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NOTES OF WORKSHOP I WITH

KARL POLANYI, FEB. 25/56

(Revisions as per K.P. on Original)

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NOTES OF WEEKEND WITH KARL POLANZ:-

PICKERING, FEB. 25/56.

(Revisions as per K.P. on Original)

Comments on the Background of "The Great Transformation":

No?
G.T. is a follow-up of the philosophical ideas of the early Marx 100 years later. e.g. alienation idea (c.f. "The Philosophical Writings of the Early Marx" by a Cambridge writer with a short name - wrote pamphlet with *Adams* G.D.H. Cole introduction).

The problems that existed before the market economy came into being, remained after its passing. Fascism was one solution. Democracy disrupted the market in ¹⁸³⁴ 1832, ¹⁸⁴⁴ 1836 and ¹⁸⁴⁶ 1844.

The economic and political systems were separate in the market economy and after the breakdown ^{in the 1920's and 1930's} both were in danger of collapse. One could take over the other e.g. when the state takes over the economy there is socialism, and when the economy in its corporative form takes over, there is fascism. This was P's original theory of Fascism.

P. looked for a certain unity for both and began to study primitive society.

(Comments on My Outline for the Revised G.T.)

The common problem of both America and Russia is industrialization. The 1820 problems came up again in the

1920's. The liberal market is closed. It was a machine for producing material abundance. Technology was instituted through markets. Material abundance shouldn't obstruct life. Call it "the G.T. and America".

Russia:

The Russian "1984" position is gone - thawed away, and the position of the G.T. is back. (Can forget about '45 - 55). Offers no prophecies with respect to Russia -- might change in 3 years to another emphasis of life. Russia would have been in terrible danger if the 5 year plans had failed.

(From memory:) Since the Chinese have assumed leadership in Asia, the Russians are turning ^{back} to the West, ^{where} ^{are} ^{origins}. For a long time under Stalin their position was in between East and West. Russia 50 years ago was the most advanced country in Europe - e.g. Tolstoy and Dostoevski's work went far beyond anything the West produced.

Her problems will ^{now} be the same as ours.

Current Crisis:

P.'s outlook optimistic. No imminent danger of destruction of mankind. One shouldn't feel paralyzed.

There were 3 sources of destruction in the period 1945 - 55:.

- 1.) Atom Bomb. Science created the peril of man's ^{suicide} ^{fatal}
- 2.) U.S. - Russia (vacuum) polarity of power created ^{imminent} ^{fatal}
- 3.) ~~Vacuum~~ ¹ ~~left~~ by Asian revolt. created ¹ ^{fatal} tensions

In this period each one had reinforced the other 100-fold. But having passed the climax each is hindering the other two. Mankind was in the same boat for the last 10 years, in danger of being destroyed and is now developing a common fate, -- partly due to Russian achievements linked with her determination to avoid war. (Although the Russians had their own Hiroshima and Auschwitz crimes).

P. is under no illusions about the ease with which peace and freedom can be maintained in a technological civilization. It is not simply a matter of goodwill -- of wishing it.

The Reality of Society:

Emphasizes this. One should explain in this section of the book how difficult it is to secure the survival of mankind even if everyone does his best. One is therefore disillusioned by disregarding the reality of society. It is an illusion to underate the difficulties in a complex society. The answer lies in an institutionalized solution (rather than just good-will).

We are not only fighting past illusions of the economic fallacy but also future ones.

~~The reality of society is not that people form societies.~~
Not true -- if they don't want to, they don't. Society is not shaped in unlimited fashion by ideals and wishes. When it comes to instituting man's wishes and ideals they are inevitably contradictory -- e.g. equality and freedom,
progress and stability
sound traditions and elasticity.

