Human Freedom and the ‘Reality of Society’

Origins and Development of Karl Polanyi’s Ideas during the Interwar Period

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Abstract

Karl Polanyi’s most famous book, The Great Transformation contains several ideas and theoretical notions which are at the heart of long-lasting controversies throughout the social sciences. Categories such as ‘double movement’, ‘embeddedness’, ‘disembedding’, ‘market society’, or ‘social freedom’ have proved to be fruitful notions not only in anthropology, but also in sociology, political sciences, and economic history. The recent three volume publication of Karl Polanyi’s writings during the interwar period – including published articles and unpublished manuscripts – opens for the first time the possibility to have a closer look at the origins and the development of some of Polanyi’s concepts during the interwar period. In the paper titled “Human Freedom and the ‘Reality of Society’ – Origins and Development of Karl Polanyi’s Ideas during the Interwar Period,” Claus Thomasberger addresses Polanyi’s idea of a polar relationship between human freedom and the ‘reality of society’. The paper offers new insights, discussing central questions which are crucial to the understanding of Polanyi’s reasoning: Where are the roots of his central categories? What influence did Marx have on Polanyi’s thinking? What is the relationship between Polanyi’s approach and the Austrian School of Economics? Is it appropriate to read his work in terms of an institutional approach? In order to give an answer to these questions, the paper goes back not only to the 1930s, but to the 1920s as well. As it demonstrates, Polanyi had already developed the core ideas of his thinking in Vienna, participating actively in the discussions between the Austrian School of Economics and Austro-Marxism about the possibilities of a socialist society.

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1. Introduction

Karl Polanyi’s most famous book, *The Great Transformation*, which was written during World War II, contains several ideas and theoretical notions which are at the heart of long-lasting controversies throughout the social sciences. Categories such as ‘double movement’, ‘embeddedness’, ‘disembedding’, ‘market society’, or ‘social freedom’ have proved to be fruitful notions not only in anthropology, but also in sociology, political sciences, and economic history. The recent three volume publication of Karl Polanyi’s writings during the interwar period – including published articles and unpublished manuscripts – opens for the first time the possibility to have a closer look at the origins of some of Polanyi’s concepts.¹ In this paper I will address one of the notions, Polanyi’s idea of a polar relationship between human freedom and the ‘reality of society’.

The relationship between human freedom and the ‘reality of society’ is the central theme of the final chapter of *The Great Transformation*. His principal proposition in this chapter is that with the end of the market society, i.e. during the interwar period, any idea of freedom which denies the reality of society has become obsolete. The liberal adherence to an outmoded and illusionary view of freedom contributed, according to Polanyi’s exposition, to the defeat of democracy and the rise of fascism. Therefore, he regards it as indispensable to substitute the socialist idea of freedom which recognises the ‘reality of the society’ and upholds the claim to freedom² for the liberal notion.

Yet, from today’s point of view, there are at least two difficulties: Firstly, it is not easy to follow Polanyi’s argument that the only alternative to the fascist attack on freedom was the ‘socialist’ notion of freedom. Obviously, not fascism, not socialism, but a remodelled version of liberalism emerged as the most important interpretation of freedom and the driving force of

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¹ Polanyi 2002/03/05.
² Cfr. Polanyi 1944, 258A.
institutional change after World War II. Secondly, it is difficult to understand what the ‘socialist’ notion of freedom is all about. Polanyi’s proposal to resign oneself to the reality of society and uphold the claim to freedom is difficult to grasp. What is the notion of freedom which Polanyi refers to? What does he mean by ‘reality of society’? What kind of relation does Polanyi see between freedom on the one hand and the ‘reality of society’ on the other? And why does he use the verbs ‘accept’, ‘resign to’ and ‘recognize’? How should it be possible to resign to the reality of power and economic value and, at the same time, uphold the idea of freedom? And last but not least: Isn’t Polanyi’s idea of freedom, considered from today’s point of view, a highly utopian and illusionary idea?

Polanyi does not tell us very much about the origins of the ideas exposed in this last chapter of The Great Transformation. He does not tell us what kind of liberalism he assesses, nor why he calls his own proposal ‘socialist’. What kind of socialism does he have in mind? What is the relationship between his idea and Marxism? Where are the roots of his central categories? In order to give an answer to these questions we have to go back not only to the 1930s, but to the 1920s as well. As I will show in the following sections, Polanyi had already developed the core ideas of his thinking in Vienna, participating actively in the discussions between the Austrian School of Economics and Austro-Marxism about the possibilities of a socialist society. In order to comprehend the significance of Karl Polanyi’s contribution we must revert to ‘Red Vienna’.

