

The Economic and Political Thought of the Polanyi Brothers

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Older brother Karl Polanyi (1886-1964) and five years younger brother Michael each felt intellectually compelled to formulate ways to ameliorate society so that people might experience meaningful existence uninterrupted by war, totalitarianism, depression, and the other forms of cataclysmic dysfunction that the twentieth century has visited upon human civilization, especially Western civilization. Yet the remedies each brother argued for seem, at least initially, to be vested in political and economic visions that are distinctly different, even contrary. Karl advocated for displacement of markets from social centrality and for a socialist form of government, whereas Michael argued for a chastened liberalism (or in current American terminology, conservatism) in which markets continue to provide the economic efficiency essential to support a free society.

I aim to show, however, that the differences in their views are balanced by overlapping concerns. I find much of merit in the views of each thinker, which leads me in a brief conclusion to begin probing to see to what extent the best ideas of each might be integrated into a new socio-economic-philosophical whole.

Both Karl and Michael Polanyi turned to history to furnish reasons for the catastrophes of the twentieth century. But the culprits in their historical accounts are quite different. For Karl, the convulsions of the twentieth century devolved from a misguided faith in the self-regulating market and flailing political attempts to correct its deleterious effects. While Karl grounded his historical analysis in economic issues, Michael argued that the crises were fostered by wrongheaded intellectual traditions—by erroneous thought. Let me briefly describe Michael's analysis first.

Enlightenment thought, Michael noted, had called religious traditions into question as superstitious and subjective in contrast to the power of reason and science to construct a brilliant future for humankind. Subsequently Marxists argued that reason was itself subordinate to the interests of the ruling class and therefore not to be trusted in the pursuit of the ideal classless society. Then a positivistic interpretation of science came to the fore. It argued for transpersonal objectivity as the proper ideal of science, and in its division of scientific fact from subjective value, humanistic claims were seen as arbitrary and unreliable. Thus, Michael claims, Western society entered the twentieth century embracing several utopian hopes for the future disconnected from the moral and religious restraints of the past. The combination of personal and political moral skepticism with utopian ideals legitimated the use of any means, even the most unsavory, in pursuit of the utopian end. Michael termed the resulting process leading to totalitarian rule and concomitant warfare *moral inversion*. In his 1960 article, "Beyond Nihilism," Michael wrote that "Robespierre's terror had justified itself by its noble aspirations; Marx refused such justification and left violence alone as the path of a scientific Socialism. This is moral inversion: a condition in which high moral purpose operates only as the hidden force of an openly declared inhumanity."¹

Michael's use of the term "moral inversion" comes rather late in his career, but his belief that political movements are easily captured by aberrant ideologies is grounded deeply in his personal experience. He participated in Count Karolyi's short-lived liberal government in Hungary as a twenty-seven year old at the end of World War I and formulated plans for the country's demobilization.² While still working for the new government, he published the following comments: "On account of the devastation brought by wars and revolution we need to awaken to the fact that popular belief in politics disintegrates our societies and sweeps everything away. Thus we must enlighten people about this fact and refute their belief in politics."³ Michael's early and ongoing belief that political action was not to be trusted stands in contrast to Karl's sustained hope for a newly minted socially grounded politics. Michael's scientific leanings are evident when he writes in 1919, "Our job is exploring the truth; dissecting the confused images of politics and analyzing the belief in political concepts; finding the originating conditions of political illusions and what animates the imagination to fix illusions to certain objects."⁴ The interest that governs his approach to social and economic conditions is well summarized in the title of his important article published in 1941: "The Growth of Thought in Society."

If Michael was leery of hegemonic political organization, then what constituted his vision of ideal political authority? Here it is important to compare how the brothers evaluated, based on their rather different experiences, the ideal political environments they hoped to recapitulate. Michael refers back to the decades just before World War I as embodying a liberal spirit of openness and intellectual freedom that he honored.⁵ He calls it "an almost forgotten past of peace, of bold intellectual and artistic enterprise and of continuous progress toward liberal ideals."⁶ Karl, who as a young intellectual leader in Budapest during this prewar period might be thought to share Michael's appreciation of those times, instead identified with many of the views of the great Hungarian poet Endre Ady, who complained of the unjust contrast between the poor peasants and the self-satisfied bourgeoisie.⁷ Consequently Karl felt most at home in Red Vienna, where he lived from 1919 to 1933. Vienna during this period is famous for tending to the needs of the proletariat, financing vast building and social programs through progressive taxation on the wealthy.⁸ The contrast between the *weltanschauungs* of Budapest high society at the turn of the century and post-war Red Vienna captures well why the politico-economic ideals of Michael and Karl are so different.