These are all justified as ideas, but they are merely words. As institutional situations they limit one another. This is the essence of human culture, the mutual limitation of man's ideals. It is not that ^{the various} individuals' ^{interests (incl} ^{ideals)} limit one another, as the nineteenth century thought. ^{unless limited} But man's wishes and ideals are contradictory insofar as they are instituted i.e. real. It is not, therefore, that each man's freedom is absolute until contradicted by another man, but men are limited insofar as their ^{own} ideals contradict ^{each} other ^{consequence} ideals. This then is the content of the reality of society.

The whole is a religious conception and only then is there clarity in it. There are three revelations behind this:

What did man do with the recognition of the finiteness of his life? He had to take it. The form of his consciousness changed and he became a man. This is the essence of the story of the fall of man. Man recognized that life was limited by physical death. The answer to this is that the content of human life doesn't exist without the knowledge of death. Existence could have no meaning without death. There is nothing to be done about it but resignation. Man is a moral being to whom everything has a meaning.

The New Testament has a second revelation -- a second death. Man not only dies, but he can lose his soul any moment and die forever, by acting against his basic conscience and destroying himself. This is the discovery of the moral person.

Each individual having a soul for himself puts him in a state of terrific peril. But there is no content to life to fear for one's soul. It is a real condition of freedom.

All this comes from freeing things from the doctrinal: e.g. Jesus as the son of God. But what has been discovered is not a fairy tale. Every individual has a soul to lose. Jesus argued that if you dissolve your ego - love - if you get selfless, you can live - selflessness is love. But the self was created by fear of everlasting extinction. The self is a disease - a parasite of life. It takes life away. Same as Buddha and Lao-tze, man cannot build a new life out of resignation.

Unlimited freedom is an illusion in a complex society. Whatever you choose you interfere with other people's lives.

Relations between revelations:

You can still die forever even if you have the possibility of death. You can disregard the complex society but this is an empty question.

There is a limitation to the organization of society. There is no reform of society where there is no power in it. No power, is impossible as man's very ideals and wishes create power.

P. believes in metaphysics which give clarity to man's existence. Man is an indeterminate creature and it was not sure when he was born that he would create a technological civilization. Only Western man has done this.

This characteristic of Christianity was there in the beginning - compulsive and looking to the future, eschatological. Jesus thought that the end of the world was imminent, but it is not imminent.

The Dead Sea Scrolls change the position of Jesus. If Christianity was really the Essenes, he wasn't the founder, and Christian doctrines are undermined. It is of no great importance whether the founder was Jesus or another Jew, except it will make some Jews proud of their history if it is proved that they originated Christianity. The mystery of Jesus' mission is greater than before. Now he is not "one man" who created out.....

P. doesn't believe in Jesus as the son of God. There is no clear meaning in this statement. The christological aspects: Christianity not based on the teachings of Jesus, but who he was.

By man resigning himself to society a new concreteness is born. Man's objective is to reform society and change it to its limits. Unless we do that we have the whole responsibility which recognition puts on us. The first two revelations of physical and eternal death are less true, as they lead to the restriction of an illusion. The first two are not invalidated by the reality of society.

That man must die doesn't do away with his concern for his soul. Man's eternal soul doesn't permit him to be rid of all moral bonds, and if he denies these he loses it. Eternal doesn't refer to time, but timelessness - of infinite value.

ἄχρονοι

(Greek "ions" -- timeless). This is not a speculative or metaphorical question. (Life after death is a theological speculation.)

Jesus pointed out that there are things you are yourself responsible for and not the tribe. Existence is personal and is different from what happens with things. That which makes it so different can't be said about a lamp or a table. This personal existence is the only one man is interested in, and the only one man can mean when we say: the things that matter is his relationship to other persons. The very heart of life is the personal existence. This assumes persons and personal interest.

Mind and power are the same thing. Thinking is a creative power. When we say mind we mean the compulsive element in thought.

The modern consciousness of society is comparable to the revelation of the finiteness of life and the revelation of the individual's moral existence. There is not even a hint of this consciousness in Plato. The third revelation did not come through particular persons, e.g. Marx, Sorel, Hitler etc. This is an insight which the technological environment created through the new conditions of life in a complex society.