2. Vienna: On the Fringes of Austro-Marxism

If we consider Polanyi’s Vienna writings, starting from the Sozialistische Rechnungslegung (Socialist Accountancy), Neuere Erwägungen zu unserer Theorie und Praxis (New Considerations Regarding our Theory and Practice), Über die Freiheit (On Freedom) and Zur Sozi-
alisierungsfrage (Contribution to the Question of Socialisation),³ we find – notwithstanding all differences in language and style – that the core idea, i.e. the concept of a polar relationship between freedom on the one hand and the ‘reality of society’ on the other hand, plays a key role in Polanyi’s reasoning already during the 1920s.

Polanyi prepared these texts for discussions with students and scholars who held a position on the fringes of Austro-Marxist theory. In the mid-twenties he had turned, together with a group of interested students (including his friend of later years, Felix Schafer), to the original Marx, both the economic texts (Das Kapital, amongst others), and the early writings.⁴ The discussion was directly influenced by leading Austro-Marxists theorists such as Max Adler, Otto Bauer, or Rudolf Hilferding.⁵ It was in these discussions that the idea of a polar relationship between freedom and the “spiritual realities, which exist and function independent of the will and of every single person, i.e. which have an objective existence”⁶ appeared. The paper On Freedom is central for our discussion. It consists, fundamentally, of an interpretation of Marx’s theory of reification and alienation respectively.

The whole question of freedom in modernity, i.e. in an industrial society, according to Polanyi’s basic view expressed in On Freedom, embraces the relationship between these two poles, the autonomous and responsible individual who is the author as well a) of his destiny (individual freedom: personality) as b) of his social organization (social freedom: community) on the one hand, and those inhuman realities, those ghostly processes, like economic value, capital, and labour that appear to us as reality on the other hand. The idea of freedom based on responsibility is the positive pole. Its origins, according to On Freedom, can be traced back to

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⁴ The greater part of Marx’s early writings – from the dissertation to the articles of the Rheinischen Zeitung, the Deutsch-Französische Jahrbücher (including ‘Zur Kritik der Hegelschen Rechtspolitik’, ‘Zur Judenfrage’ etc.) and the Neue Rheinische Zeitung to writings like ‘Die heilige Familie’ – were available to Polanyi. Compare Mehring, W. (ed.) 1902: Aus dem literarischen Nachlass von Karl Marx, Friedrich Engels und Ferdinand Lassalle (From the Literary Heritage of Karl Marx, Friedrich Engels and Ferdinand Lassalle), Stuttgart.
⁵ Cfr. for example Adler 1922, Bauer 1919, and Hilferding 1904.
the period of the early Enlightenment. Its most pure form it had assumed in Calvinism. Freedom is a value category, but, at the same time, it is a notion which is based on the development of Western civilisation. The core of the ideal of social freedom is the idea that, in principle, the mode of economic organization can be agreed upon freely by autonomous individuals.

“To be free means to be answerable to, and only to, one’s own consciences”,\(^7\) he states. In pre-bourgeois times freedom was achieved exclusively in the responsibility to oneself while the ethical significance of the state, the society etc. were denied in the name of the individual. But this idea of freedom could be applied consistently only as long as every citizen could see himself essentially as an isolated body within a disintegrating corporative society. The rise of modernity and the decline of the idea of a divine order to conform to, and – to use the words of Max Weber – the ‘disenchantment’ of the world, had the consequence that the society as a whole could no longer be taken for granted and understood in terms of traditional canons but had to be regarded as created by free and responsible human beings. According to Polanyi in *On Freedom*, the idea of freedom already became problematic and contradictory with the advancement of the modern society since for the bourgeois it was no longer possible to separate his (bourgeois) society from his own actions and responsibilities for his part in it.

“The true significance of social freedom is based on the actual relation of one human to another. It forces this demand upon us through the double realization that on the one hand there is no human relation which is without social consequences and that on the other hand in society there is no and there can be no existence, no power, no structure, no law that is not based on the behaviour of individual beings. For the socialists, ‘to act freely’ means to act in the consciousness of the fact that we have the responsibility for our part of human relationships – outside of which there is no social reality, that we must carry this responsibility. To be free, therefore, no longer means, as in the typical ideology of the bourgeois, to be free from duty and responsibility, but rather to be free because of duty and responsibility. It is not the freedom of those who are relieved of choices, but of those who choose, not the freedom of an unburdening, but of self-burdening, not a form of freeing oneself from society, but the basic form of social connectedness, not the point where solidarity with others ends, but the point at which we take up the unshiftable responsibility of society ourselves”\(^8\).

