

Private MSS.

Lecture

Polanyi:

"Economics and
Freedom to Shape our
Social Destiny".

ECONOMICS AND FREEDOM TO SHAPE OUR SOCIAL DESTINY

Dogmatic belief in economic determinism in its different forms has become a chief obstacle to the progress of mankind. The total view from which pessimism results is this:

All thinking persons recognize the precariousness of the human condition to-day. Man is not a simple being, and he can die in more than one way. War or no war -- man, in the mental and moral cast for the sake of which we cherish our humanity, may be unable to maintain himself in the future in the technological environment which he has created. The Moscow Trials, Oswiecim, Hiroshima are portents.

Since the venture of a progressively artificial surrounding cannot, and, indeed, should not, be voluntarily discredited, we must adapt life in such a surrounding to the requirements of human existence. The problem of restoring meaning and unity to life in a machine civilization must be faced. But on whatever level we approach the question, whether that of cultural unity or emotional balance, or even only that of bare national survival adjustment implies fulfilling the requirements of social justice, as a consciously pursued human aim. It is here that grave doubts set in. For amongst the requisite of meaningful purpose stands for us the safeguarding of freedom of conscience, a demand which cannot be compromised without voiding all our other aims as well. Yet justice appears unattainable except at the cost of freedom, and that for reasons which seem to be rooted in economics. Laissez-faire appears therefore as the price we pay of freedom. For the freedoms we cherish -- and this cannot be gainsaid -- grew up in the interstices of our economy and must it is argued, necessarily disappear with it. Behind this and rigid odious economic determinism,

which we meet more and more often, there stand strong convictions both as to the preeminent role of the economic agent in our present world, and to its decisiveness in human history in general.

This appreciation of our total situation contains, I submit, both essential truth and radical fallacy. Justly we deem our institutions to be determined by the economic aspect of life, but quite mistakenly we ascribe this fact to some immanent and timeless quality of the economic as such.

The society we live in: In contrast to tribal, ancestral or feudal societies, ours is a market society. The institution of the market is here the basic organization of the community. Blood-tie, ancestor worship or feudal allegiance is replaced by market-relations. Such a state of affairs is new, for an institutionalized supply-demand-price mechanism-- a market-- was never more than a subordinate feature of social life. On the contrary, the elements of the economic system were found, as a rule, imbedded in other than economic relations, such as kin, religion, or charisma. The motives for which the individuals participated in economic institutions were not usually themselves "economic", i.e., they did not arise from fear of otherwise going without the necessities of life. It is precisely such a fear of individual starvation as an inducement to hunt, catch, till, or harvest, which was unknown in the majority of societies, in effect, in all except the society of classical laissez-faire, or such as were modelled upon it.

For never before the nineteenth century was the production and distribution of material goods and services in society organized through a market-system. This stupendous innovation was achieved by drawing the factors of production, labor and land, into that system. Labor and land were themselves made into commodities, that is, they were treated as if

they were produced for sale. Of course they were not actually commodities, since they were either not produced at all (as land), or, if so, not for sale (as labor).

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of an automaton running in its own grooves and governed by its own laws.

Market-economy thus created a new type of society. The economic or productive system was entrusted to a self-acting device. An institutional mechanism controlled the resources of nature as well as the human beings in their everyday activities.

In this way an "economic sphere" came into existence that was sharply delimited from other institutions in society. Since no human aggregation can survive without a functioning productive apparatus, this had the effect of making the "rest" of society a mere appendage to that sphere. This autonomous sphere, again, was regulated by a mechanism that controlled its functioning. As a result, that controlling mechanism became determinative of the life of the whole body social. No wonder that the emergent human aggregation was "economic" to a degree previously never even approximated. "Economic motives" now reigned supreme in a world of their own, and the individual was made to act on them under penalty of extinction.

In actual fact, man was never as selfish as theory demanded. Though the market mechanism brought his dependence upon material goods to the fore "economic" motives never formed with him the sole incentive to work. In vain was he exhorted by economists and utilitarian moralists alike to discount in business all other motives but material ones. On closer investigation he was still found to be acting on remarkably "mixed" motives, not excluding those of duty towards himself and others - - and maybe secretly even enjoying his work for its own sake.

However, we are not here concerned with actual, but only with assumed motives. For not on the psychology, but on the ideology of everyday life are views on man's nature built. Accordingly, hunger and gain were singled out as "economic motives" and man was supposed to be acting on them in practice while his other motives appealed more ethereal and remote from humdrum existence. Honor and pride, civic obligation and moral duty, even self respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word "ideal". Hence man was believed to consist of two components, one more akin to hunger and gain, the other to honor and power. The one was "material", the other "ideal"; the one "economic", the other "non-economic"; the one "rational", the other "non-rational". Utilitarian philosophers went so far as to identify the two sets of terms, thus endowing the "economic" with the aura of rationality. He who would have refused to imagine that he was acting for gain alone was thus considered not only immoral, but also insane.

