

Polanyi's Vision of a Socialist Transformation

Freedom of Action and Freedom of Thought

Polanyi's life spans the period of modern socialism and, through his intellectual heritage, reaches beyond his 78 years which ended on April 23, 1964. All his life a socialist, he was never doctrinaire. He many times cut across the main trends of debate within the socialist movements of Europe. Although not a Marxist, he was much less a Social Democrat. Although a humanist, he was eminently a realist. Although aware of the reality of society, and the constraints which this reality places upon the action, values and ideas of all of us who inescapably live in society, his life was guided by an inner necessity to exercise freedom of action and thought and never to give in to determinism or fatalism. Hence the quotation from Hegel, which he many times cited.¹ (Co-Existence 2, Nov. 1964)

In an unpublished note, Karl Polanyi set out the polarities of his world of thought: reality and freedom; the empirical and the normative; community and society; science and religion; efficiency and humanity; technological and social progress; institutional needs and personal needs. Wherever he lived and worked, from Budapest to Vienna, London, New York, or Canada, Polanyi followed events of the day and commented on international political and economic affairs. What, we may ask, would he have thought about our now dangerously disordered world? It is my hope that the insights of this gathering of international scholars will enrich our understanding of Karl Polanyi's passionate appeal to chart a path toward a socialist transformation, of cooperation and co-existence of diverse cultures and societies on our fragile planet earth.

Our Dangerously Disordered World

The British master of spy fiction, John Le Carré, famously said "the mere fact that communism failed does not mean capitalism has succeeded". The end of the Cold War promised a peace dividend. Instead, free from military constraint, the West has engaged in wars throughout the greater Middle East. Following the dismemberment of the former Yugoslavia, we saw the first Gulf War and the massacre of retreating Iraqi troops; military intervention in Afghanistan after 9/11; the destruction of Iraq, where the dismantling of military and bureaucratic structures fuelled sectarian conflict and the vengeance of the Islamic State; war in Libya, creating a source of competing jihadist militias; and in Syria, where external support for the "Arab Spring" revolt initiated four years of civil war, resulting

in the loss of many thousands of lives and the exodus of millions of refugees. The tide of refugees is not confined to Syrians, Iraqis or Afghanis, but includes many more million displaced by wars and crushing poverty in regions of Africa and elsewhere.² We note the role of the former imperial powers, Britain and France, under the leadership of the now declining American Empire. To all of this we must add the United States' support for destabilizing color revolutions and the presence of NATO in countries bordering Russia, with intention to dismember the former Soviet Empire. All this has created a dangerously chaotic world. There is an absence of statesmanship in the capitals of the major Western powers. There is a dangerous culture of fear and revenge. There is danger that local conflicts could escalate into uncontrollable nuclear war.

While refugees risk their lives to cross the Mediterranean to reach the shores of Europe, the EU does not have the capacity or willingness to gain from their skills and desires to contribute their societies which are now in demographic decline. The earlier dream of a democratic social Europe has turned into the nightmare of neoliberal market capitalism. The Maastricht Treaty, which imposed a limit of three percent on fiscal deficits, followed by the Euro, which eliminated national currencies, has subjected national governments of the Eurozone to austerity policies and other dictates emanating from Brussels. Democracy is in suspense. European varieties of capitalism have given way to Anglo-Saxon dominance of financial and corporate capital. The refugee crisis has deepened the divide between political elites and disadvantaged sections of the population, expressed in rising support for nationalistic, right-wing political parties, hostile to the EU. The Left has been in political retreat for the past thirty years. In Greece, it failed to support the expressed wish of the population to resist financial strangulation by creditors and demands for further privatisation. Has the Left crucified itself on the altar of the Euro?

In the United States, where there is no limit on campaign funding and easy passage through the revolving doors of public and corporate sectors, 70 percent of the population has no confidence in the political elites of either party.³ The American president can order killings by drones in distant lands, but he cannot intervene to stop the outbreaks of racial violence in his own country, nor can he impose gun control to stop the arbitrary shootings of children in American schools or of young black people on its streets. With the assistance of the mass-media, a figure like Donald Trump emerged as the leading Republican candidate for the presidency. Supporters of his campaign are not confined to people sharing his outrageous views on immigrants or on Muslims, nor are they confined to people with low income or educational attainment. His supporters include a wide cross-section of disillusioned, frustrated and angry people. The epidemic of veteran suicides and the recently reported increase in mortality of white, middle-aged, American males due to depression and substance abuse, testify to a process of social disintegration; it calls to mind the declining life

expectancy of Russian males following the collapse of the Soviet Union. (New York Times, Nov. 2, 2015)

The social problems enumerated above are symptoms of a disintegrating political and economic order reminiscent of the opening sentence of Polanyi's *Great Transformation*: "Nineteenth-century civilization has collapsed." Are we now witnessing the unravelling of the neoliberal reincarnation of the 19th century economic order which brought us the First World War and the Great Depression? Is this why Karl Polanyi has returned from relative obscurity to ever-increasing prominence?

The Return of Karl Polanyi

The return of Karl Polanyi to popular discourse was first noted in connection with a WTO ministerial meeting in 1999, when environmental, labour and civil rights advocates staged a high-profile protest against globalization in Seattle. The right-wing CATO Institute targeted Polanyi as the most effective critic of market fundamentalism, and their most serious intellectual adversary. In 2001, Beacon Press issued a new edition of *The Great Transformation* with a preface by Joseph Stiglitz and an introduction by Fred Block. This signalled the rising importance of Polanyi in academic and intellectual circles. But it was the financial crisis of 2007/8 (henceforth the financial crisis) and the New Normal of economic stagnation, ever-increasing inequality and continuing predatory financialization that invited comparison of the Great Recession with the Great Depression, and moved questions regarding the future of capitalism into the arena of public discussion. Karl Marx appeared on the cover page of *The Economist* and the ghost of Karl Polanyi haunted the World Economic Forum of 2012. (Larry Elliot; 2012)

The continuing resonance of *The Great Transformation* derives from the consequences of treating land, labour and money *as if* they were commodities produced for sale. Polanyi called them "fictitious commodities." The instrumental rationality of economics values human effort and the bounties of nature in terms of their contribution to the expected profitability of the investment of capital. What is not profitable will not be produced. For economists, labour, land and capital are factors of production, whose value is determined by supply and demand in the market. When labour is not in demand, it has no value. The intrinsic value of our time on Earth has no place in economics. If a natural resource cannot be commodified, it likewise has no value. The contribution of nature to the harvest of grain, the yield of a fruit tree or the mineral extracted from the earth accrues to capital as income in the form of rent or profit. This fiction has produced an ever greater disconnect between the exchange value and the social-use value of goods, but more importantly of services. Remuneration in the financial industries, counted in billions, is grossly overvalued, while the essential services of nurses, teachers and other workers of the care industries are grossly undervalued. Unpaid work at home or in the community appears to have no value at all.

Indeed, it is questionable whether the finance, insurance and real estate industries, which now contribute more than 20% to GDP in many countries, add anything of substance to the well-being of the general population. Rather they serve as a mechanism of transferring real wealth from the bottom to the top of society. Money was originally a simple convenience to facilitate exchange, but the creation by the banking system of mega-trillion financial instruments has enabled creditors to ensnare families, businesses and governments in a web of debt by laws and international treaties.

Forty years of neo-liberalism have moved us ever closer to Polanyi's dystopia of the self-regulating market, freed from democratic political interventions that safeguard human livelihood and ensure an ecologically sustainable future. The Satanic Mills of the market are crushing the tissue and threads that bind us in human society. Storms and fires, droughts, floods and earthquakes are nature's revenge for abuse and exploitation. Liberalization of capital has created a modern *Leviathan* that is devouring productive labour and enterprise (Michael Hudson; 2015). The continuing relevance of Polanyi is due to his contention that the requirements of a capitalist economy for ever new markets and profitable investment opportunities are in existential contradiction with our human requirement for mutually supportive social relations. A frequently cited passage of *The Great Transformation* is prophetic in summarizing the consequences of robbing human beings of the protective cover of cultural institutions. "They would die from social exposure and dislocation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted... the power to produce food and raw materials destroyed." (GT, 76-77) As Wolfgang Streeck concluded in an article entitled *How Will Capitalism End?*: "... market expansion has today reached a critical threshold with respect to all three of Polanyi's fictitious commodities." (Streeck; 2014, 51) We do not know how capitalism will end, but we recall Rosa Luxemburg's barbarism or socialism.

Early family influences

Early family influences played an important role in Karl Polanyi's lifelong commitment to socialism and freedom of thought. He was born in Vienna in 1886, three years after the death of Marx and the birth of Keynes, into a family whose intellectual milieu of *fin de siècle* counter-culture had important roots in Russia. His mother, Cecile Wohl, was sent by her father from Vilna to Vienna, where she met and married Mihely Pollacek⁴, a Jewish Hungarian engineer and railway contractor. Karl and his older siblings were born in Vienna where the Pollaceks had a close family relationship with Samuel Klaschko.