Thus it is that the political and economic writings of Michael during the 1930s and 1940s can be seen as an attempt to return to the liberalism he experienced as a youth in prewar Budapest. Like Karl, he recognized the problems associated with *laissez faire* liberalism, even though he wrote about the unjust and destructive implications of an unfettered free market far, far less than Karl. Michael saw his mission, then, to articulate a reconstructed version of liberalism. He took a systemic view in which the free actions of individuals are channeled by regulative structures that result in the coordination of these actions in a manner that furthers the common good. Free actions contributing to social welfare constitute what Michael terms acts of *public liberty*. He borrowed from the Gestalt psychologist Wolfgang Köhler the notion of dynamic order, which he generally called *spontaneous order*. "When order is achieved among human beings by allowing them to interact with each other on their own initiative—subject only to laws which uniformly apply to all of them—we have a system of spontaneous order in society."⁹ An example of spontaneous order in society is how different scientific teams pursuing

individual research projects may jointly expand the reach of science as a whole because they are open to the mutual assessment of other scientific teams insofar as their areas of expertise overlap intellectually. Similarly, judges ruling individually on cases interpreted in common law jointly expand the growth of that law. In contrast to the consultative nature of these systems in which deliberation is subject to professional standards, the spontaneous order exhibited in capitalist markets is competitive in nature.

Spontaneous economic systems are not governed by professional opinion, for which sufficient foundation is lacking, but by institutions of property and exchange. Dominant over these is the code of private law. . . No marketing system can function without a legal framework which guarantees adequate proprietary powers and enforces contracts.¹⁰

The implication of Michael's stress upon the beneficent role of individuals acting freely within regulatory constraints is that his economic system leaves little role for top-down or collective decision-making. In particular, Michael reacted against the notion that arose in England, inspired by Marx and Soviet activity, that scientific research should be planned and directed toward socially useful employment. He argued on behalf of pure science. If scientific inquiry is shackled by pre-set ends, the scientist would be restricted from pursuing where clues led if that leading seemed irrelevant to the reason for which the research was funded. The possibility of new discoveries would then be sidetracked. Of course, governments, in consultation with tradition and habit, would have a role in establishing the laws, structures and constraints within which the economy should routinely operate. But as we have seen, Michael, wary of political opportunism and inconsistency, was a champion of limited political activism. Recurrent political interference with the economy was anathema.

In his economics book of 1945, Michael specifically opposed allowing the financing of projects to control the amount of money in circulation. The title of his book, *Full Employment and Free Trade*, indicates the aspect of economic practice that Michael viewed as most significant for public welfare: full employment. We will see that his interest in economics is considerably more narrow than Karl's interest.

Michael viewed economic regulation on the model of a machine. The machine is regulated by two pumps: "a sucking pump (Savings) and a squirting pump (Investment)."¹¹ The aim of the machine is to reach economic equilibrium by adjusting "the two pumps so that their actions should balance, and to secure this balance at a level of monetary circulation sufficiently high to sustain a state of Full Employment, and not so high as to produce undesirable inflationary effects" (*FEFT* 10). The functioning of the machine can be portrayed visually—hence his economics film offered as a means of educating the public about economics. Political interference in the economy can be problematic as it would tend to disrupt the programmed operation of the economy stabilization machine.

Still, somebody needs to plug in the proper information to the machine. Who does this? Experts. Parliament may set the budget within which the experts must work, but the experts determine the appropriate level of monetization needed to achieve the economic equilibrium conducive to full employment. Crucial to understanding Michael's model is appreciating what he

means by the squirting gun, investment. This must not be investment in politically motivated (but often controversial) projects.