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\(^7\) Polanyi 2005/Freedom, 144.
\(^8\) Polanyi 2005/Freedom, 146-7 (emphasis by K. Polanyi).
The polarity between social freedom and responsibility on the one hand and the reality of objective, self-regulating entities such as value, price and power on the other, are already the pivot of Polanyi’s theoretical reasoning in the 1920s. Polanyi criticises the market economy not only because of economic failures, unemployment, and social injustices. His fundamental critique is that the market society involves an ethical contradiction. That is what the ‘socialist’ idea of freedom in *On Freedom* is all about. Socialists know about their responsibility for values and power, and they carry this responsibility, even if they recognize that they, as single persons, have no influence on them. Socialists live this contradiction and, at the same time, they aim at a society which overcomes this conflict. In the 1920s Polanyi relied on Socialism as the solution to an ethical contradiction.

The ‘bourgeois’ idea of freedom on the other hand denies the objective and self-regulating properties of the market mechanism in the name of freedom and responsibility. The ‘bourgeois’ idea, according to Polanyi, is an illusionary idea of freedom because it negates the ethical contradiction by denying the reality of all institutional arrangements which are not reducible to human wishes and will. The traditional liberal thinking (i.e. liberal thinking before and after World War I) recognized as real only what was determined by our volition and, therefore, we are responsible for. As a consequence, for the liberal theories economic values and prices are real only insofar as they can be deduced from subjective valuations. But, according to Polanyi, this is untenable because values, prices and power do exist independent of our wishes and will. The market mechanism and the state operate like objective mechanisms which influence, and often determine, our lives. Their objectivity cannot be denied – as little as the fact that they are grounded in human action and that we, therefore, have to carry responsibility for their development. The ethical contradiction cannot be overcome by simply denying the reality of objective mechanisms and institutions.

The interesting point here is that it is primarily not the positive pole of the polarity where the point of view of the socialists and of the liberal economists before and after World War I
diverge. When Marx speaks of a “community of free individuals”,\(^9\) v. Wieser of a “com- 
munist state”,\(^10\) or Menger of a “true social economy”,\(^11\) they all refer to the idea of freedom 
in terms of community, oversight, transparent and direct human relationships as well as free 
and responsible action. And also L. Walras states that “the appropriation of things by persons 
... is a relationship among persons ... the mode of appropriation depends on human decisions 
... Appropriation being in essence a moral phenomenon, the theory of property must be in 
essence a moral science”.\(^12\) Even if, from the viewpoint of today, this notion of freedom may 
seem a highly utopian concept, we have to recognize that it is the idea of freedom which in 
the last decades of the 19\(^{th}\) and the beginning of the 20\(^{th}\) century dominated not only socialist, 
but also liberal thought.

The differences between Polanyi’s and the exponent’s of the Austrian School of Economics 
points of view become visible when we take into consideration the relationship between 
the positive notion of freedom and the negative pole, the objective structures which the mar-
ket society generates. While the socialists are aware of the reality of reified institutions, of the 
polarity, and therefore, of the contradiction between both extremes, traditional liberalism de-
nies both the conflict and the reality of the negative pole entirely. From their point of view, 
political power was of no importance since the less it influenced society the better the market

\(^9\) “Let us picture ... a community of free individuals, carrying on their work with the means of production in common, in which the labour power of all the different individuals is consciously applied as the combined labour power of the community. ... The total product of our community is a social product. ... The social relations of the individual producers, with regard both to their labour and to its products, are in this case perfectly simple and intelligible, and that with regard not only to production but also to distribution” (Marx 1867/490/87, Chapter 1, Section 4, The Fetishism of Commodities and the Secret thereof).

\(^10\) “We shall think of the communistic state as the perfect state. Everything will be ordered in the best possible way ... Natural value shall be that which would be recognised by a completely organic and most highly rational community”(Wieser, 1889/93, Book II, Chapter 6, Natural Value).

\(^11\) In “a true social economy that is in an economy whose purpose would be the highest welfare (the fullest satisfaction of needs) for all the members of society, which would be attainable in given economic situations, political leaders should be strongly concerned in taking into account social wants” [,in einer wahren Volkswirtschaft, d.h. in einer solchen, deren Ziel die höchste bei der jeweiligen gegebenen ökonomischen Sachlage erreichbare wirtschaftliche Wohlfahrt (die möglichst vollständige Befriedigung der Bedürfnisse) aller Mitglieder des Volkes wäre, würden die Leiter derselben das größte Interesse an der Feststellung des Volksbedarfes ... haben”] (Menger, 1923, 49).