Samuel Klaschko participated in a failed utopian commune of Russian families in Kansas named after Nikolai Tchaikovsky, a prominent figure of radical socialist activism. Klaschko then drove 3000 cattle to market in Chicago; visited the International Ladies Garment Workers Union in New York where European immigrants worked in the sweatshops; lived in

Paris where he worked as a photographer, before eventually settling in Vienna in 1880. There he served as unofficial liaison between Russian revolutionaries of all varieties and International Socialist organizations.. When they came to Vienna for meetings, and to purchase Marxist literature, they were cared for in rest and recuperation by the Klaschko and Pollacek families before returning to Russia. Trotsky was a frequent visitor. Some arrived without shoes, their feet wrapped in newspapers. My father told me that these men made an indelible impression on him, and also on his cousin Ervin Szabo. He had a huge respect for the individual courage of revolutionaries, including Bakunin and Jesus of Nazareth.

It was from Samuel Klaschko that Karl Polanyi acquired his admiration for the Russian Revolutionary Socialists. The Revolutionary Socialist Party, founded at the end of the 19th century, united a loose collection of radical socialists. They pioneered the ideological opposition to social democracy on Russian revolutionary soil. Whereas the Russian Social Democrats concentrated their organizational strength on economic issues of the working class, and led mass political struggles, the smaller Revolutionary Socialist Party was “based on subjective factors of personal initiative and revolutionary élan, on Bakunist direct action by the peasantry, and the radical intelligentsia.” Although the Revolutionary Socialists also followed the teachings of Marx their differences with the Social Democrats were profound and ultimately irreconcilable. They were socialists, not anarchists, but they were inspired by the legendary courage of Bakunin, who wanted to “organize society on the basis of collective and social property, from the bottom to the top, not from the top to the bottom on the basis of authority.” (Polanyi; 1922)

Budapest from the Galilei Circle to the Great War

The influence of Karl’s father, Mihaly Pollacek, was of equal, if not greater importance. His anglophile orientation complemented the russophile family influence. Karl referred many times to his father’s “pure, unadulterated idealism of the Western brand.” Mihaly moved the family business from Vienna to Budapest in the early 1890’s where he provided a superb home education for the children. Instruction in English, French, Latin and Greek engendered in Karl a love of Classical Greek and a lifelong engagement with the philosophy of Aristotle (Polanyi; 1957 [1971]).⁵ The language of the home was German; Karl did not learn Hungarian until he entered the gymnasium. The children adored their father who invited one or another of them to accompany him on business trips, while Karl’s mother, Cecile, hosted a literary and cultural salon in their spacious Budapest apartment. The death of Mihaly Pollacek in 1905 was a trauma that cast a long shadow over the first decades of Karl’s adult life.

Karl’s sister, Laura, was the first woman to graduate from Budapest University, at the age of 22, with a doctorate in History. Karl’s older brother, Adolph, was expelled from Budapest

University for engaging in socialist student activity. He left Hungary for Japan, which, at the time, was an important center of anti-imperialist intellectual ferment. (Pankaj Mishra, 2012)

In 1908, at the age of 22, Karl became the founding president of a Hungarian student movement known as the Galilei Circle. Its journal was called *Szabod Gondolat* (Free Thought), and received logistical support from the Free Masons. The movement challenged all that was backward in the Hungarian *ancien regime* of monarchy, aristocracy and the church. It included also senior gymnasium students and conducted some two thousand literacy classes for young workers and peasants. Polanyi was inspired by the Russian student movements of the 1880s and the unforgettable commitment of figures such as Vera Zasulich and Sofya Perovskaya. The Galilei Circle enjoyed the support of the poet Andre Ady and Samuel Klaschko, whose influence extended also to Szabo and Georg Lukács. In a note on Karl Polanyi's life, my mother Ilona Duczynska recalled the words of one of his former Galilei contemporaries, Maurice Korach: "He was a genius, rhapsodic in his world of thought. He saw far into the future ... He was not made for giving continuous, political lead ... He was the man for us, our hearts were with him." (Polanyi; 1977, xix-xx)

Following a fistfight in defence of the well-respected professor, Gyula Pikler, attacked by anti-Semitic students, Karl was expelled from Budapest University. He finished his studies in jurisprudence at Kolosvar (Cluj) in Transylvania. He was called to the Bar in 1912 and worked in the chambers of his uncle. But law was not his chosen profession, calling or vocation. He briefly served as general secretary of the Radical Party founded by his friend and mentor, Oskar Jaszi, and wrote for their journal. This constituted his single engagement in party politics.

In the Great War, Karl Polanyi served as a cavalry officer on the Russian front. He fell ill with typhus. When his horse tripped and fell on him, he was sure he would die there. He woke up in a military hospital in Budapest. He was seized by a sense of personal responsibility, and that of his whole generation. Patriotism had proved stronger than the internationalist commitments of the labour and socialist parties of England, Germany and France; the brightest and best of their young men marched behind King, Keiser and Republic to the killing fields of the Great War.

The February 1917 revolution, which ended the war in Russia, and the subsequent Soviet October revolution, signalled the impending end of the First World War and the old political order throughout central Europe. In 1917, the Zimmerwald declaration of War on War was brought from Switzerland to Budapest by Ilona Duczynska and its distribution played an important role in the January 1918 general strikes. This resulted in her arrest, high profile trial, and imprisonment. In 1918 she was released by the Chrysanthemum Revolution which ended the war and established Hungary as a Republic with Mihaly Karolyi as its first President.

Polanyi did not favour the short-lived Republic of the Councils led by Bela Kun established in January 1919. However, when Hungary was invaded by Romanian, Czech and other foreign armies, he responded to a call by Georg Lukaács that if he were physically able he would have joined the fight in defence of the country. Late in 1919, Karl Polanyi left Budapest for medical treatment in Vienna.

Red Vienna in the 1920s

Following the defeat of the Hungarian Soviet Republic by the ‘white terror’ of Admiral Horthy’s counter-revolution, an exodus of communists, socialists, liberals and other free-thinking émigrés gathered in Vienna. They joined large numbers of demobilized soldiers and an influx of pension-hungry officials from the regions of the former Austro-Hungarian Empire, now reduced to a small country of six million. “While the debate concerning the feasibility of a socialist economy waxed hot, the population of Vienna was literally freezing and hungry.” (Kari Polanyi Levitt; 2013, 23-38)

It was in Vienna in 1920 that Karl Polanyi first met Ilona Duczynska in a villa put at the disposal of Hungarian political refugees by a Viennese well-wisher. Ilona was ten years younger than Karl, and much admired by her contemporaries for her revolutionary anti-war activity. Her name was Polish; this, my father told me, was close enough to his ideal of the young Russian revolutionary woman. Their life partnership has been described as the fidelity of equals. My father was an educator, writer, and thinker engaged in the sometimes lonely task of the intellectual; my mother was a writer, historian and aeronautical engineer and at all times a political activist but they shared a socialist outlook on life.

When Ilona first met Karl at the villa, he was sitting apart from the rest, writing. She told me that he looked like a man whose life was behind him—the illness had taken its toll. The manuscript he was writing was known in the family as the *Behemoth*. It contained a critique of deterministic Marxism and reflections on the revolutionary morality of the communist party.

In the Moscow trials of 1922, the Bolsheviks settled old scores with the Revolutionary Socialist Party of Russia. Programmatic differences included land reform, the forced requisition of grain from the peasantry and the disbanding of the Soviets. In an article published in *Die Wage* in 1922, Karl Polanyi expressed his strongest condemnation of the false accusations brought against them. He valued personal integrity and courage above the correctness of political positions. With reference to the expulsion of Bakunin from the First International, he wrote: “In our view, Marx had a deeper and more fruitful understanding of the revolutionary mission of the proletariat. Just as fifty years ago the judicial murder of Bakunin impoverished the working class movement of the entire world by sapping its revolutionary morality and energies, so one fears that the obnoxious methods of the bloody

Moscow replay may deplete the Russian Revolution of ideals and forces whose absence will, someday, cost the Russian working people very dearly.” (Polanyi; 1922)

In the same year Ilona wrote a devastating critique of the bureaucratic and military organization of the Hungarian communist party in exile, published in *Unser Weg*, edited by Paul Levy. She was promptly expelled. My parents married and I was born in 1923.

At this time, Karl contributed articles to the Hungarian émigré paper *Becsi Magyar Ujsag* and delivered lectures on Guild Socialism at the Socialist People’s University. He engaged Ludwig von Mises in a debate on the feasibility of a socialist economy in the pages of the most important social science journal of the German speaking world. In preparation, Polanyi studied economics for the first time. But it was not the English Cambridge classics of Marshall and Pigou which informed him, but rather the writings of Austrian economists Menger, Wiser and Bohm-Bawerk whose seminars were attended, among others, by Schumpeter, Naurath, Hilferding and Otto Bauer, a founder of Austro-Marxism. It is a testament to the vibrant intellectual atmosphere of Red Vienna in the 1920s that an article written by an independent intellectual with no formal certification in any of the social sciences appeared in *Archiv für Sozialwissenschaft und Sozialpolitik* and elicited a response from Mises and a further reply by Polanyi. This was in stark contrast with England where, despite stellar references, Polanyi was not considered qualified for even the lowest academic appointment.