A policy of enormous public constructions, undertaken regardless of any appreciable need, would in fact inevitably stimulate a reckless and arbitrary mood of administration, bringing lawlessness and corruption in its wake. . . Exasperation would be intense against a system which would so blatantly waste the nation's labours and resources merely for the purpose of bringing money into circulation. (*FEFT* 131)

Money should also not be squirted into the machine on the model of a central bank loaning money, that is, expecting repayment with interest. Money should be created (or withdrawn) by the experts as needed to lubricate the machine and achieve equilibrium. Any scheme to pay back a loan would create politically volatile argumentation that would likely disrupt the smooth functioning of the machine. And indeed political opposition to increased taxes when the economy was booming was a principle reason that Keynesian economics, which Michael largely followed, proved inoperable when adherents attempted to put it in practice. It thus seems that Michael Polanyi, by profession the advocate of pure science, becomes the advocate of technological fixes (or perhaps applied science) when he directs his thought to social betterment.

In his *magnum opus*, *The Great Transformation*, published in 1944 (the same year as Hayek's *The Road to Serfdom* and one year before *FEFT*), Karl Polanyi examined social history on a broader scale than did his brother. He understood the economy ideally to be *embedded* within society in order to administer its needs and functions. To oversimplify somewhat, he viewed the twentieth century catastrophes as having resulted from displacing economics from its proper embedded social role and attempting to operate it as an autonomous force. As an economic historian and social anthropologist, Karl came to appreciate the several ways economics had functioned throughout history and within all sorts of cultures. "To narrow the sphere of the genus *economic* specifically to market phenomena is to eliminate the greatest part of man's history from the scene."¹² His research led him to assert that humans are primarily motivated by social concerns, and that these concerns have prevailed in all cultures and at all times. A person "does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only insofar as they serve this end" (*GT* 48). How, then, did production and distribution of goods, today seen as a principal function of economics, occur prior to modern times? Karl claims that principles of reciprocity, redistribution and householding prevailed, and that they are social rather than market-oriented patterns of provisioning. They are organized according to the principle of use rather than that of gain (see *GT* 49-58). Here, as elsewhere, there are echoes of Marx's thought in Karl's account, although he firmly rejected Marx's economic determinism with its overtones of the inevitability of justifiable violent revolution.

Karl does share Marx's moral outrage at how, with the rise of the Industrial Revolution, miserable impoverishment of ordinary people had occurred.¹³ Karl claims the primary source of both urban and rural poverty could be found in a changed understanding of the goals and functioning of the economy that was stimulated by the Industrial Revolution. The primary culprit was promotion of the idea of the self-regulating market. England, the world leader in industrialization, produced a number of thinkers who attempted to develop a theoretical grasp of

the new social relations, material processes, and economic functions that developed most clearly in the early nineteenth century. Indeed, some thinkers interpret *The Great Transformation* as at its core an account of the rise and fall of English world hegemony from Napoleon's downfall to World War I, the historical period highlighted in the title of the book's Chapter One, "The Hundred Years' Peace."¹⁴

Hobbes, Ricardo, and Malthus were among those who, relying on the physical reality of material goods, sought universal social laws comparable to the Newtonian laws of physics. The self-regulating economy was promoted as exemplifying such universal lawfulness. Its advocates tended to interpret human action as necessarily determined by economic self-interest. In England, the advancement of the notion of the self-regulating market and its theoretical associate, political economy, must be seen in the context of the newly developed factory system. Mass produced goods manufactured in factories were offered for sale as commodities, and the notion of commodities provided a creative lens for understanding the changed interpersonal relations that arose during the Industrial Revolution.

Under feudalism and the guild system land and labor formed part of the social organization itself (money had yet hardly developed into a major element of society). Land, the pivotal element in the feudal order, was the basis of the military, judicial, administrative, and political system; its status and function were determined by legal and customary rules. (*GT* 72-73)

But once industry and the factory system arose, labor, land, and money, essential elements for industrial production, became available in markets—land for rent, labor for wages, money for interest. They thus became comparable to commodities, yet none is produced for sale like factory goods are. Hence Karl calls land, labor, and money *fictitious commodities*. The expansion of the market to include such factors is not only unprecedented in practice, it is for Karl unprecedented in its potential destructive implications for society. The market driven freedom for determining what goods should be manufactured at what price is lacking with respect to allocating land and labor. Furthermore, people have an implicit moral understanding that they are not simply economic pawns to be moved about by unaccountable abstract forces. Protest and revolt will occur if they are so treated. The human reaction against how the self-regulated market functions is inbuilt from its very origins.

