

POLANYI'S SOCIAL THEORY: WAS THERE ONE, AND WHAT WAS IT?

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Gábor Bíró's valuable book is devoted to "economics," but as he makes clear, for Michael Polanyi economics was a broad topic. It was not limited to economic theory, represented for him by Lionel Robbins writings of the 1930s, which distinguished the purely economic domain in which laws held from the actual world of economic life, in which many other causes determined outcomes. It was concerned with policy, especially in his case policy related to the employment crisis of the 1930s. And to deal with this Polanyi added a great deal, and also dealt with the great ideological divide between liberalism (and especially free-trade) and the vision of a Communist future presented vividly in the Webbs' notorious Panglossian book on the Soviet Union, *Soviet Communism: A New Civilization?* (1935). In writing on these topics, Polanyi was compelled to wrap his economic commentary with comments about social theory topics, though the comments at this point were very thin. The question these comments present is this: do they represent the elements of a coherent social theory, and was this theory consistent over his career and the topics he eventually wrote on? And this question raises another, more plainly historical one: how did Polanyi come to his views?

Because the main topic he wrote on was science, and because these writings were "liberal," we are faced with an immediate problem: the kind of personal autonomy he takes to be essential for pure science and inimical to its "planning" is more closely akin to the kind of economic libertarianism, which, as Bíró suggests, he rejects or qualifies in his economic writings of the 1930s and 40s. In the economic writings, Bíró says, he seeks a "third way" between ideological extremes, involving government intervention but not the complete suppression of individual initiative. In the writings on science, he seems to argue that the social control scientists informally exercise on one another as members of a community suffices as a means of organizing this community, that it is optimal for the growth of pure science as an intellectual enterprise, and that state interference should be minimal and would be detrimental. There seems to be no "third way" for science.

There is, however, a connecting thread, which Bíró identifies. In the 1930s Polanyi called for social consciousness of a kind not part of the purely liberal or libertarian image of society. Presumably it is this social consciousness that would motivate economic policies that governments would then enact. And we have a parallel in science: funds need to be distributed and decisions about who is deserving need to be made. These get made by people (senior scientists acting like Plato's Guardians, in his writing in the 1940s) or systems of peer-review. Both are presumably motivated by a shared concern for the growth of science or scientific merit. In each case, economic policy or scientific choice, there is a hand that is visible, but light, because it is not felt as the exercise of authority but as the right thing to do, in accordance with a shared social consciousness in the case of economics, or in the case of science because of a shared sense of scientific truth. In the immediate post-war period he holds out science as a model for society generally:

The world needs science to-day above all as an example of the good life. Spread out over the planet scientists form even to-day, though submerged by disaster, the body of a great and good society (Polanyi 1946, 289).

And:

We scientists are pledged to a higher obligation, to values more precious than material welfare; to a service far more urgent than that of material welfare. Europe can be saved only by the spirit. Our duty is to keep faith with the spirit in science (Polanyi 1946, 289).

Stirring language, and quite clear on the necessity for “spirit”: but what did it mean to Polanyi, and how does it relate his thinking of the 30s to that of the 50s, when he was a warrior for the Congress for Cultural Freedom?

In a sense this is the question that the major biographical works on Polanyi have attempted to answer: what formed his political and social thought, what were the continuities, and what produced the changes? The answers have differed, in some respects, and complicated the picture. The older, simpler view was that he was intrigued by the Communist experiment in Russia, went there, was appalled by Bukharin’s view of science, saw that the much vaunted “planning” was not planning at all, but a concealed bidding system. In this interpretation, the scales fell from his eyes and he embraced market economics, or at least became an anti-Communist. He underwent the same reaction to the Social Relations of Science movement, coming first to a defense of pure science and then to a fully articulated vision of the scientific community as an arena of spontaneous coordination analogous to the free-market itself. The biographies show a more complicated story—but still a muddled one, with many matters open to interpretation. Bíró’s book is a contribution that deepens the discussion.

Bíró’s News

The great merit of Bíró’s book is in his analysis of the epistolary Polanyi—the letters he received and wrote in the 1930s, when he was thinking about the problem of economics and came to the view that economic education was necessary to create the right kind of social consciousness to serve as the basis of the right kind of interventions. A word about this astonishing era and his correspondents (whom Bíró identifies but does not spend much time contextualizing) might help here. In Britain especially (but differently in the United States), the period after the Great War was one of agonizing doubt—over progress, religion, goodness, and the future. The Great Depression and the inability of the parliamentary system to produce either consensus or basic decisions, together with the apparent economic successes of the “planned” dictatorial states, produced a vast intellectual response. The Webbs were only one example: Catholic sociologists called for the revival of just price theory; R. H. Tawney extolled the high middle ages as prosperous and egalitarian (1926; 1930; 1931); Mannheim argued for a new era of planned social life, including the “planning” of values (1943); the Moot debated the possibility of a revived and renovated Christianity and the revival of European Christendom; movements such as Moral Rearmament advocated and indeed practiced on a grand scale the idea of moral regeneration as a solution to the world’s problems; and so forth.