It is childish to think that a person follows his own conscience alone, since this is limited by the reality of society. It is like a child who doesn't know that life is finite - like a tribal member who has corporate and collective responsibility. Ultimately man is responsible.

It is the institutional bent that puts order into Polanyi's moral world.

Christians rest their case on an inner absolute freedom. It doesn't mean that man is released from responsibility.

(My question on the relation of Hobbes and Locke to the idea of the reality of society):

Hobbes maintained that power was inevitable in society or individuals would eat up one another. This is very inadequate. We just don't know whether people would eat up one another. Power is produced by any compulsion affecting the mind. It is ⁱⁿunconceivable to have any other type of society. Hobbes became very important for modern thought. The vision behind it is atomistic individualism. This is a clever fiction but unreal. The comparison of man to a pack of wolves is ridiculous.

Robert Owen held that the individual was not responsible and therefore denied Christianity. Society was real and responsible.

Comte had a vision that Society was real.

Quetelet - 1837 - the founder of statistics, held that society was real.

Marx, through economic determination believed almost in the elimination of the individual.

Hegel had the elimination of the individual in another way.

Spencer had the organic concept of society, but at the same time it was ridiculous to argue for liberal competition.

Parsons is the only counter to atomistic individualism.

To say that society consists of individuals, doesn't tell you anything about it. Society has values and meanings of its own. The individual internalizes these and society is built on these things. Society has roles and the mutual expectancy of roles and that is the way it is built.

This occurs in two ways:

- 1.) roles are internalized by individuals.
- 2.) Roles exist which individuals play.

The individual couldn't play the part unless the role existed. The two must harmonize, but who falls into these places doesn't matter. A person may play many roles. e.g.

in 'Hamlet'; the roles are laid down and the characters fit the roles.

Society should be thought of like 'Hamlet' (ie the play)

You don't start with the individual but with internalized values and mutual role expectations. Their relationship creates threads and the tissue of threads is society. This is one of the ways in which the reality of society is presented. The values of society are internalized in the personality structure and institutionalized in role expectations. The individual is socialized by the personality structure which is built on.....
Human relationships are based on ^{mutual} role expectations.

These are much better terms than e.g. "social relations" built on the individual. These are consistently societal terms. For example in a market society, the values are success, efficiency etc. Personality is judged along these lines, and

likewise role expectations e.g. with employers, employees. If personality structure and role expectations are in harmony, there is no strain, everything would be perfect and then there is no point to the idea.

But internalization needn't be permanent:

- 1.) Internalized values may be wrong values, or they may not be completely internalized.
- 2.) Then if roles don't fit the circumstances e.g. a market person in a bureaucratic society, then you change either the role or the personality structure.
(Then you can play about with this).

Socialization need not be perfect, or fit a person's temperament. And who educates? Social controls and new elements are introduced to make things work.

They might have used this theory on the economy very well. i.e. Parsons. Fromm might have used it too. (Role means simply a function, an occupation, character.) The thing that's new is not starting from the individual but a pattern.

Polanyi's market theorem is simpler than Parsons' and Parsons' provides no place for the economy in society at all. Polanyi starts with the substantive, then how far it is embedded, and for the way it is instituted looks to forms of integration.

Parsons never gets beyond the economic system in society and is much more complicated than e.g. the ideas of fictitious commodities and embeddedness. Parsons is incomplete and confusing but Polanyi agrees with ideas of personality structure and role expectations.

Parsons has another general sociology - the requirements of any society or institution, put in abstract terms. This

is very much more general and doesn't restrict itself as to how society functions given certain values and motives, but how is any human group related to maintenance of its values. This is too general to apply and nothing comes of it. (adaptation, integration, structure, etc.) There are four requirements of any social system. But to say e.g. human economy, social system (?) is so vague that nothing comes of it. The general theory of any kind of social system is of no interest.

The reality of society is the background for the realization of man's inner self - sets the conditions.