Nevertheless, the notion of the self-regulating market was promoted by liberal economists as an autonomous force capable of producing welfare for all. In perceiving the economy as beneficently ruling society rather than society controlling the economy, liberal economists dismissed the taken for granted interpretation of all previous societies. Their attempted sundering of the economy from social functioning led to what Karl called the "double movement."

It can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was

the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and landed classes—and using protective legislation, restrictive associations, and other instruments of intervention as its methods. (*GT* 138-139)

In short, on the one hand, the market galvanized by the self-regulating ideal kept expanding during the nineteenth century, but on the other hand, it was simultaneously met by a countermovement designed to protect society from the pernicious effects of laissez faire expansion. Welfare programs, anti-trust legislation, colonialization, tariff protection—such were among the many programs implemented to counter unbalanced rise of wealth among the few (and impoverishment of the many) coming to a climax in the gilded age. Thus a conflict developed between the banking, trading, and lending class, who wished to keep the currency strong by minimizing payments for social support, and the rest of society, unwilling to accept relative poverty and insecurity to support strong currency.

In Karl's view, the increasing tension between the actions of economic liberals and the responses of governmental protectionism produced two leading instabilities that led to World War I. First, the gold standard, which was instituted by economic liberals as a self-regulating impersonal mechanism to facilitate trade, also had the effect of making the economies of individual countries unpredictable and vulnerable to collapse, thus forestalling investment and growth. Second, the unpredictable and sometimes lopsided economic strength of the various trading nations led to a disruption of the balance of power that had been a major source of peace prior to World War I. Then after the Great War, the disarmament and economic punishment of the losing nations further upset the balance of power and created resentment. So a return to the gold standard seemed the best way out of the unstable international condition—thus restoring one of the factors leading to the First World War.

While it is understandable that after the chaos of war, nations would want to return to conditions that prevailed during prior times of peace, the combination of the disrupted economies of the losing nations plus the instability accentuated by the revived gold standard led to the Great Depression. Karl describes two reactions to the depression, one negative and one positive.¹⁵ Countries seeking to combat the economic chaos by withdrawing individual freedoms in favor of state imposed control of society engaged in a fascist response. The positive response involved the abandonment of the gold standard and prioritizing social programs over protection of the market. Karl saw America's New Deal as a hopeful harbinger of how government can reinstate social needs as the driver of economic policies.

One person with foresight stands out as a hero in Karl's historical account: Robert Owens. He provided the workers in his mill with housing and other basic necessities of decent living conditions.

No thinker ever advanced farther into the realm of industrial society than did Robert Owen. . . But the fulcrum of his thought was his criticism of Christianity, which he accused of 'individualization,' or of fixing the responsibility for character on the

individual himself, thus denying, to Owen's mind, the reality of society and its all-powerful formative influence upon character. (*GT* 133)¹⁶

No phrase is more important to Karl than "the reality of society." For Karl that means accepting the reality of the machine and industrialization and the reality of the need for governmental authority. The concluding paragraphs of *The Great Transformation* are about the importance of responding properly to the reality of society. The question he might have asked is this: What is the economy for? Or alternatively, What is money for? It ought to be, he would claim, about improving our relationships to one another, about developing character, about supporting what humans need to flourish. Here are the final words of his conclusion:

Uncomplaining acceptance of the reality of society gives man indomitable courage and strength to remove all removable injustice and unfreedom. As long as he is true to his task of creating more abundant freedom for all, he need not fear that either power or planning will turn against him and destroy the freedom he is building by their instrumentality. This is the meaning of freedom in a complex society; it gives us all the certainty we need. (*GT* 268)

These sentiments exhibit a kind of optimism about the role of government that Michael believes to be naïve and misplaced. Michael's experience in England of well-meaning persons subjecting science to disruptive planning, or his observation of how science was treated in the USSR each reveal that governmental planning and power can be immoral and demonic. As is evident in his notion of moral inversion, Michael is suspicious of unbridled moral passion, believing that more often than not, the programs it unleashes do more harm than good.¹⁷ Yet although Karl saw events in the 1930s as signs of hope that society might once again control the economy, he also is no wide-eyed optimist. He argues that once the market is displaced from power, societies face a choice between two ways government might assume increased control of the economy: fascism and socialism. A point of agreement between the brothers follows.

