

Translation of letter to Ilona

to 386 West point Crescent
Pickering,

9 Awarua Street
Wellington
New Zealand
5/9/73

My dear Ilona,

We are hoping that this letter will find you in good health. A few days ago the issue of the "Zukunft" with your fine appraisal of the Körnerbook arrived here. One regrets that your memories of 1917/18 have appeared in Hungarian only. Your "Schutzbundbuch" you have most likely finished by now. It will certainly attract many readers. - This time I send you the "sample" which I have mentioned in my last letter. There are 19 pages of it and it concerns the middle of the intended memoir. I am beginning as in the German version with Karl's Seminary at D'Orsaygasse. In the course of it I shall try to discuss more detailed the Socialist Accountancy, because there is no English translation. Copies of the sample go to Kari & Dalton. In spite of all efforts the economic parts from their very nature are not light reading. Hence I have interspersed them as in the German version into the story. But I have tried to maintain the logical sequence of Karl's thoughts. The described scenes have actually taken place, as far as my memory have retained them. Likewise are Karl's words, which I have included, authentic. They do of course sound differently in English. Hence I have given the German words in brackets. X - Like you and Kari I consider it necessary ~~KARL'S THOUGHTS~~ that the links of Karl's thoughts at Vienna with his later work belong to the memoir. You will of course alter it, where necessary. - Whether or what of it will be published is not important to me. I am only concerned to hand on Karl's thoughts. - Anyhow what I have written now and what I intend to write ought to be better than the German memoir, because things written later are usually better than things written earlier. Keep well and look after yourself. For it is as Karl once said: "one never regains one's former capacity of work entirely."

To prof Galton copy

9 Awarua Street
Wellington
New Zealand
5 - 9 - 73

Dear Professor,

This is the sample of a memoir on Karl I mentioned in my letter of April and of which I send copies to Ilona and Kari. I wonder what you think of it and I should be grateful for any comment you care to make. The manuscript concerns broadly spoken the middle of the intended memoir. I did this part first, because it seemed to me the hardest. It attempts to reproduce, as you wrote, "some of the human atmosphere in the Polanyi household and of the people around him" The things I mention, as far as I can remember them, are facts. The words attributed to Karl are of course given in English, ~~XXXXXX~~ but the original German words are shown in brackets. I intend now to start the memoir from the beginning of 1924, when I met the Polanyis first. While in the manuscript enclosed the "Socialist Accountancy" is not mentioned, this essay will be discussed more fully in the part I am trying to write, because the "Socialist Accountancy" was the matter on which the seminary of Karl started.

Thanking you once more I am
Yours sincerely

(Felix Schafer)

Polanyi

Some Memories on Karl Polanyi at Vienna

Subheadings

A Socialist Economy Claimed Unthinkable p.1 - Towards the Fundamentals of Economic Theory p.2 - A Contrast between Old and New p.3
A Kitten and Some Talk on Lecturers p.4 - Widened-out Concepts - The Two Meanings of "Economic" p.6 - Polanyi Confirmed by C.Menger p.8
A Simple Basic Model of Socialist Price Formation p.9 - A Telephone Conversation with Walter Federn p.11 - Some Talk on Money p.14 - Grossväterchen Kolnai - A Roman Catholic Leftist Sympathiser p.18

Some Memories on Karl Polanyi at Vienna

Late afternoon on a Thursday. A dark showry Viennese April day in 1925. At that time Polanyi was deputy-editor-in-chief of the ~~Der~~ ~~"Oesterreichische Volkswirt"~~ "Der Oesterreichische Volkswirt" an independent weekly sympathetic to the Labour Party. Would-be visitors knew that by Thursday afternoon his work for the paper was mostly done. The telephone rang in Polanyi's flat. His wife Ilona answered the call of a student who was asking for an appointment. She told him that Polanyi was just recovering from a flu and that he was still in bed, but provided the visitor were not to stay too long he might come up. After a tram ride of twenty minutes from the university the student arrived at the flat in the Vorgartenstrasse 203. Passing through the roomy hall and living-room he entered the long and narrow bedroom of the Polanyis. Its window faced a street of the Leopoldstadt a proletarian suburb of Vienna. The ~~two~~ two beds stood along the wall almost touching it. On the other side of the beds was just room enough for a small bedside table and a chair.

"It has been a nasty flu, near thing to a pneumonia" (Es war eine greuliche Grippe, beinahe wäre eine Lungenentzündung daraus geworden) said Polanyi and after a little pause "Well let's go on from where we left off last week" (Gehen wir also ~~weiter~~ weiter wo wir vorige Woche aufgehört haben) (Polanyi said "We" though he himself was the one who did most of the thinking and talking.) Then he restated the Problem.

A Socialist Economy Claimed to be Unthinkable

The purpose of the discussion was to establish the proof that under public ownership of the means of production as under their

private ownership prices could attract the productive forces towards the uses in which they were demanded most. For at that time a point was frequently made by orthodox economists, above all by Ludwig ~~XXX~~ Mises that such prices were tied to capitalism and their formation, ^{were} impossible under socialism. Therefore a socialist economy would be unthinkable. The low living standard under Russia's communist regime was said to be caused by the wrong allocation of the productive forces due to the absence of a system where prices are indicators of the intensity of demand.

Polanyi felt that the argumnetation could be proved wrong by the generally accepted "marginal theory" which, as he wrote in his post-humously published essay on C. Menger, "started from human wants and needs which can be satisfied from scarce resources." (1)

Preoccupation with this theory had taken up much of his spare time over several years. When the student arrived he found him immersed in Böhm-Bawerk's "The Positive Theory of Interest, a work on the theory of value and prices widely read at the time. The book was tattered by much use and full of blue and red ~~XXXXX~~ pencil marks.

Towards the Fundamentals of Economic Theory

Polanyi emphasized that before any conclusions were drawn one had to be clear about the fundamentals of economic theory. Being a master of popular explanation he demonstrated his point by referring to a habit of the student who usually took some sweets before and after a late night-lecture. Once he had been unable to buy such sweets as the (1) K. Polanyi, Carl Menger's two meanings of "Economic". Studies in Economic Anthropology, ~~XXXX~~ ASZ, Edited by G. Dalton, 1971 p.20

shops were already closed. He had just a few lollies left from the previous day, but less than the usual quantity. Thus the student had to decide how to divide up his depleted stock of lollies between the time before and after the lecture. He had various possibilities. But on whatever course he would decide he would have to make a choice among these various ways of consuming his supply and this choice was his economic activity. Generalizing on the basis of this example Polanyi argued that economic theory presumes three elements before any economic activity can take place, viz., firstly an economic subject - in his example the student - secondly a supply of scarce means which can be used to satisfy wants - in this case the lollies - and thirdly wants of the economic subject which because of the scarcity of the means can be satisfied only incompletely i.e. in the example the desire of the student to eat more lollies than he has available.

A Contrast between Old and New

Polanyi's attempts to impress these three fundamental elements on the mind of the student are interrupted by a gentle knock on the door. The old lady, Ilona's mother enters carrying a tray of tea and toast which she puts down on the bedside-table. After a few friendly words she withdraws leaving behind her the aura of her nobility and tact which helps her to bridge the gulf between the old and the new in the Polanyi home. The gulf is always there, even on this occasion. The tea cups and the saucers are the usual crockery of a modern home, while the samovar is a witness of the past. So are the silver ~~knives~~ tea-spoons with the crest of arms of the Becassy, which have come

from the old lady's aristocratic Hungarian family home.

Sipping his cup of tea the student ~~XXXX~~ muses about this contrast until Polanyi takes up the thread of his thoughts again. Returning to the ^{three} fundamental elements of economic theory he shows them an implied a priori premise in the works of various writers.

A Kitten and some Talk on Lecturers

The attention of the student is suddenly distracted by a soft and high ~~XXXX~~ "mew" coming from a tiny ginger kitten first mistaken for a yellow ball of wool on the blanket of the bed. The kitten, Polanyi explains, is Kari's new playmate. After a sleep it was tumbling about on the bed and now it had fallen into the narrow gap between the edge of the bed and the wall. Polanyi lifts it up gently and puts it back on the bed. This happens several times, until the kitten has learned to avoid the fall. Between the mewings of the ~~cat~~ and its repeated rescues Polanyi talks about the fundamentals of economic theory.

But getting tired he pauses and remarks that the student knows probably all this from ~~XXX~~ his textbooks and university lectures. The young man said that he was indeed not unfamiliar with the matter, but that it ~~XXX~~ never had been presented to him in such a popular way. This led to some talk on his lectures. He had attended mostly these held by Hans Mayer, Ludwig Mises and Othmar Spann.

Mayer kept rigidly to economic theory developing it from some carefully outlined premises. His words were uttered slowly and weightily in a deep voice. He did not mind to admit that from his assumptions not the entire economic reality could be reached. One instance quoted

by Mayer was the fixing of wages for public servants. He was anxious to avoid any reference to politics as they manifested themselves in the day to day measures of the time. He considered himself as the ~~successor~~ successor of Menger, Böhm-Bawerk and Wieser, founders of modern economic theory, known as the "Three-starred Constellation of the Austrian School". Mayer saw his mission in upholding their tradition

Mises adhered to the same school of thought. In brilliant logic he worked out the assumptions and the process following from them. This process ought to go on without any interference, which would probably be destructive and at best would have no effect. Sozialism, viz. public ownership of the means of production was incompatible with economy. Once in his seminar he disagreed with the proposition of the student that the unions had improved the living conditions of the workers. "But don't you know that this is a Marxian argument?" (Ja wissen Sie nicht, dass das ein marxistisches Argument ist?) he said at the beginning of his comments that such betterment was due to increased productivity and hence could have been achieved anyhow without unions - an assertion the student still does not believe.

Spann had adopted the same premises for economic theory as Mayer and Mises But his economics were embedded in what he called "Universalism", the proposition that the whole is prior to the parts. Hence society as a whole was prior, and as he ~~concluded~~ concluded, superior to the individuals as its parts. From there he justified fascist

~~tenets such as the nation~~

tenets such as the rejection of individual rights, democracy etc. But he was not without fairness to opponents. Once a written exercise of the student was marked "Unsatisfactory" (nichtgenügend) without comment. The marking was not done in Spann's handwriting. Thus the student complained to Spann about the lack of explanation as to why his work was "unsatisfactory". Spann crossed out the "Un". But the student claimed that he considered "satisfactory" not good enough, because there was still no criticism of his work and hence no reason given, why his argumentation which was a criticism of the universalism, was wrong. Then Spann replaced the "Satisfactory" by "Good" and asked: "Are you satisfied now?" (Sind Sie jetzt zufrieden?) "Yes Professor" (Ja, Herr Professor) grinned the student and disappeared.

Polanyi listened with obvious amusement to this lighter side of economics. One of his comments was that even so differing outlooks and attitudes of the lecturers as described by the student, did not interfere with the fact that they were based on the concept of economy as a choice among various possibilities of using scarce means to the greatest satisfaction of the chooser. "Economic" is then defined as this activity of the chooser.

Widened-out Concepts - The ~~MEANING~~ Two Meanings of "Economic"

Having these notions in mind the widening-out of Polanyi's world of thinking connected with his later anthropological work becomes obvious. For the occupation with archaic economies has induced him to create concepts which include scarcity as well as non-scarcity situations. This manifests itself in the addition of a second meaning of "economic" to the original one.

For their presentation it seems best to quote from the obituary for Polanyi by his daughter Professor Kari Levitt. She writes about what she calls "a very important strand in the work of Karl Polanyi":⁽²⁾
"We refer to his proposition that there are two meanings of the word "economic"; one is formal and one is substantive. They have, he says, nothing in common. The formal meaning derives from logic and refers to "economizing" scarce means by exercising choice as to ~~what~~ their most efficient use of given ends." (l.c.p.116)

This "formal" meaning was already at Vienna a basic concept in Polanyi's talks on economics, as it can be seen e.g. from his ~~discussions~~ discussions with the student. However in the context of the widened meaning of "economic" ~~its~~ its "formal" meaning requires some further explanation. Here also it is convenient to quote Mrs. Levitt. She says:

"Such a logic of maximising, subject to constraints on the availability of means, can incidentally be applied to innumerable situations from a chess game to a battle. To this maximising process, the word "rational" has been attached. We note in passing that the adjective "rational" applies not to the means nor the ends, but only to the efficiency of the process of relating given means to given ends."
(l.c.p.116)

These words of Mrs. Levitt indicate that the "formal" meaning of "economic" as "economizing" is not tied to economy, but can be applied to many other realms. In contrast to that the "substantive" meaning of "economic" is tied to the economy only. This follows from the words of Mrs. Levitt, when she passes from the "formal to the "substantive" meaning of "economic".

(2) Karl Polanyi and Co-Existence by Kari Levitt, Co-existence, A Journal for the comparative study of economics etc. Vol.1, No.2 p.22

She says: "The substantive meaning of "economic" derives from man's dependence for his living on nature and on his fellowmen and is defined as "an instituted process of interaction between man and his environment which results in a continuous supply of want-satisfying material means." (p. XX l.c.p. 116)

This process can go on regardless whether the means involved in it are scarce or not. Hence the substantive meaning of "economic" relates to a concept of economy covering scarcity as well as non-scarcity of the means, while the concept of economy used by Polanyi in his Vienna time ~~XXXXXXXXXX~~ was tied to scarcity and hence implied a meaning of "economic" which he later called "formal". For his later work which consisted partly in the study of archaic economies this "formal" meaning of "economic" proved too narrow. Hence Polanyi concluded, as Mrs. Levitt says that "only the substantive meaning of "economic" is capable of yielding concepts useful to the social scientist in the empirical investigation of economies past and present." (l.c.p. 116)

In an economy consisting as Polanyi says "in a system of price making markets," the formal and substantive meaning of "economic" coincide. "Since acts of exchange, as practised under such a system, involve the participants in choices induced by an insufficiency of means, the system could be reduced to a pattern that lent itself to the application of methods based on the formal meaning of "economic"⁽³⁾. This lead to a compound concept of "economic", where its two meanings are fused. ~~XXXXXXXXXXXXXX~~

Polanyi confirmed by C. Menger

Polanyi, when disentangling these two meanings in the course of his later work, found one forerunner, viz., C. Menger, who like Polanyi
~~(3) Primitive, Archaic and Modern Economics, Essays of Karl Polanyi~~
Edited by George Dalton, Anchor Books, Doubleday and Co., Garden City, N.Y.
1968, p. 141

he widened out~~the~~ the concept of "economic" in his later work. As Polanyi showed in his posthumously published essay "Carl Menger's Two Meanings of "Economic"⁽⁴⁾ Menger in ~~his~~ first edition of his "Grundsätze"⁽¹⁸⁷¹⁾ confined himself to economies with scarce means. But in the second edition ~~published~~ published in 1923, two years after his death, and to Polanyi's regret, not translated into English, Menger speaks of the "two basic directions of the economy." One - to use Polanyi's wording - is "the economizing direction stemming from the insufficiency of means" and corresponds to Polanyi's concept of the "formal" meaning of "economic". The other is the "techno-economic direction".... deriving from the requirements of production regardless of the sufficiency or insufficiency of the means.⁽⁵⁾ This direction corresponds to Polanyi's "substantive" meaning of "economic". Thus Menger by distinguishing between two directions of the economy appears to have gone between 1871 and 1921, the year of his death through a similar development as did Polanyi several decenniums later. The significant difference however is that ~~not~~ ^{Menger did} extend his distinction into an inquiry into archaic economies as Polanyi did.

Returning to this stormy April night in 1925 at Vienna the student felt that it was getting late. He rose and was told to come back next morning. Then he hurried away not to miss the last tram home.

A Simple Basic Model of Socialist Price Formation

He arrived at 10 a.m. next morning at the Vorgartenstrasse. The cold rain driven by a northwesterly made him feel ~~XXXXXX~~ as if it were late autumn rather than spring which officially had began four

(4) For full title of essay see footnote (1).
 (5) K. Polanyi, ~~XX~~ C. Menger's Two Meanings of Economic p.19

weeks earlier. Entering the living room the student ^{is} ~~has~~ grateful for the mild warmth emanating from the green tile-stove. Ilona is typing busily at the round brown table, while Kari is building houses from becks down on the floor "Making a nuisance of herself" (sie | treibt Unwesen) as the parents are commenting lovingly. The ginger kitten sleeps rolled up on a chair. Polanyi leaning against the green warm stove is obviously feeling better.

Reiterating the propositions of the previous evening he sets out to construct a socialist price system. He assumes two State farms, one producing eggs, the other one butter. Then he introduced a number of consumers. Everyone of them, as Polanyi published it about twenty years later in the "Great Transformation" is "endowed with a definite amount of (money) enabling him to claim goods." This money Polanyi called "purchasing power, because "it has no usefulness in itself; its only use is to purchase goods to which price tags are attached, very much as they are in our shops today". (Transformation, 1944, p. 197)

Then every consumer can work out for himself how many eggs ~~or~~ and/or how much butter he wants to buy. Thus a total demand for eggs and butter emerges. If the demand e.g. for eggs exceeds the supply of eggs, the price of eggs is gradually increased, until supply and demand are equal. If the supply exceeds the demand, the opposite will happen until equilibrium is reached. Polanyi applied here an accepted method known as "recontracting" for the process of feeling towards equilibrium.⁽⁶⁾

⁽⁶⁾ Cf. e.g. J. R. Hicks, Value and Capital, Oxford 1948 "The general traders cannot be expected to know what total supplies are available on any

This apparently simple model is one of the fundamentals in Polanyi's world of thought. At intervals he returned again and again to its premises and ramifications. Just then he started to discuss the money of his model, the purchasing power, a concept, which can be found in important places of his later work.

A Telephone Conversation with Walter Federn

But he was interrupted by the ringing of the telephone on the wall between the front windows of the living room. It was within easy reach of the desk which was always buried ^{under} newspapers. Polanyi answering the call says: "K Ja, Herr Federn". Now the student knew that a lengthy talk would follow. For at the other end was Walter Federn, the editor-in-chief of the "Volkswirt". Federn like Polanyi was a kind and tolerant man. His pale intellectual face with the thin hooknose was framed by a beard. His face combined with the dignity of his bearing reminded one of a biblical patriarch. Polanyi was lucky to have found his job at the "Volkswirt" in 1924. For him it was congenial work. But Federn also had made a lucky choice. For he had in Polanyi a deputy he could rely on as his alter ego. He was well aware of that. When I met Federn in 1938 in Vienna shortly before his emigration he said that Polanyi was the most ingenious man he had ever met. (Polanyi ist der genialste Mensch, der mir jemals begegnet ist.) Federn described himself as an "independent writer" (freier Schriftsteller) By that he meant that he

(6) Footnote cont'd: market nor what total demand will be forthcoming at particular prices. any price which is fixed initially will be only a guess. It is not probable that demand and supply will naturally be found to be equated at such a guessed price. If they are not, then in the course of trading the price will move up or down." (p. 128)

humanitarianism and the upholding of civil liberties as the supreme liberal tenets. When he became aware that they were gradually relegated into the background by the ruling powers he turned more and more towards the left. In March 1933, based upon a legal technicality, rule by Government decree replaced rule by democratically elected parliament. The "Volkswirt" came temporarily under "precensorship" (Vorzensur) which meant that any issue ~~XXXXXXXXXXXXXXXXXXXX~~ had to be submitted for approval before publication. AFTER suppression of the democratic republic ~~in~~ in February 1934 Federn's name appeared no longer on the "Volkswirt" as editor-in-chief (Herausgeber), but only as "founder" (Begründer). This throws a sharp light on his hostile attitude towards the then Austrian ^{fascist} ~~XXXXXXXXXXXX~~ Government. It was a natural development that in the emigration he declared himself as socialist.

But this is looking too far ahead, when Federn rang Polanyi on this rainy morning in April 1925 both of them would have found it unlikely, if anybody had suggested to them, that some years later they would have to leave the country as refugees. Then it was just a usual routine talk over the telephone. For Polanyi came to the "Volkswirt" office once a week only, on Tuesday, when the editors met to discuss the next issue of the "Volkswirt". For the rest of the week Polanyi worked at home, the telephone being under these circumstances one of his main tools. "Well the "Volkswirt" pays the telephone for me" (Ja ~~XXXX~~ das Telephone, das zahlt ~~mir~~ mir der "Volkswirt") said Polanyi once to ~~me~~ ^{(the student,} ~~me~~. His words characterise a time, when a telephone in Vienna was still considered a luxury.

Ideologies may take second place

On this occasion the subject of the talk was the development of

friendly relations between the Sovietunion ,Fascist Italy and Weimar Germany ,a democratic republic ,inspite of their irreconcilable ideologies. Polanyi, whose particular resort with the "Volkswir5" was foreign policy pointed out that these three countries considered themselves at a disadvantage. Italy felt unfairly treated, when in 1919 the former German colonies were distributed among the victorious Allies ^{against} ~~XXXXXX~~ some wishes of Italy. Russia was an outcast because of her communist regime and Germany was a defeated country. Hence these ideologically so different states had in common the striving to assert themselves against the Western powers. Polanyi pointed this out to Federn as an instance where differences of political outlook were considered secondary to other interests. Here Polanyi used the same argumentation which twenty years later appeared in the "Great Transformation" as the "Double Movement". In this book he showed that the 19th century witnessed the expansion of markets, where the price for ~~XXXXXX~~ every item including labour, land and money was determined solely by supply and demand. But ~~XXXXXX~~ the treatment of labour land and money like a commodity tended to dehumanize the workers, to destroy the productive powers of nature and to cause destructive booms and ~~XXXXXXXXXX~~ depressions due to lack of monetary management. Hence in contrast to the expansion of the markets for the other commodities, the markets for labour ,land and money had to be restricted whatever the regime in the various countries ,liberal, conservative, republican, monarchic or otherwise was. Here as in the foreign political instance discussed then by Polanyi with Federn the difference in ideologies had to give way to irresistible needs. Today, about fifty years later, the former student

still remembers this telephone conversation, when "co-existence" has become a major item in the foreign political relations between states of the most different ideologies, because they all have the common interest in preserving world peace.

Let us return to the Vorgartenstrasse in 1925. Even after the talk with Federn was over, Polanyi was immersed in the topic so deeply that he still dwelt on it and there was no time left for abstract economics. Thus after a lunch with the Polanyis the student left for an afternoon lecture at the university.

Some Talk on Money

When he returned in the following week the scene had changed. The first May days had brought along spring. At Vorgartenstrasse the workday noises were mingled with the chirping of the sparrows in the street and on the trees in the little front-gardens of the houses. Clear weather had replaced the rain of the previous week and fog no longer restricted the wide view from the Polanyi flat to the Reserve-garden of the Municipality of Vienna (Reservegarten der Stadt Wien) on the other side of the street and further to the market stalls in Enns street and parts of the city beyond. The whole household delighted in the beautiful spring-day.

In this mood Polanyi took up the thread of the enquiry. It was the analysis of "purchasing power", the money of his socialist model. He first mentioned one special feature of "purchasing power" or "token money" as he later called it frequently. In order to make the model more manageable, Polanyi assumed that the purchasing power must be spent immediately and entirely. This assumption ~~was~~ in itself made the purchasing power a "special

purpose money", as Polanyi termed it in his later work. For the use of the purchasing power is restricted to immediate buying. Other uses e.g. saving by postponed ~~and~~ ~~expending~~ ^{the} spending of the money are excluded. Thus in Polanyi's model of a socialist price system one encounters "special purpose money", ~~XX~~ a core concept in his anthropological writings. For, as Polanyi said, "early money is special purpose money." ⁽⁷⁾ For in archaic societies there may have been a separate kind of money for ~~XXXXX~~ everyone of the various money uses. For instance in Hammurabi's Babylonia "barley was ~~XXXXX~~ the means of payments, silver was the universal standard; in exchange ~~and~~... both were used alongside of oil, wool and some other staples." ⁽⁷⁾

This anthropological proposition however had ^{Not} yet turned up ~~XX~~ at Vienna, at least not in Polanyi's talks with the student. As far as money was concerned they reflected largely the views then presented in some university lectures. Mises a ~~XXXXXXXXXXXXXXXXXXXX~~ consistent economic liberal considered money primarily as a commodity which because of its generally desired properties was readily acceptable in barter for other commodities. Favourite instances were the precious metals. Their easy portability, durability and divisibility made them suitable mediums for bartering. Consequently it depended entirely on the choice of the ^{mic} economic ~~subjects~~ subjects whether a commodity became money or not. Mises strongly

(7) Primitive, Archaic and Modern Economics etc. p.169 (for full title see footnote (1))

emphasised this point in connection with his rejection of any interference with the economy. Paper money - this kind of money was akin to Polanyi's "purchasing power" - was accepted only because the public ~~was~~ were confident that it represented the commodity they had chosen as money. But if, as Mises pointed out with controlled passion, governments misused this confidence by putting into circulation uncovered paper money, the public soon would find out and the acceptability of the money would decline and eventually disappear. Orders on the part of authorities could not counter this inexorable law. It was amply confirmed, as Mises pointed out, by the galloping inflation and collapse of currencies after world war I, when ~~money~~ for instance food could not be obtained for money, but had to be obtained from the farmers in exchange for watches or other commodities ~~and~~^{or} services. The core of this theory of commodity money was as Polanyi formulated it at Vienna and later in the ^{"Great} Transformation" that money was ~~XXXXXXXXXX~~ "one of the commodities bartered more often than another and hence acquired for the purpose of use in exchange." (p. 196)

At the university Spann represented the contrasting money theory. He based himself on the doctrines of the romanticist Adam Müller. In Spann's teaching Müller's doctrines on money took a form close to the "chartal theory" of Knapp, who was then still with us. According to this theory money is instituted by the State as legal tender independently of the choice of any members of the public. ~~and~~ This money ~~was~~^{is} also independent from the material it consisted of. It is accepted

because it is taken in payment for the fulfilment of obligations towards public bodies and because people are confident that with this money they will be able to acquire commodities.