\(^12\) Walras, 1874/1926/54, 77-79.
system functioned. And economic values and prices did not create a problem for liberal reasoning as long as they could be explained referring to the will and the subjective utility valuations of the individual actors.

What are the origins of Polanyi’s point of view? If we follow his reasoning, Rousseau’s ‘social contract’ and Kant’s ‘categorical imperative’ can be considered two early attempts to resolve the contradiction in theory. But their answers were, according to Polanyi, of limited significance since within the bourgeois world, i.e. the market society, the contradiction was a real, and not only a theoretical, contradiction. Only a change in the social organization of society could solve the contradiction in reality. From a sociological point of view, the origin of the contradictions is the market society itself insofar as it is based on social reifications – the self-regulating market system, state etc. – which were not subject to the volition of the individuals, even if they were not natural, but a result of human action. Here is the direct link to Marx’s theory of reification. In On Freedom Polanyi refers to Marx in the following way:

“‘Capital’ and ‘Labour’ … confront each other independent of the will of individual capitalists and labourers. And more: Capital gains interest, supply and demand meet in the markets, crises interrupt production. Again and again it is the case that despite available machinery and natural resources, employable work forces and pressing, unsatisfied needs the production apparatus stands still as if lamed and no earthly power would be able to set it once again in motion. Not human will, but prices decide which direction labour must go. Not human will, but interest rates command capital. The capitalist is just as defenceless against the laws of competition as the labourer. Capitalists, like labourers, like people in general appear as a mere accessory on the business stage. Only competition, capital, interest, prices and so forth, are the real and functioning objective facts of society here, the free desire of human beings is only a mirage, only a sham. Marx saw in these facts a problem. He asked: How can lifeless objects, like machines and natural resources, overwhelm living beings? How can the prices of goods, not stuck onto them by nature, become qualities of these goods like the material from which they are made? How can machines carry interest, as if they were trees whose fruit one could pluck? Or even more generally: What is the essence of this ghostly process that appears to us as reality under capitalism? From where do the laws derive that this reality must follow? Asked in such a way, the question was as good as answered: these apparently inhuman realities are in their most essential form nothing more than the result of certain relationships in the human world. They are results of relations between persons and, indeed of such relations which they contract as economic actors among each other – or in short – of their productive relations”.

Indeed, not only On Freedom, but the greater part of his ‘socialist writings’ in Vienna between 1922 and his emigration in 1933 – his articles and the countless lectures he prepared for

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socialist students – are interpretations of Marx’s theory of reification and the question of how to create forms of democracy which would allow the transformation of reified structures in direct and transparent personal relations.

Concerning the polarity between freedom and the reality of society, at least three aspects are important here:

1. The first pole, freedom, responsibility, transparent human relationships, and community – i.e. social relations which allow the individuals to take over their responsibility – are not only considered an ideal but also the ultimate reality of society. They are the eternal, unchangeable reality, the essential aspect behind the reified world.

2. He accepts Marx’s thesis that capital, labour, economic value and other ‘objectivations’ are in contradiction to freedom based on responsibility because the fact that they are independent of human will, that they follow their own laws, and that they regulate themselves makes it impossible for the individual to carry the responsibility for his part of human relationships. Polanyi follows Marx insofar as he considers reification an historical reality, linked to the capitalist or market society. We may call it the phenomenal aspect of social reality.

3. How can the contradiction between freedom and reified structures be overcome? Here again, Polanyi follows Marx in regarding the future as the solution of the contradiction. Marx’s idea of ‘a community of free individuals’ is and remains Polanyi’s point of reference.

The main differences between Marx and Polanyi is that the latter regards reification not as an objective reality due to historical ‘laws’ which can be overcome only by a ‘revolution’ of existing property relations, but as something which depends mainly on a lack of ‘oversight’ (Übersicht). According to Polanyi it is possible to enlarge freedom and reduce reification by deepening democratic decision-making. His main concern, therefore, is not the existence of private property, but the question of how to increase oversight, transparency, and democracy.
As opposed to Marx, Polanyi never tries to explain reification by referring to objective necessities. He agrees neither with Marx’s philosophy of history, nor with the theory of labour-value. Along with Felix Schafer and other students of his Seminar he tries to comprehend the social reification in terms of side-effects, unintended consequences, and – to use a notion of Karl Popper – ‘the unintentional results of human action’.\textsuperscript{14} Polanyi accepts Marx’s idea that capitalism (or the market society) has the character of a specific and distinguished social structure. But in Polanyi’s vision, reification, even under the conditions of the market society, is not all-embracing, and it can be deconstructed gradually by introducing democratic forms of decision-making. Even if he agrees that “the final stage of freedom we will have reached when the social relations of man will be as clear and transparent as in a family or in a real communist community”,\textsuperscript{15} Marx’s distinction between capitalism and communism is in Polanyi’s eyes essentially the description of two theoretical extremes.