1. Each brother recognizes that laws backed by force are necessary ingredients of civil society.¹⁸

However, the brothers disagree about how political power is best packaged. Their different assessments of the Russian experiment illustrate this difference. Based on his visits to Russia, Michael came to reject emphatically its tyranny and disregard for truth. Karl had a far more positive evaluation of developments in Soviet Russia. He regarded it as "the representative of a new system which could replace market economy" (*GT* 255). These contrary views are expressed in their more general political views.

2. Michael accepts the basic structure of liberal democracies; his attempts at reform are economic in nature. Karl favors some form of socialism, although how he articulated political reform changed considerably over time.¹⁹

One can trace their difference in political vision back to a difference in what they see to be the most appropriate economic motivation.

3. Michael is conservative in his political views; he accepts the profit motive and Adam Smith's invisible hand argument. Karl rejects the profit motive as the basic economic driver.²⁰

Thus, while each rejects laissez faire economics, they advocate different responses to it.

4. Michael sought to reform laissez faire economic thought,²¹ whereas Karl sought to replace it entirely.²²

Karl's basic sympathies lie with industrial workers, whereas there are few signs of class awareness in Michael's writings. Despite the fact that Michael developed the notion of personal knowledge, it is Karl who emphasizes empathetic interpersonal relationships in economic decision-making. This leads to a further point:

5. As we have seen, Michael uses the model of a machine run by economic experts to explain how monetary adjustments to the total monetary supply in operation can create maximal employment. This sort of logical and rather impersonal operation differs from the much more subjective and messy sort of negotiated economic decision-making that Karl advocated early in his career.²³

Both thinkers acknowledge that some form of social structure backed by coercion is necessary, and they agree that *freedom of the individual* must be maximized within that structure. In exploring the impact of economic practice on society, Karl centers his thought on how market society transfers freedom from persons to economic issues of free trade and thereby narrows the scope of freedom for persons and groups.²⁴ However, Michael honors freedom tied to public benefit—what he terms public liberty—rather than private liberty not linked to advancing the common good.²⁵ But he rejects the way Owens (and by implication Karl) emphasizes social influence as diminishing the importance of personal responsibility. Michael claims that our personal, deliberate claims of truth, founded upon the strongest evidence we can assemble, are more than the mere products of indoctrination and social conditions. “Believing as I do in the justification of deliberate intellectual commitments, I accept these accidents of personal existence as the concrete opportunities for exercising our personal responsibility. *This acceptance is the sense of my calling.*”²⁶ Michael accepts the circumstances in which one is placed as the basis for responsible freedom much as Karl emphasizes the need to accept the social reality in which dwells as the context for free choice.

6. Michael's philosophy of freedom, rooted in a contextually sensitive examination of how and what an individual can know, is centered in a notion of personal responsibility. Karl does not distinguish between different types of personal freedom but rather seeks to correct social factors that diminish individual freedom.

Despite some conflicts between the brothers' accounts, for the most part I see their views on freedom as complementary. Each brother's special area of interest was indeed already implicit in the distinction made above between Michael's emphasis on protecting society from aberrant thought in contrast to Karl's interest in reforming society.

7. With respect to how political activism interfaces with economic administration, the brothers dramatically disagree. But there are grounds for seeing some rapprochement.