In connection with talks on these two money theories Polanyi determined the position of the "purchasing power" in his model. He felt that the "purchasing power" was in the essence a kind of "chartal money". For the community, i.e. the State, could be thought to have instituted the purchasing power as the means of payment. The confidence of the consumers in the purchasing power was based upon their trust that they could buy commodities with it, which was confirmed by the practice.

However the difficulty of any chartal money was apparently to fit it into the economic theory. This was simple if the money was a commodity like any other, but was just bartered more often. Here the money emerged by the choice of the economic subjects, who decided to use some commodity such as e.g. a precious metal very frequently in exchange. But the chartal money existed independent from the choice of the economic subjects. Polanyi explained however that the chartal money as illustrated by the "purchasing power" in his model could be thought as being the supply of means in the hands of every consumer. A supply was one of the elements which together with possibilities of using it and ^{with/} ~~with/~~ a chooser - the economic subject - had to be assumed by the economic theory a priori. Thus the chartal money fits into economic theory, because it has the function of supply of means.

Polanyi emphasized that fitting the purchasing power into the economic theory was not the end of the matter. There was more to say

about the purchasing power in a socialist economy. "We would be ungrateful to our original theme to pass this over". (Wir wären dankbar zu unserem ursprünglichen Thema, wenn wir darüber hinwegsehen würden) were Polanyi's words. He was just going to delve further into this aspect of the ~~XXXX~~ purchasing power, when looking out through the window he said: ~~XXXXXX~~ "Here comes Grandpa." (Dort kommt Grossväterchen)

"Grossväterchen" Kolnai - a Roman Catholic leftist sympathiser

Indeed shortly after the doorbell rang and Aurel Kolnai, a squat black-haired man, entered. Though only in his early thirties his shy and inward turned manners combined with his pale expressive face made him look older than he was. Behind this unassuming front there was much knowledge and a keen penetrating mind. He had withdrawn recently from materialist philosophy and had turned towards the Roman Catholic Church. But he found it difficult to reconcile his socialist beliefs with the right-wing status-quo tendencies within that church. He was also strongly anti-nationalistic. With Polanyi he talked about issues of philosophy and art. One main topic was the rising fascism. The fascist views of Spann, than professor of economics on Vienna university contributed considerable material to these discussions. The fascist ideology ~~XXXXXX~~ presented itself as a mixture of racial prejudice, pagan tribal mysticism, primitive instincts and attitudes, action for the sake of action

and other elements which could be reduced to the common denominator of instinctual irrationality. In fascist philosophy the individuals are considered merely as parts of the body of society without any rights on their own. This excludes individual liberty and democracy. - Polanyi has published such an analysis of fascism in his essay, "The essence of Fascism" as his contribution to a book "Christianity and Social Revolution", Gollancz, London 1935 which he edited jointly with J. Lewis and D.K. Kitchin. While in this essay he confined himself ~~XXXXXX~~ mostly to the ideology of Nazifascism, he dealt in the "Great Transformation" with the disguised political role of Fascism to preserve the private enterprise economy.

Kolnai was probably greatly furthered by Polanyi in his systematic survey of the ideology of Nazism. Kolnai's book "The War against the West" appeared in ~~1938~~ 1938 at Gollancz in London. The 711 pages of this book are the result of Kolnai's painstaking and conscientious work over several years. He ^{From} quotes more than hundred books and gives a comprehensive bibliography of the subject. Kolnai refers to Polanyi as his "distinguished friend and teacher" (p. ~~391~~ ³⁹¹). ~~XXXXXXXXXXXX~~ In England unfortunately Kolnai separated himself from the Polanyis - After about two hours Kolnai left and so did the student. On the street Kolnai once more warned the student not to consider Fascism as a purely academic issue. The years to come were to show how right Kolnai was.

Kopie

9 Awarua Street
Wellington
New Zealand
5 - 12 - 74

Prof. Kari Levitt
Department of Economics
McGill University
P.O. Box 6070 "Station A"
Montreal, Que, Canada H3C 3G1

Mein lieber Hasenhund,

This is just the next instalment of the memoir (pages 23 - 51). Everything worth knowing is in my letter to Ilona, a copy of which I enclose. Keep well and all the best to you and your family from both of us.

Yours sincerely

Wari

Transparent Relations - Guild Socialism - Reference to Everyday ~~Life~~
Life - Strikebound - Demand for Broken Hours - Strikers' Argumenta-
tion in the Seminary - Inverted Perspective - Changeable Laws -
Vergarten Strasse 203 - Socialist Accountancy - Granma Nana - Ernst
Beck - Prices under Socialism

Some Memories about Karl Polanyi in Vienna

Felix Schafer

D'Orsaygasse is a little side street in the Vienna 9th district, which belongs to the inner parts of this city. During the 1920's it was still a row of old and dilapidated houses fit to be torn down. One of the houses was a one-storey building. A part of it formed ~~XXXXX~~ ^{two} sides of a square which was open towards the street. This building D'Orsaygasse 5 housed the headquarters of the Socialist Students' Association of Austria. (Verband der sozialistischen Studenten Oesterreichs). In January 1924 there was an announcement on its black board, that Dr. Karl Polanyi, a prominent member of the Hungarian Labour Movement, now resident at Vienna, was to hold a seminary on Guild Socialism.

One of the people who had read this was a part-time student of 21. His subject was political science. He could attend lectures after 5 p.m. only. During the day from 8:30 a.m. to 4:30 p.m. he was working as a bank clerk. Thus he had little contact with the University and other young people. He liked the meeting place at D'Orsaygasse. Especially after 7 p.m. when the part-time students came along social life was at its peak. He had socialist views and was often at variance with the young men in the bank. They came from middle-class homes and mostly held conservative ~~XXXXX~~ opinions. As a rule their conversation was about women and brothels. The student disliked this attitude. D'Orsaygasse appealed more to him because of its different

atmosphere. Another great attraction of the place was the opportunity of meeting ~~KKK~~ girls whose outlook was closer to his ideas on life. At that time he had not yet been able to find a girl friend and naturally at this stage this was his main interest. The bank could not offer a solution to his problem, because in the 1920's women's work was still largely confined to the home. Hence he met just a few middle aged or elderly ladies at the bank. Moreover D'Orsaygasse was within easy reach of his parents' ~~KKK~~ middle-class flat. They were middle-class people who could never have entertained the thought that the Austrian-Hungarian Monarchy could ever be replaced by a republic in 1918. But when it happened they were not sorry about the changed situation. One reason for this attitude was that his father, a senior bank clerk, believed that he had been treated unjustly by his employer.

After tea the student frequently went to D'Orsaygasse. On this particular evening it was to attend the seminary which was to start at 8 p.m. When he strode through the cold and stormy winter evening little did he know that this walk was to be among the most important ones in his life. For the lecturer Felanyi and his wife Ilona, whose acquaintance he was to make in the next quarter of an hour were going to be instrumental for his and his family escape from fascism. But this was to happen fifteen years in the future shortly before the outbreak of world war II. In the Austria of 1924

the democratic republic and its civil liberties were still taken for granted by the man ~~XXXX~~ in the street, Thus the young man ,unaware of what the future held for him ,arrived after a few minutes walk at the Students' Association. A narrow ~~XXXX~~ staircase led to the first floor. Some of the steps were dilapidated and had to be ~~XXXXXX~~ trodden with care. The seminary was going to be held in a medium sized poorly lit and heated room. There were a number of chairs, some of them wobbly, ~~XXXX~~ round a table, at which a man in his later thirties was sitting. The sharp intellectual features of his face and his shining eyes indicated a penetrating mind. While the student guessed that this man was Polanyi a fellow student Ernst Beck had to tell him that the woman at ~~XXXXXX~~ Polanyi's side was Mrs. Polanyi, for she looked like a teenager. There were about ten other people present.

Transparent Relations

The problems raised by Polanyi were largely the same he had treated in his essay "Sozialistische Rechnungslegung " published two years earlier - in 1922 - in the "Archiv für Sozialwissenschaft und Sozialpolitik" At this stage however he did not mention the essay , but explained what he meant by Guild Socialism. He started with the simple proposition that everybody was at the same time a member of the ~~XXXXXX~~ community and a consumer of goods and services. These were provided by the individuals , who, apart from their function as consumers , worked in various occupations as producers, The actions of the individuals as

members of the community and as consumers on the one hand and as producers on the other hand ~~XXXX~~ affected each other. The channels through which this happened were hidden under the complexity of the capitalist economy, i. e. the relation ~~XXXX~~ (Beziehung) between the actions of the individuals as members of the community and as consumers on the one hand and as producers on the other hand were not transparent (undurchsichtig). But this relation ought to be transparent (durchsichtig) so that the community should be able to decide whether to have more goods and services and to work longer to produce them or to have more leisure and fewer goods and services to consume.

Guild Socialism

Guild Socialism would offer a society with such a transparent relation. There would be two great organizations viz., the "Kommune" and the "Producers' Association" (Produktionsverband). The "Kommune" represented the individuals as members of the community and as consumers. In representing the individuals as members of the community the Kommune was the administrative and judicial machinery of the society. In representing the individuals as consumers the Kommune was a consumers' co-operative with every individual as its member. The Producers' Association represented the individuals as workers in their various jobs and ran the production on behalf of the society. The laws of society were negotiated between "Kommune" and "Producers' Association" These negotiations must always result in some kind of

agreement. For both "Kommune" and "Producers' Association" represent the same people - though in different functions - and, in the long run, nobody could fight himself. A compromise must be reached in the end. Polanyi illustrated this train of thought by some concrete examples. Eventually he paused for some response of the audience. There was of course none.

Reference to everyday Life

To the people present the subject matter, as he had expected, was alive. Thus obviously further explanations were necessary. Polanyi knew that the concept of these two organizations "Kommune and "Producers' Association" at first must appear bewildering. Therefore he pointed out that there was really nothing new ~~XXXXXXXX~~ about them. They were part of our everyday life. One example was the Labour Movement with its political wing and its industrial wing. Polanyi compared the Labour Party with the "Kommune" and ^{THE UNIONS WITH} the "Producers' Association" respectively and argued that they always eventually did agree on the policy of the entire Labour Movement. Similarly the employers had their political wing organized as the conservative parties (at that time the largest of them was the Christlichsoziale Partei, these fascist tendencies were already appearing). The industrial wing was the Chamber of Commerce, the Manufacturers' association and other employers' organisations. Polanyi's referring to everyday experience led to some discussion because here one could shift from apparently theoretical thought to

practical everyday political reality.

As the evening advanced the audience ~~grew~~ tired. The room grew colder, because there was no fuel and the air became thicker and was increasingly filled with cigarette smoke. Thus probably to everybody's relief Polanyi adjourned the seminary for the coming week. Outside a howling gale met the people. Ilona, Polanyi's wife, took his arm, and a few participants of the seminary accompanied them to the nearest tram stop on Althan Platz, close to the Franz Josef railway station. None of them could have imagined that twentyone years later, in April 1945, this locality would be under the heavy shelling from the advancing Russians and the retreating Germans. Eventually a tram car of line 5 appeared and took the Polanyis to their home.

Strikebound

When after a week the seminary met again the student was depressed. For his father and he himself were bank clerks on strike and on that very day some more clerks had swelled the ranks of the strikebreakers. This was the first strike in Austria's bank-sector. While in the past the demands of the employees had been met readily, now new representatives of the employers put up a stiff resistance in protracted negotiations. This was, as the former student realizes today, partly due to the approaching depression of the 1920's. But another main reason might have been that in 1924, only six years after the revolutionary establishment of the republic, and four years after

the Labour Party had left the Government, the employers felt their position to be strong enough to make a stand. The student was not so much concerned about the refusal of the employers to increase the wages. This was partly so, because he was then living with his parents without contributing anything to the cost of the household and the pressures on the family man were not existing for him.

Demand for Broken Hours

But he and quite a number of fellow clerks - among them was also his father - were upset by another bone of contention. The employers demanded to replace the working hours - then from 8'30 a.m. to 4'30 p.m. with half an hour's break for lunch ~~by~~ by working hours ~~from~~ from 9 a.m. to 6 p.m. with one and a half hours break for lunch.

The banks argued that the change was needed for the convenience of the customers. But working hours as the employers wanted them would have greatly reduced the usefulness of the shorter remaining day. To mention only a few instances - the end of the working day at 6 p.m. instead of 4'30 p.m. would have made it too late ~~to~~ to go swimming or ~~swimming~~ bathing at the Old Danube in summer, and at whatever season finishing work at 6 p.m. would not permit a sufficient rest period to attend evening lectures. To others it would mean to eat and to dress in a rush before meeting a girl friend to go to the pictures or the theatre. Some part-time students feared that the changed hours would endanger their studies. They and many others were embittered about what they considered a wanton attack on their chances to a better future.

Eventually the banks contented themselves with leaving the hours unchanged and the strike ended with a small wage increase. But at that time, when the student went again to the seminary, the issue was not yet decided. Thus he arrived angry and alarmed at the D'Orsaygasse.

Strikers' Argumentation in the Seminary

Here he expected to escape from the unpleasant strike reality ~~XXXX~~ into the realm of lucid science. But he was wrong. For at once the audience came up again with questions about the nature and purpose of the "Kommune" and the "Producers' Association" in Polanyi's guild socialist model. In particular they talked about the difficulty in arriving at agreements between these ^{two} bodies. ~~XXXXXXXXXXXX~~ Polanyi's ensuing explanations and the discussions round them recalled to the student the strike situation and the demand of the banks for changed working hours and their dreaded potential effects. With amazement he followed Polanyi's argumentation that a trifling advantage to a consumer might mean a great inconvenience for him and others in their function as producers. "The consumer is inconsiderate. He wants his fresh breadrolls at 7 ~~AM~~ a.m. (Der Konsument ist rücksichtslos. Er will um 7 Uhr früh seine frischen Semmeln haben.) But he would not realize, Polanyi continued his train of thought, that the fulfilment of this request implied ~~XXXX~~ grave inconveniences for the workers in the bakery trade ^{he} which might rebound on himself, if e.g. his wife or even ~~XXX~~ he himself were in some employment connected with bakeries.

Though the student did not say much beyond some softly spoken approving interjections he listened to the discussion with burning interest. With his mind he ~~was~~ was back at the strikers' headquarters among the ^{(bank clerks} angrily protesting against the demanded change of hours. Not only would this greatly lessen the use of the spare time, the changed hours might rebound on quite a few of the executives who wanted the change. Many of them were elderly men. They might have to meet people after work for business talks or at social gatherings without sufficient rest and then they would be tired, plagued by headaches, drowsiness and other inconveniences which in the long run could be life-shortening. Their sons ~~when~~ when they had put into the ⁿ ~~bag~~ to become executives eventually would also be hit by the cutting down of their spare time pleasures. There would be long faces in the homes of some executives creating an unpleasant atmosphere.

Such thoughts were certainly exaggerations emerging from heated debates among young people, who forgot that these dreaded changed hours might not apply to the executives or to their sons. But the grain of truth in these talks was the definite need for transparent human relations in general and in particular between the different simultaneous functions of the same individuals as consumer and producer.

~~Inverted Representative~~

Inverted Perspective

This need Polanyi stressed again and again in his seminary. One case he thoroughly debated in this context was the strike of the rubbishmen for higher wages against their employer, the Labour controlled Municipality of Vienna in 1923. The rubbishmen as producers fought against the Labour administration of the Municipality representing them as citizens and as taxpayers who paid municipal taxes to meet their own wages. Moreover most of the rubbishmen were members of the same Socialdemocratic Party ^{WHICH} was running the Municipality. The strike was a struggle between employer and employees, but at the same time it was a clash between the different interests of the same persons, viz., of the rubbishmen as producers on the one hand and as citizens and consumers on the other hand. Some of the participants of the seminary would not admit that such a clash of the different functions of the same persons brought a special element into the concept of class struggle. Polanyi argued that these participants were "in love with a thought" (verliebt in eine Idee) By these words he meant that their thinking was so conditioned by an accustomed train of thought that they were unable to comprehend a different argumentation. ~~XXXXXXXXXXXXXXXXXXXX~~ This statement can be traced through Polanyi's whole work. In his later writings Polanyi ~~XXXXXX~~ spoke in ~~XXXXXX~~ that context of "inverted ~~XXXXXX~~ perspective". It manifested itself in looking at everything under the

tacitly made assumption that it was a phenomenon of the unfettered private enterprise economy of the 19th century which Polanyi called "market economy". An example for this "inverted perspective" was as he pointed out in his anthropological writings the habit of equating the prices in the archaic Mesopotamian economy of Hamurabi's time with the prices in a market economy, just because in both cases they were prices relating goods to money. But this interpretation neglected the difference that the prices in Hamurabi's time were set by authority ~~XXXXXXXXXXXXXXXXXXXX~~ for long periods, while in the market economy they fluctuated according to everyday changes of demand and supply without intervention by any authority.

Changeable Laws

However in 1924 Polanyi had not yet coined the term "inverted perspective". Instead he used the proposition that the laws ruling societies are changeable and that therefore labour disputes at ~~XXXXXXXX~~ different times had different meanings. Having arrived at the tramstop at Althan Platz he used a X joke to establish what he meant: "The car of tram line 5 " he said" goes sometimes to the Reichsbrücke and sometimes only to the Circus. This is a changeable law. Let's hope that tonight we can catch one going to the Reichsbrücke." (Der Fünferwagen geht manchmal ~~XXX~~ bis zur Reichsbrücke und manchmal nur bis zum Zirkus. Das ist eben ein ~~anderbares~~ Gesetz. Hoffentlich geht heute noch ein Wagen zur Reichsbrücke) (For the sake of explanation: the "Reichsbrücke", a

bridge across the Danube , was close to the home of the Polanyis. The tramline 5 passed a large circus building at the "Praterstern", where several tram lines joined ~~XX~~ on the line of the ^{(No.} 5 car. If the car of line 5 did not go beyond the circus building one had to change into another tram ,an inconvenience in winter). Eventually a car arrived and saved everybody from further waiting in the ~~XX~~ cold.

Vergartenstrasse 203

With the passing of the weeks the number of the participants dwindled, as was to be expected. But a few people turned up regularly and became the core of a little study circle. One evening at the end of the discussion Polanyi remarked casually that from then on the seminary would be held at his home in Vergartenstrasse 203, second floor, door 10. This place was situated in the second municipal district "Leopoldstadt", a proletarian suburb, some twenty minutes tram-ride from the centre of the city. Previously the student had been but rarely in this part of Vienna. Hence he took ~~some~~ ^{SOME} time before finding Vergartenstrasse. This street has its name from the tiny gardens in front of the houses. Eventually he was at the door of the flat and ~~XXXXXXXXXXXXXXXXXXXX~~ knocked. A smiling woman opened. "Is Dr. Polanyi living here ?" (Woohnt Dr. Polanyi hier?) asked the student "Yes come in" (Ja, Kommen Sie weiter) was the answer given in correct German, but with Hungarian accent. This was Erszi, the housekeeper and staunch pillar of the Polanyi household. What it means to master a foreign language the student came to realize only much later as an emigrant. He was taken through

the roomy hall into the living room. Its two windows faced the street and the large Reserve-Garden of the Municipality (Reservegarten der Stadt Wien) which at this time of the night, when the student arrived, was not visible. In the middle of the room stood a brown ~~XXXX~~ round table. At the table sat Ilona Polanyi and a few young people. They were talking, sipping tea and crunching toast. Polanyi himself stood leaning against a green tiled stove, from which position he guided the discussion with precisely formulated argumentations.

Socialist Accountancy

The subject was the way in which a guild socialist society would run its economy, one of the main themes of Polanyi's essay "Sozialistische Rechnungslegung" (Socialist Accountancy). In this society prices and wages were fixed by negotiations between "Kommune," ~~XXXX~~ the representation of the individuals as citizens and consumers, and the "Producers' Association" the representation of the individuals as producers. The ~~XXXX~~ prices of the goods were their total cost. The total cost consist^{ed} of two parts. One part consisted of the minimum sacrifices in labour and material required to produce^d the goods. This part ^{were} ~~XX~~ caused by the technical natu^{re} of production. Hence Polanyi called it the "natural cost". The other part of the cost consisted of the additional sacrifices caused by the expenditure due to the social aims of society such as holiday pay, ensuring of safe working conditions etc. These cost ~~XX~~ were caused by the intervention of society in the form of the "social law" (Soziales Recht).

Polanyi therefore called these cost "social cost" (soziale Kosten). The social cost were recorded in the account of the "Kommune", while the natural cost appeared in the account of the "Producers' Association." The separation of these two kinds of cost by accounting for them on two separate accounts was essential for Polanyi's concept of socialism. For as he wrote in his "Social Accountancy" "mankind can be free only, if it knows the cost of its ideals to itself". (Die Menschheit wird nur frei sein, wenn sie weiss was ihre Ideale sie kosten". Sozialistische Rechnungslegung, Archiv für Sozialwissenschaft etc., Bd. 49, (1922) p. 416)

Grandma Nana

There is no need here to delve into the numerous ramifications round this train of thought. They were debated at length and for weeks in the seminary. But on this ~~GAZAKHIAK~~ night the student paid only little attention to the talk going on round him. His mind was distracted by some large pictures on the wall. They were portraits of men in elaborate uniforms, as worn by magnates, aristocratic large estate owners in Hungary. The portraits represented relatives of Mrs. Helen Duczynska, Mrs. Polanyi's mother called "Nana". Without her the Polanyi's home was unthinkable. Mrs. Duczynska nee Becassy was a member of one of the eldest Hungarian aristocratic families. "They have no title, because they were already in their castle, before there were any titles of nobility." (Sie haben keinen Adelstitel. Sie waren

schon auf ihrem Sitz ,wie es noch keine Adelstitel gegeben hat.) she
once told the student. Marriage with an engineer Duczynsky had taken
her outside the aristocracy. Ilona Duczynska, later Polanyi, was their
only child. Engineer Duczynsky had been a revolutionary spirit , who
had held planes on the lines of aviation research . However there was
at that time little prospect of carrying them to fruition in Austria.
Hence he went to the United States leaving behind wife and child ~~XXX~~
~~XXXXXXXXXXXX~~, who were to follow him to America later. Unfortunately
he died in an accident leaving Mrs. Duczynska a young widow. But she
carried on bravely with the small widow's pension her husband had
left her from his previous job in Austria. She was the helping hand
for the Polanyis through their years in Vienna. The finding of the
roomy flat in the Vergartenstrasse was her doing. She was instrumental
for bringing up Kari, the daughter of the Polanyis and their only
child. Though keeping herself in the background she was the fundament
of the Polanyi household. She admired Karl. She was of course aware
that some of her values were incompatible with the views held by
the Polanyis. But she was nobility and kindness personified. These
qualities combined with her tact, bridged the gulf between her old
and her new world in the Polanyi home. But the gulf was there "I am
torn between the old and the new" (Ich bin zwischen dem Alten und dem
Neuen zerissen) she said once to the student in her little room, to
which she retired, when reality was too difficult to bear. "My weapon

is politeness"(Meine Waffe ist die Höflichkeit) she commented once. Her room was a museum. The walls were covered with pictures of her husband and her Hungarian magnate family. From her glass-case silver samovars and other vessels were glittering. There were also some finely worked tables and chairs. All that belonged to a world which was disappearing fast. There was still the splendour of the family castle ~~XXXX~~ in the background. However she concluded her description with the words: "But by now everything belongs already to the bank"(Aber alles gehört schon der Bank) This meant probably that because of the obsolescence and unrentability of the estate ~~debt~~s were piling up which eventually would make it all the property of a bank. On another occasion she narrated a joke then going round among ~~the~~ some then ruling circles in Hungary. "The wife of the Prime Minister says that there is no longer any need to repair the windows in their official residence. She thinks that they would soon have to move out anyway." (Die Frau vom Ministerpräsidenten sagt es ist nicht mehr nötig die Fenster in ihrer Amtswohnung zu reparieren. Sie glaubt, dass sie sowieso bald werden ausziehen müssen) and she added: "Many say that Bolshevism is going to come". (Viele sagen: es kommt der Bolschewismus) - a forecast which was born out twenty years later. Such words expressed her awareness that her world was doomed. Loyalty to her aristocratic family and dear memories made it hard for her not to regret the vanishing of it. But she knew the injustices of the old order that brought her over to

to the side of progress. She watched with increasing concern the rising tide of fascism over the years. In October 1933, shortly before Pelanyi went ~~to~~ to England she came one Sunday morning with Kari to visit the student in his home. He was then a clerk with the Municipality and led a harmonious life in a little municipality flat in the garden settlement Lockerviese together with his wife, baby and mother-in-law. The old lady Duczynska brought a silver spoon with her family crest on it as a gift for the baby. Soon the conversation turned to the matter which then preoccupied all of them - the imminent fascist coup d'etat which in February 1934 initiated a civil war. When this occurred Pelanyi was already in England. Kari - she was ~~then~~ 11 then - did no longer want to go to school, where everything had changed. Ilona was preparing to follow Pelanyi with the child. In the midst of the dissolving household the old lady was an energetic and tireless helper for the people of the Pelanyi circle who after the coup were in political trouble. One of them Trude Kurz, was arrested because of alleged underground activities. Mrs. Duczynska went to the police and said she wanted to help Trude because this was her christian duty. The officer agreed. How far her efforts succeeded is not known, but is irrelevant. The incident ~~just~~ just characterises her personality. Another great effort she made was on behalf of the former student. One of the first decrees of the newly installed fascist leader for Vienna was the

abolishment of the permanency of jobs with the Municipality. Everybody could now be dismissed. To the former student loss of job would have been a major disaster. To prevent it Mrs. Duczynska went to see Mr. Winter, then occupying a position corresponding to a third deputy mayor. It was his special job to reconcile the man-in-the street with the new regime - the underground labour weekly referred to him as the court jester of Fascism. It proved impossible for the old lady to see Mr. Winter at his office. Thus one Sunday, when he was out tramp- ing with his family, she waited for many hours in front of his private flat in cold wintry weather, until eventually she could speak to him. He reassured her that nobody was going to be dismissed. Whether this was true or not is irrelevant now. But the former student will never forget ~~KNAX~~ while he is alive this very real sacrifice of an old lady. He saw her for the last time in 1938 shortly after the establishment of the Nazi regime to discuss ways in which the Polanyi- is might help his emigration. She was then living in a boarding house for the Polanyi household did no longer exist. In spite of the dangerous possibility that the walls might have Gestapo ears she condemned the new regime in strong terms. Soon afterwards the student was arrested and detained in a concentration camp. When he was released in February 1939, he did not want to contact the old lady so as not to endanger her. She died in 1943 in a sanatorium in Berlin. Hers was

as the Polanyis wrote to the former student, as peaceful end. The hours he could spend with this noble spirit belong to his most treasured memories.