Polanyi’s correspondents in the 30s comprise a fascinating soupçon from this teeming ideological cauldron. They ranged from people like Lancelot Hogben to central European liberals who had emigrated both to Britain and the US; his family, including his brother Karl (and one of his older brothers, Adolph—the other, Otto, had been excommunicated from the family for his enthusiastic, though later withdrawn, support of Mussolini); and various utopian and ideological novelists.

The correspondents leaned Left. Patrick Blackett was later described in print by Edward Shils as a Stalinist apologist (Nye 2004, 13); Hogben was an anti-economist and “social biologist” and a man of the Left. Robert Merton’s review of his edited book *Political Arithmetic* praised him: “In a typically vigorous introduction, Professor HOGBEN announces his intolerance of economic mysticism and scarcity dialectics and presents a case for factual social studies rather than home-spun verbalistics” (1939, 556). G. D. H. Cole, of guild socialism fame, makes an appearance, and one can detect traces of the guild idea in Polanyi’s own depiction of science. There were also various Leftist and Communist scientists and science writers of the social relations of science movement, such as J. G. Crowther, who had been influenced by Bukharin and promoted the idea of the “frustration of science” by capitalism (which Robert Merton endorsed in a notorious footnote on Communism in his “norms” paper [1942, 123]), and the influential Leftist journalist and historian of French thought Kingsley Martin, who feuded with Orwell over a review of a book by Franz Borkenau, yet another correspondent.

Even the relatively obscure correspondents were well-connected. Toni Stolper, whose husband (who contributes comments) was the witness to Max Weber’s famous comment after the war that “I have no political plans except to concentrate all my intellectual strength on one problem, how to get once more for Germany a Great General Staff” (G. Stolper 1942, 318n). Franz Oppenheimer was a physician and land reformer of the Henry George stripe, who was the first to hold a Sociology Chair in Germany. Ludwig Lachmann, a student of Sombart who emigrated to and then from South Africa, was a rigorous critic of both Keynes and Hayek. He thought they had both, in different ways, stopped short of fulfilling the promise of subjectivism. Their work substituted abstractions in the face of the problem of knowledge, specifically in modelling the economic subject faced with uncertainty (1986, 98-100). This reflected the fact that the problem of knowledge was a hot-topic in the economics of the 1930s, one which was never satisfactorily resolved.

The list also leans heavily toward Central Europeans, especially Hungarians and Viennese. And their common experience, which shines through the quotations from letters from Toni Stolper, was with encountering the actual, habitual and unarticulated, non-ideological form of functioning liberal democracy—something they could not experience in central Europe, where liberalism was an academic idea and the political allegiance of only a tiny fragment of the population. It fascinated and sometimes horrified them, especially for the apparent lack of theoretical grounding. Polanyi of course shared in this fascination, with seeing how English political conflicts were never pushed to their logical conclusion, for example. They felt compelled to provide this system with the ideological or ideal interpretation that the participants could not and did not articulate. Hayek, another correspondent, turned this compulsion into a deep engagement with the ideological opposition to liberalism, and to the construction of an explicit defense of liberalism. In part, this reflected their desire to protect it from their more ideologically powerful opponents: Nazism and Communism. But in part it was an intellectual puzzle forced on them by the shock of experience, which they felt compelled to theorize about and share their thoughts with others in the same situation.

One aspect of this coming to terms that Bíró does not explain is the intellectual world specific to the Polanyi family. This is the focus of the chapter on the Polanyi family in Peter Drucker’s autobiography (1978). Drucker, who knew all the Polanyi’s but was closest to Karl, observed that

All of them, beginning with the father in Victorian days and ending with Karl and his brother Michael in the 1960’s, enlisted in the same cause: to overcome the nineteenth

century and to find a new society that would be free and yet not “bourgeois” or “liberal”; prosperous and yet not dominated by economics; communal and yet not a Marxist collectivism (1978, 126-7).

This accorded with a specific view of economic theory: that “Liberals of the nineteenth century Manchester School were wrong in their assertion that the market is the only alternative to serfdom” (Drucker 1978, 138). This is what Michael brought to his encounter with economics, so it is not surprising that he wished for a middle way.