Michael states that what he calls “the Principle of Neutrality” should govern the insertion and withdrawal of money into the financial life blood of a country. No particular party or interest should be benefitted or harmed in the machine-like working of what is essentially a federal reserve system. “Perhaps the main purpose of this book is to demonstrate this ‘principle of neutrality,’ and to give warning of the dangers accompanying any deviation from it” (*FEFT* 29). This separation of the economic from the political sphere is diametrically opposed to Karl’s hope to reintegrate the two spheres in which humanitarian concerns are relevant in the establishing of economic policy.²⁷ Yet perhaps the distance between the two thinkers is not as radical as most of their writings make it sound. Michael writes that “I have envisaged a degree of responsibility borne by the future politician for the functioning of economic life which far exceeds that of earlier days. Instead of merely voting public expenditure and distributing its burdens, Parliament should come to regard the entire distribution of the National Income as subject to its annual decisions” (*FEFT* 149). And Karl acknowledges a significant role for markets—embedded in society— within his form of socialism.

What values motivate the brothers to accept their view of society?

8. Michael and Karl each appreciate the importance of religion, especially Christianity, although neither ever seems to have made church going a regular activity. Michael honors a semi-Platonic firmament of values, while those who knew Karl consistently speak of his empathetic, caring manner.

Karl writes to Michael, “As you know, I always strongly felt that no other than a spiritual approach to man’s nature makes any sense. . . More than ever I believe in the Christian interpretation of existence even though I am now convinced that the New Testament is insufficient.”²⁸ At the end of *The Tacit Dimension*, Michael indicates that one of his primary concerns is to release religious faith “from Pressure by an absurd vision of the universe, and so there will open up instead a meaningful world which could resound to religion.”²⁹ Moral concerns infuse the thought and action of each man.

So here I turn to some brief personal reflections about the ideas of each brother, both of whose thoughts I deeply admire and respect. I have written before about whether their ideas might be integrated and cautiously stated that some synthesis is possible.³⁰ Their written correspondence reveals a remarkable ability to express clearly and vehemently their disagreements with one another within a context of care. Here I want all too tenuously to suggest how many of their ideas and commitments might be combined into a coherent socio-political-philosophical whole.

First, I think Michael’s understanding of the many emergent levels of the world and frameworks of discourse should be further developed as the basis for integrating the thought of the two men. Although his philosophy is only tangentially discussed in this article, I think Michael’s comprehensive hierarchical vision helps overcome and situate apparent inconsistencies and disagreements between disciplines and individuals. Second, I believe the

state of our consumeristic, self-indulgent society in which commercial interests play such a dominant role is ultimately self-destructive both environmentally and in international relations. The brothers' thought has the capacity to help visualize how society might best be reconstructed. Third, there seems to be no contradiction in having the monetary supply regulated as Michael wished, but to have ongoing democratic discourse about priorities for spending in society. Indeed that is close to the way the US political economy currently operates. The current political problem is not so much about structure as about the way our democratic choices have been undermined by uncivil partisanship and by the corrosive influence of money and injustice in economic distribution. So what factors from the brothers' thoughts are of greatest importance to retain in a new vision of how to move forward?

Karl did not update his thought about how the economy should be re-embedded in society. I favor extended discourse in a democratic context about how this might be achieved. It is a leading idea that deserves serious consideration. The ideas of G.D.H. Cole, who influenced Karl, is one among many social thinkers whose thought deserve reconsideration along this line. Michael towards the end of his career turned away from social and political thought and concentrated on philosophy. His resulting systematic approach to understanding humans in both evolutionary and contemporary existence provides a more fully articulated framework for creative but rigorous reflection than Karl provides. His understanding of how our thought is grounded tacitly can help us think about how to lay the tacit roots for the transformation needed in our time. Michael Polanyi wanted to cap his writing career with a grand philosophy of meaning in a post-critical mode, and this is a project that continues to call for serious attention. The social and economic thought examined in this paper can play an important role in alerting us to the dangers of the past. When the economic ideas of the two Polanyis are skillfully integrated, their joint operation can provide adequate funding for undertaking the changes needed in our time. . .if we can solve our political problems. We need to get busy.

Endnotes

¹ Michael Polanyi, *Knowing and Being*, ed. Marjorie Grene (Chicago: University of Chicago Press, 1969), 16.

² William Taussig Scott & Martin Moleski, S.J., *Michael Polanyi: Scientist and Philosopher* (New York: Oxford University Press, 2005), 49.

³ Michael Polanyi, "New Scepticism" in Michael Polanyi, *Society, Economics & Philosophy: Selected Papers*, ed. R.T. Allen (New Brunswick, NJ: Transaction Publishers, 1997), 29-30.