From 1924 until he left Vienna for England, Karl was a senior member of the editorial team of the most important economic and financial weekly in Central Europe, where he was known as the socialist. From this vantage point, he followed international affairs and the unfolding world economic crisis. (Polanyi, 1933)

Polanyi did not believe in an administrative economy of central planning, nor in a moneyless so-called ‘natural economy’, popular among socialists at that time. His model of a socialist economy was based on the principle of combining technical efficiency with distributional justice and participatory democracy. There was, for him, a role for markets, but prices were to be determined by negotiation between associations of workers representing producers, cooperatives representing consumers, and municipalities representing communities. In the early 1920’s, issues of socialisation of the economy were hotly debated and Polanyi’s challenge of Mises should be seen in this light. It was not the result of abstract academic theorising. He insisted that a socialist economy must be based on actually existing associations of collective interests in negotiations at local, regional and national levels.

In Austria, the government was dominated by conservatives at the federal level while in Vienna a socialist majority prevailed continuously until 1933. (Polanyi Levitt, 2013, 39-53)

The trade union movement was strong, as was the consumer cooperative movement. Together with Felix Schaffer and other participants, Polanyi continued to work on the elaboration of the socialist model, or theorem, of his 1922 article, but unresolved problems remained. In a letter written to Ilona and myself, Felix Schaffer was of the opinion that the theoretical problems could not be solved, and that Karl would later express his ideas in terms of economic history, in *The Great Transformation*.

Encounters with Marx in Working-Class England

The rise of fascism, and especially its German Nazi manifestation, caused Polanyi to leave Vienna for London in 1933. When he arrived in England, Donald and Irene Grant, longstanding friends who had lived in Vienna for many years, provided a social support system for my father. Donald Grant was helpful in assisting Polanyi to undertake lecture tours in the United States. When I was sent from Vienna to England in 1934, because Ilona remained to participate in the struggle against Austrian Fascism, I lived with the Grants and their children who were the siblings I never had.

The Grants were at the center of a group of friends and supporters who called themselves the Christian Left. For Polanyi, the doctrines and practices of German Fascism appeared as a civilizational violation of Christian values as argued in “The Essence of Fascism”. This essay appeared in *Christianity and the Social Revolution* (1935), co-edited by Polanyi. The book also contained a contribution by the Christian Socialist, Joseph P. Needham, best known for his monumental work chronicling the history of technology in China. Karl introduced his friends of the Christian Left to the early writings of Marx, including *The Economic and Philosophic Manuscripts of 1844*⁶ by verbal translation from German. These early writings constitute the common root of Marx and Polanyi’s respective engagement with the economic and the social aspects of industrial capitalism. “From Marx’s early philosophical writings Polanyi took away an analysis of the way capitalism destroyed the essential humanism of mankind and turned multifaceted individuals into one-sided, calculating individuals.” (Buravow; 2003, 205). Having earlier rejected economistic interpretations of Marxism, and reread volume one of *Capital* in Vienna in connexion with his model of a socialist economy, this constituted Polanyi’s third, and most important, encounter with Marx.

Thanks to support from G.D.H Cole and Richard Tawny, Polanyi obtained employment with the Workers Education Association in 1937. The WEA programs required Polanyi to teach International Affairs, a subject with which he was familiar, and also English Social & Economic History, which was totally new to him. The “Notes on Sources”, which appear as an appendix to *The Great Transformation*, attest to the depth and extent of his reading of the literature. The lecture notes for the courses became the skeleton on which *The Great Transformation* was to be constructed.

As in the case of Marx a hundred years earlier, Polanyi's encounter with industrial capitalism in England was a traumatic experience. Overnight accommodation in the households of the provincial towns in Sussex and Kent, where the lectures were given, further acquainted him with the English working class. He found that the cultural life of the working class in the richest country of Europe was inferior to that of the workers of Red Vienna, where a socialist administration had elevated their status above that of the owners of private property. He likened the class distinction in England by speech and accent to caste in India or race in the United States. In *Notes on his Life* published as a preface to the *Livelihood of Man* in 1977, Ilona wrote that it was in England that Karl put down the roots of a sacred hate directed against market society and its effects, which divested man of his human shape.⁷

Like Marx, Polanyi traced the origins of industrial capitalism to the era of Malthus and Ricardo. The abrupt termination of outdoor poor relief in 1834, which had been instituted since Elizabethan times, created a market for free labour that *freed* the ruling class from all responsibility toward the population. People were forced to accept employment however low the wages and long the hours. This legislation was validated by theories of political economy which claimed that wages neither could, nor should, rise above subsistence. These doctrines of political economy gained popularity as laws of nature, where economic livelihood was determined by the fertility of the human species (birth rate) and the fertility of the soil (food supply). Polanyi considered that these doctrines were more influential in the establishment of industrial capitalism than the simple technologies of the textile industry. According to Polanyi:

“From this time onward naturalism haunted the science of man, and the reintegration of society into the human world became the persistently sought aim of the evolution of social thought. Marxian economics—in this line of argument— was an essentially unsuccessful attempt to achieve that aim, a failure due to Marx's too close adherence to Ricardo and the traditions of liberal economics.” (GT, 131)

Marx used Ricardo's labour theory of value to prove how labour is exploited in competitive markets where all commodities, including labour, exchange at their value. Writing almost 100 years later, when raw exploitation of labour was no longer the only source of profit, Polanyi concluded that the human costs of the industrial revolution went beyond the exploitation of labour, to the degradation of society and destruction of the natural environment “Writers of all views and parties, conservatives and liberals, capitalists and socialists, invariably referred to social conditions under the Industrial Revolution as a veritable abyss of human degradation.” (GT, 41)

The Writing of *The Great Transformation*

The writing of *The Great Transformation* in Vermont was a result of a series of fortunate circumstances. Early in 1940, we obtained British citizenship by naturalization, thanks in part to a family relationship to Sir Josiah Wedgwood. As an enemy alien, Polanyi might have been admitted to the United States as a refugee, but that was not his wish nor his intention. British citizenship enabled him to accept a lecture tour invitation from the International Institute of Education, as he had done on three previous occasions in the 1930s, with the right of return to England.

In May 1940, Germany occupied France, the battle of Britain raged in the skies of England. Return to England was problematic. In August 1940, the president of Bennington College offered Polanyi a teaching position. Ilona joined him in Bennington where she was employed to teach mathematics. In correspondence with the Rockefeller Foundation requesting two years of financial support for Dr. Polanyi, President Leigh wrote that Karl Polanyi considers the project to be “the chief intellectual contribution of his life.”⁸ The manuscript submitted by Polanyi after his first year of work at Bennington was not well-received by the Foundation. They suggested that he was not of university calibre and that his interests were in “Hungarian law, newspaper work, and forum lecturing.” They basically considered him unqualified and dismissed him as aspiring to a study of “Philosophy of Civilization.” The grant was nevertheless extended for the second year. While Bennington College wished to retain “indefinitely” the services of his wife, Ilona Polanyi, as an effective teacher of mathematics, they wrote that there would be no place for Karl at the college. He did not, it seems, fit into any of the designated silos of the social sciences.

Fortunately, Polanyi’s manuscript came to the attention of Robert MacIver, an eminent institutional political economist and sociologist at Columbia University, who wrote the Preface to the book. The subsequent invitation to join Columbia University must be attributed to the strong institutionalist tradition prevailing at that university. Without British citizenship and the invitation from Bennington College, so late in Polanyi’s life, *The Great Transformation* might never have been written. Without the accreditation associated with his Columbia years, it is unlikely the book, even if written, could have survived to become acclaimed as a twentieth century classic.

Return to England in 1943-47

As the tide of the war turned toward Allied victory at Stalingrad, Polanyi left the two penultimate chapters of *The Great Transformation* unfinished. Karl and Ilona hastened to return to London to participate in discussions of the postwar order.⁹ Polanyi obtained a contract for the publication of *The Great Transformation*, and a second contract for *The Common Man’s Master Plan* a popular version to be written and sent from England in 1943. The readers he had in mind were working class adults, the students who attended his lectures under the auspices of the Workers Education Association.

In London, both Karl and Ilona were actively engaged with Hungarian émigré intellectuals, including Mihaly Karolyi and his wife Katherine. Keynes' plan for an International Clearing Union with a special purpose currency called bancor had been published as an official government White Paper in 1942. In Oxford, European refugee economists, including Kalecki, Marschak, E.F. Schumacher, and in London also Rosenstein Rodan, were variously engaged in plans for a Post War Europe. Polanyi's contribution to these discussions appeared in *The London Quarterly of World Affairs* as "Universal Capitalism or Regional Planning?" In this article, he maintained that only the United States continued to believe in universal capitalism. He advocated a system of managed trade of major regions of the world including the Soviet Union, the United States, Britain and its Commonwealth offshoots, Europe, India and China. But he clearly underestimated the capacity of the United States to impose universal capitalism on the world.

