

Dear Karl,
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Abe

RESUME

of the

CONTINUING GROUP OF THE INTERDISCIPLINARY PROJECT

Session No. 3

1. Remarks on The Meeting Of The Oriental Institute
- Karl Polanyi
2. "The Affluent Society" - Karl Polanyi

Participants: Prof. Karl Polanyi
George Dalton
Terry Hopkins
Paul Medow
Abe Rotstein
Paul Bohannon

New York,
December 20-21, 1958.

1. Remarks on The Meeting of the Oriental Institute

- Karl Polanyi

R.F.G. Sweet's doctoral thesis expresses no view on the central thesis in regard to markets but on the basis of the work done there is not one case of profit on price differentials and neither is there a case of money as a means of exchange.

The suggestion was made by one person that the focus should not be on market places but on the market system. This is correct. A negative position on market places is not to the point. P. never really believed Herodotus' assertions were conclusive. How could he know in such a large area about the possibility of the existence of bushmarkets, fairs etc. This reservation advances the position. Money uses settles there being no market system in evidence.

2. "The Affluent Society"

- Karl Polanyi

For the newly industrializing countries Galbraith's theorem of affluence implies a fundamental criticism of a market economy, in future perspective.

The perspective of affluence in Western society apparently is accompanied by the insistence of the community on full or near full employment as a requisite of a functioning economy. Galbraith's theorem makes the fact of affluence and the postulate of full employment the twin pillars on which a market economy rests. Without the general affluence poverty would force the workers into the acceptance of uncertainty of employment; without full employment, the affluence could not be maintained. At no time is therefore a situation permitted to arise where

there is not exerted a maximum pressure towards the maintenance of the level of production. Unless it is, employment is bound to fall off, which again means that workers are dismissed and lose their incomes.

Galbraith's theorem articulates the implications of such a state of affairs. On the background of a market economy the postulate of full employment (1) loosens the immediacy and the completeness of the ties by which maximum production was supposed to be linked to its quality of satisfying existing human wants and needs; (2) this tends to induce an artificial inflation of wants and needs in order to maintain production, even though its marginal utility be zero; (3) a prejudice is thus created in favor of private as against public spending even where the marginal utility of the latter is patently above that of the former; (4) any extending of leisure time is frowned upon as a loss of total productivity per head; (5) efficiency is enforced over all other competing values affecting the organization of industry; (6) in all these ways the penetration of the human values of freedom and personality into the industrial process is hindered.

The thesis of affluence points up that an industrial society can afford to be human and free. In the past, poverty seemed to be incurable, and only the threat of individual unemployment kept production going, thus staving off an even greater measure of indigence. This situation has been completely reversed. Poverty has been overcome; production can be secured without the threat of individual unemployment; yet paradoxically enough we are not free to reduce production for fear that producers will lose their incomes. A technical quality of the economic mechanism thus prevents us from shaping the quality of our wants and needs; rejecting the idol of efficiency; valuing marginal leisure as against marginal goods; choosing public services of health and culture

in preference to pressurized me^{ch}andize; expanding the area of freedom and personality into every day life.

Planning the economy is then the means of escaping the contradictions created in an affluent society between the fruits of an advanced technology and the demands of human existence. Maybe through long and painful crises those contradictions can, in principle, be resolved under a market system. The production level that is necessary for full employment may comprise the goods and services in the proportions that can be sold at a price to satisfy existing needs; the social balance can be shifted from private investment through taxation to public spending; working hours can be shortened through a rise in marginal wages; the competitive pressure for efficiency can be counteracted as a result of emerging new labor costs; even freedom can be spread and personal life enhanced by way of collective contracts stipulating protection to those who are prepared to suffer a loss of income for the privilege of a fuller personal life. In theory, then, all the requirements of a balance between the economic aspects of existence in an affluent society may be worked out through the strains and stresses of market processes, but it is as if a pilot first got rid of his eyesight before turning to the gadgets of blind flight. For the experiences and decisions underlying that balance should be the result of a formative power active in human society; shaping our wants and needs, harmonizing our material and moral needs, balancing work and leisure, freedom and its limitations.