Ernst Bock - Prices under Socialism

But back to the seminary of 1924. As the weeks went by, the field of the problems discussed at the Polanyis spread. This was largely due to Polanyi's wide variety of interests "I am far too polyphonic, that's why I don't get anything finished" (Ich bin viel zu polyphon, deshalb bringe ich nichts fertig) he said once to the student. Additionally there was also a human atmosphere of broadmindedness in which anything, even personal matters, could be brought up. In this spiritual climate it was only natural that some of the participants of the seminary - the student was among them - turned to Polanyi for help in their thesis. One of these participants was Ernst Bock. He had attended the seminary from its beginning. In the Socialist Students' Association he was a leading spirit of a group called the "Opposition". It was working for stronger adherence to socialist principles, or as Bock called it, for "a higher level" (höheres Niveau). He was always particular about his appearance and once he said. "I know, they say that I am the most elegantly dressed in D'Orsaygasse (the Socialist Students' Association Headquarters - F.S.) and I am reproached for this. (Some people considered it incompatible with being socialist

minded F.S.). But they don't realize that this comes only from the ~~XXXX~~ care I take of my clothes. I have no money either." (Ich weiß, sie sagen ~~XXXXXXXXXXXXXXXXXXXX~~ dass ich der eleganteste in der D'Orsaygasse bin und man wirft mir das vor. Aber sie wissen nicht, dass das nur daher kommt, weil ich auf meine Anzüge so acht gebe. In Wirklichkeit bin ich ein armer Bursch) So it was indeed. He could afford his full time study of political science (Staatswissenschaften) by the utmost thrift only. His eventual degree of a Doctor of Social Sciences was in the Austrá of the ~~XXXX~~ 1920's because of the prevailing chronic lack of jobs a diploma for unemployment. Hence unable to find a position in Austria, he went abroad. He eventually became a war correspondent in the Spanish civil war on the side of the Republicans. After their collapse he escaped to London. There he died in 1964. He was 63 - a premature death due to his unsettled life.

When he was taking part in the seminary in 1924 he worked on his thesis. As a socialist and inclined to face difficult problems he chose a then very controversial subject, viz., the derivation of prices under socialism. Just at this time Ludwig Mises, then a lecturer at Vienna University had published his book "Die Gemeinwirtschaft" (1922) where he denied the ~~XXXXXXXXXXXXXXXXXXXX~~ possibility of a socialist economy. In a market economy, which Mises equated to a private enterprise economy, the prices of goods and services were formed by demand and supply. They were ~~also~~ a guide, he argued, for the incentive to future production which went into the direction ~~were~~ ..

highest reward in money could be expected. Likewise the prices were a common denominator for the production cost to be incurred. Hence the prices permitted producers to calculate the cheapest and therefore the best ways to produce the commodities. Mises claimed that in a socialist economy this was impossible. A supreme planning council would decide how to use the resources of society. There would be no markets and therefore no prices could be formed by supply and demand on a market. Hence the common denominator for the various ways of production would be missing. It would be impossible to find out the cheapest and hence the best ways for the production of the commodities. In this sense a socialist economy was claimed to be unthinkable. It was argued that the low living standard in the Soviet Union proved this argumentation of Mises.

In his thesis Beck wanted to show that prices as a ^{common} denominator of the cost of production would be possible also under socialism. This was defined as a state of affairs, where the means of production would be owned by society. One pertinent answer to Mises was Otto Leichter's book "Die Wirtschaftsrechnung in der sozialistischen Gesellschaft" (The economic Calculus in the Socialist Society). ~~XXXX~~ It appeared in 1923 one year after Mises' book. Leichter suggested a moneyless economy where the number of hours necessary for making the goods would be the common denominator of their cost. Beck was not satisfied with this solution which was an application of the Marxian theory of Labour value. For this theory took no account of the ~~XXXXXXXXXX~~ scarcity of

raw materials used up in the production of goods. He preferred the ~~XXXX~~
"marginal theory" which, as Polanyi said, "started from human wants and
needs which can be satisfied from scarce resources." ⁽¹⁾ ~~(XXXXXXXXXXXXXXXXXX~~

~~XXXXXXXXXXXXXXXXXX~~ Polanyi ~~XXXXXXXXXXXX~~ Beck's study concentrated on the
manner in which in the various socialist models designed in the early
period~~ē~~ of industrial society a socialist economy was to be run. He
was very grateful for the help Polanyi gave him. For Polanyi this meant
to be confronted with a gap he had left open deliberately in his
"Socialist Accountancy". In this essay he spoke of wages and prices
negotiated between "Commune" and "Producers' Association". Polanyi
assumed tacitly that wages and prices in such a set-up would be ~~XXXX~~
possible. He wrote in the "Socialist Accountancy" "Deliberately we have
avoided in our train of thought the problems of economic theory encoun-
tered in the form of the assumptions for our framework." ⁽²⁾ The occupation
with Beck's thesis persuaded Polanyi to ~~XXX~~ give greater attention to
the problem of economic calculus in particular in a socialist economy.
He turned towards derivation of a socialist price system. This implied
going back to the fundamentals of economic theory, a task which occupied
him for some years to come.

(1) This statement is quoted from Polanyi's posthumously published
essay "Carl Menger's Two Meanings of 'Economic'" in Studies in Economic
Anthropology, 1971 edited by George Dalton p. 20. Though written in ~~XXXXXX~~
America in the 1960's it is virtually the same thought as stated by
Polanyi in Vienna in the 1920's.

(2) The original German text runs: "Geflissentlich haben wir in unseren
Geeankengang die wirtschaftstheoretischen Probleme umgangen, die in
Form der sachlichen Voraussetzungen unserer Annahmen an uns heranget-
ten sind. (Sozialistische Rechnungslegung p.-Archive für Sozialwissen-
schaft und Sozialpolitik Bd. 49 p. 420)

Philosophy and Sociology - Karl Raymond Popper and Hans Zeisel -
Interlude - "The inescapable Nature of Society - Die Unaufhebbarkeit
der Gesellschaft " - The Commodity Fetishism and other Objectifications
- Prejudices as Objectifications - Vergarten and Outing - Inner Might -
A Thesis on Objectifications - University Disturbances - (Universitäts-
krawalle - Galilei - Objectifications vs. Human Relations - "Der öster-
reichische Volkswirt" - Ideologies may take second place - Grave Times
ahead - Leaving for Britain - Rescuers from Nazism - Once more the
Objectifications

Philosophy and Sociology

Economics was only one of the realms which claimed Polanyi's interest. He occupied himself also with logic, theory of knowledge, methodology and other ~~XX~~ subjects which are considered to belong to philosophy and sociology. This interest was rooted in his personality. He wanted to know the truth about anything he encountered in every-day-life as well as in his studies. He himself describes his endeavour in some remarks on the "Freedom of the Spirit" posthumously published by his wife. He says:

"Searching for truth behind and in the face of all, and every kind of class-truth and race-truth: following the path of a pure ethic, despite the cut-and-dried precepts of the "moralists", and beyond those taken its stand on the foundations of justice, even in defiance of the law, and bowing but to the authority of goodness and truth, turning against all phoney authority that rests on debauched success and on the display of power." (Karl Polanyi - Notes on his Life. - By Ilona Duczynska p. 3)

There was at least one kindred spirit in the family with whom he shared his philosophical and sociological interests viz., his brother Michael, then professor in physics and later in economics. Polanyi's wife speaks of him "as a scientist, economist, philosopher, religious thinker - off the Faustian image here not much seemed to be lacking!" (Karl Polanyi (1886 - 1964) - A family chronicle and a short account of his ~~life~~ life. By Ilona Duczynska p. 7). Polanyi mentioned sometimes to the student that he derived much pleasure from discussions of methodology with his brother. Michael Polanyi was of course outside the circle, because he was at that time working in Germany. Thus the student has never met him.

Another friend, not belonging to the Vergattenstrasse group, but with whom Polanyi discussed philosophical and sociological questions was Heinrich Gomperz, then professor in philosophy at Vienna university, and, as the old lady told the student, a friend of the family. "Er hat sich

immer um die Ilona gekümmert"(He has always looked after Ilona) she said. Only years later he learned from Mrs. Polanyi, that Gemperz had proved himself to her as a fatherly friend from her 17th year onwards, when she was introduced to him. He was helpful in the most difficult circumstances during her imprisonment, when she faced a court martial, and during illness. For two months she found a hideout from political persecution with the Gemperz family. The student met Gemperz only once when he just happened to be at the Polanyi home. In the conversation with Polanyi Gemperz criticised ^{Hans} Kelsen (then professor in philosophy of law at the same university) for his doctrine that sociology was not a social science, but a natural science. But they must also have talked critically about the way of appointing lecturers. For the student still remembers Gemperz saying: "Der ist ein Schüler von dem und der ist ein Schüler von dem" (Well, this one is a pupil of this professor and the other one is a pupil of that professor) Gemperz was known among the ~~the~~ students for his attitude sympathetic towards socialism. He was pensioned off soon after the fascist victory in February 1934, because he refused to join the ~~XXXXXX~~ "Vaterländische Front" (Patriotic Front), the fascist and only legal party under the new regime. "Und diese Leuchte der Philosophie hat man pensioniert" (And this outstanding philosopher has been pensioned off) commented the old lady angrily to the student. However already after a year - in 1935 - Gemperz obtained a professorship in philosophy in the U.S.A. Thus he was richly rewarded for his uncompromising stand. For had he given way to then political pressure and remained in Vienna he hardly would have survived the Nazi regime which in 1938 replaced the Austrian fascism.

Karl Raymond Popper and Hans Zeisel

Karl Raymond Popper and Hans Zeisel

It did not take long before philosophical issues infiltrated into the seminar. When they came up there were besides Polanyi two main participants in the talks, viz., Karl Raymond Popper and Hans Zeisel.

Popper was then a school teacher employed by the Municipality of Vienna. But his chief interest was in philosophy. In 1937 he obtained a lectureship at Canterbury University at Christchurch, New Zealand. While there he helped various people to escape from Nazism by entering New Zealand. Among them was also the former student and his family at the Polanyis' request. Since 1946 Popper worked as a reader and later as a professor of logic and scientific research at the London School of Economics. He was knighted in 1964.

One of Popper's main propositions, set out in his books "The Logic of Scientific Discovery" and "Conjectures and Refutations, the Growth of Scientific Knowledge", is that observation can never confirm any hypothesis beyond doubt. For cases disproving the hypothesis might emerge. The mere vain attempts have been made to disprove a hypothesis by confronting it with the facts (to "falsify it", as Popper says) the more probable is that the hypothesis is correct.

Another main proposition of Popper pointed out in "The Poverty of Historicism" and in "The Open Society and Its Enemies" is that predictions of the course of history (he calls such attempts "Historicism") are impossible. For a major factor influencing history is the growth of knowledge which depends often on unpredictable intuition. He criticised Plato, Aristoteles, Hegel and Marx for having made such predictions.

However, Popper argues, for parts of society, not for the whole society, laws about the unintended results of human actions can be

shown. From this Pepper derives the proposition that reforms could be made gradually only, by "piecemeal social engineering" as he calls it.

But this proposition does not consider that decisions on reforms depend upon the prevailing circumstances, and cannot be based upon one single consideration only. The significance of Pepper's criticism of Marx is limited. For according to Pepper himself Marx "did not always take his own system too seriously and he was quite prepared to deviate a little from his fundamental scheme: he considered it not as a point of view (and as such it was certainly most important) rather than a system of dogmas." (The Open Society and its Enemies Vol. II p. 331) Nor do Marxists "wish to relieve men from the strain of their responsibilities." (Open Society Vol. I p. 4) Moreover Pepper states that Marx' "prophecy that the system of unrestrained capitalism, as he knew it, was not going to last much longer was right. He was right too in holding that it was largely the "class struggle" i.e. the association of the workers that was going to bring about the transformation into a new economic system." (Open Society, Vol. II p. 193). Thus Pepper's criticism of Marxism leaves essential points untouched.

Polanyi spoke highly of Pepper's work at Vienna. But the former student thinks that Polanyi might have agreed with his comments on the "Open Society". In contrast to Pepper's preceding books the "Poverty of Historicism" and "The Open Society and its Enemies" have a political ~~flavour~~ flavour and appear as a turn from Pepper's socialism of earlier years to Liberalism.

Pepper does not seem to have realized that liberalism easily can produce fascism exactly what Pepper wants to avoid. For the society of uncontrolled private enterprise which the ~~liberals~~ liberals have in mind is unbearable. Furthermore at least some liberals, condone fascism, if ~~any~~

they fear for the profits of private enterprise. In some way Popper's preference for liberalism as a protection against totalitarianism reminds the former student of the "Dollfussjews" of the period 1933 - 1938 in Austria. They were Jews or people of Jewish descent who supported the then ruling fascism of Italian pattern under Dollfuss and his successors, because they thought in this manner to keep away Nazism. They failed to see that by their attitude they helped towards it. Only a few of these people have learned this lesson after 1938, when the Nazis took over in Austria. The former student could convince himself of this during his detention in the concentration camp. To the majority of such "Dollfussjews" the statement of a fellow prisoner applied: "Schläg' bekommen und nix daven gelernt". (Beaten and learned nothing from it.) Luckily Popper was saved from such experience.

It should be noted that Popper must have been largely influenced by Polanyi. For in the "Open Society" he mentions that Polanyi pointed out to him two trains of thought in 1924 and 1925, i.e. in Popper's formative years. One of these trains of thought was the unity of method in social and natural sciences. The other one was the fact "that it was Marx who first conceived social theory as a study of unwanted social repercussions of nearly all our actions." (The Open Society Vol. II p. 323).
(Cf. Open Society I p. 305)

It is noteworthy that the latter proposition belongs to the core argumentations of the "Great Transformation". ~~In this work Polanyi~~

This book describes primarily the economic history of 19th century Britain. Her economic life was then predominantly an uncontrolled private enterprise economy, a "market economy" as Polanyi calls it. In such an economy every commodity is produced for sale at a largest money gain, the prices being determined by supply and demand. This is applied also to labour land and money, although these are not produced as wares for sale. The unwanted repercussions of doing so are dehumanization of many workers, impairing the productive powers of the soil, and increased ~~XXXXXXXX~~ severity of the trade cycle. Hence restrictions of the markets for labour, land and money have to be imposed which the market economy cannot survive.

An essential element of this train of thought are unwanted repercussions of human actions. This element, as Pepper shows, can be traced back to the Polanyi seminar in Vienna twenty years earlier before "The Great Transformation" appeared in 1944.

While Pepper's thinking concerned itself above all with abstract issues, Hans Zeisel's interest turned more towards concrete sociological questions. His father was a well known and widely respected socialist lawyer. The student knew Zeisel already from the secondary school. Thus he was no stranger to him, when he met him at the Polanyis. Austria then plagued by chronic unemployment did not seem to offer him sufficient opportunities. Thus Zeisel went abroad. Eventually he became professor in sociology at the university of Chicago. His interest in methodology is mirrored in his book "Say it with Figures" a popular textbook on statistical methods, which shows their possible pitfalls, if data are used without proper care. The former student is unable to say how far Zeisel has been influenced by Polanyi, but he remembers that Polanyi talked

~~XXXXX~~ with him at length on methodology. Furthermore Zeisel must have been permanently in touch with the Polanyis. For Polanyi acknowledges in his "The Great Transformation" Zeisel's "careful reading" of the proofs of his book. Zeisel has also written an article on Polanyi in the "Encyclopaedia of Social Sciences" which ~~XXXXXX~~ centers on Polanyi's anthropological propositions.

Interlude

The remarks of the former student on Popper and Zeisel result largely from reading up of some of their publications in later years. For he has only hazy memories of their actual discussions with Polanyi. This is partly due to the immaturity of a young student and partly to his lack of interest in these subjects. Thus when such matters cropped up the student was mostly a silent listener and after some time he usually turned to Kari, whose little head rose to the level of the round brown table in the middle of the room. For she was always pleased if somebody talked to her or played with her. The student and the little girl might turn to building houses from books which happened to lie on the floor (once Polanyi said on such an occasion: "Das ist die Lektüre meiner Tochter" (This is the literature of my daughter). Another alternative was the production of ~~beaks~~, ships and hats folded from newspaper sheets of which there were always plenty available. Sometimes the ~~XXXXXX~~ student sat down with the old lady in her room, when she had nothing better to do. She told him various things about herself, her family and the Polanyis. Naturally her memories returned always to the splendour of her ~~XX~~ family castle with its many servants but also to the signs of the ~~the~~ decaying old order. If the male members of the family held jobs, they were of high rank in the then social hierarchy. For instance one of

her brothers was a provincial governor (Obergespan) Her marriage outside the high aristocracy was then a bold step. However eventually they seem to have given up opposition to her marriage with "dem Luftschiffer" (that airskipper) (This was their designation for a man who wanted to construct dirigible airships, something which then was widely believed to be impossible.) Her daughter Ilona broke completely with the family tradition. During the first world war, while she was a young girl, she went into the barracks among the soldiers agitating for peace. Soon she was arrested. In vain her mother attempted to pull some wires with the help of her aristocratic family. But, as she recalled, "Alle waren entsetzt! Bei so etwas kann man nichts machen" hat jeder gesagt". (They all were horrified in such a case nothing can be done" they said.) She remembered her horror when she was visiting her daughter in prison and when Ilona arrived flanked by two armed guards. In October 1918 the revolution liberated the young woman. "Da haben sie sie durch die ganze Stadt getragen" (They carried her on their shoulders through the whole town) the old lady concluded ~~in~~ her story. At a later occasion she mentioned that in prison her daughter had contracted a disease, from which it took her years to recover.

"The inescapable nature of society - Die Unaufhabbarkeit der Gesellschaft"

However inspite of such leisurly interludes the student could not help picking ^{up} some of the philosophical discussions in the Polanyi home, especially when they strayed into sociology and when they dealt with the desirability of transparent human relations, For the importance of such relations had been brought home to him by the strike of the banking employees in which he had taken part, as mentioned above. Eventually he grasped what Polanyi called in his later work the "social

approach". By this he meant "man's inalienable interwovenness with society the impact of all his actions or non-actions on society and society's back action on all of his doings." (Karl Polanyi (1886 - 1964) - A family chronicle and a short account of his life - by Ilona Duczynska p.13) or with other words "society's final and inescapable nature ("die Unaufhebbarkeit der Gesellschaft") - Karl Polanyi - Notes on his life by Ilona Duczynska p.6)

Underlying these thoughts is a fundamental proposition of Aristotle, that, as Polanyi expressed it "only gods or ~~XXXXXX~~ beasts could live outside society and man is neither." (Transformation, p.114) In connection with this proposition Polanyi adopted also the further proposition of Aristotle that there are two types of society, ~~XXX~~ according to whether production is carried on for use or for money gain.

Production for use means that the individuals produced goods according to their needs, whether they used them themselves or ^{whether they} exchanged or bartered them ~~for~~ sold them for money. In contrast to this proposition production for money gain meant that the individuals produced for sale on the market for a largest money gain regardless of their own needs. While in the first proposition the needs of the individuals determine their behaviour, ^{their} ~~such~~ needs are irrelevant in the second proposition. One recognizes in the latter concept the "market economy" as defined by Polanyi. He indeed hailed Aristotle as having forecast the market economy "two thousand years before its advent out of the rudiments of a market economy available to him." (Transformation p.54)

Occupation with the market economy - in the 20's Polanyi had not yet coined this term, but spoke of "capitalism" - led Polanyi to what Marx called the "commodity fetishism". Polanyi considered it an

essential feature of capitalism. Under an uncontrolled private ~~XXXXXX~~ enterprise economy, because of its peculiar structure, the commodities and their prices seem^d to rule men who had created them. In order to overcome such a state of affairs Polanyi postulated transparent human relations~~XXXX~~. This postulate was also a main motif for designing his guild socialist model in his essay "Socialist Accountancy". Hence this essay also was a factor leading Polanyi to examine the commodity fetishism.

Vergarten and Outing

The issue was discussed at length in the seminar and outside it. Its difficulty compelled Polanyi to repeat the same argumentation again and again in various versions. Also the student at least in the beginning found it difficult to follow the argumentations. Thus one sunny morning in June 1925 Polanyi must have become somewhat tired of having to repeat the same thought without making much headway. He suggested an adjournment to the garden. This was a plot of ground along the front of the house about four yards wide. It was fenced in with a grating and had a door which the Polanyis alone had the key. "Ja, den Garten den haben wir gemietet." (Well we have rented the garden) Polanyi once told the student. Inside the plot were some rows of flowers and an almond tree. Soon everybody was outside in the sunshine. While the adults talked to each other Kari occupied herself with some toys or looked out through the fence into the wide world. She could see people and animals walking on the footpath and vehicles of all sorts passing in the street. There was also the Lassallehof (Lassalle Building) a large municipal tenement house in process of being erected. It was named in commemoration of Ferdinand Lassalle, a man prominent among the founders of the German Labour Party

in the 1860's. In a very conspicuous place his name could be read in large red letters together with the words "Errichtet von der Gemeinde Wien aus den Mitteln der Wohnbausteuer" (Erected by the Municipality of Vienna from finance raised by the municipal tax for the ~~XXXXXXXXXX~~ construction of dwellings) (Polanyi once jokingly remarked that the christlichsoziale Partei (Christian Social Party) a conservative party which opposed the housing policy of the Municipality, would like to change these words into "Geraubt aus den Taschen der Bürger" (- robbed from the pockets of the citizens) - These things offered various attractions to ~~KXX~~ little Kari and sometimes they aroused her wish to have a closer look at the world outside the fence. The old lady was not always available. In such case there were no objections against a little stroll with the student. They were permitted to walk some 200 yards to, the Lassalle street, a main artery of traffic. It was exciting to watch the construction workers high up on the Lassalle Building and the trams with the people entering them and alighting from them at the tramstop. In the background only a few minutes walk away, the Reichsbrücke, a ~~XXXXX~~ bridge across the Danube could be seen. If Kari and the student watched the busy Lassalle street long enough they could notice from time to time a traffic jam at the city side of the bridge. Over the years the bridge could no longer cope with the increasing traffic. However this was later remedied by the reconstruction of the bridge. Nobody could guess that the reconstructed ~~XXXXX~~ Reichsbrücke would be the only bridge across the Danube in Vienna which would come unscathed through the second world war. For in April 1945, when Vienna was taken by the Russians, the scuttling of the Reichsbrücke was prevented only in the nick of time.

