

# “ON POPULAR EDUCATION IN ECONOMICS”: ANOTHER FOUNDATIONAL TEXT OF MICHAEL POLANYI’S THOUGHT



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## ABSTRACT

*This essay introduces Michael Polanyi’s 1937 lecture “Popular Education in Economics” and its context. This lecture is an important document sketching Polanyi’s initial critique of traditional liberalism and its alternatives (communism and fascism). Polanyi emphasizes the importance of mass enlightenment by education in economics in order to revise laissez faire economics “by some other means than civil war,” because until recently “man was not intelligent enough to understand the economic system.” Polanyi calls for “progress by persuasion” in order to empower man to master and direct the economic life. For the first time, Polanyi refers to the work of Keynes as an opportunity to avoid the mistakes of communism while allowing a reframing of liberal ideas.*

## Introduction: Polanyi in Manchester, 1937

The year 1937 should have been a busy year for Michael Polanyi. He was 46 years old, a time when he was energetic, intellectually sharp, and successful as a scientist doing research in chemistry, but tormented by his intellectual ambitions and the dramas in his country and family. Chemistry was becoming a world too small for his concerns and ambitions. He was committed to applying his skills, learned and improved during the previous twenty years in the frontier of the world in science, in order to understand more than chemistry. He also aspired to understand his world and its tragic destiny.

His mind was full of ideas about a better understanding of the world—the world of economics and politics, but also the world of science itself. From 1933 to 1936, his first three years in Manchester after leaving Berlin, Polanyi had more than fifty publications, all but three in the area of chemistry.<sup>2</sup> But now an important dimension of his intellectual concerns was not about his research in chemistry, but about investigating economics and public policy, or the economic foundations of political agency.

In June of the previous year (1936), Polanyi had delivered a lecture to the Association for Education in Citizenship in Manchester about the “visual presentation of social matters.”<sup>3</sup> I argued in an earlier issue of *TAD* that this was a foundational presentation for Polanyi’s thought, one that informed his next steps and inspired his efforts to produce a film on economics as an experimental prototype of a much more ambitious program of enlightenment using new media (films) to help both mass and specialized education.<sup>4</sup> This seems to have been part of a turning point in his career, although his concerns had roots in earlier years. The working group and the meetings promoted by Polanyi in Berlin in 1930 brought natural scientists and economists together seems to have been the ignition point of these new paths.<sup>5</sup>

In February of 1937, Polanyi delivered another lecture at another conference, but not in the areas of chemistry or science. Scott and Moleski (2005) say this “extensive lecture” was delivered to the Manchester Political Society.<sup>6</sup> This lecture follows up and complements his 1936 lecture (“Visual Presentation on Social Matters”), delivered less than one year before. The first section (two pages in the original) was not actually read during his presentation to the Political Society.<sup>7</sup> We can understand this introductory section as a challenge to the political positions of some scholars and a call for political action by the academy: “The destruction of freedom of thought has been accomplished without much resistance on the part of those whose profession is science and learning” (PE 18). Polanyi affirmed and then proposed that each member of the society present his or her “personal approach to politics.” Polanyi considered this to be “a proper test” for the society, and then he moved into his own presentation which was a reframing of liberal policies.

We do not know very much about the Manchester Political Society, which apparently included scholars, but we can imagine how challenging and disturbing these statements by Polanyi could have been. Maybe he had doubts about the sincerity of some of the members of the society; maybe he was considering previous political positions and omissions by some of them. We do not know, but in the end it seems Polanyi used his good diplomatic sense and took the option not to read these two pages, possibly to avoid potential conflict. Perhaps he was not very sure the society could survive such polemics and declined to test the water.

Polanyi lectured again, one month later (March 1937), this time discussing the lessons of the Russian Revolution. He later wrote a proposal for “a new research section”

in the University, not in chemistry but in economics and public policy.<sup>8</sup> In December of the same year, he addressed the Faculty Senate with his concerns about the use of instructional films for education and the challenges and opportunities that it raised for the University.<sup>9</sup>

Meanwhile, the actual production of Polanyi's film about economics began. It was during Easter of 1937 that Polanyi finished the outline of the film manuscript—immediately after the three lectures. By June, the plans for the film were ready and the initial funding was available. It was during the second half of this year (August 1937) that he started working with the film producers.<sup>10</sup>

During 1937, most of Polanyi's new work was not in chemistry perhaps for the first time in his life. Over the next several years, the number of his papers on topics in chemistry dropped significantly, and his writing (published and unpublished) in other areas began to take ascendancy.