The rejection of Churchill and the election of the Labour Party in 1945 opened a vista on a possible socialist future for Britain. It took the sacrifices of the Second World War to establish full employment and social security as objectives of the national government.¹⁰ From 1945 to the mid-1970s, a historic compromise of capital and labour resulted in shared gains from productivity and an increase in labour's share in the national product.

The Columbia years & final return to Hungary

The Columbia University appointment in 1947 provided Polanyi with the opportunity to further explore the implications of anthropological findings of Malinowski and Thurnwald.¹¹ At the advanced age of 61, he found his true vocation as teacher and intellectual mentor of a generation of mature young men whose access to a university education was facilitated by credits for war service. He formed a close relationship with his students, including Harry Pearson, Walter Neale, Rosemary Arnold, Anne Chapman and George Dalton. A later generation included Terry Hopkins and Abraham Rothstein.

In his teaching and research, Polanyi developed a substantive and general approach to the study of all economies. It refers to man's relationship to nature in so far as "supplying him with the means of material want satisfaction." (Polanyi, 1957, 243). Polanyi posited that reciprocity, redistribution and exchange are general patterns of integration of economic life in all societies. Only such a substantive and historical approach can provide a wider frame of reference within which markets can be situated (Polanyi, 1957, 270). He challenged the prevailing assumption that trade, money and markets were interdependent aspects of economic life in all societies, past and present. Polanyi's anthropological research was aimed at unpacking this triad. His graduate students undertook the investigation of institutions governing trade, money-uses and exchange in primitive and archaic societies. The results of these studies, together with two seminal chapters by Polanyi, were published as *Trade and Market in Early Empires* (1957). A volume of Polanyi's lectures and writings was

posthumously edited by Harry Pearson and published as *The Livelihood of Man* (1977). A collection of essays edited by George Dalton, including chapters from *The Great Transformation*, provided an accessible introduction to Polanyi's most important writings. While markets have existed throughout recorded history, Polanyi's objective was to establish the unique character of modern market economy which elevates individual gain and fear of loss of livelihood to its operative principals. For Polanyi, in all previous civilisations, the economy was embedded in non-economic social relations.

Because Ilona was denied entry to the United States by McCarthyite measures, she established a home in Canada in 1950, where Karl could visit from New York. The move from London to a rural location on the outskirts of Toronto, where she was often lonely, represented a considerable sacrifice. Karl might have quit Columbia and returned to London if Ilona had not made a home for them in Canada where he later retired. There, he received a stream of visitors including his American graduate students. In 1957, he was diagnosed with cancer. All his work thereafter was done with a heightened awareness of mortality. A few years before his death, he founded the journal *Co-Existence* with support from eminent economists including Ragnar Frisch, Oskar Lange, P.C. Mahalanobis, Gunnar Myrdal, Joan Robinson, Jan Kinbergen and Shigeto Tsuru, whose names appear on the front cover of the journal. The purpose was to encourage communication across the Cold War divide and, more generally, amongst the international community of socialist intellectuals.

The last years of Karl's life were years of great happiness for my parents. Ilona assisted in the *Co-Existence* project, and the production of English translations of Hungarian poets, *The Plough and the Pen*. Here again, they went against the stream. Following the Hungarian Revolution of 1956, suppressed by Russian tanks, thousands of Hungarians left the country. Many came to Canada. Karl and Ilona paid tribute to the dissident Hungarian intellectuals who stayed in the country. They believed in the ability of Hungarian society to renew itself, in the spirit of the legendary poet Andre Ady. He was patron of the Galilei Circle and Polanyi delivered the final tribute at his funeral in 1919. A year before Karl's death in 1964 he visited Budapest with Ilona for the last time. He wrote that all he had achieved was due to Hungary. On the occasion of the centenary conference in 1986, my parents were laid to rest together in a Budapest cemetery. He truly lived a world life.

European Roots of The Great Transformation

The Great Transformation was written in two years in Vermont but it was his experience of European civilization, and its collapse in 1914 with all its consequences which was the subject of the book. Its originality derives from Polanyi's lived European experience as a student activist and independent intellectual in Budapest, socialist educator and senior editor of a leading economic weekly in Vienna, engagement with the Christian Left in London and

most importantly, his employment by the Worker's Education Association in England, from 1937-40.

Like Marx, who spent most of his life in England, Polanyi was an outsider and remained so. His statement that "In order to comprehend German fascism, we must revert to Ricardian England" (GT, 32) could only have been made by a continental European, or more exactly a Central European. With minor revisions, an English edition of *The Great Transformation, Origins of Our Time*, was published by Victor Gollancz in London in 1945. It attracted little attention.

The defining event of my father's life was, without question, the First World War. It shattered all the apparent certainties of the Belle Époque and the civilization of the long 19th Century. The first sentence of *The Great Transformation*, written 30 years after the outbreak of the War, speaks of this in the present tense: "Nineteenth-century civilization has collapsed. This book is concerned with the political and economic origins of this event, as well as with The Great Transformation which it ushered in." (GT, 3)

In Europe, the First World War and the revolutions that followed constituted a political earthquake. Long standing dynasties disappeared. Fragile new nation-states were established. The Bolshevik Revolution of 1917 frightened the ruling classes. Socialism became an achievable objective of socialist and communist parties. In 1929, at the depth of the depression, the Soviet Union launched the first five-year plan for the accelerated industrialization of a country where the peasantry formed the overwhelming majority. Polanyi saw the Soviet experiment as the last impact of the French Revolution on Europe's most backward country. In continental Europe, mass unemployment and the pressures on fragile countries to conform to the rules of the gold standard evoked a protective reaction of economic closure implemented by authoritarian fascist governments with consent of the population. In Germany, where there were 5 million unemployed and the working-class parties dominated parliament, industrialists supported the accession of Hitler to power. Democracy was sacrificed for fascism. The conservative governments of Britain and France allied their countries with Germany and Italy in a Four Power Pact on the understanding that Hitler's armies would turn eastward to invade the Soviet Union. When Chamberlain returned from Munich in 1938 announcing "peace in our time" the course was set for the Second World War.

The United States did not experience any similar political upheaval. The Great War and the roaring 20's were years of prosperity. For Americans, it was the economic collapse of the Great Depression which was the defining event of the era. Far reaching New Deal measures introduced by FDR as a reaction to the devastating decline of industrial production by fifty percent, although opposed by Republicans, won general acceptance. As the rising power of

the capitalist world, the United States had the resilience to implement the New Deal without infringing on civil rights or the democratic process. The New Deal, Soviet five-year plans, German and other fascisms in Europe, together with the rejection of Churchill and the election of the Labour Party in 1945, constitute the basis for Karl Polanyi's *Great Transformation*.

In continental Europe, varieties of socialist and Marxist ideas have a long history. The two Karls, Marx and Polanyi, appear as complimentary social philosophers. Polanyi's socialism is deeply rooted in a European experience, with ultimate origins in the "Liberty, Equality and Fraternity" of the French Revolution. Marx first learned about socialism in France from Proudhon, known for *Property is Theft*. English socialism does not derive from the French Revolution, but rather from a vision of an earlier moral economy (E.P. Thompson; 1966, 63).¹² It has deep roots in Christian teachings of the brotherhood of man. European varieties of socialism were brought to the United States by immigrants in the late 19th and early 20th centuries, and many joined the logging and mining camps in the West where the International Workers of the World (IWW) challenged exploitation by the robber baron capitalists of the East. Socialism as an alternative to capitalism did not take root in America. In the United States today, socialism is known in terms of publicly-provided social services, including universal health care, free tertiary education or subsidized public transport.

The reception of Polanyi's institutional and social approach to the civilizational crisis of our capitalist world will differ according to the specific histories and cultures of diverse societies, peoples and nations. In the United States, Polanyi is considered a liberal, often associated with Keynes; in Europe, a socialist linked with Marx. *The Great Transformation* has been translated into almost all European languages and also into Japanese, Chinese and Korean. In the rest of the world, where he is less well-known, his writings may find resonance in indigenous cultures and institutions which pre-date western hegemony and colonialism.

American Reception: Embeddedness and Polanyi's "Double Movement"

It was not *The Great Transformation* but Polanyi's contention that neoclassical economic theories of the optimal use of scarce resources are inappropriate for the study of pre-modern economies that first brought him to the attention of American social scientists. Polanyi's Columbia research confirmed his thesis regarding the unique nature of a modern market society characterized by a ubiquitous economic calculus of costs and benefits. As stated in *The Great Transformation* "Instead of economy being embedded in social relations, social relations are embedded in the economic system" (GT, 60) A market economy requires a market society. In Polanyi's words "society must be shaped in such a manner as to allow that system [market system] to function according to its own laws." (GT, 60) All subsequent references to embeddedness in the *The Great Transformation* distinguish earlier regulations governing the general organization of society from the social revolution which created a

‘free’ labour market in the early nineteenth century. The ruling classes were thus freed from all social obligations and workers were subordinated to the requirements of the Machine Age.