However that was still twenty years ahead in the future. For the present the student aware of his responsibility and not permitted to take the child further away was pleased that the bridge did not seem to have an undue attraction for Kari and that after a while she could be persuaded to return home. Such walks and other interruptions of the discussions on the commodity fetishism and other subjects were for Polanyi probably not unwelcome. For as mentioned already, the young and untrained people had difficulties in following the argumentations.

The Commodity Fetishism and Other Objectifications

The commodity fetishism might be illustrated by ~~XXXXXXXXXXXX~~ a concrete case.

A shoemaker and a tailor produce shoes and clothing respectively for sale on the market. Hence each of them put their output into warehouses which hand them on to the retail shops. In this way shoemaker and tailor receive money for their output, i.e. for their shoes and clothes respectively. The shoemaker might buy some clothes for himself and his family from a ^{clothing} ~~XXXXXX~~ shop and pay for it with part of the money he received from the sale of shoes made by him. Analogously the tailor might buy some shoes for himself and his family in a shoe shop with part of the money he received from the sale of the clothes made by him. Hence some shoes produced by the shoemaker go to the tailor and some clothes made by the tailor go to the shoemaker. Hence (though indirectly) they have produced to some extent for each other. But neither of them is aware of this relationship between them. They know only that they have delivered their output of shoes and clothes respectively to the warehouses. What happens further they cannot know. ^{to each of them} Known is only the price of the shoes and clothes and hence to each of them the relationship between the prices of the products of the shoemaker and tailor.

Therefore the relationship between persons, viz., the shoemaker and the tailor is hidden by the relationship between the prices of the goods they have produced, viz., between the prices of shoes and clothes. Or as Polanyi expressed it: relations between persons become "thinglike" - "verdinglicht"

Moreover the prices of the shoes and clothes are crucial for the living conditions of their makers. For their income, i.e. their livelihood depends on these prices. Hence the prices of shoes and clothes must influence the further activities of their makers. If these prices ~~are~~ increase they might increase their production, while decreasing prices of their ~~are~~ shoes and clothes respectively mean fallen income for them and might drive them even out of business. Thus it can be said in general, that the prices influence the future actions of men and face them as forces which apparently are independent ~~of~~ from the persons whose activities have created the wares and their prices.

The gist of the "commodity fetishism" has been pointed out by Polanyi in the seminar with approximately the same words which he published about ten years later - in 1935 - in his essay "The Essence of Fascism", a contribution to a book "Christianity and ^{The} Social Revolution", Gallancz, London, he edited jointly with Donald Kitching. There Polanyi argued that "human relationships are immediate in primitive communism." But "in a developed market society human relationships become indirect. The producers continue to produce for each other." However "this relationship is hidden behind the exchange of goods. It is impersonal. It expresses itself in the value of commodities. It is objective, thinglike. The commodities take the semblance of life. They

follow their own laws , rush in and out of the market , seem to be makers of their own destiny."(Essence p.375)

Polanyi extended the concept of the "commodity fetishism" to other social phenomena which he called "objectifications - Objektivationen", and Some of the are state, law, custom, religious beliefs.

The proposition of laws created by men and ruling them appears also in "The Great Transformation", where Polanyi describes the outlook of the economic liberals who claim the existence of unchangeable laws in the private enterprise economy. "The laws of commerce were the laws of nature and consequently the laws of God"(Transformation p.117) comments Polanyi. Such a view makes the "laws of commerce" objectifications ruling men because of their inexorable godgiven nature.

Prejudices as Objectifications

What intrigued and at the same time ~~XXXXXX~~ angered the student was that the semblance of life of the objectifications determined the attitudes of many people towards various issues. Indeed it was as if these objectifications had a real life of their own. From this aspect the prejudices he struck daily at the bank and elsewhere appeared to him as objectifications ~~THEY~~ They influenced the conduct of the people in important avenues of life. As it was natural for the young men whom the student met in the bank, sex was the main subject of their conversation. Their prime contact with womanhood seemed to be through prostitutes. Though they despised them, they still did not want to do without them. It was not unusual for them to be taken into the homes of these young men, when the well-to-do parents were away on holiday. Marriage and even a longer relationship was put off for later years , when the man would have reached positions suitable for the maintenance of a family.

that some of these scruples were genuine. Thus the principal validity of the argumentation regarding objectifications remains.

Anyhow his then opinion about ~~the~~ people believing in a moral right to be dominated by somebody was strengthened, when about at ~~the~~ the time of the strike he learned about "inner might" at an university course. The course was held by F. Wieser one of the "three star constellation" (Dreigestirn) of the Austrian School of Economics. It was a weekly lecture from October 1923 to Easter 1924 under the heading "Die Macht in der Geschichte" (Power in History). The lecture was given from 6 to 7 p.m., i.e. after the student's working hours. Hence the student could attend. On one occasion Wieser spoke about domination accepted voluntarily by the ruled and discussed it in connection with the constitution of a German principality in the 19th century. Ferdinand Lassalle, then a socialist leader in Germany, as mentioned above, said that the upholders of this constitution were the guns of the ruling class. Wieser however contested this view. He claimed that the base of any constitution to some extent must be its voluntary acceptance as the moral right of the sovereign to rule. Wieser called this acceptance the "inner might" of the ruler over his subjects. Without some "inner might" Wieser contended no constitution could exist in the long run. The student interpreted the "inner might" as an effect of an objectification in form of the belief that the domination by the ruler was exercised by reason of his moral right.

But in retrospect after fifty years the student must modify his opinion also in this case. For apart from the split up of a community into classes, over which the "inner might" of the ruler may be different, he realizes now that the ~~voluntary~~ ^{POSSIBLY} consent of people to domination ~~is~~ is only an enforced pretence. ~~is~~

In particular under a dictatorial regime there is wide-spread fear that public disapproval of the regime might lead under some pretext to open or veiled chicanery, loss of livelihood and even to imprisonment and death. For instance under the Austrian fascism 1934 - 1938 many people wore the badge of the "Vaterländische Front" (Patriotic Front) the then only legal party in Austria as a proof of their loyalty. But nevertheless a considerable number of the wearers of this party badge were connected with various underground organizations (That was called "re-insurance" - "Rückversicherung") "Diktatur berechtigt und verpflichtet zu Heuchelei" (Dictatorship justifies hypocrisy and makes it necessary) commented,
(The later Senatsrat Dr. Renatus Marcus Delanney, one time boss of the student in the statistical office of the Municipality of Vienna on the situation. Consent in circumstances like these can hardly be interpreted as an acceptance of some moral right to domination and hence as a result of objectifications.

However inspite of all his reservations the student has never forgotten the lecture of Wieser about the "inner might". As the years passed he has increasingly realized the bearing of "inner might" and of the objectifications based upon it. They explain for instance, why so many people vote in elections against their own interest. The crucial importance of "inner might" is shown by the efforts in press, radio and television to build up attitudes which would justify the exercise of power by the ruling forces, and to keep ^{alive} certain objectifications ~~XXXX~~ working in their favour.

A Thesis on Objectifications

Besides his ~~XXXX~~ every day experiences the talks at the Polanyi circle increased the interest in the objectifications and his

awareness of them to the point, where he felt that the ~~the~~ issue of objectifications might be a suitable subject for his thesis. When he mentioned this intention to Polanyi his answer was: "Ja, das wäre mir nur ein ~~kleines~~ Vergnügen, wenn Sie das ausführen würden. (Well I should be only too pleased, ~~when~~ if you were to elaborate this theme.) Thus a year of work started for the student under the guidance of Polanyi. At first the student - and probably also Polanyi - thought that lack of time due to the student's work at the bank would make the going fairly tough. This turned out to be the case, because the subject was really too hard for an immature beginner in sociology. Soon however alas, the studies were no longer hampered by lack of time, for in October 1924, just after he had returned from a fortnight holiday by the Adriatic Sea, he was ~~given~~ given notice as one of the first people the bank dismissed because of the approaching depression after world war I. He was fortunate to have a father who was able and willing to keep him until after three years of ~~unemployment~~ unemployment, he found a job with the labour administration of the Municipality of Vienna. At that time this was thought to be a permanent job. "Da kann er jetzt sein ganzes Leben lang bleiben." (There he can ~~stay~~ stay now for his whole life) commented Polanyi. However after eleven years this turned out to ~~be~~ ^{have been} an illusion. For in 1938, when the Nazis took over in Austria, he was sacked. But this was, as Senatsrat Dr. R. M. Delannoy used to say "Glück im Unglück" (Good luck in bad luck) For the Polanyis managed to bring him to ~~New~~ New Zealand, where he and his family survived world war II and Nazism.

However in October 1924 this causal chain of events was yet unforeseeable to anybody. Known was only the first link, viz., that the part time student had changed into a full time student.

University Disturbances - Universitätakrawalle

This enabled him to attend morning lectures at university. There he collected new experiences not only concerning his studies, but also about events which were called university disturbances. (Universitätakrawalle). Their usual cause was that from time to time the nationalist students - predecessors of the later Nazi students - declared the university a German institution and refused entry to students ^{not} belonging to their association or to bodies they recognized as "German". Fighting ensued (the weapons being then fortunately sticks and umbrellas only). As a rule the nationalist students won because of their large superiority in numbers. But whoever was victorious, the rector, because of an alleged autonomy of the university, refused to call the police to restore order. His reaction was simply to close the university shortly after such an outbreak. These disturbances started usually already in the morning. Hence when the part time students arrived in the late afternoon or in the early evening they found themselves locked out. Up to now the student had never witnessed personally such university disturbances. But being a full time student he encountered a strange scene. The ~~AAA~~ police refused ~~XXXX~~ entrance into the university and drew a cordon at the Ringstrasse - a Vienna main artery passing the university. Nobody was allowed to enter it without a special permit of the rector. Behind the cordon stood an ambulance car of the Freiwillige Rettungsgesellschaft (Voluntary Free Ambulance). If during the fighting anybody was pushed into the police cordon he was seized by the policemen. If wounded - this was not often the case - he was led to the ambulance car. Otherwise he was told to go away. Slowly a number of ejected students assembled walking up and down behind the cordon. A large number of these belonged to the Socialist Students'

Association. After a time somebody of the Labour Party - frequently Karl Leuthner, the Labour M.P. in charge of student affairs in the Labour Party appeared and took the students to the Socialist Students' Association headquarters in the D'Orsaygasse.

Galilei

Naturally such disturbances were also discussed at the Polanyi home. Once Polanyi told the student of a similar occurrence at the Budapest university in 1907, while he was studying there. This disturbance led to the establishment of the first leftist student organisation in Hungary, called "Galilei". ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ At that time Gyula Pikler, professor in philosophy of law and a progressive thinker was teaching Roman law, when Polanyi ~~took~~ ^{STUDIED} this subject. "Wir hatten einmal irgendwelche Institutionen zu beschreiben und meine Arbeit hat ihm gefallen." (On one occasion we had to describe some institutions and my work has pleased him) Polanyi told the student. "Von Ihnen wird man hören" (You will be heard of) commented Pikler on ~~Polanyi's~~ Polanyi's work. Thus Polanyi was drawn into closer acquaintance with Pikler. Once a leftist student group in which Polanyi was a leading spirit arranged for an address by Pikler to be given at the university. The rightist students attempted to break up the meeting during the lecture. In the resulting fight the intruders were ejected. "Von Ihnen sind die Haarbüschel nur so geflogen". (Bunches of your hair were flying the professor described Polanyi in action. "Nach dem Vortrag haben wir Pikler nach Hause begleitet, damit ihm nichts passiert. Und das war der Anlass, dass wir "Galilei" gegründet haben." (After the meeting we accompanied ~~XXXXX~~ Pikler to his home so that he should be safe from attack. And this incident was the final impetus for the founding of "Galilei")

concluded PPolanyi who became its first chairman.

In retrospect the former student believes that the seminar at the home of the Polanyis twenty years later was a ~~XXXXXXXXXX~~ kind of continuation of the Galilei circle. For Mrs. Polanyi describes "Galilei" as a "movement aiming to learn and to teach" (Karl Polanyi (1886-1964) A family chronicle and a short account of his life by Ilona Duczynska p.8) and in the seminar just such a climate was predominant. It was in particular favourable to the thesis of the ^{objectifications the} student ~~XXXXXXXXXX~~ was working ^{ON} ~~on~~ under Polanyi's guidance.

Objectifications vs. Human Relations

One feature stressed by Polanyi was that objectifications were based upon human relations and hence could be changed like these. The proposition was an application of the Marxian theory that the ideological superstructure follows the changes of the human relations upon which they are based. Polanyi emphasized in particular regarding the objectifications connected with the system of ^{private} ~~XXXX~~ enterprise, i.e. with capitalism. One reason why Polanyi did so was the teaching of ~~QXX~~ Othmar Spann, then professor in economics at Vienna university. He was considered as a prominent representative of fascist ideologies and taught that the phenomena called by Polanyi Objectifications were independent from men. Thus - to use Polanyi's words - Spann mistook the "semblance of life" i.e. the objectifications for the reality. As Polanyi wrote later in the "Essence" : "In Spann's philosophy (it) is precisely the self-estranged condition of man" (this is another term used by Polanyi for objectifications) which is established as the reality of society. Pseudo-reality (of the objectifications) is justified

and perpetuated. Social phenomena are univrsally represented ~~as~~ as thinglike. This leaves no foothold for the individual. Man is entrapped in this condition of self-estrangement." (Essence p. 375)

Polanyi criticized Spann on this issue not only because Spann claimed the existence of an independent pseudo-reality, but also because the replacement of this pseudo-reality of the objectifications by transparent ~~human~~ human relations was for Polanyi a prime postulate which he stressed again and again.

"Der Oesterreichische Volkswirt"

The talks at the Polanyi home were often interrupted by the ringing of the telephone. It was fixed between the two windows in the living room over the desk strewn with newspapers. When one of the Polanyi answering the call said: "Ja, Herr Federn" one could be sure that a lengthy talk would follow. For then the speaker on the other end of the wire was Walter Federn, the editor of "Der österreichische Volkswirt" (the Austrian economist), a weekly sympathetic to the Labour Party. Federn was a kind and tolerant man. His pale intellectual face with the thin hooknose framed by a ^{grey} beard reminded one of a biblical patriarch. Polanyi was lucky to have found a job as a member of the editorial staff of the "Volkswirt" in 1924. For him it was congenial work. But Federn also had made a lucky choice. For in Polanyi he had a deputy editor on whom he could rely as his alter ego. Federn was well aware of this. When the former student met him in 1938 shortly after the Nazis had taken over, they talked of course about emigration. The conversation turned also to Polanyi. "Ja, wenn ich englisch schreiben könnte wie Polanyi" (Well if I could write English like Polanyi) sighted Federn. Then he added: "Polanyi ist der genialste Mensch, der mir jemals begegnet ist". (Polanyi is the most ingenious man I have ever met).

Though Polanyi held a key position at the "Volkswirt", he worked mostly at home. He received daily "The Times", "Le Temps", ~~the~~ ^{the} "Frankfurter Zeitung", the "Arbeiter-Zeitung", the daily of the Austrian Labour Party and the "Reichspost", the daily paper of ^{the christlich-soziale Partei} the largest party in the conservative coalition Government. "Leider muss ich sie lesen" (Unfortunately I have to read it) Polanyi once remarked about the latter paper. From these newspapers he made cuttings devoting special attention to international and foreign political news. For his special feature at the "Volkswirt" was foreign policy. Once a week, every Tuesday, at 11 a.m. he came to the "Volkswirt" office located at Porzellangasse 27 - half an hour's tram ride from his home. There the editorial staff met to decide the contents of the next issue, which was to leave the press on Friday. At the meeting he unpacked the newspaper cuttings from a large leather satchel and briefed his colleagues on the events which might deserve comments, the so called "Glossen".

Such meetings took about three hours. Afterwards Polanyi with some members of the staff went to the "Bauernfeld" coffeehouse, about five minutes walk from the "Volkswirt" office. Here over a cup of coffee with toast and eggs, he worked with them for about an hour ~~XXXXXX~~ discussing details before going home. Thus ~~XXX~~ Tuesday was always a strenuous day. For the rest of the week Polanyi did his work for the job at home. The telephone ensured that he could at any time be in touch with the "Volkswirt" and that he could always be reached by the staff of the paper. Thus the telephone was an important tool for Polanyi. "Ja, das Telephone, das zahlt mir der "Volkswirt" (Well the "Volkswirt" pays the telephone for me) he said once to the student. (His words characterise ^{ed} a time, when a telephone was still considered a luxury)

Ideologies may take second place

Ideologies may take second place

On one occasion in 1925 the subject of the telephone conversation were the friendly relations between the Soviet Union, fascist Italy and the democratic republic of Weimar Germany in spite of their ideologies which were irreconcilable with each other. Polanyi pointed out to Federn that these three countries had some common resentment towards the West after world war I. They all felt themselves hard done by. Italy considered herself unfairly treated, when in 1919 the former German colonies were distributed among the victorious allies, Russia was an outcast because of her communist regime, and Germany was a defeated country. Hence these ideologically so different states felt themselves somehow united against the West. Polanyi described this strange bed-fellowship as an instance in which ideological differences had become secondary to other interests.

One finds the same reasoning in the "Great Transformation" For restrictions of the market for labour, land and money had to be imposed in the various countries in the second half of the 19th century regardless of the ideologies of their respective regimes, because the need for such restrictions proved irresistible. Thus also this telephone conversation between Polanyi and Federn in 1925 on foreign policy shows once more how important ^{then} trains of thought in Polanyi's later work can be traced to his Vienna time. This ^{then} argumentation is remembered by the former student now (fifty years later) in connection with the rift between China ^t and the Soviet Union. In spite of their common communist ideology. He also considers in this context the issue of co-existence in the relations between states ~~of~~ with ~~different~~ ideologies opposed to each other. The fear of nuclear war and total destruction allows the

common interest in world peace to prevail over the tensions caused by irreconcilable ideologies.

Grave Times Ahead & Leaving for Britain

As the years went by the fascist leanings of the Government parties came more and more into the open. Federn had always called himself a "freier Schriftsteller" (independent writer). By that he meant that he was a humanitarian believing in civil liberties as the supreme liberal tenet. When he grew aware that they were gradually whittled away by the ruling powers he turned ~~XXXX~~ towards the left. In March 1933 the then Government used a legal technicality to rule by decree without the democratically elected parliament. The "Volkswirt" opposing this course ~~came~~ came temporarily under "Vorzensur" (precensorship). This was a virtual censorship and meant that any issue had to be submitted to a censor for approval before publication. After the suppression of the ~~the~~ democratic republic in February 1934 Federn's ~~name~~ name appeared no longer as editor, but only as the "Begründer" (founder) of the paper. He was lucky that in 1938 the Nazis permitted him to leave the country. In the ~~the~~ emigration he declared himself a socialist.

~~XXXXXXXXXXXXXXXXXX~~

Polanyi's work at the paper came to an end in November 1933, three months before democracy was fully suppressed and replaced by fascism in February 1934. Since the beginning of the rule by Government decree in March 1933, Polanyi's position had become tenuous. His work at the "Volkswirt" might have been a main factor for putting the paper under "Vorzensur" (pre-censorship) "Das bleibt nicht wirkungslos!" (This will not remain without effects) he commented to the former student. Indeed within a few months, on a raining evening in November, Polanyi told him that he was in the throes of leaving.

In the course of the evening the former student, startled and shocked went to the old lady in her room. She told him "Ja, vorige Woche waren alle hier und da ist es beschlossen worden". (Well last week they all (the whole editorial staff) were here and then it (Polanyi's resignation from the paper) has been decided.) Soon after this talk with the old lady the former student took leave from Polanyi. When they shook hands, Polanyi said: "Für mich ist hier kein Boden". (There is no scope here for me). These were the last words the former student heard from Polanyi at Vienna. When he walked through the sleety night to the tram stop, he could not know that the next time he was to meet Polanyi would be at the Victoria Station at London in March 1939, i. e. more than five years later. Nor could he guess the totally changed circumstances under which this reunion would take place. For the present he was sad and depressed that this harmonious home which he had been privileged to know for almost ten years, would soon exist no longer. There was the old lady who in spite of her aristocratic descent angrily commented on the Austrian Government's move towards fascism. There was Kari, then a ten years old girl whom he had seen growing up and who had coined for him the name Wawi in her baby talk, when she she was still too little to pronounce his name Schafer correctly. There were the Polanyis, the centre of the circle, where not only politics and science were discussed, but where anything, even the most personal matters could be aired.

Much as the former student felt the disappearance of all this from his life as a personal loss, he realized its political meaning, that freedom of expression and the spirit of western democracy in general was leaving Austria. For Polanyi it was plunging into insecurity by

choosing voluntary exile in preference to compromise with a power under which life for him was unbearable. The former student hailed Polanyi's courageous decision, as soon as he had learnt it. In retrospect forty years later he can say that it was a lucky turning point in Polanyi's life. Had he stayed he and his family might not have survived Nazism. He might have deprived himself not only of years of personal happiness, but also of the possibility to bring his early thoughts to later full ~~XXXXXX~~ fruition. Ilona and Kari might not have been able to take over his spiritual heritage.

Rescuers from ~~XXXXXXXX~~ Nazism

And least bit not last quite a few people could not have escaped Nazism, unless the Polanyis had pulled wires abroad on their behalf. Among these people were the former student ~~XXX~~ with his wife and little son. Already before his arrest by the Nazis he had asked the old lady then living in a boarding house, to convey to the Polanyis his wish to emigrate. The Polanyis wrote to ^{Karl Raymond} ~~XXX~~ Pepper, then a lecturer ~~XXXXXXXXXX~~ at Canterbury University at Christchurch, New Zealand about the plight of the former student and his family. He was put into a concentration camp, while the family was driven from their home. Pepper secured the support of Albert Hamilton Tecker, professor in economics at the same university. Eventually Pepper travelled to Wellington, the seat of the Government and the capital of New Zealand. There he ~~he~~ put the case of the former student to Walter Nash, the then Minister in charge of immigration in the Labour Government. Moreover the Polanyis obtained the ~~XXXX~~ help of John Bell Condliffe, then professor of commerce at the London School of Economics, who had high standing in New Zealand. These efforts ~~These efforts~~ resulted in the granting of a permit for the former

~~XXXXXXXXXXXX~~ student and his family in January 1939 to enter New Zealand. Already before the granting of this permit, in August 1938 the Polanyis induced David Kaye Gourley, a chartered accountant of Wall End, Aughton, Ormskirk, Lancashire, to invite the former student and his family to his home. This was the first tangible result of the activities of the Polanyis for the former student. It meant a visitor's permit for Britain. Though there was eventually no need to make use of this kind of invitation, it speeded up the release of the former student from the concentration camp. The invitation was communicated to the prisoner in September 1938, where it greatly heartened him. "Einladung nach England" (invitation to England) run through his mind, when he was working in icy winter winds or in pouring rain, or when he was sometimes plagued by a flu or injuries which had to be suffered without medical treatment. Under such conditions a ^{ELEMENT}psycheological sustains the will to live. A thing like that was the invitation to England for the former student ~~and~~ in the concentration camp. After a stay of eight months in the camp - first in Dachau and later in Buchenwald - he was released in February 1939 and could emigrate with his family to New Zealand. ~~XXXXXXXXXXXXXXXXXXXX~~ to start a new life there in June 1939, after they had spent a few weeks with relatives in Sydney.

Once more the objectifications

But at the time, when the student worked on his thesis on objectifications the new life in New Zealand was yet fifteen years ahead in the future. Then his time was taken up with preparing himself for the examination ~~XXXXXXXXXX~~ besides his work on the thesis. On part of ~~it~~ it consisted in the explanation how objectifications arise from human relations. The other part concerned the always present endeavour to replace the

objectifications where possible by immediate and hence transparent human relations. This was in line with Polanyi's world of thoughts and reflected his argumentations on the subject. In ~~IX~~ the main the thesis was a survey of the ~~t~~reatment of the objectifications by Marx, Stirner and some contemporary sociologists. ~~IX~~ The thing was rather immature. But nothing else could be expected from a student, who was just a beginner in this field. Anyhow the thesis served its purpose. ~~XXXXXX~~ after a year the effort of the student had reached saturation point and one day Polanyi said: "Ich glaube, Sie sollten das jetzt abschliessen" (I think you should now finish with this thing.) As a title he suggested "Einiges über Objektivationen" (some remarks on objectifications). But later the title was changed into "Über Rechts- und Staatsbegriffe und ihre Verselbständigung" (On the concepts of Law and State and their connection with ~~OBJEKTIVATIONEN~~ objectifications) The alteration of the title was probably made at the wish of Hans Kelsen, professor in philosophy of law, who had the final say in approving of the thesis. Then the thesis was typed by Adele, the mate, whom the student had found, and to whom he dedicated the thesis. Eventually it was turned over to Max Adler, the prominent Austromarxian sociologist, who held Polanyi in high esteem. Max Adler, being then a senior lecturer at Vienna University reported favourably to Kelsen, who approved of the thesis. Besides philosophy and sociology, another subject given much attention at the Polanyi circle was economics.