### **The Lecture: “Revise Utilitarian Economics By Some Other Means Than Civil War”**

Phillip Chantler apparently gave a response after Polanyi's presentation to the Political Society.<sup>11</sup> Chantler was an economist in the Research Section of the Department of Economics and Commerce at the University of Manchester.<sup>12</sup> Chantler concludes the first part of his commentary with a good summary of Polanyi's thesis in the lecture:

A liberal system exists here, based on “free acquisitiveness.” Revolt against the system in other countries has resulted in *dictatorships*. Hence to avoid dictatorship “we must devise some means other than civil war to revise utilitarian economics...to make the community conscious of its collective purpose,” *but* progress by persuasion requires intelligence. Therefore requires an “enlightened public”. Therefore Polanyi advocates explaining the new economic ideas (Keynes, Roosevelt) in simple language: after popular exposition, the ideas would “serve as guidance for the reorganization of popular social forces.” Hence the political club should be a study group in “applied economics”—a first step towards popular education in economics (RPC 25:9).

In the lecture, Polanyi argues again that his intellectual approach to “progress by persuasion” bears on his conviction that social consciousness is lacking, but it is a “necessary condition of civilized development” and this is “based on the popular understanding of economic matters.” He goes on to say, “my approach to politics would be to elaborate the new economic ideas and at the same time to simplify their outlines

so as to make them comprehensible to the intelligent layman” (PE 23). So, “putting it bluntly, this Society would devote itself to the study of economics as an experiment to create a nucleus of educated people who would acquire an understanding of these matters” (PE 23). If the Society wishes “to avoid dictatorship we must revise utilitarian economics by some other means than civil war and must, in particular, find some means to make the community conscious of its collective purpose by means other than dictatorial regimentation” (PE 22).

Polanyi takes economics as the lock to be opened for political enlightenment through popular education: an “enlightened public would have...to direct its economic life” (PE 23). And he had found one helpful key: Keynes “has brought an understanding of the trade cycle which seems also to lead up to a proper definition of public responsibility in an industrial system”(PE 23).

### Polanyi’s Critique of the Liberal *Laissez-Faire* and the Totalitarian Alternatives

In his lecture to the Political Society, Polanyi develops two critiques: a critique of traditional liberalism and a critique of the alternatives developed in reaction to the failure of traditional liberalism, i.e., totalitarian regimes like communism and fascism.

His critique of traditional liberalism is quite important because at this stage Polanyi was already committing himself to restore and save the liberal ideas in a modern society. He identifies four fundamental inabilities of “this gravely deficient philosophy” by which he means the utilitarian economic theory, or the *laissez faire* of traditional liberalism (PE 20-21): (1) inability to secure justice in distribution of income, (2) inability to define the limits of buying and selling, (3) inability to grasp the trade cycle, and (4) inability to make the community conscious of and responsible for its economic life. But Polanyi thinks that these four inabilities can be managed by just rewards for people, a social role for government, and full employment policies which together provide “work and [an opportunity for all to] live an educated healthy life” (PE 20). The liberal framework could be saved—and liberal capitalism could have a future (if people better understood it).

Polanyi’s criticism of traditional liberalism is not far from that which Keynes articulated during the previous decade, and it thus is reasonable to associate Polanyi and Keynes. In 1929, eight years before this lecture, the liberal Keynes had written about his new “heresy” saying, “I abandon *laissez faire*...it entrusted the public weal to private enterprise unchecked and unaided.”<sup>13</sup> Keynes had been leading an intellectual assault on *laissez faire* doctrine and three years earlier had published a booklet, “The End of *Laissez Faire*,” in which he concluded that “improvements in the technique of modern capitalism by the agency of collective action” are possible and that “capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any

alternative system yet in sight, but that in itself is in many ways extremely objectionable.”<sup>14</sup> This was later refined in his *The General Theory of Employment, Interest and Money*, published in 1936, in which Polanyi also found sound theoretical foundations to manage capitalist economics: “at last we have before us a fundamental criticism of liberal economics which avoids the mistakes of communism,” Polanyi concluded in “On Popular Education in Economics.”<sup>15</sup>

Polanyi’s critique of communism is based on two (intellectual) errors that communism commits: (a) absence of competition in the economy, without the guidance of competitive prices, wages, and profits, and (b) the “disastrous theory of class war.” For Polanyi, modern fascism is akin to earlier communist ideas but with a different kind of class war, which has the same structure. But he does not think that the serious errors of communism (and fascism) can be addressed. So saving the “principles of free acquisitiveness” (PE 23) in democratic countries requires a revision of utilitarian economics (liberalism) in order to avoid dictatorship.