The introductory essay to *The Livelihood of Man* (“The Economy Embedded in Society”) constitutes Polanyi’s most concise and complete statement of the difference between the social embeddedness of economic livelihood in all civilisations prior to the industrial and social revolution of the early nineteenth-century, and the disembedded modern market economy. For Polanyi, in all previous civilisations, the economy was embedded in non-economic social relations. Our industrial civilisation has inverted this relationship. The society is restructured to serve the requirements of the economy. No primitive or archaic social order permitted individual families to fall into poverty and misery unless famine, war or natural disaster struck the entire community.

In the 1970s embeddedness acquired a different and more restrictive meaning. In an important article (1985), the American sociologist Mark Granovetter popularized the use of embeddedness to relate social connectivity to the functioning of the economy in all societies throughout history. This drew attention to Polanyi’s work but created serious misunderstandings.

On the basis of Polanyi’s contention that the self-regulating market is a utopian project which would “annihilate the human and natural substance of society” (GT, 3), Block and Somers (2014) make the case for the ‘always-embedded market economy’. I have called this the trivial interpretation of Polanyi’s concept of embeddedness. Even the most marketized self-regulating modern capitalist economy requires laws, rules and regulations as well as basic public services. Market and State are complementary institutions. The pure market exists only in economic theory. Polanyi’s concern with the disembedding effect of markets on society is not specifically addressed. Block and Somers’ ‘always-embedded economy’ fails to distinguish the disintegrating forces of market expansion from the countervailing measures which protect labour and the natural environment. The contrast between the “embedded liberalism” of the first three postwar decades and the neoliberal counterrevolution of the past 40 years disappears from view.

Polanyi referred to these contradictory trends in market society as a “double movement”. In his words: “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.” (GT, 138, my emphasis). Polanyi’s examples of the double movement were drawn from 19th century England where democracy functioned within the limitations of a highly restrictive franchise and the universal bourgeois belief that the working class could not be trusted with the vote.¹³

Secure in their control of the political process, conservative and liberal parties were responsive to pressures from civil society for social reform.¹⁴ On the European continent, Bismarck protected industry and agriculture from external competition and enacted comprehensive social legislation in response to the growing threat to the social order by the rise of mass socialist parties founded in the 1880s. Austria, Switzerland, and Scandinavian countries introduced social security measures in the late 19th century, at a time when their GDP *per capita* approximated that of Bangladesh today.

Block and Somers are at pains to distance Polanyi from Marx. In the chapter on *The Writing of The Great Transformation* they maintain that there are unresolved contradictions in *The Great Transformation* which Polanyi could not address because of his “shifting relation to the Marxist tradition” (Block and Somers; 2014, 73).¹⁵ According to correspondence with my father, the writing of the book proceeded smoothly following its initial plan with no indication of a shift in the argument (Levitt, 2006, 378-391). As explained earlier in this text, his relationship with Marx remains one of complementarity.

Britain and other Western powers emerged from the First World War indebted and diminished in wealth and power but otherwise relatively unchanged. In the defeated central powers of Europe and the weaker Mediterranean states, punishing reparations and austerity measures, imposed by Western creditors, resulted in the polarising politics of fascism or socialism in the 1930s. In response to the threat of socialism, industrialists lent support to populist fascist movements based on national rather than class solidarities. Popular support for fascist countermovements in response to the dysfunctional economy of the 1930s has inescapable similarities with contemporary political nationalist and xenophobic opposition to the ruling establishment today.

The historic compromise of capital and labour of the first three decades following the end of the Second World War can be seen as an effective reaction of society to the breakdown of the capitalist order in the Great Depression. In Europe, Western governments adopted national economic planning. Important industries were nationalised. Capital was regulated and exchange controls limited international capital movements. Labour shared the gains of productivity growth and rising wages sustained effective demand and full-employment. Inequalities declined and countries attained unprecedented rates of growth. However, as foreseen by Michael Kalecki, three decades of full employment weakened the power of Capital and laid the basis for the neoliberal counterrevolution.

Polanyi is now recognized in the mainstream of socio-economic doctrine as an advocate of regulation and social policy, complementing Keynes on macroeconomic management of monetary and fiscal policy (Eichengreen; 2015, 378).¹⁶ This is an important recognition of

the power of Polanyi's insights but it does not speak to the future of a socially and politically dysfunctional capitalist order.

Polanyi's double movement has widely been interpreted as a self-correcting mechanism which moderates and contains the socially destructive tendency of unregulated capitalist markets; or as a historic pendulum. Less attention has been paid to the caveat which qualified the countermovement in the opening pages of *The Great Transformation*: "Inevitably, society took measures to protect itself: but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way." (GT, 3). In the opening pages of the final chapter of *The Great Transformation*, Polanyi leaves no doubt regarding the importance of this caveat. The countervailing reforms did not save the nineteenth-century liberal economic order from self-destruction in the 1930s. It was not the recurrent economic crises, the falling rate of profit or even the Great War, but the stresses and strains on the social fabric which resulted in the extremes of fascism or socialism in so many countries of continental Europe.

The Neoliberal counterrevolution is best understood as the uprooting or disembedding of the reforms of the first three post-war decades. Neoliberalism reasserted the discipline of capital over labor by increasing rates of unemployment; reversing progressive taxation; privatizing public assets and uprooting restrictive regulatory controls domestically as well as with respect to international capital mobility. Social objectives of full-employment, reduction of inequality and the establishment of central banks as instruments of the State, were replaced by economic objectives of unlimited growth, competitiveness in globalized markets and independent central banks. At the global level some three-thousand enhanced Free-Trade and Bilateral Investment Treaties have privileged foreign investors and effectively exempted them from local laws and regulations protecting labour and the environment. Our dangerously disordered world is best described as a continuous process of "disembedding" the market economy from laws, customs, institutions and values essential for civilised life.

The double movement is the most interesting but also the most problematic of Polanyi's concepts. It stands in total contrast with neoliberal doctrine as famously stated by Margaret Thatcher: "There is no such thing as society". It implies that society is an active agent which has the capacity for self-protection and renewal. I believe this is true only where there is a level of social coherence. In a pluralistic society, it is the function of the state to negotiate competing interests. When the State is captured by corporate and financial capital, democracy and Polanyi's double movement are in suspense.

An extraordinary aspect of the long neoliberal era is the absence of effective political countervailing forces to the market. The societies of the advanced capitalist countries appear to have lost the capacity for collective resistance to the relentless encroachment of the market

on public and private spaces. Globalization and austerity policies have reduced the power of organized labour which in the past successfully moderated the unrestrained accumulation of capital. All major political parties have bought into neoliberalism to one degree or another. People have lost confidence in traditional political elites to represent their interests.

Society has become increasingly individualised, or 'liquid' in the terms of Zygmund Bauman. Identity politics and the postmodern discourse are contributing factors to the absence of an effective alternative to neoliberal ideology and policy. Not only the market but also the concept of capital has gained currency in popular discourse. Education is considered an investment in human capital. Informal social support relations are referred to as acquisition of social capital. In a related change of language in the United States, the working class is now referred to as a middle class, whose decline it is feared will reduce the demand for consumer goods.

It has been argued that the absence of an effective counter movement in the societies of the major Western powers has hastened the disintegration of capitalism as a functionally effective economic and social order: "capitalism's defeat of its opposition may actually have been a Pyrrhic victory, freeing it from countervailing powers which, while sometimes inconvenient, had in fact supported it." (Streeck, 2014, 50) When trust and honesty are dissolved by greed and unrestricted money making, capitalism has lost the pillars of traditional values that sustain it as a coherent social order. (Schumpeter;1942)

It is useful to situate these comments in historical perspective. Following the implosion of the Soviet Union in 1991, Thatcher famously proclaimed: There Is No Alternative (TINA) to capitalism. The TINA effect together with the celebration of globalization by the World Bank Report of 1995 and the illusions of the return of prosperity to the United States in the Clinton years favoured market-oriented policies of the liberalization of capital not only in the advanced economies but also in Latin America, India and China. In the United States, it set the stage for the neocon project for a new American century (PNAC). The North Atlantic Treaty Organization (NATO) was reconfigured to serve the empire in wars in the greater Middle East. The complicity of Tony Blair's New Labour and that of other leaders of social democratic political parties closed the book on '50 years of democratic capitalism'.

The century ended with the historic protest by labour, environmental and social justice activists against globalization in Seattle. At the start of the new century the first World Social Forum was convened in San Paolo in 2001. In a rejection of TINA the Forum declared that 'Another World is Possible'. Since that time, a variety of social movements from all corners of the world have been engaged in the struggle against exploitation and injustice. They are laying the foundations of a future social order that is respectful of the culture of peoples and nations, and of the natural environment.

