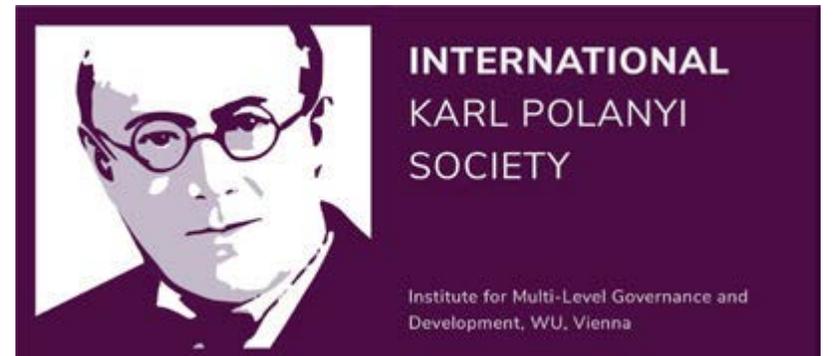


# Karl Polanyi and the Double Transformation

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Gala Event  
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Chamber of Labour Vienna



# Karl Polanyi

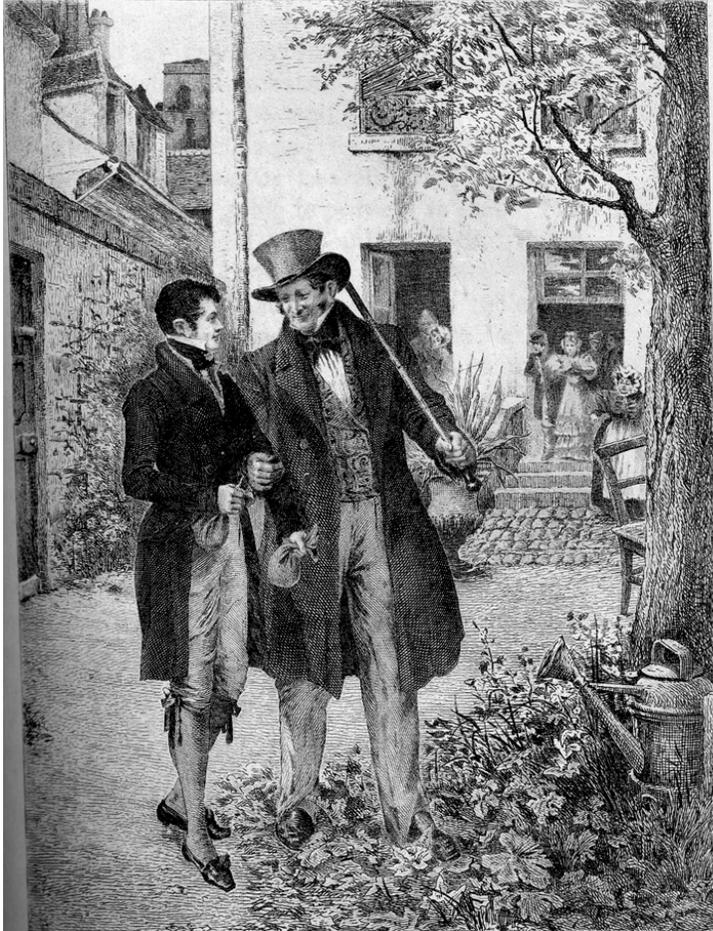
Lifelong journey, never-ending research process:

- Hungary, Vienna, England, North America: Two world wars, sharpest ideological and cultural antagonisms, changing political conditions, shifting social environments: incredible variety of topics and issues - he truly lived a world life.
- Remarkable continuity in his world of thought from early days to the publication of 'Coexistence': the problem of freedom in a complex society

The focal point:  
the problem of freedom in a complex society

- “How can we be free, in spite of the fact of society? And not in our imagination only, not by abstracting ourselves from society, denying the fact of our being interwoven with the lives of others, being committed to them, but in reality, by aiming at making society as ‚übersichtlich‘, as family’s inner life is, so that I may achieve a state of things in which I have done my duty towards all men, and so be free again, in decency“ (Karl Polanyi 1925, letter to a friend)

# The philosophy of the killed mandarin and the current situation of mankind



„I have already killed my 34th mandarin.“

In *Father Goriot* by Balzac

# The four dimensions of Polanyi's notion of freedom

1. „negative freedom“: Freedom from what?
2. „positive freedom“: Freedom through what?
3. “substantial freedom”: Freedom for what?
4. “social freedom”: Freedom for whom?

Changing political conditions & shifting environments

# The double transformation: 'concrete present realities' and the 'socialist direction'

In an article, published in 1925 in the Viennese Journal 'Der Kampf' Polanyi expresses his conviction "that an active understanding of the transformative process in which we are participants is part of the essence of this process itself. ... socialist theory is therefore called on not to aim to construct the theory of the future socialist economy in a historical vacuum but to interpret **concrete present realities** in a **socialist spirit** and through this **to steer them in a socialist direction**".

Two questions:

- I. What are the "concrete current realities" that characterize the ongoing transformation?
- II. What does it mean to interpret the transformation in the "socialist spirit" and to steer it "in a socialist direction"?