The problem of democratic planning should not obscure the truth that these contradictions are inevitable and must, in a complex society, be consciously resolved if we are to be truly free.

General Discussion

An industrial society can afford to be free and human. For example, apart from going on vacation you might have 12 to 20 days where you do what you like without an explanation. An industrial society needn't be deadly efficient day and night. It is the affluence that gives us freedom and humanness but this occurs not under the obsessive efficiency principle, but under one which is domesticated.

Take the union for example. Now there is a rigid structure representing hours and certain interests. Under what conditions does the more leisureless income crowd get represented in the union as a small group? Management might say that there is actually room for them, e.g. workers who study at the university and might work week-ends instead, with no cost to either side. There are other small groups for example, who live far or just married or are artistically minded. If these things get formulated it would fit in with the trade union. One need not start on the assumption that nothing can be introduced and groups should be encouraged to formulate their own situation.

A purposeful society can have institutions freer than ours in industrial life. It is similar to the conservative objection to programs which were carried out throughout the war. Today we imagine that we would stop efficiency if anyone said such a thing, and we might, but only a little.

Social costs might include the costs of having industries in the countryside, with people working in agriculture in their leisure time. This makes things more expensive and we want to know how much.

There are two kinds of cost: firstly, goods produced are used up as if some of the product was taken away. Secondly, efficiency may be impaired in general terms. Otherwise the minimum that we need should be produced with maximum efficiency. There are people who are interested in cheap and reliable goods and also shorter hours.

This is a program for the left wing of the democratic party in an election. It is the New Deal developed. (This was the American solution of the problem of industrial civilization in K.P.'s view. The Americans thought this was only an election phrase with just a little more).

A social-economic description of America would indicate controlled markets as islands within which market laws don't operate but these islands are swimming in the larger market which sets the limit for the whole operation. Internally they are market free but are market bounded. Thus a development started which does away with a wide area.

There is also Weber's comment that labour as an economic element stops short at the factory door.

Double accountancy consists of natural costs and social costs. If we can determine to what extent leading ideas enter as cost elements then we have solved the question of the relationship of industrial organization to general change in society.

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there is not exerted a maximum pressure towards the maintenance of the level of production. Unless it is, employment is bound to fall off, which again means that workers are dismissed and lose their incomes.

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The thesis of affluence points up that an industrial society can afford to be human and free. In the past, poverty seemed to be incurable, and only the threat of individual unemployment kept production going, thus staving off an even greater measure of indigence. This situation has been completely reversed. Poverty has been overcome; production can be secured without the threat of individual unemployment; yet paradoxically enough we are not free to reduce production for fear that producers will lose their incomes. A technical quality of the economic mechanism thus prevents us from shaping the quality of our wants and needs; rejecting the idol of efficiency; valuing marginal leisure as against marginal goods; choosing public services of health and culture

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Planning the economy is then the means of escaping the contradictions created in an affluent society between the fruits of an advanced technology and the demands of human existence. Maybe through long and painful crises these contradictions can, in principle, be resolved under a market system. The production level that is necessary for full employment may comprise the goods and services in the proportions that can be sold at a price to satisfy existing needs; the social balance can be shifted from private investment through taxation to public spending; working hours can be shortened through a rise in marginal wages; the competitive pressure for efficiency can be counteracted as a result of emerging new labor costs; even freedom can be spread and personal life enhanced by way of collective contracts stipulating protection to those who are prepared to suffer a loss of income for the privilege of a fuller personal life. In theory, then, all the requirements of a balance between the economic aspects of existence in an affluent society may be worked out through the strains and stresses of market processes, but it is as if a pilot first got rid of his eyesight before turning to the gadgets of blind flight. For the experiences and decisions underlying that balance should be the result of a formative power active in human society; shaping our wants and needs, harmonizing our material and moral needs, balancing work and leisure, freedom and its limitations.

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THE AFFLUENT SOCIETY

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