A World on the Brink of Self-Destruction or Transformative Renewal

Forty years of neoliberal capitalism have brought us close to irreversible climate change and a loss of the ecological balance that sustains life on earth. The planet cannot sustain our wasteful and ecologically destructive consumer society which the middle classes of the rest of the world now also aspire to attain. Neoliberal globalization has devalued labour in relation to capital. The contribution of labour to world output has declined from 64 to 59 percent since the 1970s. In the advanced capitalist countries, median wages have not increased in the last 35 years. Globalization and information technology have created a divide between a relatively small number of highly skilled and highly paid workers and an ever-increasing precariat, forced into low-paying and insecure employment. Living wage family-sustaining middle-income employment (\$30,000-\$50,000USD) is collapsing. Austerity policies and wage repression have reduced purchasing power, maintained by dangerously high levels of household debt. On a world scale, debt has risen to an unprecedented level of \$252 trillion, or 225% of world output, two thirds of which is contracted by non-financial corporations. The IMF has advised that governments should intervene to defuse the next global financial meltdown.

An overblown predatory financial sector has elevated money-making to the prime driver of economic growth. It is destabilizing and distributionally inequitable. Moreover, as mentioned earlier in this text, some 20 percent of GDP generated in finance, insurance and real-estate adds little to social value. In an increasingly precarious labour-market, a job is valued for the income it generates rather than the goods or services it produces. Many people are employed in producing services of marginal usefulness. The anthropologist David Graeber calls them 'made up' or bullshit jobs (Graeber, 2016). As long as people need employment to access the necessities of modern life and entrepreneurs find profitable investment opportunities, what is produced is incidental provided that we can be persuaded to purchase it. The collapsing middle class is valued less for the work they do than for the money they spend. President Bush, in response to the crisis of 9/11, urged Americans to shop till you drop.

The fruits of increased productivity have largely accrued to the One Percent. They constitute a global ruling class of capital which has little knowledge of, and no responsibility for the people and societies where their money is invested. They appear to be all-powerful, but the social cohesion in the heartlands of capitalism is disintegrating. Not only the economy but society has been hollowed out. The American Dream of upward social mobility is history. Millions of Americans expressed their anger by voting for the outrageous Mr. Trump. In Britain, the Brexit vote reflected an economic and cultural divide between the globally integrated and prosperous regions of southern England and the disadvantaged industrial regions of the midlands and northern counties. The UK may fracture into its component

territories, a fitting epilogue to the British Empire. The future of the European Union remains uncertain.

In the advanced countries productivity has declined and growth has slowed since the 1970s (Robert Gordon). Stagnation has become the New Normal (Galbraith). In the first decade of the new millennium, developing Asia, with half of the world's population, attained GDP growth averaging 8 to 9 percent per annum. Since the financial crisis, emerging and developing countries have contributed the greater part of the growth of world output. It was thought that they had de-coupled from dependence on the markets of advanced countries, but this illusion was shattered when China's growth slowed and prices for the commodity exports of Latin America and Africa fell sharply. In these economies, high levels of corporate debt and increasing international financial integration could trigger the next global financial crisis.

The 2016 UNCTAD Report, authored by Richard Kozul Wright (Head of the UNCTAD Division on Globalization and Development Strategies) together with his team of economists, presented a trenchant critique of the neoliberal policies of unfettered capital liberalization which resulted in the financial crisis and the "greatest contraction since the Great Depression." The Report argues that "enthusiasts for efficient markets promised that financial deregulation would boost productive investment, but this promise has not been met." Rising profits coincide with increased dividends, stock buy backs and mergers and acquisitions but not with investment in new plant and equipment. Reliance on cheap credit to stimulate recovery has fuelled an explosion of corporate debt in emerging economies, now totalling 25 trillion, and UNCTAD warns that developing countries have become increasingly vulnerable to speculative and large capital flows: "Financial markets are chastened but unreformed, debt levels are higher than ever and inequality continues to rise."

The UNCTAD Report describes this conjuncture as a 'Polanyi period': "in which the regulatory normative framework ..., having already warped, is beginning to buckle as the weight of Greenspan's mistake is felt in an ever-widening swathe of economic and social life – from precarious employment conditions to corporate tax inversions to undrinkable tap water." Their comparison with the inter-war period suggests that they believe something similar to Karl Polanyi's *Great Transformation* is now required. The report notes that Western governments after the Second World War struck a balance between market efficiency, shared prosperity and economic security. "Managing such a transformation in our highly interconnected global economy is today's big political challenge, for countries and communities at all levels of development." (UNCTAD, 2016).

The fractured political order in the United States and Britain and similar manifestations of populist challenges to the governance of the EU are unfavourable to effective action to

reduce carbon emissions, reverse austerity policies, or forestall the next global financial crisis. To quote UNCTAD, “in the face of supposedly insurmountable global forces, [politicians and policymakers] have made “business as usual” their default policy option.” (UNCTAD, 2016) We are entering what Antonio Gramsci called “an interregnum,” where the old order is falling apart, but the new one has yet to be conceived. These are times of turbulence and great uncertainty, but social movements are laying the foundations of a new world based on respect for nature and the co-existence of diverse peoples and cultures. As Polanyi suggests in a passage from *The Great Transformation* (p.260): “not for the first time in history makeshift arrangements may contain the germs of great and permanent institutions.”

Land, Labour and Work in the Age of the Industrial Internet Revolution

The challenges facing our disordered world are not limited to environmental degradation and climate change, or to the next global financial implosion, but also includes the massive displacement of workers by automation and robots. The workers displaced by the technology of the Second Industrial Revolution found new employment in service sectors, which now comprise 70% of GDP in many advanced countries.¹⁷ The Third Industrial Revolution of information technology is displacing workers not only in manufacturing but, more importantly, in all service industries including transportation, distribution, communications, electricity, health and education. No government is prepared for this. In the new millennium half of lost employment in the United States has been due to the replacement of people by computers and software (reference Chicago University). A study by Oxford economists found that 47 per cent of employment may be replaced by software and robots in the next two decades. The Economist expressed the view that: “Even if new jobs and wonderful products emerge, in the short term income gaps will widen, causing huge social dislocation and perhaps even changing politics.” (*The Economist*, January 18th 2014).

In an address to a stellar audience hosted by Bloomberg, Nouriel Roubini¹⁸ identified the microchip as the innovation that created the most disruptive change in the past 85 years. He expressed the fear that it may well replace the human race. The astrophysicist Stephen Hawking believes we should colonize Mars because the human species may not survive the advent of Artificial Intelligence (AI). Information technology is further increasing the high level of inequality. It is capital intensive, favouring those who already have financial resources; skills-biased, favouring those who already have high-level skills; and labour-saving, reducing the total number of jobs in the economy. (Roubini, December 8th 2014) The leading Information Technology corporations are immensely profitable: Apple makes over \$500,000 per employee; Facebook and Google are both over \$300,000, while Facebook’s messaging application, WhatsApp, employs only 55 people. Technological unemployment is not confined to the developed countries. Advanced computers can analyse images more

rapidly and reliably than professional medical technicians in Bangalore, and speech recognition by artificial intelligence will replace outsourced call centers. Foxconn, which produces iPhones and a range of similar advanced electronics, plans to replace much of its Chinese workforce of more than 1.2 million with robots, and the process has already started. The advent of 3D printing may create new billionaires. An initial large investment can produce a wide variety of outputs at minimal marginal cost which will further reduce employment in established manufacturing industries. The future may be a factory where one highly skilled engineer oversees hundreds of robots. (Roubini, December 31st)

Roubini's reflections on the dark shadow under the silver lining of progressively more intelligent computers processing 'big data' echo Polanyi's earlier fears that mankind might not survive a civilization of a 'technological type.' (1947b) "The machine may yet destroy man. No one is able to gauge in the long run, whether man and the machine are compatible" (1947b). A Brave New World, where "20% of the labor force will work 120 hours a week while the other 80% will have no jobs and no income" (Roubini, December 8th), is the 21st century version of Burnham's 'Managerial Revolution': a "new form of serfdom called 'managerialism'," whereby the individual is conditioned to support an economy designed by a technocratic oligarchy "who believed that the whole of society should be more intimately adjusted to the economic system, which they would wish to maintain unchanged." (1947a) By contrast, Polanyi believed that in a truly democratic society, the problem of industry would resolve itself through the planned intervention of producers and consumers themselves: "Such conscious and responsible action is, indeed, one of the embodiments of freedom in a complex society. (1947a)

In two important articles written in the shadow of the "scientific barbarism" of Hiroshima, Polanyi made a passionate appeal for the rejection of the values which underlie the market economy and the progressively artificial environment of the machine age: "How to organize human life in a machine society is a question that confronts us anew. Behind the fading fabric of competitive capitalism there looms the portent of an industrial civilization, with its paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity. Science itself is haunted by insanity." (1947a). The reference to a receding capitalism was premature, but Polanyi's words speak to us across the seventy years since they were written: "Today, we are faced with the vital task of restoring the fullness of life to the person, even though this may mean a technologically less efficient society." (1947a)

Polanyi's historical and institutional approach emphasizes the abrupt nature of the change in human consciousness with the coming of the Machine Age. Other historians have similarly identified the industrial revolution as a "genuine mutation" (Furtado) or a "historic accident" (Bairoch). The skills and crafts of artisanal industries were displaced by machinery

producing uniform products on an ever larger scale and ever lower cost. Buying and selling for profit, previously confined to traders and merchants, was extended to govern the sphere of production. The purchase and sale of all commodities, including labour power and the use of land, were integrated into a market economy.