⁴ *Ibid.*, 31.

⁵ Young Michael grew up in a home that regularly entertained many of the leading figures in Budapest's cultural scene. He says of his boyhood spent listening to the stimulating conversations, "I grew up in this circle, dreaming of great things" (Michael Polanyi's autobiographical comments in *World Authors 1950-1970*, ed. John Wakeman [New York: H.W. Wilson Co., 1975], 1151).

⁶ Michael Polanyi, "Why did We Destroy Europe?" in *Science, Economics & Philosophy*, 107.

⁷ Karl Polanyi was the first president and ongoing leader of the Galileo Circle, founded in 1908 among progressive students at the University of Budapest. Karl's wife, Ilona Duczynska, has summarized its mission as follows: "To mobilize against clericism, corruption, against the privileged, against bureaucracy—against the morass ever-present and pervasive in this semi-

feudal country” (quoted by Harry W. Pearson, “Karl Polanyi: Notes on His Life” in Karl Polanyi, *The Livelihood of Man*, ed. Harry Pearson [New York: Academic Press, 1977], xi).

⁸ Karl Polanyi writes that beginning in 1918 in spite of grave economic dislocation Vienna “achieved a level never reached before by the masses of the people in any industrial society” (*The Great Transformation: The Political and Economic Origins of Our Time* [Boston: Beacon Press, 2001 (1944)], 299). Citations from this work will henceforth be listed as *GT* and included in the main body of the text.

⁹ Michael Polanyi, *The Logic of Liberty* (Indianapolis: Liberty Fund, 1998 [1951]), 195.

¹⁰ *Ibid.*, 227.

¹¹ Michael Polanyi, *Full Employment and Free Trade* (Cambridge University Press, 1945), 10. Hereafter cited in the text as *FEFT*.

¹² Karl Polanyi, *The Livelihood of Man*, ed. Harry W. Pearson (New York: Academic Press, 1977), 6.

¹³ Kenneth McRobbie notes how shocked Karl was when he left Red Vienna for England to find the working class there still so oppressed. “It was the unsuspected continued prevalence of this which shocked him on first setting foot in England in 1933, visible (and auditory) proof of ‘the cultural catastrophe’ that continental workers had escaped” (“Vision and Expression: Literature and *The Great Transformation*” in Kenneth McRobbie and Kari Polanyi-Levitt, eds., *Karl Polanyi in Vienna: The Contemporary Significance of The Great Transformation* [Montreal: Black Rose Books, 2000], 85).

¹⁴ See, for instance, Walter L. Goldfrank, “Fascism and World Economy,” in B. H. Kaplan, ed., *Social Change in the Capitalist World System* (Beverly Hills, CA: Sage, 1978), 91-92. However, Goldfrank also offers an interpretation of what Polanyi meant by “the great transformation” that seems misleading. He says it does not refer to “the rise of the market economy under the impact of industry, but the cataclysm-triggered institutional transformations of the 1930s that in different national forms ushered in the social control of the economy” (“Fascism and *The Great Transformation*” in Kari Polanyi-Levitt, ed., *The Life and Work of Karl Polanyi* [Montreal: Black Rose Books, 1990], 87). Well, the focus of the book on the rise and fate of the self-regulated market is understood by the great majority of writers to be what Karl meant by the great transformation, but Goldfrank is correct in seeing that the various outcomes of that transformation in the twentieth century are also a primary concern of Karl’s.

¹⁵ See especially *GT* 29-32 and Karl Polanyi’s first English language publication, “The Essence of Fascism” in John Lewis, Karl Polanyi and Donald Kitchin, eds., *Christianity and the Social Revolution* (London: Victor Gollancz, 1935), 359-394.

¹⁶ Later in *GT* Karl praises “the spirit of Owen, who emphatically was not an enemy of the machine. In spite of the machine, he believed, man should remain his own employer; the principle of cooperation or ‘union’ would solve the problem of the machine without sacrificing either individual freedom or social solidarity, either man’s dignity or his sympathy with his fellows” (*GT* 176).