An English philosopher said to Polanyi of the G.T. that P. was able to link up the economics and politics of the era *the actual facts* with life.

- 1.) We must recognize the inherent limitation of anarchistic freedom.
- 2.) We must waive the efficiency principle (e.g. the Russians can offer foreign aid at low interest rates, good terms).

Man is a social animal and must accede to society at vital points e.g. crime, emergency, c.f. Rousseau - *volonté*. Individual deviance should however be allowed as a shunting process for change. Otherwise, if everyone was the same there would be no adaptation or change to changing conditions.

The U.S.A.

The New Deal was characterized by political control.

Polanyi at first thought that since the Federal government had no power, there was no government intervention. But actually,

in the U.S. the states were helping business all the way -
e.g. the railways. Thus it is meaningless to say that the
state was not interfering, even though e.g. no factory laws,
no social insurance. Now we have old age, unemployment insurance
etc.

Polanyi's original theory of Fascism was that the modern
crisis was caused by the ^{disruption} ^{unity of society into the} of the political by the
economic. Has shifted his basis on the two meanings of
economic to accept the compound meaning as the most important.
Has shifted away from the theory that the unity of society was
destroyed by the separation of economics and politics in the
market system - although the disembodiedness idea is true.

One couldn't point to a disruption in American society,
it didn't seem to be realistic. The new picture must show
how the "market-free areas" grew: inside the corporation, ^{inside}
the trade union and the government.

The Great Transformation didn't insist on the complete
separation of politics and economics. ^{fact of} It ^{in 19th century society} is a European way of
looking at it which is not generalizable. It doesn't mean
that the "market theorem" is affected, but a complete separation
is not true in the U.S. ^{Rather} The political system was subservient
to business in the States, but separated out on a Federal
level. The railways ^{e.g.} were nowhere state-owned in the U.S.

The Federal government ran foreign policy, defence,
and army, the courts and finance and treasury, but not
industry, commerce or education. ^a Federal power is entirely new
since Roosevelt. (Canada is not very different).

The last chapter in the book (revised G.T.) is basic. It is a chapter of answers.

A unified trade union movement should have a constitutional safeguard for the individual - the extension of habeas corpus to the individual - the appeal to the courts in the last place. This is completely reliable as in America the *as long as the law has the support of opinion.* Federal court is incorruptible (doesn't work in the States).

The peculiar fear of world destruction is gone, and the problem is how to get along. The West must pull up its socks: Managerial standards must be raised further with the conviction that the service idea is true. Unless employment is stabilized and costs are cut, the system will be replaced by public ownership. The managerial interests of the corporation as a public body must be served. This is different from the capitalist interest. Trade unions should have long-term arrangements e.g. G.A.W. If the system breaks down it will be taken over by the state. These are the conditions of our competition with Russia.

The capitalist system was not primarily for profit but for status - money gives you status. Thus our taxation system may be so high as to be confiscatory, at the same time the capitalist class is assured the highest standard of life by being able to deduct from taxable income items for a high standard - i.e. expense accounts are institutionalized, and he gets as his status right a way of life he alone has. This is not cheating on taxes but using the tax laws.... At the same time corporation profits remain undisturbed and are terrifically big.

Competition seems to be very real, even when there are only 2 or 3 firms, - they are fighting for prestige. It does not depend on the number of firms sharing the market.

The working class is not threatened by starvation (e.g. G.A.W.) and the capitalist can't work for profit (confiscating taxes) but for a standard of life which goes with his status. Thus the classical motivation, the fear of starvation and profit, is weakened, but the system doesn't collapse, not at all. We have a situation in which the public relations and status interest of the corporation, the interest of the union and the interest of the government in public welfare have hardly any limit to which they can influence the economic process. This is happening today.