Polanyi’s vision in the 1920s clearly includes the recognition of the reality of value, prices, and power in the sense that they are recognized as part of the present social organization. He does not deny the reality of those entities, but at the same time he does not accept their reality because his aim is to abolish these social ‘objectivations’ in full. Therefore, Polanyi sometimes calls the reified entities a ‘ghostly reality’, a ‘pseudo-reality’, ‘apparently real relationships’, or a ‘spectral world’. He knows about the existence of the phenomenal categories, but the only ultimate reality is and remains the essential aspect: “The relations of living persons towards one another are the only real relationship in society: those apparently real relationships can theoretically be dissolved into human relations. Under capitalism, this dissolv-

\textsuperscript{14} In ‘The Open Society and its Enemies’ Karl Popper explicitly mentions discussions with K. Polanyi about this topic: “I owe the suggestion that it was Marx who first conceived social theory as the study of the unwanted social repercussions of nearly all our actions to K. Polanyi who emphasized this aspect of Marxism in private discussions (1924)” (Popper 1945/50, 668).

\textsuperscript{15} Polanyi, 2005/Freedom, 150.
ing can only happen in the mind: it remains a theoretical insight of sociology. To transform it into practice, to put it in reality, is the task of socialism”.

The problem on which his work concentrates is the question of how to overcome the ‘objectivations’ theoretically and in practice. Democracy is at the centre of Polanyi’s thinking exactly because he looks upon democratic decision-making as the only way to triumph over the reified reality of the market society. Starting from the ‘Socialist Accountancy’ in 1922, his writings during the 1920s in Vienna – besides his journalistic works for the Österreichische Volkswirt – are concerned with the possibilities of ‘oversight’ (transparency), functional democracy and other institutional innovations which should occupy the place of the price-mechanism. The question of how to overcome reification is the main reason for Polanyi’s interest in functional democracy, guild socialism, and in English socialist ideas in general – an interest which had started already in Budapest and accompanied him during all his life. The ideas of Bertrand Russell, John Hobson, Richard Tawney, and G. D. H. Cole pertaining to the meaning of community, freedom, peace, democracy, de-centralization, and pluralism became decisive for Polanyi’s thinking. Especially Cole’s fundamental idea that socialism should be regarded not as primarily an economic but an ethical proposal was very near to Polanyi’s own convictions.

There can be no doubt that the roots of Polanyi’s reasoning in the last chapter of The Great Transformation lie here, in the debates with socialist students in the 1920s in ‘Red Vienna’. Surely, there is a change in language. Instead of the ‘ideology of the bourgeois’, in The Great Transformation he uses the term ‘liberal ideology’. The categories ‘self-regulation’ and ‘institutional separation of the political and economic sphere’ are substituted for the notions ‘reification’ and ‘objectivation’. But the core ideas are unchanged. The notion of social freedom based on responsibility and of the polarity between social freedom, responsibility and

16 Polanyi 2005/Freedom, 141.
18 “Guild Socialism was fundamentally an ethical and not a materialist doctrine” (Cole 1956, 246).
‘the reality of society’, the cornerstone of his reasoning, were already developed in full in Vienna. And the critique of liberal ideology, too, is the same as two decades later.

The only relevant difference between the position he took in the writings in Vienna and *The Great Transformation* is that in the former Polanyi does not accept in full – or resign to – the ‘reality of society’, but, following Marx, considers the ‘reality of society’ the problem of a vanishing historical epoch. The future socialist society is regarded as the solution of the conflict between freedom and the reality of society by overcoming the latter. Social freedom is regarded not only as the essential aspect of human life but also as the reality which should be realized in the future. Socialism equates a truly human society. It equates the realization of social freedom in a future society. In order to understand Polanyi’s thinking we have to remember that we are in ‘the Epoch of Socialism’. As L.v. Mises, certainly not a friend of socialism, wrote in the introduction of his book, published in 1922: “Socialism is the watchword and the catchword of our day. The socialist idea dominates the modern spirit. The masses approve of it. It expresses the thoughts and feelings of all; it has set its seal upon our time. When history comes to tell our story it will write above the chapter ‘The Epoch of Socialism’”. From a socialist point of view under the conditions of the 1920s in Vienna there was definitely no reason for resignation.