Our capitalist market economy, driven by fear of loss of livelihood and gain from profitable investment, has survived for so long because we have accepted the market as the natural order of things: “Our consciousness has been distorted by the economism of the market mentality.” Here it could truly be said that society was determined by economics, “Our humiliating enslavement to the ‘material,’ which all human culture is designed to mitigate, was deliberately made more rigorous.” (Polanyi, 1947a). Computer games, cellphones, iPods and other digital devices, previously unknown, are becoming necessities. Since economic growth has stalled, an obsessive pursuit of start-ups promising profitable innovation exemplifies our belief in market solutions. “This is at the root of the ‘sickness of an acquisitive society’ that Tawney warned of. And Robert Owen’s genius was at its best when... he described the profit motive as ‘a principle entirely unfavourable to individual and public happiness’.” (Polanyi, 1947a)

Digital information technology and artificial intelligence presents the greatest challenge to humanity since the industrial revolution. It is the most artificial manifestation of the Machine Age. It has the potential to free our lives from engagement in unnecessary and environmentally destructive material production; or subjugate us to surveillance and control of society by corporate giants and government.

In the factories of Charlie Chaplin’s ‘Modern Times’ human hands operated machines that shaped steel or other materials to produce parts, components or other physical products. While many of the products of the second industrial revolution, such as washing machines, refrigerators, and other electrical appliances, were genuinely labor saving and lightened the burden of work in the household, the beneficiaries of information technology have not been the workers displaced by labour-saving technology but the owners and shareholders of enterprises, whose costs are reduced.

In the ‘knowledge-based society’ the producers are no longer the working class. Skills as mechanics or other trades have been devalued by a new class of highly specialized computer engineers, scientists and human resource managers. They are creating a world of digital communication and means of control. This has produced a social and digital divide between people privileged by higher education who benefit from global communication, whether for work, investment, entertainment or vacationing, and a working class impoverished by loss of employment, status and community. They expressed their anger and frustration in voting for Brexit and Trump.

Information technology has enabled fast communications and connections between individuals and social movements across the globe and opportunities for social and economic cooperation on a horizontal and local level (Rifkin, 2011). It has also increased the ability of corporations to gather private data for commercial advantage and the transformation of all industrial activity to become more efficient by replacing labour with software and robots. It has accelerated and extended globalisation of trade and finance to the benefit of mega-transnational corporations. All this presents a historic challenge to socialists to refashion society in a manner which values, respects and includes each and every member of society.

Writing in 1930, Keynes foresaw the possibility of a Good Life at a level of a national income prevailing in the lifetime of his grandchildren. They would work only fifteen hours a week and there would be no further need for saving and investment for economic growth. Interest rates would decline to zero, resulting in the “euthanasia of the rentier”. Keynes’s believed that love of money and money-making were pathological. His greatest fear was that finance would destroy industry. His principal concern was how to achieve and maintain full employment. His work did not address economic growth nor did he believe it to be necessary in advanced countries. His legacy has been misappropriated by advocates of unlimited economic growth.

By the 1980s, the material standards of living in advanced countries had greatly increased, but hours of work had hardly declined since the end of World War 2. Addressing the problem of technological unemployment, the great Russian-American economist, Wassily Leontief, proposed: “Instead of having one part of the population fully employed and the other totally unemployed, the labor hours might be shortened, the number of workdays in the week reduced, the length of regular vacations increased, the retirement age lowered, and the entry of young people in the labor force delayed through longer schooling.” He was optimistic that the Information Technology revolution would bring improvements as great as those of the earlier Industrial Revolution, but stated that: “...to make full use of these opportunities, our economic, social, and even cultural institutions will probably have to undergo a change as radical as that experienced during the transition from the preindustrial society to the industrial society in which we live today.” (Leontief, 1983) Thirty years ago, he anticipated Roubini’s fear that technological hubris could render the majority population redundant and put out to pasture like the horses no longer required in agriculture and transportation.

Since Leontief wrote that we could allocate resources to benefit the population by lightening the burden of work and releasing time spent in economic activity, hours of work have not been reduced; the pensionable age is rising; and guaranteed pensions are being replaced by pension funds whose earnings fluctuate with the market. In the United States there is no federal legislation governing paid vacation, sick leave or maternity leave, and higher

education has become prohibitively expensive¹⁹. Corporate profits are no longer invested in expanding the real economy, as noted by UNCTAD. They are used to acquire existing assets by mergers and acquisitions; appropriation of nature by mining and logging; privatization of social knowledge by patents and other forms of intellectual property; land grabs amounting to approximately 2% of the world's arable land; and purchase of urban real estate depriving populations of affordable housing. This degenerate rentier capitalism has reverted to the extractivism of the earlier mercantilist era of mines and plantations, trade and war (Levitt, 2013).

Polanyi's Socialist Vista of a World of Cooperation and Coexistence

Polanyi reminds us that: "Not until a few generations ago was our habitation physically severed from nature... The machine interfered with the intimate balance which obtained between man, nature and work." (1947b). The extraordinary increase in material production since the industrial revolution, fuelled by hydrocarbons, was obtained at the cost of the progressive destruction of the natural environment and a historically unprecedented increase in inequality across the world. In the era of the Enlightenment, living standards were nowhere more than twice as high as that in any other region of the world.²⁰ "Over more than a century the dogma of material welfare ruled the souls, and ever growing efficiency of productive methods fostered by a scientific technology became the panacea." (1947). Its contemporary manifestation has been called Economic Growth Fundamentalism (Bauman, 2012).

Freedom from enslavement is freedom from the treadmill of engagement in an economy of endless accumulation. We do not wish to be slaves to the production or consumption of unnecessary, wasteful and environmentally destructive commodities. Capitalism does not know how to stop at sufficiency. The good life for all does not require unlimited growth or unlimited goods. Polanyi did not live to see the advent of artificial intelligence. I think he would have seen it as a more serious threat to humanity than the machine age of his generation.

Polanyi insisted that "freedom cannot be a supreme requirement as long as efficiency is enthroned as the arbiter of social ethics. ... There seems to be no end of the road to technological progress which carried with it an ever decreasing freedom. ... however "rich" the society grows in more or less "useful" products, the farther it is from the freedom to cut loose from the treadmill of money-motivations. True, leisure may grow, as "freedom from work." But the change to a life where the alternative to a monetized existence is merely the empty leisure of the "absence of work" is not the freedom man's heart desires." (Polanyi, 1959) The nightmare of an economic order foreseen by Leontief and Roubini, which discards humankind as unnecessary as the horses replaced by tractors or automobiles, is a dystopia of authoritarian managerialism.

Not only the economic, but also the political institutions of contemporary capitalism are failing us. It is now the task of the collective activity of social movements to restore the basic human needs of food and shelter, respect and dignity, community, friendship and affection, creativity and a relationship of harmony with nature. “The civilization we are seeking is an industrial civilization in which the basic requirements of human life are fulfilled.” (1947b)

The society that is more human and respectful of nature will differ according to the cultural and historical heritage of peoples and nations of the world. There is no one model. All modern societies have mixed economies, combining private sector, state-owned enterprise, cooperatives, volunteer and non-profit organizations, and other forms of economic activity. Colonialism and imperialism have attempted to impose European institutions, political structures and even the religious beliefs of the West on the rest of the world. But the world has changed. China, not long ago the poorest country of the world, has risen to be the second largest economy. Indigenous peoples of the Americas have risen from centuries of marginalisation to reclaim their lands and challenge extractive mining operations. Together with environmentalists, they constitute the strongest force in the movement for the defense and respect of nature. Of equal importance is the social movement for food sovereignty, such as *via campesino*, which seeks to establish a direct relationship between family farmers and urban consumers. Food is the most basic link between land and people living in urban conglomerations.

Polanyi’s anthropological research has posited reciprocity, redistribution and exchange as a general pattern of integration in all societies throughout history. His critique of market economy has influenced social activists who see in reciprocity alternative institutions for economic activity. They are engaged in the organisation of communities, cooperatives, social and solidarity economies and other forms of social enterprise. Redistribution of resources relates to equity and the universal provision of water, sanitation, social services, education, health and transportation. Regarding exchange, Polanyi believed there was a role for the market, but that banks are an essential public utility which should not be permitted to operate for profit.

How much abundance is needed to be free? “... the conditions we need more than most of the fantastic varieties of unwanted luxuries are the chance to be able to follow our inclinations, develop our talents, choose between money making and personal relations, enjoy shaping of our own existence above the meaningless conformity to a commercialized entertainment industry... What our children need is a better education, a wider opening for self-improvement, the opportunities of travel, studying, research, creative activity; what we all need is a broader contact with nature, art and poetry; the enjoyment of language and history, the perspectives of science and exploration, security against the avoidable accidents of life and above all a self-respecting person’s assurance that he can lead his life without a

humiliating dependence upon an employer or upon the constricting interferences from a poorly educated, unenlightened community. Not another car, a more expensive suit of clothes, ... but the services provided by the village, the town, the government, the voluntary association that add up to those preconditions of a true life.” (Polanyi, 1959)

Concluding Comments

There is a remarkable continuity in Polanyi's world of thought from early days to the publication of *Coexistence*, *the Plough and the Pen*, and his final return to Hungary. The ultimate source of his social philosophy comes from a moral rejection of the commercial market values which underlie capitalism in all its manifestations, including redistributive social democracy which does not challenge the corporate control over the economy.

