this impulse with embarrassment or outright contempt: at best a useful myth for the moment, ultimately destined to be swept away along with the rest of the idiocy of rural life. The theoreticians have often tried to purge all traces of nostalgia from the culture of the left, but have never been entirely successful in doing so—and, probably, we should not wish them to be.

Polanyi offers a different orientation toward the past, one found infrequently among the left's intellectuals and scarcely at all among its social theorists. Without surrendering to nostalgia—he remained, in his own way, very much a modernist—he took it seriously as more than mere myth or misrecognition, and thought hard about what resources an industrial or post-industrial society might draw from other times and other places. Perhaps we should be more suspicious of the past than Polanyi sometimes was. But he reminds us that we cannot hope to leave it behind altogether—certainly not today, as we try to come to grips with our own cataclysms.

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