### 3. England and the Christian Left

Polanyi adheres to this position when he, fleeing the fascist attacks, arrives in England. Analyzing *The Essence of Fascism* in his contribution to the book *Christianity and Social Revolution*, he expresses basically the same idea as in his Vienna writings. Fascist philosophy is grounded in the world of reified and objectified human relations, he writes. “In Spann's phi-

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19 Mises, L.v. 1922/81, I.1.

losophy it is precisely the self-estranged condition of man which is established as the reality of society … Yet it is denied that there is self-estrangement”.21 So as to stand up for freedom he sticks to the idea that only society in terms of a relationship between persons can be regarded as the ultimate reality. The defense against fascism, he states in the last sentence of the article, will be effective “as long as we continue to conceive of society as a relationship between persons”.22

It is only in the following years that a slight but significant change of his position can be observed. Again it is the discussion about Marx which is the starting point. These discussions took place within the Auxiliary Christian Left Movement (later simply ‘Christian Left’). In the 1930s the Landshut-Mayer-Edition of Marx’ early writings was available for Polanyi, and – obviously because of the background of the discussion – the Christian interpretation of man and society became a main point of the contention.

Polanyi discovered in these discussions that the polarity between freedom and the reality of society could be traced back to the tradition of Christianity. Or more exactly, in the manuscript *Christianity and Economic Life*, written in the second half of the 1930s, he expressed the conviction that there was a direct link between Marxism and Christian thinking. “Marx started his career as a philosopher with an unpublished work called ‘Kleanthes’ (1836) which he himself described as ‘A Philosophical and Dialectical Treatise on the Nature of Divinity’”.23 The Christian interpretation of the polarity between freedom and the reality of society, the continuity, but also the differences between the Christian ideas, Marxism and his own view developed in Vienna are at the centre of the manuscript. The Christian axiom he describes in the following words:

“The Christian axiom about the essence of society is of the utmost boldness and paradoxy. It can be put in the simple phrase that society is a personal relationship of individuals. Now, to regard society thus means to disregard altogether the share of institutional life and of other im-

22 Polanyi 1935, 394.
23 Polanyi 2005/Christianity, 256
personal forces in social existence. In a sense it is the complete denial of the objective existence of society. A tension is created between the phenomenal and the essential aspect of man’s social existence – a metaphysical hiatus which in Christianity is bridged by a definite ethical urge. It is our task to make society conform to its essence. Christian social philosophy becomes the elaboration of an ethical axiom.”

From our point of view the discrepancies between the Christian and his own vision of the polarity are the most interesting point. Two differences are at the centre of Polanyi’s discussion.

Firstly, Polanyi criticizes the Christian interpretation because it does not lend weight to nor consider the phenomenal aspect of man’s social existence - i.e. the reified institutions - a reality, not even in the sense of a historical reality. Christianity simply denies the objective existence of society. “Society as such, as an aggregate of functional institutions … is no concern of the Christian. His concern is with the individual in community, not with society.” Although community, according to the gospel, cannot exist apart from actual society, Christianity “is indifferent towards society and history as such”. This critique is similar to what we find in The Great Transformation when he, referring to Robert Owen, criticises “the ‘individualization’ of man on the part of Christianity” which is “inapplicable to a complex society”. From this point of view he regards Marxism “as an outstanding contribution to so-called ‘Christian Sociology’” because it fills that gap and creates a link between community and society in a given place and time.

Secondly, Polanyi recognizes that, from another point of view, Christian reasoning seems superior to – at least to any positivist interpretation of – Marxism. Christian thinking regards the defence and the enlargement of freedom as an ethical maxim, as a task, i.e. it does not fall into the trap of positivism, i.e. it does not consider freedom and community a coming reality, a positive truth to be fulfilled in the future. In other words: from the Christian point of view, community and freedom are not in the first place positive, but normative categories. There-

24 Polanyi 2005/Christianity, 252.
26 Polanyi 1944, 128 and 258A.
27 Polanyi 2005/Christianity, 256.
fore, social sciences which took seriously this position could not simply be a positive science similar to the natural sciences, but had the character of ‘the elaboration of an ethical axiom’.