The Marxist thesis is that the government in Washington is only representative of the ruling class. Now with Eisenhower and a business government this is so, but he dropped the anti-democratic elements and kept the democratic ones - the shameless sellout of ^{natural} oil and gas was vetoed. The Federal government is now an independent grass roots power. The thesis originated by the Marxists held under the gold standard where the political government represented the ruling class: The banking system was in charge of foreign exchange and the gilt-edge market. They could ^{by their de facto constitutional position} veto actions affecting the stability of currency and the public debt.

This ceased after the passing of the gold standard. This is a democratic system and people get what they want, e.g. the policy toward Russia is a people's policy - the trade unions are extremely anti-Russian. The upper classes are less anti-Russian than the trade unions.

1944 ^{explanation of}
(U. of Michigan survey). The answer to this is that to a poorer person his "way of life" is a much bigger part of his life than ^{to} the wealthy person. The poorer people really enjoy their way of life and hate the idea of change. There has been a great influx of education and literature to the working class. I. has no illusion about ^{the actual working of} our system but it is democratic.

The Market and a Theory of Nationalism.

(my question on their relationship)

See books by C. Hayes, "The Age of Materialism", for a theory of nationhood. For the bourgeois it is language and literature.

The factor of the credit system: it is the ^{one} currency which makes the ^{unites today} nation. Liberal theory says "currency is nothing". Ricardo and Marx queered the pitch: "money is a token ^{only} of gold." But money is not only a token of gold, but qui generis, a means of political power that has nothing to do with gold.

The criticism of the gold standard was Keynesian. No one wants to go back to the gold standard because employment is thus subordinated to the level of currency. (very crucial factor). Nationalist movements in Asia are industrializing and want to remain in control.

In the 19th century, England established two things, Central banks and parliament, ^s which guaranteed its spending. The bank was to manipulate the price system in order to maintain the exchange. The ^{one} only thing which happened ~~everywhere~~ was the
all over the world

introduction of
use of money as a means of exchange, and the linking up
of local and world markets.

Can we say that nationalism was the result of the
market? (my question)

We cannot say that nationalism was a result of the market.
There may be other reasons. Method is important here and
we should link only that which needs linking, using no more
assumptions than are needed.

Nationalism may be predominantly a force for change and
industrialization. With communism, nationalism, folk-dances
etc. were an anti-Western cultural movement accompanying
rapid industrialization. There may be many reactions to
industrialism, e.g. ^{of} Communist Satellite countries were urged
to be non-nationalist.

There is an almost incredible weakness in Canadian
nationalism ^{namely that} since there is no effective theory ^{of it.} The
formulation of one ^{might} would disrupt the country on account of
the French. e.g. At a recent Couchiching conference, one
speaker said that: "Canada ^{comes from} has a broken home, and ^{therefore, he added,} let us forget
the past. A nation not looking at its past is an anomaly to all
nations. A theory of nationalism refers to a nation's fate:
what it should look like, language (bilingual or not), education,
children.

and even
There are internationalist nations (Swiss, American), ^{and} the USSR
national (Austrians) ^{and} anti-nationalist ones.

Canada is building up its nation ^{hood} through being anti-
American. This is like the Hungarians ^{against Austria & Germans.}

Czechs, Slovenes

Discussion of My Letter of Dec. 17/55.

Barbara Ward's discussion of the gold gap is utter nonsense.

Nationalism is political, expansive, economic and lastly cultural.

The new technology can be turned to protecting the ^{community} nation ~~the effects of~~ against industrialization e.g. using the motor car to get away from town. (Neutralizing the process of urbanization)

Suburbia: Women have nothing to do but club around, and the non-conformist is ruthlessly eliminated, while conforming to that level is unbearable. There is ^{already} a move back to town demanding new houses and isolation from each other.

Possibilities of administrative ordering of the economy (instead of the market answer to the machine p.3): ^{In the early 19th cty. there} ~~There was~~ no possibility of ^{e.g.}

the state ordering the economy. How could the ^{community} undertake risk-bearing with tax money? ^{to create an industrial proletariat}

and force it to take up work in the factories?