A fundamental idea in this text is that “intellectual errors” in “understanding the economic system” and “mastering the economic structure” are the sources of the crisis in the current period (between the wars). It is not differences in values in different societies—a provocative thought for those fighting communism because they believed it was destructive and hostile to Western values.

This is a lecture claiming an intellectual response to the crisis (and coming war), arguing that the best intellectual response is to be made by promoting a better understanding of economics by the masses, one empowering people to understand economic and trade cycles vagaries, and to adopt a new framework for the liberal cause.

### **From “Visual Representation of Social Matters” to “Popular Education” and the Historical Society Lecture.**

Both “Visual Presentation of Social Matters” and “On Popular Education in Economics” are lectures that argue for a program of enlightenment of popular masses through education in the basics of economics, what Polanyi calls “progress by persuasion” in “On Popular Education in Economics.” The first lecture deals more with matters concerned with “how to do it” (new powerful visualization tools to map macro-economic changes), while the second lecture deals more with “why to do it.”

In “Visual Presentation of Social Matters” Polanyi begins to articulate his criticism of *laissez faire* liberal politics (also designated utilitarian policies) and the dangers of an invisible hand without social purpose. In “On Popular Education in Economics,” he details and grounds that criticism. In “Visual Presentation of Social Matters,” Keynes is not cited, but in “On Popular Education in Economics” he is invoked in order to open the door to a social drive of the economic system, according to collective values. In both lectures, the ideas about the film under construction appear and are justified. In

“On Popular Education in Economics,” Polanyi says “I have put myself to some extent through the experiment which I suggested and I find that it gives rise to all sorts of ideas about the possibilities of a popular education in economics” (PE 24).

One month later, in March of 1937, Polanyi delivered his lecture to the Historical Society in Manchester about the lessons from twenty years of the Russian revolution.<sup>16</sup> In this lecture, his concerns about the liberal economic system are again expressed. Polanyi is afraid that if the inadequacies of the liberal system are not sorted out, then a new wave of unemployment will come with the next slump and it may well create the conditions for its own destruction.

From his analysis of the vicissitudes of the Russian revolution, Polanyi extracts three conclusions, two economic and one political: (1) “economic life has to be based on competition,” (2) “has to be guided by prices and profits, the effects of which are controlled, to a greater or lesser extent, by the action of the state,” and (3) the “working class can not establish its rule...by merely wiping out a handful of rich capitalists.” But he found something inspiring in the Russian experience: a “social consciousness in economic life...a great purpose dominating the economic life of a community” that “gives a meaning to the life of people...a new spirit which demands that economic life should become socially purposeful.” This third lecture is a clear complement of the “Popular Education in Economics,” since it is a continuation of the criticism of traditional liberalism.

### **The Origins of Polanyi’s Liberalism: Between and With Keynes and Hayek**

“On Popular Education in Economics” sheds some light on the development of Polanyi’s thought during the late thirties. Three years later, Polanyi wrote a short note consolidating his working model for “the liberal ideal.”<sup>17</sup> In this note, dated 1940, Polanyi begins by stating “the liberal ideal” this way: “completely independent parcels of resources captained by individual owners and used in bargain for distinctly personal advantage.” One can easily recognize the possible influence of Hayek’s account of economic order in this statement; one can also see an early formulation of some aspects of polycentric interactions and tasks that Polanyi later theorized.<sup>18</sup> So Polanyi developed his thought about liberal capitalism under the influence of both Keynes (at the macro level) and perhaps Hayek (at the micro level).<sup>19</sup>

Discussion of liberal thought in Polanyi has already produced a long thread of works, but Polanyi’s unpublished papers from the thirties can add some additional light about his process of thought; this material has not been much considered until now. For instance, Jacobs and Mullins (2008) offer a discussion of Polanyi’s liberal ideas from 1941 to 1951, but they do not deal with the origins and the construction of his liberal framework during the thirties. Allen’s book (1998) about liberal thought in Hayek and

Polanyi (and others) also concentrates on available primary sources available after 1946 (the year of publication of *Science, Faith and Society*). Tibor Frank (2010) discussed the Budapest roots of Michael Polanyi's liberalism, and does not treat these later materials; Paul Nagy (1996) also does not deal with Polanyi's thought in the thirties.