Enquiry into Economic Theory and Socialist Price formation

Thus

(3)

The thesis was not the only matter on which I worked under Polanyi's guidance. The other field was economic theory, frequently called "economic analysis" and in particular the formation of prices under publicly owned means of production. (i.e. under socialism) which could indicate the way of producing goods at minimum costⁱⁿ in the same manner as under privately owned means of production (i.e. under capitalism). I was practically the only person with whom Polanyi at Vergattenstrasse discussed this problem and other issues arising from it. Bock ~~was~~ was to a large degree instrumental in bringing up these problems because of his thesis. He had gone abroad in search of employment. Hardly anybody else in the Polanyi circle was especially interested in economic theory. Hence in recalling these talks which went on over some years I have to refer only to my memory.

The enquiry, as already mentioned, moved within the "subjective" or "marginal" theory. This is a study how people endowed with scarce resources allocate these to their wants. From this activity of the individual the complex social economy is derived. To show this process and in particular the process of price formation in a socialist economy i.e. in an economy with publicly owned means of production was the main issue. This was also frequently discussed at university. For Mises who denied the possibility of prices as a measure of efficiency of production under socialism, was teaching there.

I was one of the many who had only a hazy idea of what it was
(3) In the following the term "student" is replaced by "I", because I was told that this makes easier reading.

all about, though I was very interested in the subject. I still remember a characteristic scene. I had to see Walter Schiff, then professor in political economy at Vienna University for the first time to discuss the choice of a theme for a talk in the professor's seminar. Because of talks with Polanyi and others on the role of prices under socialism I suggested this subject. After a while the professor asked me: "Ja haben Sie denn einen Standpunkt?" (Well have you got a point of view on the matter?) Of course at that stage I had no satisfactory answer. In ~~this~~ this seminar for beginners the subject was obviously too difficult.

Discussions of University Lectures

However ~~in~~ this time of retrenchment I lost my job. Thus unemployment made me a full time student and provided opportunity of becoming more familiar with economics. I was able to attend morning lectures on economics and to talk about them with Polanyi. At this time Hans Mayer, Ludwig v. Mises and Othmar Spann were prominent university teachers on economics. ~~They described~~ In principle everyone of them said the same. They described ^{how people} selected among alternative uses for their scarce resources and passed from this proposition to the complex reality of the 20th century economy. However the lectures of every teacher had a different flavour. As Polanyi pointed out this difference was not due to the respective personality of the men, but to their individual outlook. Hans Mayer was anxious to avoid references to economic measures as they manifested themselves in every day politics. He might have considered himself as the successor of Menger, Böhm-Bawerk and Wieser, the founders

Mayer

of the "Austrian School of Economics". He was tolerant. Any thesis was acceptable as long as it showed that the student concerned had read up some economic theory. However Mayer, as Polanyi said, was inclined to assert the existence of some causal connections applying to every economy as "ewige Gesetze" (eternal laws), while they were in fact tied to an economy of unfettered private enterprise.

Mises

Mises' lectures were permeated by the "neo-liberal" doctrine that private enterprise, free from authority intervention, would secure most efficient production. Polanyi argued that lack of interference with the economy must lead to neglect of some vital issues outside the profit interest of the individual employer, such as public health, full employment and defence. This proposition is found in his "Socialist Accountancy" (~~Sozialistische Rechnungslegung~~) as well as twenty years later in "The Great Transformation". In this ~~book~~ book Polanyi shows a "double movement" in particular for the 19th century. Then, as mentioned above, everything is produced for sale on the market at prices formed only by demand and supply, which includes labour, land and money. In the 19th century this economy expanded considerably. This meant neglect of vital issues such as ^{the ones} mentioned above. Due to the unbearable effects of this neglect an opposite trend arose. Gradually it shifted the formation of prices for labour land and money from demand and supply to regulation by authority. Already in Vienna, when discussing ~~the neo-liberal doctrine of Mises and later~~ the neo-liberal doctrine of Mises and later

in the "Great Transformation" Polanyi referred as an instance of that trend to the policy of the Vienna labour administration in the 20's and 30's. One of the measures taken by that administration was construction of healthy flats at low rents out of taxation money regardless of profitability.

Another point stressed by Mises in his lectures was that under publicly owned means of production the prices could not indicate the best i.e. the most efficient or cheapest way of production, ~~THIS~~ as they did under private ownership of the means of production. This issue as already mentioned occupied Polanyi for years and was important for his further work. That will become obvious in our later remarks.

Spann's lectures were embedded in what he called "Universalism" loosely defined it is the proposition that the whole is logically prior to its parts. Hence he would argue that society (the whole) was logically prior to the individuals (the parts). From this proposition he justified such fascist tenets as the rejection of individual liberty rights. He leaned on Adam Müller, an economic romanticist of the early 19th century, who favoured return to the guilds of the medieval age. ~~Spann's~~ Spann's lectures, though he said many useful things, were blurred by his fascist outlook. Polanyi's sociological comments on it were published in 1935 in his essay "The Essence of Fascism". He did not discuss these

with me beyond occasional remarks. But Polanyi talked more to me about

(4) ~~TRANSFORMATION~~ See in particular the remarks "Speenhamland and Vienna" in The Great Transformation p.286 - 288.

(5) In "Christianity and the Social Revolution" (eds. Donald Kitching and Karl Polanyi) London 1935 Left Book Club edition 1937

Spann's concept of "Universalism". He felt that there was some truth in it. There were issues in economics - today referred to as "macroeconomics" - which related to the society as a whole, but which still had to be explained from the activities of the individuals. Thus "Universalism" had some place in economic ~~theory~~ theory. Polanyi mentioned in this context Böhm-Bawerk, who described the social economy as a system of pipes. Each pipe, sucked from a pool of productive forces definite quantities of such forces according to the strength of its sucking power. (6) Such a picture of the social economy is not comprehensible from the action of a single individual. ~~XXX~~ The same applies to notions such as "national income", "gross national product" and "national labour force". (7) The endeavour Polanyi's to come to grips with such concepts and to clarify their relationship to Spann's "Universalism" was largely caused

(6) "Production can be compared with a vast pumping station. Every branch of demand has its suction pipe let into the reservoir of ordinary productive powers; it attempts in competition with all other branches to suck up what it needs for its own requirements. Furthermore all branches exert suction with varying strength; that strength being the greater, the more numerous and the more remunerative are the uses which it serves, or, in terms of exchange activity, the higher the valuation in terms of money". E. von Böhm-Bawerk, Capital and Interest, Vol. II. Positive Theory of Capital, Libertarian Press, South Holland, Ill., 1959 p. 253

(7) David Kaplan writing on Polanyi's thoughts argued similarly in the late 60's about the incompatibility of micro and macro theory. "Behavioural macrohypothesis which deals with observable phenomena - resulting from the actions of large numbers of economic agents should be irreducible and deductible from micro-theory which purports to deal with economic behaviour of the molecular level. So far however there exists no relationship between macro and micro theory. The consumption function cannot be deduced from the micro theory of consumers demand nor can the investment function deduced from the theory of the firm." (David Kaplan, Form and Substantive in Economic Anthropology, South-western Journal of Anthropology, Autumn 1968 p. 231)

by Polanyi's preoccupation with a socialist economy, because such an economy is considered to be subject to planning which comprises the economy as a whole.

Talks on the Fundamental Assumptions of Economic Theory

As already mentioned, Polanyi was always pointing out the fundamental assumptions of economic theory as the basic feature of the lectures at university. I remember one occasion, when Polanyi talked about these ~~these~~ assumptions. It was on a Thursday afternoon on a showy and cold April day in 1925. At this time of the week Polanyi's work for the "Volkswirt" was mostly finished. Hence he had time for visitors. However on that particular Thursday Polanyi was just recovering from a bout of influenza and still in bed. When I entered I found him immersed in Böhm-Bawerk's "Positive Theory of Capital", a work then widely read. The book was tattered by much use and full of blue and red pencil marks. Polanyi was pleased to have got over the flu, but he still complained of bad headaches (diese greulichen Kopfweg) which were such a handicap to his work. He eventually turned towards Böhm-Bawerk's book and said in this context that economic theory had nothing to do with psychology. Economic theory did not analyse the nature of the resources or the ~~the~~ ends for which they could be used, nor the reasons, why some alternatives were preferred to other ones. Economic theory said only that if definite scarce resources and alternative uses for them were given, a choice between their possible uses must be made, whatever the nature of resources and alternatives might be. From the choices made by the various individuals the whole

economy is derived ~~XXXX~~ Polanyi emphasized that this type of economic theory was tied to scarcity of resources. Here lay the difference against the theory of the "Classics". He referred above all to Smith and Ricardo. Marx had seen as one of his tasks to develop consistently the "classical" theory that the commodities had an intrinsic value constituted by the hours of work needed for their production, whether the commodities were scarce or not. Though Polanyi rejected the "classical" theory, he still maintained it in the form of the Marxian labour value theory. He interpreted this theory as a mirror of employer ideology in a private enterprise economy. For some employers might believe that in such an economy no scarcity, i.e. no shortage of labour was conceivable. For the threat of lacking gainful employment ensured that there was always somebody to take the place of any employee who would leave or would be dismissed.

Contrast between Old and New - The Two Meanings of "economic"

While Polanyi was pointing out this to me he was interrupted by a gentle knock on the door. The old lady entered carrying a tray of tea and toast which she put down at the bedside table. After a few friendly words she withdrew leaving behind her an aura of old world courtesy which helped to bridge the contrast between the old and the new at the Polanyi home. The contrast was always there even on this occasion. The teacups and the saucers were the usual crockery of a modern home, while the silver samovar was a witness of the past. So were the silver spoons which had on their handles the coat of arms of the old lady's aristocratic Hungarian family.

Let us return to the Marxian labour value theory. It seems in retrospect that Polanyi's interpretation of this theory as a mirror of the outlook of employers who did not believe in the possibility of a scarcity of labour or materials provides a link to his later writings. For in these writings we find a concept of economy with and without choice and/or scarcity. Economy is here defined as a ~~XXXXXXXXXXXX~~ "process of interaction between man and his environment which results in the continuous supply of want satisfying material means." (8) This process, as Polanyi says, is "instituted" because it takes place under definite circumstances. The process, Polanyi points out, "may or may not involve the necessity of choice, and if choice there be, it need not be induced by the limiting effect of a "scarcity" of the means; indeed some of the most important physical and social conditions of livelihood such as the availability of air and water or a loving mother's devotion to her infant are not, as a rule, so limited." (9)

In connection with this proposition Polanyi arrived at two meanings of "economic", respectively "formal" and "substantive". The "substantive" meaning applies always. For it, as Polanyi argues, it "derives from man's dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, insofar as this results in supplying him with the means of material want satisfaction" (10) ~~XXXXXXXXXXXX~~ and this is happening in every economy.

If however the mentioned process of interaction between man and his environment implies choice between alternative uses of the means and if the choice is induced by the scarcity of the means, the meaning of "economic" becomes "formal" in addition to "substantive".

(8) Primitive, Archaic and Modern Economics, Essays of Karl Polanyi Edited by George Dalton, Anchor Books, Doubleday and Company Inc. Garden City, New York 1968 p. 145

(9) I.c.p. 140 (10) I.c.p. 139

"The formal meaning of "economic" derives", as Polanyi points out, from the logical character of the means-ends relationship, as apparent in such words as "economical" or "economizing". It refers to a definite situation of choice, namely between the different uses of means induced by an insufficiency of those means. If we call the rules governing choice of means the logic of rational action, then we may denote this variant of logic with an improvised term, as formal economics", (11)

In connection with these two meanings of "economic" Polanyi shows that not only is economy without scarcity conceivable, but choice induced by scarcity of means can be found also outside the economy.

It exists, as Polanyi writes "in an almost indefinite variety of human interests. In chess or technology, in religious life or philosophy ends may range from commonplace issues to the most recondite and complex ones." (12)

Thus in contrast to his Vienna years Polanyi in his later writings has on the one hand restricted the scope of scarcity, because scarcity is not essential to economy, as economy is conceivable also without scarcity. On the other hand he has widened the scope of scarcity because scarcity can be found also outside the economy.

~~XXXXXXXX~~ The link between Polanyi's Vienna years, ~~XXXXX~~ where he moved only within an economic theory based upon choice induced by scarcity of means, and his later writings with a restricted and at the same time widened role of scarcity is represented by his interpretation of the Marxian labour value theory. This theory, ⁱⁿ ~~which~~ scarcity of means has no place, Polanyi accepted only as an ideology. In ^{later} years he extended the ^{absence} ~~XXXX~~ of scarcity from an ideology of ~~the~~ employers to a reality under definite circumstances. The tool by which this link is formed are Polanyi's two meanings of "economic".

(11) l.c.p. 140

(12) l.c.p. 143

In the Footsteps of Carl Menger

In his distinction between the two meanings of "economic" Polanyi was confirmed by Carl Menger, one of the founders of modern economics. In the 2nd edition of his "Grundsätze der Volkswirtschaftslehre" published in 1923, 52 years after the first one and two years after Menger's death, Menger pointed out two concepts which are analogous to the two meanings of "economic" ~~XXXX~~ set out by Polanyi. Polanyi drew attention to this in an essay "Carl Menger's Two Meanings of "Economic" written in 1958 and posthumously published in 1971. (13) Polanyi referred in his essay to Menger's concept of "The Basic Directions of the Human Economy". Menger had introduced this concept in Chapter IV of the 2nd edition of his "Grundsätze". Polanyi restates Menger's proposition in the following words:

"As Menger explained however in a posthumous edition of his work, published in 1923 the economy has TWO (in italic by Polanyi) "Basic Directions". Only ONE (in italic by Polanyi) of which was the economizing direction stemming from the insufficiency of means, while the OTHER (in italic by Polanyi) was the "techno-economic" direction as he called it, deriving from the requirements of production REGARDLESS OF THE SUFFICIENCY OR INSUFFICIENCY OF THE MEANS (in italic by Polanyi). For rationally production is called for, if consumable goods are absent, while the factors are available." (14)

After this restatement of Menger's proposition Polanyi quotes as a proof Menger's words on the matter as follows:

"I call these two directions that the human economy can take - the technical and the economic - basic ("elementar" in German). Though these appear as a rule, indeed, almost always linked with each other, they nevertheless spring from causes that are essentially different and independent from one another and in some branches of the economy actually make their appearance alone. The technical direction of the human economy is neither necessarily dependent upon the economizing one nor is it necessarily linked with it." (14)

What ~~XXXX~~ Menger calls the "technical" direction of the economy"

(13) Studies in economic anthropology, edited by George Dalton, 1971 part I ~~pp. 16~~ conceptual issues pp. 16

(14) STUDIES in E.A.P. p. 18

Wants and alternative Uses for Means Must be Assumed

Let us return again to 1925. Then Polanyi, as already mentioned was still ~~WORKING~~ working on economic theory under the assumption of scarce means, i.e. he worked within the discipline he called "formal economics". Here he wanted to prove, as said already above, that prices could play the same role under publicly owned means of production ~~as~~ as under their private ownership. Enquiring to this purpose into the assumptions of economic theory he arrived first at the proposition that economy was based upon a choice among alternatives of allocating scarce means. As the next step he emphasized that the choice among alternatives of allocating resources was conceivable only, if the economic subject - it may be an individual, an office, a company etc. - was aware of the existence of such alternatives. Hence for the economic theory - or to use the synonymous term "economic analysis" - the alternatives of allocating of means have to be assumed as given prior to the choice among them by the economic subject.

Here Polanyi had touched a point which was decisive for his further work. For, as will be shown later, the necessity to assume alternatives for the allocation of the means prior to the choice by the economic subject implies the further assumption that relations between quantities of goods as well as relations between quantities of goods and quantities of money must be given prior to any choice by an economic subject, if these relations ~~are~~ represent alternatives for allocating means. The necessity of assuming such relations is important not only

for Polanyi's construction of a model of price formation under publicly owned means of production, i.e. under socialism, but also for Polanyi's work in other fields such as for his explanation of set prices in an archaic economy, for the attempt to derive the prices of the means of production from the prices of consumers' goods, i.e. for the so-called "problem of imputation" ("Zurechnungsproblem") and for Polanyi's concept of token money or, as he called it, "purchasing power".

However these links between the necessity of assuming alternatives for the allocation of resources and Polanyi's further ^{work} revealed themselves in the course of his work over the years, and hence cannot be described here in detail. We are still in April 1925, when Polanyi pointed out to me this necessity. Then I could hardly grasp it, let alone realize its significance. Hence my attention was easily distracted by a soft and high "Mew". It came from a tiny ginger kitten I had first mistaken for a ball of yellow wool on the blanket of the bed. The kitten, Polanyi explained, was Kari's new playmate. After a sleep it was tumbling on the bed and now it had fallen into the narrow gap between the edge of the bed and the wall. Polanyi lifted it up gently and put it back on the bed. This happened several times until the kitten has learned to avoid the falls. However I have never forgotten the incident as a picture typical of Polanyi, how between the meowing of the kitten and its repeated rescues he talked about the fundamentals of economics.

Eventually Polanyi still convalescent became tired and I left

after having been told to come again next morning, a Friday.

Sickness

Out on the street in the showy April night I was musing about Polanyi's frequent indispositions. Sickness seemed to be a permanent feature with him. Some months after I had met Polanyi for the first time, I was shocked to learn from him that a prominent doctor had diagnosed his indispositions as atrophy of the liver, and that he had only ^{more} two years to live. Happily this turned out to be wrong. But he was in some way permanently disabled by his military service in world war I as a training officer. For as Ilona writes "as a war invalid Polanyi was brought back to Budapest around the end of 1917. X... Tied to the hospital bed he was taken (in June 1919) to Vienna to undergo a grave operation from which he recovered in some measure after some months." (15) (16)

Another contributing factor to his delicate health was over-work in his youth. It was connected with the collapse of his father's business plunging the family into poverty. Polanyi's father, a railway engineer had established a railway construction firm. He was so successful that he had become a millionaire. But, as Ilona says, "sometimes around 1900 there was rain all summer. Construction work was impossible day after day. Under the terms of the contract this meant ruin to the enterprise, in fact its collapse. (Polanyi's father) insisted on paying out the shareholders to the last penny and switched over to poverty. The older children, including Karl, who was then fourteen, took up private tutoring to help out with the family budget" (17)

Or as Polanyi told me once: "Plötzlich waren wir arm. Da war ein Onkel und hat gesagt: „Der junge Mensch soll sich nur plagen“ und da habe ich Stunden gegeben, bis ich zusammengebrochen bin. Ich habe mich natürlich wieder erholt, aber man erlangt seine frühere Arbeitsfähigkeit nie wieder." (Suddenly we were poor. There was one of my uncles who said:

(15) Karl Polanyi (1886 - 1964) - a family chronicle and a short account of his life by Ilona ~~XXXXXX~~ Duczynska, stencilled manuscript, p. 10,

(16) I. c. p. 12

(17) I. c. p. 4

65/66 =

Let that young chap work hard. Thus I have done private tutoring, until I collapsed. Of course I have recovered, but one never achieves again the ~~XX~~ previous ability of working.). As the old lady said ~~XX~~ to the student, when he once sat down to a cup of tea in her room which was full of memories of her old home. „Sein Vater hat viele Bahnen in Galizien gebaut. Sie waren reich. Und auf einmal war alles aus.“ (His (Polanyi's) father has built many railways in Galicia. (a province in the northwestern part of the Austrian-Hungarian Monarchy) They were wealthy. And suddenly there was nothing)

Thus overwork in ~~XXXX~~ adolescence and war were probably main factors accounting for Polanyi's apparently permanent indisposition. He was often plagued by terrible pains and complained of heart troubles as well as of congestions. In the middle of the twenties his illness seemed gradually to worsen. Ilona herself often not too well insisted in April 1926 that he go to hospital for a check up. It was the Sophienspital in Neubaun, the seventh municipal district of Vienna and not far from the centre of the city. Luckily the doctors found nothing wrong with him. However due to the imperfect state of medical science this does not exclude that he still might have been seriously ill. He was given new glasses. They might have mitigated what Polanyi called „die greulichen Kopfweg“ (the bad headaches) which must have been a considerable handicap in his work. But he never gave in to his illhealth. Indeed when I visited him in the hospital, I found as a rule members of the „Volkswirt“ staff there. Polanyi's work for the paper seemed to have gone on as usual. „Ich hab den „Volkswirt“ noch nie aufsitzen lassen.“ (I have never let

down the „Volkswirt“) he once told me ,and this was a fact. Much was due to Ilona's help. With my mind's eye I see her sitting at the brown round table in front of an old typewriter. She often worked with Polanyi on the short "comments" („Glossen“) on ~~KNA~~ contemporary events. Their projected content was discussed at the weekly meeting of the literary staff of the „Volkswirt“ held on Tuesday and they appeared under the heading X „Aus der Woche“ (The Week) as a rule on the first four pages of the issue. Compilation of the ~~KNA~~ halfyearly index of the paper was also a job Ilona did for Polanyi. She thought that his health would improve ,if he lived during the warm season in the country close to the city. Hence in 1927 they rented a flat in Klosterneuburg a little town at the Danube ,just north of Vienna. The flat Wienerstrasse 13 ,~~KNA~~ was on the ~~main~~ main road and handy to the bus. Though the flat had no phone, Polanyi managed to do his work for the X „Volkswirt“, as if he ~~KNA~~ had been in Vienna. In 1928 they moved into a hut in a holiday camp close to the Danube called „Klosterneuburger Strandbad“. The hut had a ground floor and a bedroom upstairs. Though it had less comfort than the flat at Vienna, Polanyi's health seemed to have markedly improved ~~KNA~~ Once when ~~the~~ ~~KNA~~ I mentioned this to Ilona, she said: „Das hat Klosterneuburg getan“ (Klosterneuburg has done this.).

But even so Polanyi's delicate health seemed always to have put him at a disadvantage. However work for the „Volkswirt“ was congenial and was done in pleasant personal environment. This when in

1924 Gustav Stolper, the co-editor of the „Volkswirt“ with Walter Federn left the paper to establish a similar weekly as ~~XXX~~ ~~XXXX~~ „Der deutsche Volkswirt“, Polanyi ^(the German economist) declined Stolper's invitation to join him. „Sie begehen Selbstmord“ (You commit suicide) was Stolper's reaction. In retrospect I think that Polanyi's attitude was founded in his personality. A better paid position had no attraction for him, if he considered his earnings sufficient, as it was the case with the „Volkswirt“. Nor was he induced by the prospect of working for a paper located in the large Germany instead of little Austria. He was also shy of publicity. „Wenn er bekannt werden soll, ist er dafür nicht zu haben“ (If he is to become known, he rejects it) his mother said once to me. At any rate his decline of Stolper's offer was probably of vital importance for him and his family, as it turned out almost ten years later. For soon after the Nazis had taken power in Germany in March 1933, ~~the~~ ~~XXXXXXXX~~ „Der deutsche Volkswirt“ (The German ^{Economist} ~~Volkswirt~~) was suppressed. Stolper had to ~~XXX~~ leave Germany quickly. „Er hat flüchten müssen.“ (He had to flee) the old lady told me. This suggests that Stolper was threatened by violence. Polanyi's emigration from Austria half a year later was at least free from this threat. Nobody can know what would have happened to him and his family, if he would have been in Germany, when the ~~NAZIS~~ ^{NAZIS} came to power. ~~in Germany~~. Of course in 1924 nobody could ~~XXX~~ have foreseen this.

A Simple Model of Socialist Price Formation

After the evening in April 1925, on which the premises of economic theory were discussed, I was back at Vorgartenstrasse at 11 a.m. next morning. The rain and the cold northwesterly wind felt more like late autumn than spring which officially had begun four weeks ago. Entering the living room I appreciated the ~~XXXX~~ mild warmth emanating from the green tile stove. Ilona was typing busily at the round table. Kari was building houses from books on the floor. The ginger kitten slept rolled up on a chair. Polanyi ~~XXXXXX~~ leaning against the green tile stove was obviously feeling better. After some small talk on the dismal weather which made it necessary to hang blankets across the larger part of the double windows to prevent the cold from penetrating into the room, on ~~XXX~~ colds and other generalities Polanyi was back at economics. He developed a model of socialist price formation on a market where at least two commodities were sold and bought. He called this "the Problem of the two Supplies" ("Das Problem der zwei Vorräte"), because there had to be at least two commodities, before a market could be constructed.

It is impossible to retrace here details he worked out by considering particular cases over the years. It must suffice to say that his thought run on the lines basic to the work of ~~XX~~ O. Lange and F.M. Taylor published about a decade later. ⁽¹⁸⁾ Here just a simple form of the model

Polanyi had in mind is recorded.