The picture of man and society that was induced by this condition of affairs was this:

As regards man, we were made to accept the notion that his motives can be described as 'material' and 'ideal', and that the incentives on which everyday life is organized spring from the 'material' motives.

As regards society, the kindred doctrine was propounded that its institutions were 'determined' by the economic system.

Under a market-economy both assertions were, of course, true. But only under such an economy. In regard to the past, such a view was no more than an anachronism. In regard to the future, it was a mere prejudice. For this new world of 'economic motives' was based on a fallacy. Intrinsically, hunger and gain are no more 'economic' than love or hate, pride or prejudice. No human motive is per se economic. There is no

such thing as a sui generis economic experience in the sense in which man may have a religious, aesthetic, or sexual experience. These latter give rise to motives that, broadly, aim at evoking similar experiences. In regard to material production these terms lack self-evident meaning.

The economic factor, which underlies all social life, no more gives rise to definite incentives than the equally universal law of gravitation. Assuredly, if we do not eat, we must perish, as much as if we were crushed under the weight of a falling rock. But the pangs of hunger are not automatically translated into incentive to produce. Production is not an individual, but a collective affair. If an individual is hungry, there is nothing definite for him to do. Made desperate, he might rob or steal, but such an action can hardly be called productive. With man, the political animal, everything is given not by natural, but by social circumstance. What made the nineteenth century think of hunger and gain as 'economic' was simply the highly artificial and deliberate organization of production under a market economy.

But the market mechanism also created a delusion of economic determinism as a general law.

Under a market-economy, again, such determinism holds good. Indeed, the working of the economic system here not only 'influences' the rest of society, but determines it--as in a triangle the sides not merely influence but determine, the angles.

Take the stratification of classes in society. Supply and demand in the labor market were identical with the classes of workers and employers which personified them. The social classes of capitalists, landowners, tenants, merchants, brokers, professionals, and so on, were delimited by the corresponding markets for land, money, capital; their uses; or for various services. For the income of these classes was fixed by the market, their rank and position by their income.

While social classes were directly, other institutions were indirectly determined by the market mechanism. The forms of state and government, marriage and the rearing of children, the organization of science and education, religion and the arts, the choice of profession, habitation, settlements, the very aesthetics of private life had to comply with the utilitarian pattern, or, at least, not interfere with the working of the market mechanism on which the livelihood of all depended. It was almost impossible to avoid the erroneous conclusion that as 'economic' man was 'real' man, so that economic system was "really" society.

The stringency with which the market mechanism works was falsely imputed to the strength of economic motivation. As a matter of fact there was no connection between the two. The market-mechanism knows no other than rigid alternatives whatever the motives of the individuals be who participate in the market. The supply-demand-price system works in the same way whether the motives of the individuals are weak or strong, rational or irrational, utilitarian, political or religious. The discovery of economic determinism by 19th century thinkers was nothing else but the discovery of the market and the formal necessity by which it moves between inevitable alternatives are geared to the economic system or not, i.e. whatever the real or fictitious commodities transacted in the market. Economic determinism as a sociological phenomenon is co-terminous with market, outside of which it can exist only in a shadowy form.

So spurious are the foundations of economic determinism. Economic factors affect the social process in innumerable ways (and vice versa) but nowhere except under a market system are the effects more than limiting. Neither sociology nor history contradicts this thesis. And anthropologists rightly deny that the emphasis embodied in a culture is dependent upon technological or even economic organization. Attitudes

as opposite as cooperation and competition have been found to be prevalent in different societies endowed with almost identical tools and a very similar economic environment. What could be more vital to the whole cultural and moral atmosphere of a community than predominance of cooperative or competitive attitudes? What could prove deeper into the substance of man's ideal heritage than the distinction between the principles of solidarity and self-assertion? And yet even such extreme ideological divergencies are unaffected by economic factors.

Now, free institutions, I submit are no other than expressions of persuasive principles such as cooperation and competition, which until proof to the contrary should be deemed independent of the technological and organizational aspects of the economy. Freedom finds its institutional expression in the prize set on personality, integrity, character and non-conformity. Free institutions depend upon the valuation set on civic liberties. And as John Stuart Mill wrote, the organization of trade, whether public or private, is not a question of individual freedom, as he meant it. The freedoms involved in the organization of trade and business have but little to do with the valuation of freedom of conscience and their institutional safeguarding. The latter are a matter of the total culture of a society, and where emphasis lies in such a culture is not determined by economic factors.

It is not for the economist, but the moralist and the philosopher to decide what kind of society we should deem desirable. An industrial society has one thing in abundance, and that is material welfare more than is good for it. If to uphold justice and freedom to restore meaning and unity in life, we should ever be called upon to sacrifice some efficiency in production, economy in consumption, or rationality of administration, an industrial civilization can afford it. The economic historians' message to philosophers today should be we can afford to be both just and free.