Why the market economy? - There is no agreed answer. The

most general principle is that if machines were accepted into ^{of goods} production it had to be by private capital. But why were they

^{in that way} used at all? Machines were invented previously and used for

games or military purposes. Once they were used for producing

goods, they gave rise to the market economy. But why, for

example, produce more shoes, and then ~~you have to~~ sell them at ^{home} a cheaper price? Who would think of such a crazy thing? The

guild shoemaker would chase you out of the community. But

selling cloth off to the West Indies - that was fine. Wool was

used at first because cotton was expensive. It had to be brought

from Egypt or America. Thick cotton was produced as a luxury for rich ladies.

It is an irrational cultural factor which is untraceable (i.e. adoption of machines) and we are unable to say why. No one in parliament ^{in the 1810's} knew what was going on in Manchester.

There was no working class at the beginning. You couldn't buy any workers for the machines. Where could you take him from? He stood in the villages. They had to take women from Ireland, wild people, and children from the poorhouse. They lived in nondescript hovels. The British working class had to be created. But with an unlimited market, they could be paid good wages.

You need private capital for machinery and there was no capitalist class either. Devices of home-workers were cheap machines. The entrepreneurial class was also new and was brought into being.

This shows up the class theory which operates only with existing classes. Every important event in economic history resulted in the creation of new classes from old. Every fifty years in Europe, you have new classes coming up in a definite way (Pirenne). Thus the class theory explains so little.

Short wars: will continue to be the case. Otherwise with things festering, nothing will be solved at all.

Non-market statistics: Kuznets and the National Bureau are increasingly conscious of the statistical difficulties here.

(Jews: One hears of chosenness more and more. Their guilt is not with the death of Jesus but with rejecting the teachings of Jesus which are superior. These are their own teachings but

why don't they claim it? The idea of love is frontally directed against selfishness. It is not clear what it is, but if you get rid of selfishness, you are happy, and these are the laws of inner life. You are happier if you forgive your enemy. If in the heart of your own heart you reject the truth of this directive it means you exclude yourself and are in the wrong gratuitously. In this interpretation of life is the hope of mankind.

In Central Europe the Jewish community claimed that ^{at} the heart of Christianity there was nothing but a lie - that their behaviour was full of hypocrisy. But the teachings can be accepted. History runs on subtle distinctions. In America the Jewish Community is internalizing the gentile attitude. Civic behaviour of Americans is based on the church meeting. This is called American without knowing that American means the Christian way of life. It is a question of higher standards.

P.'s Book, "Trade and Markets".

We don't understand how the non-market economy is run, so we are attempting to show how a market-free economy works. How was the economic process instituted? We know only one way - the market. Unless we can show an alternative, there is no point to the discussion.

We have shown that through such terms as administered trade, gift trade, equivalencies, port of trade, etc. We now have hold of these terms.

Sievers:

His introduction to economics has a few good chapters on the market, but it doesn't contain the substantive theorem in that

sense.

Polanyi's New Book:

May be e.g. the Livelihood of Man. Introduction will discuss e.g. What to our generation appear as unique cross-roads: freedom vs. bureaucracy, planning vs. market methods - will then be recognized as topical versions of recurrent human alternatives. (citing various cultures and the substantive economy?)

Bureaucratic top-levels and freedom on lower level.

Book will broaden our outlook.

In viewing other societies we will be criticized that we are simply replacing utilitarian ideals by other ideals, but given these, we have the system operating the same way, i.e. society is an invisible market or exists in nuclear form. But this is wrong and the economic fallacy explains this away.

Other Discussions:

Orwell's 1984 is a travesty on Humanity and a projection of Orwell's opinions of society.

Graham Greene's novels have a pervading sense of selfless love in them - abiding love.

New lyric poets in England, e.g. Causley in recent issues (dark blue,) front page of London Magazine.

Personal:

Active 1908 - 12 in a Hungarian Youth movement: "To learn and to teach". Progressive anti-clerical movement with up to 200 active members.