(18) On the Economic Theory of Socialism by Oskar Lange and Fred M. Taylor, Benjamin E. Lippincott ~~XXXX~~ editor, University of Minneapolis, Minnesota 1938 see in particular pages 80 - 82

For the sake of illustration a state farm producing butter and cheese is assumed. These commodities like most other goods are ultimately combinations of definite quantities of labour and nature, i.e. butter and cheese are ultimately combinations of the working hours necessary to produce them and of the productivity of the soil. A production process taking place on the farm transforms combinations of definite quantities of human labour and of productivity of the soil into definite quantities of butter and cheese. For instance we might construct an example in which one kilogram of butter might represent the end-result of a combination of two minutes labour and of the productive power of three square meters of soil. For one kilogram of cheese the corresponding combination might be one minute of labour and the productive power of two square meters of soil. The consumers of butter and cheese are assumed to be persons who receive their income without being connected with the process of production, such as e.g. State old age pensioners who receive their income solely on account of their age. This independency of their income from the process of production, or as Polanyi says "the independency of the system of production from the system of distribution" ⁽¹⁹⁾ ("Unabhängigkeit des Systems der Produktion und des Systems der Verteilung") is a criterion characteristic for socialist models of price formation.

(19) K. Polanyi, Sozialistische Rechnungslegung (Socialist Accountancy) Archiv für Sozialwissenschaft und Sozialpolitik (May 1922, p. 385)

In the further description of the model it is convenient to follow Polanyi's words in the "Great Transformation". Though in a different context, Polanyi used here a construction of a social economy which he called "purchasing power economy" - „Kaufkraftwirtschaft" and which applies also to his socialist models constructed at Vienna. Every consumer in his models is, as he says,

"endowed with a definite

amount of money "(in this case of the above described model this amount of money is the pension of the consumer)" enabling him to claim goods. This money (Polanyi called it elsewhere "purchasing power") has no usefulness in itself. Its only use is to purchase goods to which price tags are attached very much as they are in our shops today." (20)

Such price tags i.e. price designations are provisionally equated to the unit of labour such as e.g. one working minute and to one unit of soil such as e.g. one squaremeter of soil. For instance one ~~XXXXXX~~ working minute might be equated to one money unit and one squaremeter of soil might be equated to two money units. These provisional price designation have nothing to do with the formation of incomes. Thus the ~~XXXX~~ designation of the price for one minute of work is independent from the wage of the person who does this minute of work. Likewise the price for ~~XXXXXX~~ the soil has no effect on the income of the person who tills this squaremeter of soil, but is used for the purpose of accounting only. In Polanyi's model the only purpose of the price designations is to enable the consumers to work out the prices of the commodities they want to buy.

(20) K. Polanyi, The Great Transformation, New York, 1944 p.197

They can do that, because they know the prices and designations of the means of production, which are necessary for producing the consumers' goods. For instance the consumers know that one kilogram of butter is, as assumed in the above example, a combination of two minutes work and of the productive power of three squaremeters of soil. The consumers know further that one minute of work is equated to one money unit and one square-meter of soil to two money units. Hence the consumer can work out the provisional price of one kilogram of butter as a combination of two minutes work equated to 2 money units and of three squaremeters of soil equated to six money units. Hence the total cost of a kilogram of butter are eight money units to the consumer. Thus every consumer knows the provisional prices for butter and cheese, and he can indicate the quantities of butter and cheese he wants to buy.

In this manner a total demand from all consumers for butter and cheese emerges. It is really a total demand for labour and soil, as the means of production which are transformed ^{into} to butter and cheese. That total demand is confronted with the total supply of labour and soil. The total demand and supply of labour and soil respectively are equated ~~to~~ ^{to} each other by a price mechanism called often "recontracting". It meant with Polanyi that in the case of the demand exceeding the supply of labour or soil the provisional price is gradually increased until the demand has fallen to equality with supply. If the supply exceeds demand, the provisional price is gradually

reduced until the demand has grown sufficiently to be equal to the supply. (21) When in this manner equilibrium has been reached, labour and soil are transformed into the corresponding quantities of butter and cheese which are then purchased by the consumers.

Polanyi considered this model of a socialist price formation as an answer to Mises' claim that such a formation of prices was impossible. Nevertheless ~~XXXXXXXX~~ Polanyi had scruples about his model. Some of them have been mentioned already above. But all of them led him step by step to research, which permeated his whole work, as will be shown later.

~~But~~ One query he raised immediately after he had constructed his model, viz, whether he was justified in assuming provisional prices for labour and soil. "Ja, nehme ich nicht schon Preise von vornherein an? Ich soll doch Preise erst erklären und da habe ich schon Mengenverhältnisse zwischen Kaufkraft und Gütern angenommen (he meant the provisional prices) Kann man das wirklich tun?" (Don't I assume prices a priori? I should explain the formation of prices, but really I have assumed already relations between quantities of ~~XXXXXXXXXXXX~~ purchasing power and goods. Can that be done?) Eventually in the course of long deliberations, he overcame this scruple by arguing that these provisional prices were necessary (21) Cf. on such a price mechanism e.g. J.R. Hicks, Value and Capital Oxford 1948. "The general traders cannot be expected to know just what total supplies are available on any market nor what total demand will be forthcoming at particular prices: any price which is fixed initially will be only a guess. It is not probable that demand and supply will actually be found to be equated at such a guessed price. If they are not, then in the course of trading the price will move up or down." (p.128)

XXXXXXXXXXXXXXXXXXXX

assumptions of economic activity. For they were alternatives to the consumers for allocating their purchasing power, i.e. expressed in general terms they were alternatives for allocating resources among which the economic subject had to choose, and such alternatives must be given prior to the choice of the economic subject among them. Without assuming such alternatives economic theory under scarcity of resources would be inconceivable, as already mentioned above. While Polanyi was just pondering on the issue on this ¹⁹²⁵ April morning, the telephone rang.

Delanroy and Schiff

On the other end of the line was Walter Schiff, then professor in economics at Vienna University, statistical consultant of the Municipality of Vienna and president of the People's University, an institution for adult education which up to February 1934 was in some way close to the Labour Party. Schiff, an economist and statistician, initially interested in agrarian reform, had become in the old Monarchy head of the Labour statistical branch of the Austrian Ministry of Commerce. (Arbeitsstatistisches Amt des Handelsministeriums). One of his reforms in this capacity concerned the income statistics of households. Instead of measuring the income of a household according to the total ~~income~~ of its earnings by all its members, he measured it according to the average income per member of the household. For

instance the income of a household where the total amount earned was 10.000 dollars per year might appear to be high^{ly} but it was really low, when e.g. ten people or more - this was a time of large families and of many children - had to live on this income. After the first world war when the old Monarchy had collapsed, the statistics prepared by the State were concentrated at the Bundesamt für Statistik (Federal Office of Statistics) with Schiff as its vice-president. About half a year later he was pensioned off with the title of "president". This was probably a part of the retrenchment policy by the then conservative Government. Schiff had resented in particular the reduction of the money destined

(22)

for the Austrian census of 1923. After his retirement at the age of (22) Thus Schiff wrote: "Austria" (the republic established in 1918) "still has not yet a proper statistics of occupations and will probably not ~~have~~ have one in the foreseeable future. (This was written in 1926) "This is not the fault of the Federal Office of Statistics; for this office on the occasion of the census .. of March 7, 1923 asked quite a number of thorough questions on the occupations. But the Federal Office could process only a small part of this extremely valuable ~~XXXXXXXXXX~~ original material, because the money required for this work was not granted. ~~XXXXXX~~..... If anywhere, this parsimony was applied in the wrong place." (Oesterreich besitzt noch immer keine richtige Berufsstatistik und wird auch voraussichtlich in absehbarer Zeit zu keiner solchen gelangen... Die Schuld daran liegt nicht am Bundesamte für Statistik; denn diese hat gebegegnlich der Volkszählung ... vom 7. März 1923 eine Reihe von sehr eingehenden Fragen über den Beruf gestellt. Das Bundesamt konnte aber dieses äusserstwertvolle Urmaterial nur zum kleinsten Teil aufarbeiten, weil ihm die dafür erforderlichen Geldmittel nicht bewilligt worden sind..... Wenn irgendwo, so war hier die Sparsamkeit falsch angewendet.) "Mitteilungen aus Statistik und Verwaltung der Stadt Wien. Herausgegeben von der Magistratsabteilung für Statistik, 2. Sonderheft Jahrgang 1928 - Die Berufsverhältnisse in Wien und deren Entwicklung von Universitätsprofessor Dr. Walter Schiff, Präsident des Bundesamtes für Statistik i. R." pp. 99. The statements quoted are on pages 7 and 10.

57 he served the Municipality of Vienna as statistical consultant until February 1934. His task was to rebuild the statistics of Vienna which had been neglected during world war I. He was to work with the new head of the statistical office of Vienna Obermagistratsrat (since 1945 Senatsrat) Dr. René Marcus Delannoy, a widely read scholar especially interested in testing psychological hypothesis by statistics.

Polanyi knew both men, though he was ^{le} less in touch with Delannoy than with Schiff. Polanyi's position with the „Volkswirt“ brought him in contact with Delannoy. Once Delannoy wrote an article for the „Volkswirt“ on electoral systems and discussed it with Polanyi. Schiff might have met Polanyi also in connection with the „Volkswirt“.

Special issues of the publications of the statistical office of Vienna show part of the work of Delannoy and Schiff. I am much obliged to the present Amtsleiter (head) of this office Wilhelm Horak (letter of November 17, 1975) for sending me copies of these publications. (23)

Reading them today fifty years after they have appeared I am struck by the fact, how much they reveal inspite of the limited material then available. In particular Delannoy's essay about suicides reminds in

some way of Polanyi's later anthropological work. For in his essay on
(23) Apart from the above mentioned publication by Schiff on the occupations they were: Statistische Mitteilungen der Stadt Wien herausgegeben von der Magistratsabteilung für Statistik "Selbstmorde und ~~XXXX~~ Selbstmordversuche in Wien im Jahre 1926 von Obermagistratsrat Dr. R. M. Delannoy, Vorstand der Magistratsabteilung für Statistik (Suicides and attempted suicides in Vienna 1926) Year 1927, 3rd special issue; Die Höhe des Reallohnes in Wien von Univ. prof. Dr. Walter Schiff, Präsident des Bundesamtes für Statistik i. R. (The level of the real wages in Vienna,) Mitteilungen etc. Year 1927, 2nd special issue.

he found that only one quarter of the suicides in Vienna were motivated by economic distress („Wirtschaftsnot“). The large majority of cases was caused by non-economic factors such as old age, sickness, unhappy love affairs, lack of standing etc. This confirms Polanyi's emphasis on "the influence of non-economic factors in history, especially in early history".

Schiff's publication about the real wage level also reminds of Polanyi. Schiff using material of the International Labour Office for 1924 - 1927 compared the real wage level in twenty large towns. He found that Vienna held ^{(the} ~~the~~ ^{the} second ~~the~~ ^{the} lowest place among these towns. But without the fair rent legislation which kept rents low, Vienna would have been ⁽²⁶⁾ at the bottom among the twenty towns. This recalls Polanyi's statement about the Vienna Labour Party administration that "rents were fixed at a minimum fraction of their former level and the Municipality of Vienna built tenements houses on a non-profit basis raising the ~~the~~ required capital by taxation." ~~the~~ This and the "all round provision of social services .. meant an... unexampled moral and intellectual rise in the conditions of a highly developed industrial working class." (27)

Both men, Delannoy and Schiff were ideal bosses, human, tolerant, and humorous. "Sie können von Glück reden, dass Sie solche Leute haben." (You can consider yourself lucky to have such bosses) said Polanyi to me, when once my job with the Municipality was mentioned. Indeed they

(24) R.M. Delannoy, l.c. p. 39

(25) Primitive, Archaic and Modern Economies, Essays by Karl Polanyi, edited by George Dalton, 1968 p. 134

(26) W. Schiff, Die Höhe des Reallohnes in Wien, see table p. 30

(27) K. Polanyi, The Great Transformation, New York, 1944 p. 287/288

resigned themselves to the many failings of their subalterns. „Ich weiss ich werde betrogen, aber es macht mir nichts“ (I know I am cheated, but it does not matter to me) and „Kinder das ist ja euer Glück, dass ich alles vergess.“ (Children, you are so lucky that I am forgetting everything) were words characteristic for Delannoy. In a similar mood of resignation Schiff once said, when a file could not be found: „Die Kanzlei versagt.“ (The record branch is failing.)

Polanyi's connection with Delannoy was only casual as already mentioned. But it was close with Schiff. He engaged Polanyi at the People's University to lecture economic history. The ~~notes~~^{notes} Polanyi made for the lectures might have been used for his later teaching in Britain and the U.S.A. as well as for his writings. Schiff took also a major interest in the problems of a socialist economy. In the rejection of Mises' claim that such an economy was unthinkable Polanyi and Schiff found themselves on common ground. Schiff had discussed the subject for years at the university. Eventually at the end of the 20's two lectures were arranged at the headquarters of the Socialist Students' Association. Polanyi gave the first lecture and I the second one. Schiff was also present. He suggested a seminar to be held every Saturday afternoon in his flat. The meetings took place for about two years. They petered out in summer 1932.

In this year appeared also Schiff's book "Die Planwirtschaft und

ihre Ökonomischen Hauptprobleme", Carl Heyman's Verlag, Berlin, 1932, pp.106. It was the last year, when in pre-Nazi Germany such a book could be published. I do not know, whether Schiff had discussed this book with Polanyi, when he was writing it. But the model of a planning economy described by Schiff appears to me a special case of Polanyi's model.

Schiff's Model of a Socialist Planning Economy

Both models are a socialist planning economy, where goods and services owned by the society are bought from it by consumers ^{at prices} expressed in money. The prices are formed at the point, where demand and supply for each good and service are equal.

Polanyi's model is a construction with the minimum of the assumptions necessary to arrive at the distribution of goods and services by the formation of prices. The model represents therefore a general case. Schiff's model is a blueprint intended to be applied to reality. Hence it has additional assumptions which, compared ~~XXXX~~ to Polanyi's model make it a special case of that model.

In both models the consumers possess money. Its only purpose is to buy goods and services on which provisional "price tags" are attached. But while with Polanyi the "price tags" can be chosen ^{arbitrarily,} ~~arbitra-~~ Schiff assumes additionally that they should represent the time normally necessary for producing the goods and services to be bought

disregard the
line

(28) by the consumers. Here Schiff brings in the Marxian Labour Value Theory according to which the value of a commodity or service is determined by the "labour time socially necessary for its production." (29)

If every consumer is endowed with a definite amount of money, and if he knows the "price tag" of the commodities and services he may buy he can determine the kind and ¹⁷⁷quality of commodities and services he wishes to buy. As it may be recalled the same applies to Polanyi's model, where the consumers are supposed to buy definite quantities of labour and soil to which ~~XXXXXXXXXX~~ provisional "price-tags" are attached. The money, as mentioned above, can be used in Schiff's and Polanyi's model for buying goods and services only. Schiff makes the additional assumption that the amount of money with which a consumer is endowed, is determined by the "Lebenslage" to which he is assigned. "Lebenslage" is a type of living standard representing definite quantities of goods and services, available for consumption. The "Lebenslage" to which a consumer is assigned is determined by justice and other aspects. Among these aspects the importance of the consumer for carrying out the production plan is paramount. Here Schiff uses the marginal

theory. According to it the value of the goods and services depends upon (28) Schiff considered, as most economists today, this theory as unsuitable to explain value and price. Before joining the Austrian Labour Party he asked the then chairman of this party Karl Seitz, mayor of Vienna, whether membership of this party was tied to the acceptance of the Marxian Labour Value theory. Seitz assured him that this was not so. Hence Schiff joined the party.

(29) K. Marx, the Capital, Vol. I p. 46, Chicago, 1909

their importance for the welfare of the individual using definite quantities of them in concrete situations.

When, as mentioned above, the consumers have been assigned to the various "Lebenslagen" and hence possess definite amounts of money, they can, as mentioned above, express their wishes to buy the goods and services to which the provisional "price tags" are attached. Hence the total consumers' demand can be determined, as in the case of Polanyi's model.

The total demand is confronted with the total supply of labour and of the productive forces, by which the goods and services are produced. While Polanyi assumes in general definite quantities of labour and soil, Schiff goes into details. An inventory of the available labour and materials is made. On this occasion everybody able to work chooses his ^{or her} occupation according to his or her inclination. A planning authority decides how many hours e.g. per week are to be worked in the various industries and occupations, how much of the materials is to be used over a definite period e.g. a year, in brief the authority decides the frame within which production takes place. Its role in this context is the same as the role of the authority which is responsible for the "social law" (soziales Recht) in Polanyi's "Socialist Accountancy" (Sozialistische Rechnungslegung). In particular the decisions on the employment of labour and the use of materials can consider environmental facts and also the scarcity of labour and materials.

Total demand and supply might not be equal. In this case some elements in the production plan must be changed such as e.g. the content of the "Lebenslagen" (i.e. the types of living standard), or the price tags of some goods etc. At any rate Schiff emphasizes that the plan must be altered frequently to satisfy the changing consumption wishes of the population. The aim is a plan, where the individuals buy the goods and services assigned to them according to their "Lebenslage" at the given price tags.

Here it is not possible to show how far Schiff in his model designed in the 30's has anticipated features of planning which can be observed in the 70's in the East and in the West. With Schiff statistics play a great role. He used to say "Statistik ist das Gewissen der Verwaltung." (Statistics is the conscience of the administrative machinery.) However one would do him a grave wrong to see him only a great statistician and to disregard him as an economic theorist. In his book he showed, where the labour value theory based upon working time as well as its opposite the so called "marginal" theory based upon scarcity of goods and services can be applied. Schiff as well as Polanyi assumed provisional price-tags in their models. For Schiff it was sufficient that the price-tags did their job in his model. But Polanyi felt the need to justify the assumption of provisional price-tags. Hence for him having designed his model a new challenge had arisen which was shaping his further work to a large extent.

Enquiry into Economic Theory and Socialist Price Formation - Discussions
of University Lectures - Talks on the Fundamental Assumptions of
Economic Theory - Contrast between Old and New - The Two Meanings of
"Economic" - In the Footsteps of Carl Menger - Wants and Alternative
Uses for Means Must Be Assumed - Sickness - A Simple Model of Socialist
Price Formation - Delannoy and Schiff - Schiff's Model of a Socialist
Planning Economy

Some Links Between the Early and Later Work of Karl Polanyi

Felix Schafer

A. Introduction

Karl Polanyi (1886 - 1964) was Professor in Economics at Columbia University and after his retirement in 1953 together with Professor Conrad M. Arensberg joint Director of the Interdisciplinary Project on the economic aspects of institutional growth. As his wife Ilona Duczynska wrote "he went counter to entrenched notions shaking people into some new awareness as the fiery young orator in his days of the Galilei circle in his apparent withdrawal in his early manhood" into himself "deeply influenced by Polanyi" and in his novel approaches to the social sciences".

In the late 20's and early 30's Polanyi began concentrating on social history and anthropology. His main writings on these subjects are "The Great Transformation", essays in "Trade and Market in the Early Empires" and "Dahomey and the Slave Trade" in collaboration with Abraham Rotstein.

- (1) I am greatly indebted to Professor George Dalton of Northwestern University Evanston, Illinois, U.S.A. for his suggestions and criticisms. The responsibility for this note is ~~his~~ of course entirely mine.
- (2) A socialist student circle at the University of Budapest initiated by Polanyi and others in 1907
- (3) Notes on his life by Ilona Duczynska published in Hungarian, stencilled English edition p.1
- (4) Karl Polanyi (1886 - 1964) - A family chronicle and a short account of his life by Ilona Duczynska published in Hungarian, stencilled English edition p.12
- (5) "The Great Transformation" first published by Rinehart & Co., New York 1944 pp. XV+305; "Trade and Market in the Early Empires, Economics in History and Theory" Ed. by K. Polanyi, C.M. Arensberg and H.W. Pearson, The Free Press, Glencoe, Ill. U.S.A., The Falcon's Wing Press, 1957 pp. XVII + 382; "Dahomey and the Slave Trade, An Analysis of an Archaic Economy, Karl Polanyi in collaboration with Abraham Rotstein, University of Washington Press, Seattle and London, 1966 pp. X + 204. See also "Primitive, Archaic and Modern Economies, Essays of Karl Polanyi Edited by George Dalton, Anchor Books Doubleday & Co., Garden City, New York, 1965 pp. LIV + 346. Professor Dalton gives also an introduction and bibliography.

The following remarks are an attempt to show some links between this period of his work and earlier thoughts on economics and kindred disciplines during the 20's and 30's in Vienna. Because his work for a living as deputy chief-editor of "Der Oesterreichische Volkswirt" (The Austrian Economist), an independent weekly sympathetic to the Labour Party was a time consuming job, much of his thought remained confined to oral discussions within a group of interested people at the home of the Polanyis. It had sprung from a seminary on guild socialism which Polanyi had started in a room of the "Verband der Sozialistischen Studenten Oesterreichs" (Association of the Socialist Students of Austria). I was among those attending the seminary and became one of Polanyi's pupils whose thesis he deceptively influenced. The discussions centered round Polanyi's "Sozialistische Rechnungslegung" (Socialist Accountancy), an essay published in 1922. (6) They extended among other subjects into economics and in particular to price formation under socialism. In this note the "Socialist Accountancy" and unpublished discussions represent Polanyi's early work. It is supplemented by his ¹⁹³⁵ essay "The Essence of Fascism" ⁽⁷⁾ which largely rests on ideas discussed in Vienna.

We are going to discuss here mainly four links from Polanyi's early thoughts to his later work viz.,

- (1) the ~~XXXXXXXXXX~~ postulate for transparency of human relations
- (2) price formation and money in general and in particular in Polanyi's socialist market model
- (3) the place of the economy in society and ~~XXXXXX~~
- (4) the "inverted perspective" i.e. the bias of seeing every economy as capitalist market economy.

(6) Archiv für Sozialwissenschaft und Sozialpolitik, Mai 1922, Vol. 49 Heft 2, Mohr, Tübingen, pages 377 - 420

(7) "The Essence of Fascism" in "Christianity and Social Revolution", Gallance, London 1935

These links must be seen in connection with Polanyi's socialist outlook "All his life a socialist although not a Marxist" (8) as his daughter Professor Kari Lewitt wrote, Polanyi accepted Marxism as far as it was compatible with his own work. One main point of disagreement was Polanyi's emphasis on the importance of the non-economic factors. On this issue Robert Owen was a great inspiration to him. Hence our note will end with a few remarks on Polanyi's position with regard to Marx and Owen. (9)

B. The Postulate for Transparency of Human Relations

(a) The Marxian Concept of the "Commodity Fetishism"

The postulate for transparency in human relations can be traced throughout Polanyi's writings. It is based upon Marx's concept of the "commodity fetishism". If two producers exchange their products, a quantity relation between the exchanged products results. "There is" says Marx "a definite social relation between men, that assumes in their eyes the fantastic form of a relation between things." (10) Subsequently "their" (the producers') "own social action takes the form of the action of objects which rule the producers instead of being ruled by them." (11) Marx calls this "the fetishism of commodities". In "a community of free individuals" (12) → Marx refers here to socialism - "the social relations are perfectly simple and intelligible". The fetishism has disappeared. (13)

In this context it is irrelevant how this has happened. Important is,

(8) Kari Lewitt, Karl Polanyi and Co-Existence, Co-Existence, A Journal of economics, sociology and politics in a changing world, 1964/2, November 1964, pp. 113

(9) There are of course also other writers whose influence can be noticed in Polanyi's writings. About this point the reader is best referred to the introduction and references by Professor Dalton, the editor of the book "Primitive, Archaic and Modern Economics, Essays of Karl Polanyi"

(10) K. Marx, Capital, a critique of political economy Vol. I Chicago, C. H. Kerr & Co. 1906 pp. 869, 1909 p. 83; (11) ibid. p. 86; (12) ibid. p. 85;

(13) ibid. p. 90; (14) ibid. p. 91

this context is, that Marx being a socialist, approved of its disappearance. Thus Marx arrived at the postulate for transparent human relations.

(b) Socialist Accountancy (1922)

This postulate is among the reasons Polanyi wrote the "Socialist Accountancy". For in the early years after world war I, new socialist administrations experienced sometimes disputes with their employees, though both the socialist employer and the unionized employees belonged to the same socialist political party. Polanyi's guild socialist model designed in "Socialist Accountancy" ⁽¹⁵⁾ has the purpose to avoid ~~such~~ ^{these} difficulties by showing that such disputes are not between different individuals because of their different status as employers and employees, but that ~~the~~ the conflict is between different functions of the same individuals, viz., their function as members of the community and consumers and as producers represented by their trade unions. Thus Polanyi's guild socialist model consists of two associations viz., of the "Commune" ^(Komune) representing the individuals as members of the community as well as consumers and of the "Producers' Association" (Produktionsverband) representing the individuals as producers. Prices and wages are negotiated between these two organisations. "They must eventually arrive at an agreement" ^{says} ~~Polanyi~~ Polanyi "because functional representatives of ~~the~~ identical persons can never slide into a conflict of interest which cannot be resolved". ⁽¹⁶⁾ The relationship between these two functions of the identical ~~individuals~~ individuals is obvious and hence, as postulated, transparent.