¹⁷ “Unjust privileges prevailing in a free society can be reduced only by carefully graded stages; those who would demolish them overnight would erect greater injustices in their place” (Michael Polanyi, *Personal Knowledge: Towards a Post-Critical Philosophy* [New York: Harper Torchbooks, 1964 (1958)], 245).

¹⁸ Michael writes, “Civil culture can flourish only thanks to physical coercion” (*Personal Knowledge*, 224). Karl writes, “No society is possible in which power and compulsion are absent, nor a world in which force has no function” (*GT* 266).

¹⁹ Karl, writing in Red Vienna, advocated a rather idiosyncratic type of guild-socialism. He “did not accept Mises and Neurath’s common assumption that socialism must be a centrally planned economy. . . He believed that a planned economy should be based upon concepts of marginal utility. Since a guild-socialist type of society has many independent economic units, accounting is necessary not only for society as a whole, but for exchange and bargaining between units” (Peter Rosner, “Karl Polanyi on Socialist Accounting,” in Kari Polanyi-Levitt, ed., *The Life and Work of Karl Polanyi* [Montreal: Black Rose Books, 1990], 57). Later he accepted the notion that states ought to be free to develop forms of governance best suited to their history and world situation—so long as the market was ousted from supremacy. See *GT* 262.

²⁰ Michael affirms the importance for a stable society of group loyalty, protection of property, and the need for power. He acknowledges that “loyalty is parochial, property appetitive, and public authority violent.” (*Personal Knowledge* 215). He sees self-interest as the necessary platform upon which idealistic human enterprise must depend. Karl finds such a foundation debasing and unnecessary. “The true criticism of market society is not that it was based on economics—in a sense, every and any society must be based upon it—but that its economy was based on self-interest.” (*GT* 257).

²¹ “In the controversy between Laissez Faire and Planning my outlook leans distinctly towards the former” (*FEFT* 149.)

²² The broadly formulated way Karl describes socialism in *GT* features the replacement of the self-adjusting market. “Socialism is, essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society. It is the solution natural to industrial workers who see no reason why production should not be regulated directly and why markets should be more than a useful but subordinate trait in a free society” (*GT* 242).

²³ Karl’s alternative economic structure employed “cooperative associations of producers, consumers, and communities (municipalities, etc.) jointly determining the allocation and distribution of resources in a process of negotiation whereby economic efficiency criteria would be consciously moderated by social policy as determined by members of these association” (Kari Polanyi-Levitt, “Karl Polanyi as Socialist” in Kenneth McRobbie, ed., *Humanity, Society and Commitment: On Karl Polanyi* [Montreal: Black Rose Books, 1994], 126).

²⁴ Karl refers approvingly to John Stuart Mill’s thought when in a printed lecture at Bennington College in 1943 (“Jean-Jacques Rousseau: or Is a Free Society Possible?”) he says that “one should not confuse free enterprise with a free society; what form of trading a people believe in has no bearing on freedom” (p. 5).

²⁵ See *Logic of Liberty*, 193-195 and 238-244.

²⁶ *Personal Knowledge*, 322.

²⁷ In a passionate letter of praise and disagreement, Michael writes Karl after reading *The Great Transformation*. “I doubt whether there is anybody more clearly born and bred, more thoroughly destined, to disagree with that particular, unique function which you have so dramatically fulfilled now. It is comic” (letter of March 30, 1944, Catalogue Container 57, folder 5, Karl Polanyi Institute of Political Economy, Concordia University, Montreal).

²⁸ Letter of May 6, 1944, Box 17, Folder 11 of the Michael Polanyi Papers, Special Collections Research Center, University of Chicago.

²⁹ Michael Polanyi, *The Tacit Dimension* (Chicago: University of Chicago Press), 92.

³⁰ For two fuller accounts of the relationships between Michael and Karl Polanyi that explore some of the themes of this paper, see Walter Gulick, "Michael and Karl Polanyi: Conflict and Convergence," *The Political Science Reviewer* 37 (2008), 13-43 and Walter Gulick, "The Social Thought of Karl and Michael Polanyi: Prologue to a Reconciliation" in Tihamer Margitay, ed., *Knowing and Being: Perspectives on the Philosophy of Michael Polanyi* (Newcastle upon Tyne: Cambridge Scholars Publishers), 192-215.