Interestingly, Harry Prosch recognized in his 1991 Kent State Conference paper, "Polanyi's Economics and the New Start in Europe" (included in this issue of *TAD*), the long term importance of "On Popular Education in Economics" in the construction of Polanyi's framework of the "free society," in which "some intervention by the State in the market is required both to perform some economic tasks and to care for people in accordance with our traditional values of humaneness and justice" (Prosch 1997, 302).<sup>20</sup> Prosch perhaps provides the best account of how Polanyi's view of economics can be integrated with Polanyi's broader philosophical framework.<sup>21</sup> He shows quite well how economic matters treated in the writing of the thirties and forties are an integral part of the comprehensive whole.

Like the preceding "Visual Representation of Social Matters," "On Popular Education in Economics" is another foundational text reflecting the development of Michael Polanyi's thought; the heterodox education of this philosopher was under way.

### The Film About Money (and Economics)

As I have noted, Polanyi confesses in the "On Popular Education in Economics" that he has been experimenting with ideas for popular education: "I might say that I have put myself to some extent through the experiment which I suggest and I find that it gives rise to all sorts of ideas about the possibilities of a popular education in economics" (PE 23). This is a direct reference to his on-going work on the production of "the economic film."<sup>22</sup>

One year later, on 9 March 1938, the film experiment was first shown in Manchester. The final version was released on 25 April 1940 in London; the film is a tool designed to empower the masses with economic knowledge in order to avoid the fallacies of totalitarian doctrines. A good part of the theoretical foundations for Polanyi's "experiment" with new media had been defined in this lecture from February of 1937.

### ENDNOTES

<sup>1</sup>Thanks to Phil Mullins for his advice and help in the editing of this paper. Since the previously unpublished lecture "On Popular Education in Economics" is included in this issue of *TAD*, quotations from the lecture use the pagination found in this issue. Some comments below discuss archival copies of "On Popular Education in Economics." This material is part of the Papers of Michael Polanyi held in the Department of Special Collection of the Regenstein Library of the University of Chicago. Citations are foreshortened to RPC (Regenstein Polanyi Collection) followed by the archival box number and folder number in the box.

<sup>2</sup>According to the Scott and Moleski (2005) bibliography of works by Michael Polanyi (pp. 327-350), the three papers outside chemistry were “USSR Economics” (1935), “The Value of the Inexact,” and “The Struggle Between Truth and Propaganda” (both in 1936).

<sup>3</sup>Published in 2015 in *Tradition and Discovery: The Polanyi Society Periodical*, 41 (2): 13-24.

<sup>4</sup>See Beira (2014).

<sup>5</sup>Polanyi “hoped that solid quantitative data could be obtained on investment, income, and productivity in various countries, in contrast to the vagueness of the daily press” (Scott and Moleski, 2005, p.121). Nineteen years later Polanyi wrote in his diary that “the *Arbeitsgemeinschaft*...has bore all kinds of fruit” (RPC 41:1).

<sup>6</sup>Scott and Moleski (2005) offer a 24 line summary of the lecture focusing on the political point of view (see p. 166, note 104). I found no reference to this meeting in *The Manchester Guardian* (see Beira 2012a).

<sup>7</sup>There are two versions of the document archived in RPC 25:9. One, “On popular education in economics / by M. Polanyi” is 12 typed pages and handwritten with a pen by Polanyi. On the top of the front page, is “about February 1937.” Another version has two additional pages to begin the document, titled in red ink “POPULAR EDUCATION IN ECONOMICS” 22.II.1937. It is followed by a red typed comment immediately after the title: “pages 1 and 1a not included in the lecture to the Society.” The following page begins with “POLITICAL SOCIETY LECTURE by M. Polanyi.” in black type. The first page is stamped in the top right corner: ECONOMICS FILE / NUMBER 10 (10 is handwritten). These first two pages are a cover to a careful, hand-annotated copy of the previous twelve-page document, edited by Polanyi himself. The full text of the two-page cover and the twelve-page text hand edited by Polanyi, is the version published in this issue of *TAD*. The red type at the top of the two-page cover document must be significant. There are very few typed documents in the Polanyi Papers from the thirties with red type. It looks like Polanyi wanted to make an important note for himself in his records.