(15) ~~(14)~~ "Sozialistische Rechnungslegung" ~~IXIXIX~~ chapter II, l.c. pp. 403
(16) "Funktionelle Vertretungen (Verbände) ein und derselben Menschen ~~Können~~ können nie in einen unlösbaren Widerspruch miteinander geraten". Sozialistische Rechnungslegung l.c. p. 404.

(8) The Essence of Fascism(1935)

The "Socialist Accountancy" contains the postulate of transparent relations without especially mentioning the "commodity fetishism". But Polanyi ~~HE~~ expressly referred to it in "The Essence of Fascism". The presentation of the whole train of thought is prompted by a criticism of the doctrines of O.Spann(then Professor at Vienna University) considered to hold fascist views.

Polanyi starts his argumentation with the statement "that ~~EXISTENTIAL~~ relationships ~~EXISTENTIAL~~ ...are immediate...in primitive ~~EXISTENTIALISM~~ communism."..What in a developed market society " Polanyi continues "human relationships become indirect...the producers continue to produce each for ~~each~~ other". Now comes the crucial point "But this relationship is now being hidden behind the exchange of goods;it is impersonal.It expresses itself in the objective guise of the value of commodities. it is objective,thinglike." The commodities seem to act,bit the persons. For "the commodities take the semblance of life.They follow their own ~~own~~ laws ,rush in and out of the market ,seem to be makers of their own ~~own~~ destiny." (17) After this description of apparent facts Polanyi turns towards his postulate for transparency. He argues "that the true nature of man " - here he thinks in terms of his own outlook - "rebels against capitalism....Human relations are the reality of society" (17) And now follows the postulate ."They (human relations) must be immediate i.e. personal.The means of production must be controlled by the community Then human society will be real,for it will be a human relationship of persons". (17)

(17) "The Essence of Fascism l.e.p.375

This argumentation implies that the "semblance of life" of the commodities results from human action, i.e. is man made and hence can be changed by man. But Spann ignores this. Polanyi objects: "In Spann's philosophy (it) is precisely the self-estranged condition of man which is established as the reality of society". (The) pseudo-reality is justified and perpetuated. Social phenomena are universally represented as thinglike" - Polanyi calls such phenomena "objectifications" - "This leaves no foothold for the individual. Man is entrapped in this condition of selfestrangement. Capitalism is not only right, it is eternal." (17)

(d) The Great Transformation (1944)

A similar train of thought on the "objectifications" based upon Marx's concept of commodity fetishism is found in "The Great Transformation". The book centers round the social economy predominant particularly in the 19th century in England. Polanyi calls this economy "market economy". He defines it as "an economic system controlled, regulated, and directed by markets alone... An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains...." (18)
(19)
All production is for sale on the market, where the prices of the commodities are determined by demand and supply only. Therefore Polanyi calls the markets in a market society "self-regulating markets". (20)

Liberal economists argued that "the laws of commerce" (i.e. of the market economy) were the laws of Nature and consequently the laws of God. (21)
Therefore they are independent of man.

The revolt against these laws is necessitated by the market economy itself. For though labour, land and money are not produced for sale on the

(17) *ibid.* p. 375

(18) *The Great Transformation*, p. 58; (19) *ibid.* p. 69; ~~XXXXXX~~

(20) see e.g. heading to chapter 6. "The Self-regulating Market and the Fictitious Commodities: Labor, Land and Money". ~~XXXX~~ *ibid.* p. 58

(21) *Ibid.* p. 117

market, they have to be treated as if they were produced for sale on the market. Hence Polanyi calls them "fictitious commodities" in contrast to the (22) the "genuine commodities". (XII) (see 25) This treatment of Labour, land and money imperils society by pollution, by disturbance of the ecology, by people falling victims to crime and disease, and by large fluctuations of the trade cycle due to lack of monetary controls. (23) Hence "self-protection of society" (24) sets in. It represents the revolt against the allegedly unchangeable laws of the market economy. The revolt is one half of the development (25) Polanyi calls the "Double Movement". "While on the one hand" Polanyi says "markets spread all over the globe and the amount of goods involved grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labour, land and money." (25) Eventually the self-regulating market, and hence the market society proves incompatible with this process and disappears. (26)

(22) "Labor, land and money... must be organized in markets. ~~But~~ ... But labor, land and money are obviously NOT commodities; the postulate that anything that is bought and sold must ~~have~~ have been produced for sale is emphatically untrue in regard to them. E... Labor is only another name for human activity which goes with life itself, and which in turn is not produced for sale, but for entirely different reasons... land is only another name for nature which is not produced by man... money... is merely a token of purchasing power, which as a rule is not produced at all, but comes into being through the mechanism of banking or state finance." (ibid. p. 72)

(23) "Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would ~~periodically~~ periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society." (ibid. p. 73)

(24) see heading of Part two / II : "Self-Protection of Society" (ibid. p. XII)

(25) ibid. p. 76. On the same page Polanyi describes the "Double Movement" as follows "the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones".

(26) see in particular about this issue chapter 17; Self-Regulation Impaired pages 201 - 208; and chapter 18 Disruptive Strains pages 209 - 219

One of its possible successors is socialism which, as Polanyi says, "is merely the continuation of that endeavour to make society a distinctively human relationships of persons which in Western Europe was always associated with Christian traditions." (27) In the words "human relationships of persons" K&K Polanyi's postulate for transparent relations is expressed. They appear, as mentioned above, in the "Essence of Fascism". In this essay they are used as synonymous with immediate human relations, which Polanyi postulates in the "Essence".

In the "Transformation" the postulate is further emphasized by Polanyi's insistence on the "right to nonconformity". The objector should be offered a niche to which he can retire" Polanyi argues. By its nature such a "niche" means transparency of human relations. For the "niche" clarifies the rights of every individual and hence states what he is permitted to do in his relations to the other individuals. (28)

(c) Anthropological Writings

In his anthropological writings Polanyi shows that the fundamental relations in primitive and archaic economies are immediate and hence transparent. These relationships are "reciprocity" and "redistribution". "Reciprocity" says Polanyi "denotes movements between correlative points of symmetrical groupings." (29) For instance "reciprocity (between two partners) is sometimes attained through exchange ... for the benefit of the partner who happens to be short of some kind of necessities". (30) "Redistribution obtains within a group to the extent to which the allocation of goods

(27) Ibid. p.234

(28) Ibid. p.255

(29) Primitive, Archaic and Modern Economics, Essays of Karl Polanyi, Edited by George Dalton, 1968, p.149

(30) Ibid. p.153

is collected in one hand and takes place by virtue of custom, law, or ad hoc decision." Instances range, as Polanyi points out, "from the primitive hunting tribe (31) the vast storage systems of ancient Egypt, Sumer, Babylon or Peru." The immediate and hence transparent nature of these relations corresponds to Polanyi's postulate for such relations in modern society. Though Polanyi does not formulate expressly in his postulate, as he does e.g. in the "Essence of Feudalism", it still comes through in the sympathetic undertone, when he describes early economics, though he emphasises that "the restoration of the past is as impossible as the transferring of our troubles to another planet." (32) (33)

C. Price Formation and Money

Polanyi's guildsocialist model in "Socialist Accountancy" has wages and prices. He deliberately assumed ~~as~~ their possibility. He wrote: "We must attempt to separate our remarks on socialist accountancy as far as possible from the problems of economics". (34) But in view of the then frequently made assertion that lack of economic calculus made a socialist economy unthinkable (Mises) Polanyi felt the need to give as a supplement to the "Socialist Accountancy" a theory of a socialist economy with a price system. Rejecting for this purpose the "objective theories" of the classics and Marxism, he turned towards the "subjective theory", as presented above all by Böhm-Bawerk. He wanted ~~XXXXXXXXXXXXXXXXXXXX~~ to use this theory for socialist economics and looked in particular for a ~~XXXXXX~~ form of a market which would, ^{be,} as he said later in the "Great Transformation", "a subordinate trait in a free society". (35) This led him to ^{research in} economic theory.

(31) Ibid. p. 153

(32) Cf. e.g. the following statement in "Dahomey and the Slave Trade": "Our analytical sketch is presented in the conviction that a realistic view of socioeconomic changes wherever and whenever enacted broadens our horizon and advances our search for solutions. Yet even if some features of the past would seem to offer lessons for our own time, we must all beware of idealizing backward worlds." (p. XV)

(33) Great Transformation p. 250/51

(34) "Wir müssen ~~XXXX~~ nur streng danach trachten, unsere Ausführungen über die sozialistische Rechnungslegung soweit wie möglich von ... der (Polanyi's ~~XXXXXXXXXXXXXXXXXXXX~~ ... of (31) and (32) ... page 10)

(a) Polanyi's Model of Socialist Price Formation

Polanyi assumed consumers of whom each was endowed with a limited amount of money independent of the process of production - a socialist feature. The money called by Polanyi "purchasing power" was a means of payment only. (Chartal money - Knapp). It had to be spent entirely and immediately for commodities as combinations of the originary factors of production viz., labour and land. To enable the consumers to do so Polanyi assumed for every consumer arbitrarily set quantity relations between the purchasing power ~~XXXX~~ on the one hand and labour and land on the other hand such as e.g. for consumer A the relations 1 hour of labour = ~~100~~ 10 purchasing power units and 1 acre of land = 100 purchasing power units; for consumer B the relations 1 hour of labour = 15 purchasing power units and 1 acre of land = 150 purchasing power units and analogous but numerically different relations for every other consumer. These relations are the alternatives for the consumers for spending their purchasing power. Thus every consumer can determine the quantities of labour and ~~land~~ land he wants to buy. In this manner an aggregate consumers' demand for labour and land is established.

A pool of labour and land owned by the community ^{(another} ~~XXXXXX~~ socialist feature - is assumed. This pool is distributed among the consumers by a competitive market mechanism. With Polanyi this mechanism acts in such (34) cont'd :Problemen der Wirtschaftslehre freizhalten" (p.385) and also "Geflissentlich haben wir in unserem Gedankengang die wirtschaftstheoretischen Probleme umgangen, die in Form der sachlichen Voraussetzungen unserer Annahmen an uns herangetreten sind." (p.420) (Intentionally we have circumvented in our argumentation those problems of economic theory which confronted us in the form of the objective premisses of our assumptions.)
 (35) Great Transformation p.234
 (36) ~~XXX~~ "Formale Unabhängigkeit des Systems der Produktion und des Systems der Verteilung voneinander gilt für uns als Merkmal sozialistischer Wirtschaft." (Formal independence from each other of the systems of production and the system of distribution respectively represents for us (a) feature of socialist economy. 9 Sozialistische Rechnungslegung p.385

a way that the consumer "offering" more purchasing power for one hour of labour or one acre of land respectively is satisfied before the consumer "offering" less. The "offers" for labour and land respectively by the last satisfied consumer are "preliminary prices" for labour and land respectively. The "preliminary prices" become alternatives for every consumer. Now "recontracting" starts. This is a familiar procedure in price theory, which brings demand and supply into equilibrium. (37) If in Polanyi's model the aggregate supply of an ordinary production factor, e.g. land, exceeds the aggregate demand, the preliminary price is gradually lowered, until demand and supply are equated. If the aggregate demand of an ordinary production factor exceeds its aggregate supply, the preliminary price is gradually raised until equilibrium is reached.

(b) Comments on Polanyi's Model

1. Justification of the Assumptions of the Model

Polanyi justified the assumptions of his model as applications of the assumptions underlying the economic analysis. This led via these assumptions to ~~the~~ distinction between substantive and formal economics, the latter being confined virtually to a market economy. The assumptions of the economic analysis are implied by its definition as "the choice of means in relation to ends" (ends being another expression for alternative uses). the choice being induced by the insufficiency of the means. (38) The economic analysis describes the process of this choice. The process - and

this is crucial - is conceivable only, if a chooser and insufficient means
(37) Cf. e.g. J.R. Hicks, Value and Capital, Oxford, 1948. The general traders cannot be expected to know just what total supplies are available on any market nor what total demand will be forthcoming at particular prices: any price which is fixed initially will be only ~~an~~ a guess. It is not probable that demand and supply will actually be found to be equated at such a guessed price. If they are not, then in the course of trading the price will move up or down." (p. 128)

(38) Primitive, Archaic etc. Economics, Essays by Karl Polanyi, Edited by George Dalton, p. 142

in relation to ends i.e. to alternative uses and these uses themselves are given as data before the process of the choice. In Polanyi's model every consumer is a chooser, the quantity of the chooser's purchasing power is his means and the quantity relations between purchasing power on the one hand and labour and land on the other hand are his alternatives or ends. Because of these functions consumers, purchasing power and quantity relations have to be assumed as given data.

2. Prices as a priori given quantity relations

Polanyi was especially concerned to justify his assumption of arbitrary quantity relations between purchasing power and ordinary production factors - or to express this assumption in general terms - quantity relations between purchasing power and commodities.

The necessity of these relations to be assumed before the institution of the choosers became obvious in the form of set prices - or "equivalents" as Polanyi called them - in primitive or archaic economies, where prices are fixed by king, custom, temple etc. before the individuals such as e.g. traders decide about the fate of the commodities in their hands. Here is a link from Polanyi's model of socialist price formation to his anthropology.

The a priori existence of quantity relations between commodities and money is less obvious in the price formation on markets. But it is still a fact. Polanyi illustrated this on the price theory of

Böhm-Bawerk. This author says: "If for instance A places the value of (39) 'In antiquity' Polanyi says 'prices were fixed largely by custom statute or proclamation and perhaps should not generally be called prices at all. To describe them as 'fixed prices' would be quite misleading since they had never fluctuated. Possibly a new term such as 'equivalents' is needed." (Dahomey and the Slave Trade p. XIX)

his horse at 5 barrels and B at 15 barrels of wine then the exchange of 10 barrels brings each a gain ~~EX~~ equivalent to the value of 5 barrels of wine". ⁽⁴⁰⁾ Hence the horse owner ^A would not agree to an exchange if he were to receive less than 5 barrels of wine for his horse and wine owner B would not agree to exchange if he were to give more than 15 barrels of wine for the horse. These deliberations could not be made, unless certain quantity relations between horse and wine such as one horse = 5 barrels of wine, one horse = 6 barrels of wine etc. had not been given as ends i.e. as alternative uses for wine and horse to the owners of the wine and horse respectively, ~~g~~ before ~~XXXXXXXXXX~~ their decisions were made, whether to exchange the wine and the horse respectively or to keep them. An exchange will take place if both individuals choose among their ends the same quantity relationship between wine and horse. ~~XXXXXXXXXX~~. Thus the process of price formation selects as price one of the given quantity relations from all ~~XXXXXXXXXX~~ the other ones.

In Polanyi's model the quantity relations between commodities and money are quantity relations between the ordinary factors of production - labour and land - and purchasing power. The consumers buy combinations of these factors of production which are potential consumers' goods. But whether these factors of ordinary production are bought as combinations of potential consumers' goods or as already completed consumers' goods is a technical difference which is meaningless in this context. Hence Polanyi in his model of price formation met no special problem to derive the prices of the factors of production from the prices of the consumers' goods which have been manufactured by these factors of

(40) Eugen von Böhm-Bawerk, Capital and Interest, Vol. II. Positive Theory of Capital, Libertarian Press, South Holland, Ill. U.S.A., 1959 p.433

production the so called "imputation problem". The conclusion Polanyi's was that a special "imputation problem" did not exist. Böhm-Bawerk confirmed Polanyi For Böhm-Bawerk prefers instead of the term "imputation" the more general term "value theory of complementary goods", because the problem, as Böhm-Bawerk says, "must include not only the imputation of X to the complementary production factors, but also the co-ordinate case of the relationships between complementary consumers' goods." (41) Polanyi commented on this proposition that because of the interdependency of utilities no commodity can be considered isolated and that therefore every commodity is complementary. He pointed this out, when discussing Hans Mayer's solution of the imputation problem published in 1928. (42) Polanyi also found an analogy in Hans Kelsen's theory of Law, where the juridical imputation problem is rejected as a special problem. These thoughts remained confined to oral discussions. However some of them have been published connected with ~~KNAPP'S~~ Polanyi's name. (43)

3. Links from the Purchasing Power in Polanyi's Price Formation Model

In Polanyi's model the purchasing power is introduced from outside as given means of every consumer. The function of means determines the place of the purchasing power - virtually Knapp's chartal money - within the economic analysis. In this respect the purchasing power has the same function as the commodity money. Belonging to the means of the

individual the commodity money is also a data given a priori. But purchasing (sing)
(41) "In fact I prefer to deal with them (the disputed problems) under the general title of "value theory of complementary goods". This wording corresponds best to the scope of the problems to be solved which must include not only the imputation of the complementary production factors, but also the co-ordinate case of the relationships between complementary consumers' goods." (E. von Böhm-Bawerk, Capital and Interest, Vol. III. Further Essays on Capital and Interest, Libertarian Press, South Holland, Ill., 1959 p. 89)

(42) Hans Mayer, "Zurechnung", article in "Handwörterbuch der Staatswissenschaften", Vol. VIII, Jena 1928 pp. 1206

(43) St. F. Schafer, "Reine Rechtslehre und Reine Wirtschaftstheorie", Internationale Zeitschrift für Theorie des Rechts, 1937/3, pp. 203 and "Rechtliche und Wirtschaftliche Zurechnung" Ibid. 1939/3, pp. 161

power ex definitione must be spent for goods, while the commodity money might be used for other ends not involving any change of hands. Whether the commodity money is used as a medium of exchange or not depends upon the choice of the individual owner. The commodity money is not restricted to special uses, i.e. it is an "all purpose" money⁽⁴⁴⁾ while the purchasing power of Polanyi's model is "a means of payment"⁽⁴⁵⁾ only, special money independent of the choice of the individuals.

From the definition of the purchasing power as special money two links lead from Polanyi's model to his later work. One link is that the purchasing power, because of being a special money, has restricted use. Hence it lends itself easier to controls than a commodity money⁽⁴⁶⁾ such as the gold-standard with the multifarious and therefore unforeseeable uses of gold outside its monetary use. In contrast to token money from this aspect commodity money has the particular disadvantage that, as Polanyi says, "its amount cannot be increased (or decreased) at will". Via this argumentation one arrives at that part of the "Double Movement" which restricted the money market with the purpose of protecting "the productive organisation". This part of the "Double Movement" resorts to the device of replacing the commodity money by purchasing power, because the commodity money defies controls,⁽⁴⁷⁾

The other link leads to Polanyi's anthropological writings on primitive or archaic money. For such a money is a special money because of (44) "Modern money, at least up to recently, was all purpose money - i.e. the medium of exchange was also employed for the other money uses (such as e.g. gold for industrial purposes). "The Semantics of Money" in Primitive, Archaic etc. Economics, Essays of K. Polanyi, Ed. by G. Dalton, p.191 (45) Cf. K. Polanyi, The Great Transformation "where he defines "token money" on a restricted money market. "This money was not a means of exchange, it was a means of payment; it was not a commodity: it was purchasing power: far from having utility itself it was merely a counter embodying a quantified claim to things that might be purchased." (p.196) (46) *ibid.* p.193 (47) *ibid.* "With the disintegration of the gold standard" (because of the restriction of the self-regulating money market as part of the "Double Movement") "commodity money practically ceased to exist, and it was only natural that the purchasing power concept of money should replace it". *ibid.* p.197

because of its restricted uses, ^{e.g.} instances can be found in Hammurabi's
(48) Babylonia ~~in the 18th century~~ ~~region of Babylonia~~

A. The conceptual patterns "Exchange Economy" and "Purchasing Power Economy"

Commodity money and purchasing power are part of two different ~~economic~~
"conceptual patterns". Polanyi called them "Exchange Economy" and "Purchasing
power Economy". The contrast between commodity money and purchasing
power repeats itself in the contrast between these two "conceptual patterns".
Polanyi formulated these concepts already in Vienna in connection with his
socialist model of price formation, but they were first published in the
"Great Transformation". Here the "Exchange Economy" is mentioned as a con-
struction underlying the classics. "Society according to that lay-out (of
the classics) consisted of bartering individuals possessing an outfit of
commodities - goods, land labour and their composites. Money was simply one
of the commodities bartered more often than another and, hence, required
for the purpose of use in exchange." (49) In contrast to this in the "Purchasing
Power Economy" "every individual is endowed with a definite amount
of purchasing power, enabling him to claim goods each item of which is
provided with a price tag. Money in such an economy is not a commodity;
it has no usefulness in itself; its only use is to purchase goods to which
price tags are attached, very much as they are in our shops today." ^{e.g.} (50)

Or - as ⁽⁴⁸⁾ Polanyi formulated it in Vienna according to his model of social-
list price formation - the "Purchasing Power Economy" consists of two parts
(48) "Primitive money ... is special money - different objects are as a
rule employed in different money uses." Primitive, Archaic etc. Economics
Essays by E. Polanyi, Ed. by G. Dalton, p. 101
Regarding instances from Hammurabi's Babylonia Polanyi says: "In Hammu-
bi's Babylonia barley was the means of payment; silver was the universal
standard; in exchange of which there was very little, both were used
alongside of oil, wool and some other staples." *ibid.* p. 169

(49) The Great Transformation p. 196
(50) *Ibid.* p. 197

on the one side are the consumers endowed with purchasing power. On the opposite side facing them are the goods to be distributed among the consumers by the process of price formation. There must be at least two different kinds of goods ~~XXXXXXXX~~ to make a choice between ends for every consumer possible. Therefore in this context Polanyi called the process of price formation "the problem of the two supplies" ("das Problem der zwei Vorräte"). In particular Polanyi had here Böhm-Bawerk in mind who compared the process of production with a pumping station, where each want (i.e. each consumer) was a pipe sucking according to his purchasing power certain quantities from the reservoir of the ordinary productive factors. In Polanyi's model the pumping station has socialist features, viz., the independency of the amount of purchasing power of every consumer from his position in the process of production and the community owned production factors labour and land.

5. "Exchange Economy" and "Purchasing Power Economy" as "Theoretical Places for Different Problems"

The closeness of the Purchasing Power Economy to Polanyi's model of a socialist economy with a price system gave the Purchasing Power Economy a prima facie socialist appearance, though this construction is conceivable also without the mentioned socialist features. Contrasting to this the Exchange Economy had prima facie a capitalist look, because, as mentioned above, it implied individuals possessing labour and land. This means private ownership of the factors of production.

Behind this different appearance was the proposition stated by Polanyi in Vienna, that Exchange Economy and Purchasing Power Economy each was "the theoretical place, where only certain problems could be put and solved."

(51) ~~XXX~~ "Production can be compared with a vast pumping station. Every branch of demand has its suction pipe let into the reservoir of ordinary productive powers; it attempts in competition with all other branches to suck up what it needs for its own requirements. Furthermore all branches exert suction with varying strength; that strength being the greater, the more numerous, and the more remunerative are the uses which it serves, or, in terms of exchange activity, the higher the valuation in terms of money. E. von Böhm-Bawerk, Capital and Interest, ~~195XXXX~~ Vol. II Positive Theory of Capital, 1959 p. 253

("der theoretische Ort, wo nur bestimmte Probleme stellbar und lösbar sind")
These two constructions were published later in the "Great Transformation",
where they are referred to as "conceptual patterns used for the purpose
of clarification". (52) (EMEX "zur Klarifizierung", as Polanyi said in Vienna)

(a) Self-Regulating vs. Regulated Money Market

In the "Great Transformation" this train of thought is used to
indicate that the Exchange Economy "contains the bare bones of the ~~EMEX~~
construction from which the classical economists started." (52)
Exchange Economy appears as the "theoretical place" of the self-regulating
money market with commodity money like e.g. the goldstandard as a corollary
In contrast to this the Purchasing Power Economy is the "theoretical
place" for the purchasing power and the phenomena connected with it.
Among these phenomena are, as already partly mentioned above, monetary controls,
trade cycle policy and is a managed currency, i.e. a regulated ~~regulated~~ money
market.

(b) Microphenomena ~~EMX~~ vs. Macrophenomena

Another argumentation Polanyi's in this context is that the
Exchange Economy is the microphenomena i.e. the theoretical place for
single individuals, while the Purchasing Power Economy is the theoretical
place for macrophenomena, i.e. for phenomena related to the social economy
as a whole, viz., to aggregates such as e.g. national income, labour force
aggregate capital formation etc. One of the reasons for Polanyi to work
out this proposition were the doctrine of O. Spann. From his "universalist"
thesis connected somehow with his fascist outlook - that the whole is
logically prior to the parts he tended to overlook that, as Polanyi
argued, the social phenomena are deductible ~~EMX~~ from and hence changeable
by man. Some of Polanyi's criticism of Spann's doctrines was later
(52) The Great Transformation p.196

published in the "Essence of Fascism", as mentioned above. But Polanyi also showed in his criticism of Spann's doctrines that macrophenomena like microphenomena are deductible from and reducible to human action. This criticism which was connected with Polanyi's model of a socialist economy and with his construction of ^{the} Purchasing Power Economy ~~XXXXXXXXXXXXXXXX~~ where macrophenomena were produced by man remained confined to oral discussion.