# The 1920s in Vienna

- I. What are the “concrete current realities” that characterize the ongoing transformation?
  - Red Vienna: World War I, Bolshevik revolution, breakdown of the Habsburg dual monarchy, 1919 elections: absolute majority SPÖ in the city parliament; real possibility of a socialist transformation. What are the obstacles? Proposals of an administered economy (Bauer, Neurath, ...)
  - Mises’ attack (socialist calculation debate), complex technological civilization, global division of labor: in socialism rational economic calculation is impossible! There is no alternative to price-making markets if economic rationality is to be secured!

# The 1920s in Vienna

II. What does it mean to interpret the transformation in the “socialist spirit” and to steer it “in a socialist direction”?

- In a complex technological society the **overview problem** is vital! No socialist economy without a new answers to the overview problem.
- Mises' plea for a self-regulating market system is as utopian as central planning
- Overview cannot be replaced by a soulless mechanism (competition). Only democratic forms of decision making can provide increasing overview
- Elements within the market society: labor unions, consumer cooperatives.
- Socialist direction: gild-socialism, functional democracy ...

# From the 1930s to the 'Great Transformation'

- I. What are the “concrete current realities” that characterize the ongoing transformation?
  - Great Depression, fascism, collapse of the European civilization of the 19<sup>th</sup> century. What are the reasons?
  - Neoliberal interpretation: double movement, liberalism and protectionism, fascism as the outcome when the alleged utopian ideas of democratic socialism prove impossible.

# From the 1930s to the 'Great Transformation'

II. What does it mean to interpret the transformation in the “socialist spirit” and to steer it “in a socialist direction”?

“Liberal writers like Spencer and Sumner, Mises and Lippmann offer an account of the double movement substantially similar to our own, but they put an entirely different interpretation on it. ... The question as to which of these two views is correct is perhaps the most important problem of recent social history”.

- In Europe the double movement ended in a deadlock (democracy versus economy) which provoked the collapse
- Adult education, reform of consciousness

# After World War Two

- I. What are the “concrete current realities ” that characterize the ongoing transformation?
  - Welfare state: social goals versus competitive market system (“market-compliant intervention”, „embedded liberalism“)
  - The machine age  
New technological challenges: nuclear industry, mass media  
The imprints of the machine: efficiency, automatism and adjustment
  - Market view as a veil obscuring the challenges of a technological civilization
  - East-West-conflict, cold war  
Intolerance, passion for moral absolutes

# After World War Two

II. What does it mean to interpret the transformation in the “socialist spirit” and to steer it “in a socialist direction”?

- “The nineteenth century gave birth to two sets of events of a very different order of magnitude: the machine age, a development of millennial range; and the market system, an initial adjustment to that development. ... The machine age has come to stay. It is our fate. We must learn to live with it, if we are to live at all”
- “The search for industrial democracy is not merely the search for a solution to the problems of capitalism, as most people imagine. **It is a search for an answer to industry itself. Here lies the concrete problem of our civilization**”.
- “Such a new dispensation requires an inner freedom for which we are but ill equipped. ... If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition”.
- Institutional reform in direction of protection of personal freedom
- Questioning universalism, strengthening of tolerance and coexistence

# Today

- I. What are the “concrete current realities” that characterize the ongoing transformation?
  - New technological challenges: nuclear industry, digitalization, big data, artificial intelligence, mass media, genetic engineering, ...
  - Ecological disasters of the anthropocene: climate change, extinction of species ...
  - Imprint of the machine on everyday life, culture ...,
  - Blindness of the market view of society towards the dangers inherent in a technological civilization
  - Increasing significance of moral and social questions
  - Contradictions of embedded liberalism: globalized economic and financial system versus national welfare state (parallels to the 1930s), forced financialization, commodification ...

# Today

II. What does it mean to interpret the transformation in the “socialist spirit” and to steer it “in a socialist direction”?

- Enlarging overview, retrieving decisions into society: what and how to produce, distribute, invest, decide which needs of which people should be met and which not, new technologies ... . (Neoliberal politics delegates all these choices to market competition. Result: irrational, arbitrary and **irresponsible** decisions.)

## **Starting points:**

- Decommodification of fictitious commodities: politically created, ‘artificial’ markets
  - Deconstruction of economic globalization, selective deglobalization (global division of labor does not necessarily mean global competition), ‘regional planning’, international cooperation
  - Basic goods do not have to be commodities, decision making ‘from below’, starting from the local level
- New **forms of democracy** on local, communal, regional, national and international levels

# Today

II. What does it mean to interpret the transformation in the “socialist spirit” and to steer it “in a socialist direction”?

- Preventing a new impasse between the economy and society: working for systematic democratic decision making instead of spontaneous social protection
- Aiming at ‘a good life for all’ instead of focusing mainly on ‘efficiency in production’, ‘growth in consumption’ or ‘rationality in administration’  
Maxim: “An industrial society can afford to be free”
- Developing an explanation (a narrative) of the ongoing social transformation from a democratic point of view
- Demonstrating the exceptional character of the market society: “Such an organization of economic life is entirely unnatural, in the strictly empirical sense of exceptional”