This interpretation was obviously reinforced by further discussions about the relationship between Marxism and Christianity which took place during the ‘Training Week-ends’ of the Christian Left in the years 1937/38. In *Notes from Christian Training Week-ends* the critique of the bridge which regards freedom as the reality of a future socialist society becomes more explicit. Here we read:

> “Marxist socialism silently assumes that society can be perfect. Such an assumption is foreign to the Christian. State and society are by their very nature imperfect. Community transcends society. Not because man is evil, but because society is necessarily imperfect. No society can be the realisation of community. Power and value are inherent in society; political and economic coercion belong to any and every form of human co-operation. It is part of the ineluctable alternative of human existence that we can choose only between different kinds of power, and different uses to which to put it, but we cannot choose not to originate power or not to influence its use once it has been created. Public opinion, for example, is power yet nobody can exclude himself from participating in it. Whatever one's views may be, there is always a possibility that some one will agree with them. By doing so he will refer to us as a factor in public opinion. Thus, whether we wish it or not, we shall have been originating power. The same necessity holds good in the sphere of value. Whatever our needs, we cannot help valuing some goods more than others. By doing so we inevitably depreciate those aspects of life that are dependent on the value of those goods or services. Yet we can only choose between valuing different kinds of things or, eventually, going without them; we cannot choose to refrain from a decision even though it be negative. The ideal society is that which makes fully responsible human existence conceivable by throwing the responsibility of our choice on ourselves and, where no choice is possible, by allowing us to shoulder consciously the inevitable burden of our responsibility for coercing and interfering with the lives of our fellows. The measure of true freedom is the measure in which we are free to choose where choice is possible. Where and when it is not, to take our share in the common evil. There is no contracting out of society. But where the limits of the socially possible are reached, community unfolds to us its transcending reality. It is to this realm of community beyond society that man yearns to travel.”

And in another paper, titled *Draft Statement* of the Christian Left Group, also written in 1937 or 1938, (in which the author refers to ‘the three facts of human consciousness’, too) we find the following paragraph:

> “In our time the form of man’s consciousness is being changed by the recognition of society. Society is inescapable. We cannot help living our lives at the expense of others. Man in society is, though unwillingly, generating power, and is thereby coercing other men. He cannot contract out of it. Even public opinion is itself a form of power to which each man contributes whether he likes it or not. There is no withdrawal from society except in imagination. Freedom

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from society is gained at the moral expense of disowning our debts to others. In the ... attempt to safeguard personality we lose its content”.29

Obviously, it is the same idea of freedom based on responsibility which we already found in Polanyi’s writings in the 1920s in Vienna. The only difference is that here he no longer hopes that the contradiction between social freedom (community) and the reality of society (in the sense of objective institutional structures) will be overcome in the future. Instead of a future socialist arrangement he speaks of a necessary change in ‘the form of man’s consciousness by the recognition of society’. Clearly, there is a link between the understanding of the two poles. The interpretation of freedom and community in terms of an ethical axiom – and no longer in terms of a future reality – provides the opportunity to regard the other pole, the world of reification, society, not any more as ‘ghostly’ or ‘spectral’, but simply as an unavoidable dimension of social reality. If society in the sense of an aggregate of functional institutions, including at least power and value, is an inescapable reality, then society can never be transformed into a perfect community. The discussions about the character of the ‘Christian Sociology’ induces Polanyi to accept that the idea of perfect freedom – in the sense of a positive future reality – is not only a utopia, but a false and misleading promise.30 This criticism, obviously, is directed not only against positivist Marxism, but also against the liberal thinkers who consider freedom and community in terms of positive categories. It implies that the above mentioned categories “communist state” (v. Wieser) and “true social economy” (Menger) can be regarded merely as normative ideas, but not as the foundations of value theory.31 In The Great Transformation, Polanyi explicitly attacks economic liberalism: “liberal philosophy … claims that power and compulsion are evil, that freedom demands their absence from a human com-

29 Polanyi 2005/Notes, 274.
30 It is worth remembering that Polanyi had already attacked the positivist attitude of social sciences and vehemently defended ‘morality’ as against ‘science’ at the beginning of the 1920s, in the Behemoth-manuscript (Polanyi 2005, 172-215).
31 Myrdal’s criticism of the “communist fiction” (Myrdal 1930/56, 194) upon which the liberal theory of value is built fits this picture completely.
munity. No such thing is possible. ... It was an illusion to assume a society shaped by hu-
man’s will and wish alone”.32