ECONOMICS AND FREEDOM TO SHAPE OUR WORLD

Mr. Chairman:

I am greatly conscious of the responsibility entailed in the honor of addressing your meeting. I wish to discharge my obligation by putting before you sincerely, without reservation, and as briefly as I can, what I believe to be the burden of my message.

All thinking persons recognize the precariousness of the human condition today. man is not a simple being, and he can die in more than one way. War or no war - man, in the mental and moral cast for the sake of which we cherish our humanity, may be unable to maintain himself in the technological environment which he has created. The Moscow Trials, Auschwitz and Hiroshima are portents.

I submit that the main reason for the prevailing pessimism springs from the belief that capacity to shape our destiny is fatefully limited by what in popular parlance is called economics. This widely held belief results from a total view of the situation: Since the venture of a progressively artificial surrounding cannot, and, indeed, should not be voluntarily discarded, the task of adapting life in such a surrounding to the requirements of human existence must be resolved. So much is generally felt to be true. But on whatever level we approach the problem, whether that of cultural or emotional balance, or even only that of bare national survival, adjustment implies fulfilling the requirements of social justice, as a consciously pursued human aim. But at this point doubts set in. For high amongst the requisites of meaningful purpose stands the safeguarding of freedom of conscience, a demand which cannot be compromised without voiding our other aims as well. Yet justice appears unattainable except at the cost of freedom, and that for

reasons which seem to be rooted in 'economics'. The freedoms we cherish grew up and developed in the interstices of our economy and would necessarily disappear with it. This consciously or unconsciously held belief in economic determinism springs from a twofold conviction as to the all-pervasiveness of the economic agent and as to its preeminent role in our present world.

This appreciation of the situation contains both essential truth and radical fallacy. We justly deem our own institutions to be determined by the economic aspect of life, while we mistakenly ascribe this fact to some immanent and timeless quality of the 'economic'.

I will deal first with market-economy, as a society dominated by economic institutions, and then with the delusion of economic determinism induced by it.

In contrast to tribal, ancestral or feudal societies, ours is a market society. The institution of the market provides here the basic organization of the community. Blood-tie, ancestor worship or feudal allegiance is replaced by the cash-nexus. Such a state of affairs is new, for an institutionalized supply-demand-price mechanism - the market - far from being dominant in the past, was never more than a subordinate feature of social life. On the contrary, the elements of the economic system are found, as a rule, to be imbedded in other than economic relations, such as kin, religion, or charisma. The motives for which the individuals participate in the institutions comprising the elements of the economic system usually are not themselves 'economic', i.e., they do not arise from fear of otherwise going without the necessities of life. It is precisely fear of individual starvation as an inducement to hunt, catch, till, or harvest, which is unknown in the majority of societies, in effect, strictly speaking in all except the society of classical laissez-faire, or such as were modelled upon it.

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No more thoroughly effective fiction was ever devised. Labor and land were provided with markets of their own similar to commodities proper.

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While social classes were directly, other institutions were indirectly determined by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life had to comply with the utilitarian pattern, or, at least, not interfere with the working of the market mechanism. It was almost impossible to avoid the erroneous conclusion that as 'economic' man was 'real' man, so the economic system was 'really' society.

Even acute observers falsely imputed the stringency with which the market mechanism worked to the supposed pressure of economic motivation. In point of fact, there was no connection between the two. The supply-demand-price mechanism will necessarily balance, whether the motives of the individuals be rational or irrational. Utilitarian motives per se are notoriously less effective with most persons than so-called emotional ones.

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Anthropologists justly deny that the emphasis embodied in a culture

is dependent upon technological or even economic organization. *Alludes as*

appropriate Cooperative and competitive ~~attitudes~~ *for instance* have been found to be prevalent

in societies of ~~close~~ *endowed with identical* similar ecological environment and tools of

production. Yet what could be more vital to the whole cultural and

moral atmosphere of a community than ~~this~~ *and distinction* distinction? What is

freedom, *an other* but ~~one~~ *governing* of those pervasive principles of the appreciation of

human attitudes which finds its institutional expression in the prize

set on personality, character, integrity, moral courage and non-conformity?

Free institutions depend upon the valuation set on freedoms, on civic

liberties, and on ~~nothing~~ *none* else. As John Stuart Mill wrote, the organization

of trade, whether private or public, is not a question of individual freedom.

If contempt of freedom is spreading, it is not on account of the present

economic system, nor anything inherent in the economic; it is because we

are weary of freedom.

We are free to shape our world. An industrial society can afford to be just as well as free.

Personal freedom should be upheld at all cost - even that of efficiency in production, economy in consumption, or rationality in administration. An industrial society can afford to be free.

but an idea by these persons (un-expected) like coop and competition
Apart from it

Outside of it
Economic factors affect the social process in innumerable ways, and *vice versa* vice versa, but neither is more than a

Restricting ~~effect~~ *effect* noticeable.

Neither drags or hinders *but hinders*