It started from Polanyi's model of a socialist price formation. This model corresponds to the construction of the Purchasing Power Economy. the model as well as in the Purchasing Power Economy For in ~~it~~ the consumers are endowed with purchasing power which is their means to express their demands for goods. Hence every demand for goods is expressed in terms of purchasing power as a common denominator. Thus all the possible uses for goods in the whole of society are numerically comparable with each other. Therefore they can be weighed against each other, and the use of every quantity of goods can be determined by a choice between all the alternative possibilities existing in the social economy. Thus every quantity of goods appears as ~~one~~ part of one supply which contains all goods in society whether they are owned by individuals or by society as in Polanyi's model. The appearance of the goods as parts of a society-wide supply makes the Purchasing Power Economy the theoretical place of macroeconomic phenomena. Polanyi used here also the formulation that the distribution of the goods ~~among~~ among the consumers takes place in such a way, as if the society acted as a person, though no such person exists.

In working out the concept of one supply comprising all the goods in society Polanyi found himself confirmed in particular by Böhm-Bawerk's ~~own~~ society-wide reservoir of the ordinary productive factors, a concept already mentioned above.

Such macrophenomena have no room in the construction "Exchange Economy". The respective train of thought starts with the proposition that the Exchange Economy, as mentioned above, does not admit token money, but implies commodity money. For the Exchange Economy consists of bartering individuals endowed with commodities. Which commodity is bartered more often than any other commodity, becoming in this way money or whether any such commodity comes into existence at all, is left to the choice of every individual between the ends for his goods. Hence every individual is faced with three kinds of alternatives. 1) he can use a quantity of his goods without exchanging it. 2) he can use this quantity of goods in exchange for any other quantity of goods or 3) he can use this quantity of goods in exchange against the good which has become the commodity money by being bartered most frequently. Among these three alternatives no common numerical denominator exists. Hence they are not numerically comparable with each other. Therefore no choice among all existing alternatives of use for all commodities in the whole of society can be made and it is not possible to consider every quantity of goods as part of one society-wide supply. Hence in contrast to the Purchasing Power Economy the construction of the Exchange Economy cannot accommodate phenomena

(53)

transcending the activities of a single individual. This makes the (53) David Kaplan writing on Polanyi's thoughts argued similarly in recent years about the incompatibility of micro and macro theory. "Behavioural macrohypothesis which deal with the observable phenomena resulting from the actions of large numbers of economic agents should be reductible and deducible from micro-theory which purports to deal with economic behaviour of the molecular level. So far however there exists no relationship between macro and micro theory. The consumption function cannot be deduced from the micro theory of consumer demand nor can the investment function be deduced from the theory of the firm". (David Kaplan, Formal and Substantive in Economic Anthropology, Southwestern Journal of Anthropology, Autumn 1968 p. 231)

Exchange Economy the theoretical place of microeconomic phenomena.

6. Purchasing Power Economy and Exchange Economy as complementary conceptual patterns

Exchange Economy and Purchasing Power Economy are complementary conceptual patterns not only as theoretical places for different phenomena. But they are complementary regarding the transition from the construction "isolated economic subject" ("isolierter Wirt") i.e. from ~~the~~ a Robinson economy to the social economy. "Der Uebergang vom isolierten Wirt zur Gesellschaft kann auf zwei Weisen und nur auf zwei Weisen geschehen". (The transition from the isolated economic subject to society can be done in two ways and only in two ways) said Polanyi. The construction of the "isolated economic subject" contains three elements, viz., the economic subject, its scarce means, and alternatives for using them. These three elements can be applied to every individual or to the society as a whole.

If they are applied to every individual, then in this case every individual is endowed with these three elements. Hence the individual ~~becomes~~ becomes an economic subject choosing between alternative uses for its means. Among the uses for its means are also possibilities to exchange them. It is left to every individual whether ~~it~~ it decides to exchange some of its means or ~~not~~ whether it decides to exchange them against a commodity "more frequently bartered than any other commodity".⁽⁵⁴⁾ If a sufficient number of individuals ~~decide~~ decide in favour of such an exchange, the Exchange Economy has emerged.

If the elements of the "isolated economic subject" are applied to the society as a whole, the Purchasing Power Economy emerges. Ex definitione ^{in every} the society as a whole cannot be an economic subject. For ~~every~~ ~~is~~ a social economy the individuals still have to act. Thus the endowment of the society with the element "economic subject" can mean only that the action of the individuals results in a distribution of the goods, as if the society itself

(54) The Great Transformation p 196

had done it. The endowment of the society with the element "means" implies that the means form one single aggregate supply. It follows also that with regard to every quantity of goods in this supply a choice must be possible among all alternative uses, i.e. ^{all} ends existing in society. Hence these alternatives must be comparable with each other. As there exists no economic subject "society", this comparison cannot be any mental process of weighing the various alternatives against each other such as a physical person can do. Hence the ends must be expressed in numerical terms. Thus the need to introduce the concept of purchasing power becomes a necessity. As only individuals can act, the individuals must express the alternative uses for the goods in purchasing power. In order to enable the individuals to do so they ~~have~~ ^{have} to be endowed with purchasing power and quantity relations between purchasing power and the various kinds of goods have to be assumed for every individual. In this manner society is endowed with the ~~MEANS~~ element of alternative uses for the goods. In this way the Purchasing Power Economy ~~EMERGES~~ has emerged.

Both Exchange Economy and Purchasing Power Economy contain the problems of the economic analysis as economics under the assumption of scarcity. These two ~~EMERGING~~ conceptual patterns indicate a bifurcation of the economic analysis which reaches to its very fundament, the construction of the "isolated economic subject" with its three elements economic subject, scarce means and alternative uses for them. This construction connects the two conceptual patterns of social economy, viz. Exchange Economy and Purchasing Power Economy.

7.
Transition to "Formal" and "Substantive" Meaning of "Economic"

Polanyi was aware of it, that the thoughts originating from his model of a socialist economy were based on the scarcity of the goods in relation to their alternative uses. But already in Vienna two factors appear to have led Polanyi into the domain of non-scarcity economics, which is important for his later work. One of these factors was his study of the Marxian labour value theory. The other one ^{were} ~~was~~ his courses on the People's University of Vienna (Volkshochschule)

(a) The Marxian Labour Value Theory

Polanyi adopting the economic analysis based upon the principle of scarcity of goods for his model of price formation, had to reject the classical price theories and hence also the Marxian labour value theory, where value and price are explained by qualities intrinsic to the goods, such as e.g. the number of working hours spent on their production without any reference to their scarcity. However Polanyi still maintained the Marxian labour value theory as a mirror of employer ideology in a private enterprise economy, where some employers might believe that no shortage of labour exists for them. For the threat of lacking means of subsistence ensures that there is always somebody to take the place of an employee who leaves or is dismissed. This proposition confines the Marxian labour value theory to the free enterprise economy and links it with Polanyi's later work, where he showed that Marxism applies largely to capitalism ^{only} or as Polanyi called it, to the "market economy".

(b) Economic History.

In his courses on economic history held in the early thirties Polanyi described economies of the antiquity and the Middle Ages. Though he discussed this subject only rarely at his home, he might have struck

already then the fact which he stressed later by saying that "in some civilizations scarcity situations seem to be almost exceptional." (55)

Here might be another link to Polanyi's work dealing with economics without scarcity. (Orthodox economists might not want to use the term "economy" in such cases.)

(c) "Formal" and "Substantive" Meaning of "Economic"

The entry Polanyi's into the ~~MYEME~~ sphere of non-scarcity economy leads to two propositions which form bridges between Polanyi's early and later work. These propositions are the changing place of ^{the} economy in society and what Polanyi calls the "inverted perspective", viz., the propensity to consider phenomena, as if they belong to an economy with a self-regulating market, even though this is not the case.

Both propositions are conveniently approached through the two meanings of "economic" as "formal" and "substantive". The "substantive" meaning of "economic" concerns the description of the factual economy as "an instituted process of interaction between man and his environment which results in a continuous supply of want satisfying material means." (56) While the substantive meaning of "economic" applies to every economy, the "formal" meaning of "economic" applies to the economy with a self-regulating market only. Here the "substantive" and "formal" meaning of "economic" coincide. "Formal" ~~MYEME~~ by itself in contrast to "substantive" relates not to facts, but to the mind. It concerns a "choice of insufficient means to alternative ends" and applies "as the logic of rational action to all conceivable

means and ends covering an almost indefinite variety of human interest. In

(55) Primitive, Archaic and Modern Economies, Essays of Karl Polanyi, Edited by George Dalton, 1968 p.144

(56) Ibid. p.144

chess or technology, in religious life or philosophy ends may range from common ~~XXXXXX~~ ^{place} issues to the most recondite and complex ones." (57) If this meaning of "formal" is applied to the economy the ~~XXX~~ "formal" meaning of "economic" emerges. It belongs to an economy, "where the locational and appropriational movements of which the economic process consists, must here present themselves as functions of social actions in regard to insufficient means and orientated on resulting prices. Such a situation obtains only under a market system" (58), i.e. under an economy with self-regulating markets.

D. The Changing Place of Economy in Society

Thus via the "formal" meaning of "economic" one has arrived at the market economy. One step further on this path leads to the proposition that "such an institutional pattern could not function unless society was subordinated to its requirements." (59) ~~HERE~~ Here on the road from the "formal" meaning of "economic" one strikes the place of the economy in society, a main subject of Polanyi's later work. In nuce the proposition is that domination of the economy over society is a criterion of the self-regulating market economy and is absent in other economies. Though this thought has been fully developed ~~XXXXX~~ in Polanyi's later work only, it can be traced already in his Vienna period.

(a) Socialist Accountancy

In the "Socialist Accountancy" the ^{supremacy} ~~XXXXXXXXXX~~ of the economy over society is formulated as the proposition that under capitalism the needs of society are neglected. "The anarchic nature of production excludes" says Polanyi "a priori the guarantee for a direction of the production of goods in such a way that it should be subservient to the commonweal in

(57) ibid. p. 143

(58) ibid. p. 145

(59) The Great Transformation p. 71

its higher sense...Everywhere ~~XXXXXXXXXX~~ use values are being produced with a major expenditure of labour ~~XXXX~~ toil the ~~XXXXXXXX~~ utility of which from the point of view of society is inferior, if not right out harmful." This is different in Polanyi's model of a guildsocialist society. The social law (das soziale Recht) set by the "Comune" as representative of community interest intervenes and in this manner ensures a "production useful to the common weal". The economy is accordingly ~~XXXXXXXX~~ subordinated to the needs of society.

(60)

(61)

(b) Later Writings

In the "Transformation" this train of thought is rooted in the concept of the "market economy" as an economic system controlled, regulated and directed by markets alone...An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains." This "institutional pattern" demands, as mentioned above, the subordination of the needs of society to the economy.

(62)

The contrast to other societies where the economy is subordinated to the needs of society is represented in the "Transformation" by a socialist market economy and by archaic societies. It is "the tendency in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society". This statement can be traced back to Polanyi's model of a socialist price formation referred to above.

(63)

Furthermore the subordination of the economy under society is a historical fact, as shown in archaic economies. "Man's economy as a rule" (60) Sozialistische Rechnungslegung "Die anarchische ~~XXXXXXXXXX~~ Richtung der Güterproduktion schliesst eine Gewähr für die in höherem Sinn gemeinnützige Güterproduktion von vornherein aus (p. 389) ... Es werden überall und mit einem bedeutenden Aufwand von Arbeitsmühe Gebrauchswerte geschaffen, deren Rangordnung von sozialem Gesichtspunkte eine mindere ist, wenn sie nicht geradezu auf einen Widerspruch hinausläuft. (p. 390)

(61) Ibid. p. 393:

(62) The Great Transformation p. 68: ~~XXXXXXXXXX~~

(63) Ibid. p. 234

is submerged", as Polanyi says, "in his social relationships", which is
"the outstanding discovery of recent historical and anthropological ~~research~~
(64)
research". Examples of such archaic economies are provided by Polanyi's
Analysis of
of Hamurabi's society and of the society of the 18th century kingdom of
(65)
Dahomey.

Though the principles of his, as he calls it, "institutional analysis"
are found already in the "Transformation", Polanyi's later anthropological
writings show definite terms for the changing place of economy in society.
The respective terms are "embedded" and "disembedded". The term "embedded"
applies to most cases of economy "As a rule" Polanyi says "the human
economy is embedded and enmeshed in institutions economic and non-economic."
(66)
In contrast to this state of affairs the market economy is separated from
society which must not interfere with the economy. "A self-regulating market
demands nothing less than the institutional separation of society into an
economic and political sphere."
(67)
Consequently Polanyi speaks of the "dis-
embedded economy of the 19th century" which "stood apart from the rest
of society more especially from from the political and governmental
system".
(68)

E. Inverted Perspective

Through Polanyi's whole work the thought can be traced that we are
seeing our social problems through the glasses of the market economy of
the 19th century. In other words he says that we assume that we are always
dealing with facts of a world in which the "formal" and "substantive"
meaning of "economic" coincide. Polanyi's endeavour to counter such a ~~biased~~
biased view was one motive for the writing of his "Socialist Accountancy".

(64) Ibid. p. 46

(65) See "Marketless Trading in Hamurabi's Time" in Trade and Market in the
Early Empires, Ed. by K. Polanyi, C.M. Arensberg and H.W. Pearson, 1957, pp. 12 (66)
and K. Polanyi, in collaboration with A. Rotstein, Dahomey and the Slave Trade
(66) Primitive, Archaic and Modern Economies, Essays of Karl Polanyi, Edited
by George Dalton, 1968, p. 148 (67) The Great Transformation p. 71

(68) Trade and Market in the Early Empires p. 68

In his guildsocialist model he showed that disputes between workers and management, ~~XXXXXXXXXX~~ (are not always expressions of the class struggle between workers and employers as socialists were used to see them through the ~~XXXX~~ glasses of ~~XXXX~~ a capitalist market economy. He drew attention to the possibility that they could be conflicts between different functions of the same person as producer and consumer respectively.

In the "Transformation" Polanyi called the bias in favour of seeing economy as a capitalist economy with a self-regulating market the "economistic prejudice". ⁽⁶⁹⁾ Here only two instances are mentioned. One refers to Adam Smith, who declared that the division of labour depended upon "man's propensity to barter, truck and exchange one thing for another" ⁽⁷⁰⁾ This ~~XXXXXXXXXXXX~~ disregards that "division of labour springs from differences inherent in the facts of sex, geography and individual endowment" ⁽⁷⁰⁾ factors which exist independently from the propensity to barter. Another ~~px~~ instance of the "economistic prejudice" is the interpretation of the Industrial Revolution as a benefit ~~to~~ to the workers because of the increase in real wages. But this fails to take into account the cultural catastrophe of the Industrial Revolution which, as Polanyi said, "transformed within less than half a century vast masses ^{OF THE INHABITANTS OF} ~~the~~ the English countryside from settled folk into shiftless migrants". ⁽⁷¹⁾

In Polanyi's antropological writings the term "economistic prejudice" is replaced by the term "inverted perspective". He shows that the rejection of the "inverted perspective" is essential for the correct appraisal of archaic economies. For instance Aristotle's economics seem ⁽⁶⁹⁾ ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ "Nothing obscures our social vision as effectively as the economistic prejudice." (The Great Transformation p.159)

(70) Ibid. p.43
 (71) Ibid. p.157

unpublished and remained confined to oral discussion. The core of these thoughts appears to have been that Marxian theories applied above all to the capitalism of the 18th and 19th century in England which was the social order Marx analysed. This train of thought which Polanyi developed already in Vienna assumed a social ~~max~~ economy characterised by private enterprise under self-regulating markets for all goods, which Polanyi in the "Transformation" and other later writings called "Market Economy".

1. Ideology vs. Reality

Polanyi, as mentioned above, could accept the Marxian labour value theory as the description of the ideology of the employers in the market economy, while for the factual explanation of the mechanism of this economy he turned to the economic analysis with its scarcity assumption.

Polanyi applied an analogous argumentation to Marx's thesis of the unavoidable replacement of capitalism ~~XXXXXXXXXXXXXXXXXXXX~~ by the planned economy of socialism. This was caused by tendencies inherent in capitalism i.e. in an economy with a self-regulating market. Marx assumed that these tendencies were permitted to run their course freely. Among them are the concentrations of the firms into a few large establishments and the increasing poverty

(73)

of the revolting masses. Polanyi pointed out that this thesis does not (73) "That which is now expropriated is no longer the labourer working for himself, but the capitalist exploiting many labourers. This expropriation is accomplished by the action of the immanent laws of capitalist production itself by the centralisation of capital. One capitalist kills many. Hand in hand with this centralisation or this expropriation of many capitalists by few develop on an ever increasing scale the co-operative of the labour-process ... Along with the constantly diminishing number of the magnates of capital ... grows the mass of misery ... but with this too grows the revolt of the working class ... organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated." (K. Marx, Capital, A Critique of Political Economy, Chicago, Charles H. Kerr & Co., 1909 p. 837)

correspond to reality, because in fact there were considerable interventions to make the self-regulating market bearable. The assumption of their absence reflects, as Polanyi emphasized, the postulate for non-interference of the economic liberals, the ideological representatives of the self-regulating market. Marx accepts this postulate and shows that it leads to the eventual disappearance of capitalism. "Er nimmt den Kapitalismus ernst" (He takes capitalism serious) said Polanyi and thereby meant the outlook of the liberal economists.

In contrast to the Marxian argumentation Polanyi pictured the reality of the 19th century capitalism or, as he called it, of the market economy. Hence he included as an essential feature the restrictive interventions on the self-regulating market for the "fictitious commodities" labour, land and money for the self-protection of society. These restrictions prove incompatible ~~XXXXXXXX~~ with maintaining the self-regulating market and hence bring the market economy to its end.

Thus according to Marx as well as with Polanyi the kind of capitalism characterised by self-regulating markets is a passing episode. ~~THANK~~ Though the factors causing this transience are different in each case, they do not contradict each other, because they rest on assumptions which do not exclude each other.

2. Marxian Thoughts with Polanyi

Polanyi was always aware of his indebtedness to Marx. Indeed the contrast between the processes by which the market economy meets its end with Marx and Polanyi respectively concerns their main-lines of ~~XXXXXXXX~~ thought. But the element of Polanyi's process the "Double Movement", can be found with Marx also. Thus Marx explains the factory legislation, as Polanyi does, by the need to protect the worker from the evil of the unrestricted labour market. This is an element belonging to the self-protection

of society ~~XXXX~~ and represents the one side of the "Double Movement". (74)
The other half - the dislocation caused by the unrestricted self-regulating market for the "fictitious commodities" labour, land and money - is found with Marx as disease destroying the labour power of the people coming to the factory towns and as the diminishing productive power of the soil as a consequence of its use solely from the aspect of profit. (75)
However with Marx ^{e/} these features of the "Double Movement" are in the background overshadowed by the main assumption of an uncontrolled self-regulating market. Within this assumption the elements of the "Double Movement" have no room.

But there is an important thought in the forefront with Marx as well as with Polanyi. It is the proposition, that a development might be unavoidable, but that one might be able to regulate its pace. (76)

(74) "Factory legislation, that first conscious and methodical reaction of society against the spontaneously developed form of the process of production, is, as we have seen, such as much the necessary product of modern industry as cotton yarn, selfactors and the electrical telegraph." (Marx, Capital I. c.p. 526)

(75) "In modern agriculture, as in the urban industries the increased productivity and quantity of the labour put in motion are bought at the cost of laying waste and consuming by disease labour power itself. Moreover all progress in capitalist agriculture is a progress in the art not only robbing the labourer but of robbing the soil; all progress in increasing the fertility of the soil for a given time is a progress towards ruining the lasting source of that fertility. The more a country starts its development on the foundation of modern industry like the United States for example the more rapid is this process of destruction. Capitalist production therefore develops technology and the combining together of various processes into a social whole by sapping the original sources of all wealth - the soil and the labourer". (Marx, Capital, I. c.p. 555/56)

(76) Thus Marx says: "and ^{even} when a society has got upon the right track for the discovery of the natural law of its movement... it can neither clear by bold ~~XXXX~~ leaps, nor remove by legal enactments the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth-pangs". (Capital I. c.p. 14/15. - To this cf. Polanyi in discussing the policy of the Tudors and the early Stuarts in delaying the enclosures: "That which is ineffectual in stopping a line of development altogether is not, on that account, altogether ineffectual. The rate of change is often of no less importance than the direction of the change itself; but while the latter frequently does not depend upon our volition it is the rate at which we allow change to take place which may well depend upon us. (The Great Transformation I. c.p. 36/37)

of the industrial society which transcended the economic sphere. Though there was economic exploitation, Owen pointed out that the workers in the newly arisen factory towns "were more degraded and miserable than they were before the introduction of these manufactures upon the success of which their bare subsistence now depends" even if "they might have been financially better off than before".⁽⁸⁰⁾ In his own firm Owen "paid (his workers) low wages and raised their status by creating for them artificially an entirely new cultural environment."⁽⁸¹⁾ Owen warned that "a principle quite unfavourable to individual and general happiness was working havoc with his (the worker's) social environment, his neighbourhood, his standing in the community, his craft... Owen justly pronounced that unless legislative interference and direction counteracted these devastating forces, great and permanent evils would follow".⁽⁸⁰⁾ These words of Polanyi show the emphasis Owen's on cultural values, an outlook which greatly appealed to Polanyi.

It was in tune with the humane atmosphere in the home of the Polanyis. Of this even a mere visitor became aware, when the door was opened by ERSZI, the friendly smiling domestic help, a never tiring pillar of the household. There was yet another pillar behind the scenes. It was the old lady, Madam DUCZYNSKA, Mrs. Polanyi's mother. She was a nee BECASSY (The Becassy were one of the oldest, aristocratic families.) Thus she felt torn between the old and the new. But she was well aware, that the society in which she had grown up was doomed. "Alles gehört schon der Bank" (Everything belongs already to the bank) she said, when on one occasion she talked about the estate, where she had spent her girlhood. She was personified nobility in every sense and this bridged the gap between her aristocratic background

(80) Ibid. p. 129

(81) Primitive, Archaic and Modern Economies, etc. l. c. p. 58

and the leftist outlook of the Polányis. In the Vienna of the first years after world war I, which was harassed by shortage of accommodation, it was she who had found the rocky flat in the Vorgartenstrasse 203. It was situated in the Leopoldstadt, a largely proletarian part of Vienna. There she lived with the Polányis for years bringing up as "Hene (grandmother) their only child Kari, then a little girl with a ginger cat as playmate,

The contrast of the old and the new met the eye, when one entered the Polányis' living room ~~XXXXXX~~ which at the same time was their study. On one of its sidewalls - the right one, if one entered the room from the hall - hung several pictures of Hungarian magnates in their rich uniforms, the relatives of Mrs. Duczynska and her daughter. On the left wall was a bookcase. Among the books on its shelves stood the "Capital", some books by economists of the marginal theory such as Böhm-Bawerk and a book by ~~XXXXXX~~ Professor GYULA PICKLER, an eminent philosopher of law⁽⁸²⁾ to use Mrs. Polanyi's words - one of Polanyi's academic teachers, who was aware of Polanyi's great gifts. Once he said to the young student: "Von Ihnen wird man hören." (You will make yourself known.) Next to the bookcase was a ~~XXXX~~ diwan. Over it hung a picture of a middleaged man, Polanyi's father, a railroad engineer and constructor of local railways, who had ties to the Labour Movement at the turn of the century.

At the front wall between the windows, which permitted a wide view over the Rosservogarten of the Municipality of Vienna stood a large desk covered with newspapers. [^]From them Polanyi cut the clippings which supplied important material for the "Oesterreichische Volkswirt", (Austrian Economist) a weekly of which Polanyi was the deputy-editor. He took the ~~XXXXXX~~ clippings to the editorial meetings of the "Volkswirt" on every thuesday.

For the rest of the week he worked at home assisted by his wife and
(82) Karl Polanyi (1886 - 1964 - A family chronicle and a short account of his life, ~~XXXXXX~~ by Ilona Duczynska, stencilled english edition p. 6

frequently talking to the office of the "Volkswirt" over the phone. In the middle of the room stood a round brown table with some chairs. In the early years of the seminary Kari's little head appeared frequently over the edge of the table. At this table visitors used to sit with tea and toast discussing the most varied subjects. Polanyi frequently was leaning against a green tiled stove and dominated the discussion by sharply formulated argumentations. One could find all sorts of people with the Polanyis especially after Thursday, when the bulk of the work for the "Volkswirt" was done. There were some of the old pupils from the seminary. As the years went by they were joined by students discussing their thesis with Polanyi. Some brought articles to be adapted for the "Volkswirt". Not a few came for purely personal reasons. One could bring up anything in this atmosphere of tolerance kind patience and warm humane understanding. There were visitors - I was one of them - who owe their escape from fascism to the Polanyis. I had the privilege to have been often with them. Mostly I was a silent listener too immature then to grasp properly the issues discussed. But, as time went on, much I heard came back on an increasing scale. The hours I could spend with the old lady and the Polanyis belong to my most treasured memories.