The following comments are informed by the polarities which enriched Polanyi's life and work. The order in which they appear in the unpublished note cited in the second paragraph of this text reflect his increasing concern with the relationship between technology, economics, science and the future of humanity.

Freedom and Reality: From earliest days, Polanyi had a great respect for the courage of the men and women who fought for freedom in Tsarist Russia, like the legendary Bakunin, or Vera Zasulich and Sofya Perovskaya. The journal of the Hungarian Student movement was named *Free Thought*. Throughout his life as a student activist, independent scholar, journalist or adult educator, he was an observer and analyst of political and economic events. He did not offer a universal model of a socialist economy. Rather, he told us that the future is our responsibility to shape. Perhaps this is the reason why his vision has survived the failures and disappointments of socialist experiments of the past. His engagement with reality and freedom was the core aspect of his life.

Empirical and Normative: Based on the findings of Thurnwald and Malinowski, his anthropological research was guided and motivated by his desire to prove that never before in human history was the livelihood of the population subjected to a system driven by individual self-interest. In all pre-modern civilizations, the economy was embedded in society and no family was permitted to fall into destitution, unless natural disaster or war afflicted the entire community.

Community and Society: Polanyi's ideal was a community in which people were responsible for each and all, as in a family. A modern complex society, however, requires a central power that enables a necessary minimum of conformity for social cohesion. But the society should be constructed democratically from the bottom to the top, not from the top to the bottom.

Science and Religion: For Polanyi, there are core metaphysical questions beyond the reach of human intelligence and scientific investigation. They are in the area of belief systems we know as religion. He distrusted the hubris of scientists. In a reflection on his own responsibility, Einstein warned the scientific community that: "the creations of our mind shall be a blessing and not a curse to (hu)mankind."

Efficiency and Humanity: Efficiency belongs to the world of the engineer. It addresses the problem of the optimal use of resources to achieve a given objective. When applied to the problem of human livelihood, as in neo-classical economics, it treats human resources as inanimate inputs, and the economy as complex machinery producing maximum output of commodities, and generating incomes to purchase them. Beyond a certain level of material

requirement, a more human society would enable people to take back more of their life from engagement in the economy.

Technological and Social Progress: Polanyi rejected the economic belief shared by mainstream and Marxist economists that technological progress is a necessary condition for social progress. He noted that in any technological era a great variety of societal institutions could be found. He stated that “technology, economics and science”, in that [historical] order, has contributed to the fallacious belief that abundance is the essence of freedom. He believed that we are now rich enough to be inefficient and more human.

Institutional and Personal needs: Polanyi believed that freedom of thought and the right to non-conformity should be constitutionally guaranteed. Dissidence is essential for a free society.

In the following passages, we address four other continuities in Polanyi’s life and work:

While the role of the working class was, and remains, central to the origins of socialism, Polanyi saw in the peasantry a repository of wisdom and traditional knowledge, rooted in nature and in the cultural expressions of legend, poetry and music. From his early admiration for the Narodnik and Russian revolutionary socialists to his support of the Hungarian populist poets, he celebrated the peasantry.

The model of a socialist economy he presented in 1920s Red Vienna was based on the existence of a strong trade union movement, socialist parliamentary majorities and consumer cooperatives. His historical and institutionalist approach to economy and society led him to consider the Soviet experiment of industrialization of the most backward country of Europe as a great achievement. He did not join many Leftists in dismissing it on account of the crimes of Stalin. Socialism has to be built on the foundations of existing historical and cultural institutions of the people, the place and the times.

Polanyi greatly admired Aristotle and appreciated his condemnation of the disruptive effects of money-making on the well-being of community. From his first early encounters with Aristotle and Greek classical literature, to his comparison of the cultural achievements of the Red Vienna of my childhood, with the cultural impoverishment of the British working class, Polanyi maintained that A Good Life For All does not require economic growth beyond sufficiency of food, shelter and basic public services. A similar case for sufficiency was made by Skildelsky and Skidelsky in “How much is Enough?” A current project launched in Vienna calls on environmentalists and the Labour movement to unite in the achievement of A Good Life For All, and draws on Marx and Polanyi for inspiration²¹.

In 1945, when the United States was asserting leadership as a hegemonic power, Polanyi conceived of a multipolar world, composed of major regions sharing geographic and historic commonalities. Like many of his insights, it was premature, but in our time a multipolar, international order is the only hope for a world of peace. Polanyi believed that any supra-national political authority would be captured by the powerful. In his proposal of regional blocks, constituent nations would preserve their national and cultural identity. He believed

that the nation continues to be the political manifestation of a cultural community, and that country still matters to people. As he wrote a few days before his death: “The essential connotation [of the nation] is always about the communion of humans. The heart of the feudal nation was privilege; the heart of the bourgeois nation was property; the heart of the socialist nation is the people, where collective existence is the enjoyment of a community of culture. I myself have never lived in such a society.” (In a letter to Rudolf Schlesinger, 1964).

Finally, what advice would Polanyi give us if we asked him which way towards a socialist future today? I think it is liberation from the close network of economic relations into which all of us are trapped. Liberation from wasteful, unnecessary and environmentally destructive economic activity, which consumes too much of our lives. I was listening to the radio in November when the clocks went back, and they were jubilant: ‘We’ve gained an hour!’ Think of socialism as a different way of life, where we can take back more of our time on Earth. A better life is a simpler life.

Kari Polanyi-Levitt, Montreal, 2017

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¹ Polanyi, Karl: "Brich mit dem Frieden in Dir/ Brich mit dem Werte der Welt/ Besseres nicht, als die Zeit/ Aber auf's Beste sie sein." or (Break with the peace that is within you/ Break with the values of the world/ You cannot be better than your times / But you must be of the best.) These lines are not as they were written by Hegel but as remembered and written by Karl Polanyi (Kari Levitt, *Co-Existence* number 2, Nov. 1964).

² The United Nations reported that 65 million people were displaced by wars and other manmade disasters worldwide in 2015 (UNHCR).

³ National poll conducted by The Associated Press-NORC Center for Public Affairs Research University of Chicago.

⁴ A year before his death Mihaly magyarized the family name of the children to Polanyi.

⁵ Polanyi, Karl. *Aristotle Discovers the Economy*. [1957] 1971. For the countercultural values of the family see the chapter on the Polanyis in Peter Drucker's *Adventures of a Bystander*. While his memoirs are inaccurate in detail the total picture which emerges is valid.

⁶ Published in Germany in 1932, the two volumes, edited by Meyer and Landshut, were saved from destruction by the Nazis. They were taken to Switzerland.

⁷ It is given to the best among men somewhere to let down the roots of a sacred hate in the course of their lives. This happened to Polanyi in England. At later stages, in the United States, it merely grew in intensity. His hatred was directed against market society and its effects, which divested man of his human shape". *Livelihood of Man*, XVI

⁸ Cited from Rockefeller ARCHIVE 41

⁹ I believe you could count the number of Europeans who chose to leave the United States for wartime England on the fingers of one hand.

¹⁰ In technical terms, the definition of government policy was called the social objective function. Full employment and the reduction in inequality were *social*, as distinct from economic, objectives designed to address the social ills of the inter-war period.

¹¹ These ideas were first developed by Polanyi in chapter four of *The Great Transformation (Societies and Economic Systems)*.

¹² Thompson, E.P. *The Making of the English Working Class*, New York, Vintage Books, 1966, "When Adam delved and Eve span, who was then the gentleman?" (John Ball, c. 1338– 15 July 1381).

¹³ Even Robert Owen did not favour the universal franchise.

¹⁴ In Britain, these took the form of factory legislation, abolition of child labour and limitation of hours of work; friendly societies for insurance and costs of burial; consumer cooperatives; and trade union and labour organization.

¹⁵ The authors here repeat an argument of an earlier article by Block (Block; 2001...) regarding the writing of *The Great Transformation*.

¹⁶ In a survey by the World Economics Association *The Great Transformation* ranks second only to Keynes' *General Theory*.

¹⁷ In India also, services now account for more than 50% of GDP

¹⁸ Nouriel Roubini is an American economist. He teaches at New York University's Stern School of Business and is the chairman of Roubini Global Economics, an economic consultancy firm. Known as 'Dr Doom' as he was one of the few economists who foresaw the financial crisis.

¹⁹ Student debts in 2016 are now averaging \$37, 172, mounting to \$161, 772 for medical students.

²⁰ Today, 75% of world output accrues to the top 20%, compared with only 2% for the poorest quintile, and the richest country, Qatar, is about 425 times wealthier than the poorest, Zimbabwe.

²¹ For details of a congress on a *Gutes Leben für alle*, on February 9-11, 2017, see <http://www.guteslebenfueralle.org/en/about-gutes-leben-fuer-alle.html>