<sup>8</sup>Some of the ideas of the Berlin *Arbeitsgemeinschaft* (working group) in 1929 reappear in the 1937 memo for a new research section at the University of Manchester, with an extension about visualization methods for economic ideas, including by film. A transcript of the memo is available in Beira (2013).

<sup>9</sup>In this speech to the Senate of Manchester University, Polanyi suggests that “it seems as if all studies of facts or concepts which exist or have existed in space and time will try to express themselves in the film, and that all subjects will be found to contain such elements.” He concludes that “the raising and allocation of funds, the collaboration with outside experts and the distribution of the finished films all present problems for the handling of which new guiding considerations and new machinery seems required” (RPC 43:4). A transcript of the speech is available in Beira (2015a).

<sup>10</sup>See the letter from Polanyi to Charles V. Sale, 4 September 1937 (available in RPC 3:9; transcript in Beira 2012b). Sale has been one of contributors of the first round of private financing for the film. See also the letter from Polanyi to Toni Stolper, from 3 September (also in RPC 3:9).

<sup>11</sup>Next to this Polanyi manuscript, in RPC 25:9, there is an undated five-page typed document by Philip Chantler, titled “Critique of ‘On popular education in Economics’ by M. Polanyi.” It seems likely this document was a draft used by Chantler to comment on Polanyi’s paper in the meeting of the Political Society, and that Chantler himself was a member of the Society.



<sup>12</sup>He worked with Professor John Jewkes in the Economic Research Section of the Department of Economics. He also had a teaching post (Tribe, 2002). P. Chantler published several papers in *The Manchester School* journal from 1933 to 1940. He also wrote a book titled *The British Gas Industry*, published by Manchester University Press in 1938.

<sup>13</sup>Cited by Wapshott (2011), p. 34. The original article was published in the *The Nation and Athenaeum*.

<sup>14</sup>Keynes (1926). The publication was based on the Sidney Ball Lecture given by Keynes at Oxford in November 1924 and on a lecture given by him at the University of Berlin in June 1926.

<sup>15</sup>Polanyi would later publish *Full Employment and Free Trade* in 1945, a book in which, while claiming the influence of Keynes, Polanyi argues for policies for driving or managing the capitalist economy that are different from those suggested by Keynes. Polanyi insisted on monetary policies to control the amount of money in circulation as the key variable to manage the trade cycle and the economy.

<sup>16</sup>The manuscript of this lecture is available in RPC 25:10. A transcript is available in Beira (2015b). This lecture included some statistical material from previous papers by Polanyi about USSR economics.

<sup>17</sup>Unpublished note, RPC 26:3.

<sup>18</sup>See Polanyi (1951), especially chapters 8 and 9.

<sup>19</sup>The arguments and the polemic about the authorship of the “spontaneous order” idea between Polanyi and Hayek continues. See, for instance, Bladel (2005). Probably both influenced each other in the construction of the idea. However, the expression was not so new, as Jacobs and Mullins (2016) note in their recent paper about the correspondence between Polanyi and Hayek.

<sup>20</sup>See also Chapter 13 (“The Free Society”) of Prosch’s book (1986) about Michael Polanyi, where he also recognizes the importance of “Visual Representation of Social Matters” as well as “Popular Education in Economics.”

<sup>21</sup>In his 1991 paper (published in the 1997 Proceedings volume), Prosch makes something like a prophecy: “Some people have feared that shaking off the yoke of communism with its central planning in Europe might result in an all-out embrace of the old Utilitarian principles of complete trust in the market to do everything, a rabid libertarianism which a von Hayek, von Mises, or Milton Friedman seem to many to espouse.” Today, twenty-five years after the end of the cold war, a good deal of European neo-liberal and austerity policies, as well as the political regimes in eastern European countries, seem to confirm some of Prosch’s insight.

<sup>22</sup>A digitized version of the film is available in a webpage (<https://sites.google.com/site/ebeira/pol1b>) together with a collection of the resources about the film (including my Working Papers cited in the reference section). The film can now be viewed with subtitles in several languages. The page is also accessible via a link in the collection of primary Polanyi materials of the Polanyi Society website ([polanyisociety.org](http://polanyisociety.org)).

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