Polanyi had already developed this idea at the end of the 1930s in the context of the dis-
cussions of the Christian Left. All pieces of the puzzle are put together. The negative pole, 
reification and self-regulation – ‘society’ as opposed to ‘community’33 – is considered part of 
the social reality which cannot be simply denied. Even if we were to know what the ‘reality of 
society’ is only after deconstructing reified institutions as far as possible, it is an indispensa-
ble element of the human condition, and any “ideal that would ban them from society must be 
invalid”.34 Freedom, the positive pole on the other hand, is not simply a reality, but a task or – 
as he will say in The Great Transformation – a claim that has to be upheld. The contradiction, 
or better, the tension between the two poles is regarded as the basis “which gives man indomi-
table courage and strength to remove all removable injustice and unfreedom”.35

Obviously, the events of history, the incapacity of both European socialism and European 
liberalism to prevent the world economic crisis, the rise of fascism, and World War II played 
a decisive role in the development of Polanyi’s reasoning. The transformation of society in the 
direction of a socialist democracy was out of reach at the end of the 1930s. The social, eco-
nomic and political reality had changed fundamentally, much more than Polanyi’s basic ideas 
and convictions. The core of Polanyi’s reasoning was – and remained during all his life – the 
polarity between freedom and the reality of society. But in the 1940s he had to accept the real-
ity of a world where freedom and democracy where much weaker than ever before in the 
twentieth century. The possibility of a change of the institutional setting which would pave 
the way for the reduction of reification and of self-regulating mechanisms remained at the 
centre of his efforts. His never-ending search for possibilities to increase social freedom ex-

32 Polanyi 1944, 257.
33 “Community is ... for us not synonymous with society” (Polanyi 2005/Christianity, 253).
34 Polanyi 1944, 258A.
35 Polanyi 1944, 258B.
plains why he became interested in economic institutions and the role of economic processes in societies where markets played a more minor role than in the modern Western World.

4. Conclusion

From the above considerations we can draw several conclusions. Firstly, the significance of central categories in *The Great Transformation* can be elucidated and clarified if we take into consideration Polanyi’s studies and investigations in the 1920s and 1930s. The roots of Polanyi’s ideas are in Vienna, and they were further developed and refined during discussions in England. Secondly, the debates on the fringes of Austro-Marxism in which Polanyi actively participated play a key role in the foundation of Polanyi’s ideas. Even if Polanyi never was a Marxist in the sense in which the term is usually applied, Marx’s concept of alienation and self-estrangement is indispensable in order to understand some of his basic notions. Thirdly, we could show that the reconstruction of Polanyi’s idea of freedom – and of the polarity between human freedom and ‘the reality of society’ – has lost nothing of its significance today, even if we cope with the fact that economic liberalism has developed a new interpretation which Polanyi could not foresee. And fourthly, the important insight, concerning Polanyi’s notion of freedom, is: If we consider social freedom not simply a positive fact, but a maxim which is valid and, therefore, as real as the self-regulating mechanisms, the demand to resign oneself to the reality of society and, at the same time, uphold the claim to freedom, seems completely reasonable.

‘Recognition’ or ‘acceptance’ does not mean passive resignation to the existing social reality. Even if we accept the ‘reality of society’, choice is possible: ‘we can choose … between different kinds of power, and different uses to which to put it’. For that reason, Polanyi in his later work does not focus on the difference between a given institutional setting and an ideal, but rather on the comparison between different institutional arrangements, keeping social freedom as the point of reference. Thus we can accept the ‘reality of society’ and uphold the
claim to freedom at the same moment: freedom based on responsibility is and remains the point of reference which can and should operate as a guide for our choices and as a compass for social change.

The claim to increase freedom aims at institutional reform which reduces ‘objectivations’, reification, and mechanical self-regulation as far as possible. We cannot know how much social freedom can be enlarged, but, if we consider freedom a task, it is completely rational to try and find out how far we can go. Therefore, in advance, we can never know what the ‘reality of society’ which we ‘cannot contract out’ is, but we can choose such reforms, social changes and economic restructurings which allow us to increase freedom to an ever higher degree. Polanyi himself applied this notion of freedom in the manuscripts *Universal Capitalism or Regional Planning*, *The Meaning of Parliamentarian Democracy*, and *On the Belief of Economic Determinism*, written in the second half of the 1940s, in order to discuss concrete alternatives for the post-war period.36 If not considered in a positivist manner, but regarded as a point of reference or compass for the transformation of social institutions, Polanyi’s idea of freedom developed during the interwar period has, even today, lost nothing of its significance.

References