The Puzzle of Polanyi’s Economics

It would be a massive task to fully trace Polanyi’s interactions and the ways in which each correspondent contributed to his thought. Bíró’s goal is much narrower. He tries to construct an account of Polanyi’s response to the economic side of these issues, but it is one that spills over into social theory in a variety of ways. In many ways it is a puzzling picture, though, which raises more questions than it can answer. Bíró’s mantra is this: Polanyi wanted to replace the conception of *homo economicus* with a vision of humans as knowers who combine “three aspects: understanding, believing and belonging.” Bíró thinks that this conception offers new opportunities for the interpretation of economics (142), even a postmodern economics.

Bíró emphasizes the film that Polanyi produced which promoted a degree of Keynesian intervention into the economy for the creation of full employment—the great problem of the time. And this produces a kind of contradiction, because Keynes, and the film, assume a more or less standard economic agent. There is a sense in which Keynes departs from this model, inasmuch as fiscal stimulus is designed to have more than direct effects on spending by creating a kind of illusion of well-being that encourages people to spend and extend their time horizon for decisions, and do things like borrowing against future expectations. But this is a small departure, and a peculiar one, as Lachmann points out (1986, 97-100), because it was an abstraction from a constantly changing reality. People don’t have time horizons: they just make decisions of various kinds for various reasons based on various beliefs that are abstracted into a number representing the aggregation of these decisions, and one that can only be inferred retrospectively.

Keynes’ point involves uncertainty, the uncertainty of the future that leads people to hold money, prefer liquidity, hoard rather than invest or spend, and the way in which entrepreneurs make decisions to invest in long term productive goods. None of this replaces economic man, but it does extend the model. In a sense it involves knowledge, but not in the way Polanyi thought of it in Bíró’s interpretation: it was rather the surprising result that “opinion,” and specifically the diversity of opinion about future interest rates, was essential to stability, because otherwise there would be mass movements into cash, or hoarding (Keynes [1936] 1973, 172). Lachmann’s point was that Keynes didn’t follow these insights to their natural, and radical, conclusions about economic man: namely, that these opinions couldn’t be made into a term in an equation in a predictive model, and that a properly (and fully) subjectivist economics would be historical rather than pretend to be predictive. But neither did Polanyi provide such an alternative.

The Later Polanyi

What changed for Polanyi? And how did his later thought develop from this period? The early writings that Bíró deals with were critiques of the ideologies of purist economic liberalism and planning, ideologies he considered destructive. They were not about society itself. But his appeal to the idea of social conscience

was the germ of a social theory: an idea of what the good society should have, but not an account of actual social life. In his characterizations of science during the forties we see the beginning of a shift to claims about how societies—in this case the society of scientists—really work. There is continuity in the sense that the spiritual element of science is important to his account. But there is an important change as well: to thinking of the community of science as governed by unarticulated commitments, or tradition.

In the end, these were the elements of his view of society as well: rooted in tradition, which supplied or contained the necessary spiritual element, the element that went beyond getting and spending. But for him, there were multiple traditions governing different areas of life. What they had in common was the power to allow for freedom, conviviality, individual achievement and recognition, and a dependence on tacit knowledge. They were threatened by a misunderstanding of their character and of the basis of social life itself, misunderstandings which were congealed into the ideologies of the age, as well as its academic doctrines, such as positivism and rationalism.

This was a hopeful vision, but also a conservative one in the sense that it was directed at the conservation of liberal society—and in this sense the vision did exactly what the Polanyi family tradition resisted: celebrate bourgeois society. The concept of spontaneous order won out. He was even willing to defend the de facto rule of free societies by what he frankly called an oligarchy (*M*, 204-5). But this was acceptable because the oligarchs ruled not by plan or subjection to the state, but by spontaneous order created by their independent decisions—as scientists, judges, and economic agents. His fear was that the moral conditions for a free society would be undermined by ideologies that amounted to nihilism—as they had been under Communism in Eastern Europe.

Drucker says of the Polanyi family that, “Each achieved greatly—but not the one thing they had aimed at. They all believed in salvation by society, then came to give up on society and despair of it” (1978, 140). Michael, he thought, had

looked to science to provide a way out between a bourgeois capitalism that denied community and a Marxist socialism that denied freedom. But very soon he gave up on society and became instead a humanist philosopher.... *Beyond Nihilism* is one of his best known papers, and it sums up both his concerns and answer. Michael Polanyi became a modern Stoic (Drucker 1978, 131-2).

“Stoic” is perhaps harsh, but it captures something important: his sense of the fragility of the liberal order and its dependence on a morality whose continuation it could not guarantee. But in a sense science did provide the “way out.” It gave him a model of the kinds of spontaneous orders dependent on traditions that a society could be composed of. The model, however, came with the pessimistic implication that science itself depended on a spiritual endowment of tradition that was not automatically self-perpetuating. And one can perhaps see the germ of these ideas in his encounters of the 1930s, which we should be grateful to Bíró for revealing.

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