

THE REALITY OF SOCIETY

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As we commemorate the fifty years since Karl Polanyi's death, we may also recall the three people responsible for the fact that we are all here today: number one, Kari Polanyi Levitt who invented this Institute; number two, Margie Mendell, who directed it all of this time; and finally, Ana Gomez who did all of the hard work. Today in their presence, I feel somehow that I was an also-ran.

The late Frank Scott, when he was honoured on a similar occasion, said with his characteristic touch of humour, "I feel that this is a pre-mortem." I have that sense as well. So permit me, as an aging participant in this conference, a few reminiscences and recollections of the work that Karl and I were trying to do in that last decade of his life. The extended transcript of our discussions is available in the Polanyi Archive as the *Weekend Notes*. I am very pleased to say that, largely through Margie and Ana's doing, they are now available online along with all the archival records of the Institute.

I walked into Polanyi's class at Columbia University in September 1951. Coming from Brooklyn by subway, I was 10 minutes late. I had no idea what to expect other than the fact that the course was called "General Economic History" and there was a man called Polanyi whom I'd never heard of.

Why did I take this course in the first place? For all the wrong reasons. When I entered Columbia, the requirement for a Master's degree was a total of twenty-one points. Since every course was worth three points, you had in effect, to pass seven courses. Polanyi's course however, was a double course and so you could earn six points for it. I was enough of an economist to know that the

economies of scale were probably at work here; I guessed that I wouldn't have to do twice as much work in a six-point course as I would, taking two separate three-point courses and I registered for it. Such are the trivial considerations that have lifetime consequences. So here we are this evening some sixty years later.

As I walked into class that first day, I was taken aback by the subject of Karl's lecture. I was at the time a refugee from the University of Chicago where I had been enrolled the previous year. I had fled before the year was out, not so much because Milton Friedman's lectures were "right-wing", but because of the school of economics being taught. It was the larger tradition he represented, the Austrian tradition that stemmed originally from Carl Menger. Frank Knight, the leading figure at Chicago, had studied in Germany and had carried forward that tradition. Toward the end of his tenure, Knight brought in Milton Friedman who continued in the same vein. My objection was not political but that they had created an intellectual maze in which I felt trapped, a maze in which you scurried about looking for an exit but there was no exit.

This position was summed up in Lionel Robbins' essay "On the Nature and Significance of Economic Science". Robbins had done his graduate work in Vienna and brought the Menger tradition to England. The tradition turned on the existential "fact" of economic life namely, "scarcity". We can't have all the goods we might want, luxury and otherwise, because the world had finite resources. Since there isn't enough for everyone's heart's desire, we needed a process of allocating what we do have. How do we do that? Lo and behold, it's the free market.

It meant that economic life itself was defined as this process of allocating these scarce goods to the best advantage. Such a process did have a mathematical validity which was unassailable. I knew however, that the real world we inhabited and its economy were not about such a theorem.

The world of the 1950's was a post-colonial era; it was about newly developing countries such as India that had become independent, it was about income inequality globally and locally, it was about the fear of whether the Great Depression might return. Karl Marx had said that depressions were inherent in capitalism; studies of the business cycle at the time hovered at the edge of a similar conclusion. Keynes in turn, claimed to have found a way out. Who was right and what was in store for us? This was the economy that I knew and cared about.

I spent much of my time in Chicago in the library. I was looking for every possible review of Lionel Robbins' book hoping to find an exit from the maze in which I felt trapped. If I didn't find an exit I told myself, I would leave the profession entirely and go into psychiatry. And so, I became a refugee and migrated to Columbia.

I walked into the classroom that September morning and there it was. Polanyi was talking about that very theorem: scarcity, alternative uses, rational action with regard to scarce means and so on. He called his critique "the two meanings of the word 'economic' ". He distinguished theoretically the formal meaning that the Austrians employed from the substantive meaning related to the economic institutions of the real world. Polanyi had found the exit from the maze and I knew then that this course was important.

It was a peculiar course. It was about ancient Rome, ancient Greece, feudalism, about the anthropologist Melville Herskovits who had it right at the start but was then seduced by the marginal economists.

It was only after the course was over, during a casual conversation, that Polanyi said to me "Why don't you have a look at *The Great Transformation*?". In the entire reading list of the economic history course there wasn't a mention of *The Great Transformation*. Unbelievable. I started to read it after the course was over, and that was when I had an intellectual earthquake. I was stunned by

the depth and clarity of his account of the coming of the industrial revolution, a revolution that was in lockstep with the world of laissez-faire. And so began our correspondence and extended discussions.

I returned to Montreal. Our contact continued and in 1956 Karl suggested that I come to visit him. He was living in the hamlet of Rosebank about an hour outside of Toronto. The little house on the top of the hill had a steep drop at the back with a stream running below. In the front, was a beautiful garden that Ilona had planted with many poppies and other flowers. In the living room was the round table that had followed the Polanyi's from their time in Vienna.

As we sat around the table, Karl started to talk: he talked about the Cold War, international politics, the interdisciplinary project at Columbia, Robert Owen and a topic he called "the reality of society". It was a one-way conversation and I was taken with how important these comments were. I feared that they would disappear into thin air so I grabbed a pad and began to write. And I wrote and wrote trying to get it all down.

This was the beginning of many such visits. I had a job in Montreal at the time, with an office and a secretary. I could fly out on a Friday evening to Toronto and return on a Sunday night to Montreal. Karl talked freely about many subjects for hours on end. I had the occasional question and comment but kept writing away. The subjects varied and moved back and forth, so that when I returned to Montreal, I re-grouped them under the general headings for that weekend. I tried to keep all the *Notes* verbatim so that there were no personal intrusions. After some light editing, I had the secretary type up these *Weekend Notes*.

I revisited Karl in Rosebank on some 28 occasions between 1956 and 1959. He had enormous energy and conviction and talked for hours on end.

It was not easy to keep up. I brought the typed *Weekend Notes* back with me from time to time so Karl could have a look at them. He approved of them and did make some pencilled corrections. (The copies with these corrections are in the Columbia University archives. There weren't many corrections.)

Karl had suggested that I should help him write the sequel to *The Great Transformation* and this became the main focus of our discussions. At first the sequel was to be called *The Great Transformation and America*. Later the title was changed to *Freedom and Technology*. Let me recall a little of what we were trying to do.

The whole drift of that sequel was to be completely different in its basic premises and in its tone from *The Great Transformation*. Let me talk about two of its features. First there is the question of how to understand Karl's turn from time to time, to a religious vocabulary. Terms like "the three revelations", "the work of Jesus", that "man has a soul to lose", these terms appear incongruous to readers of *The Great Transformation*. That book was built on a social sciences approach using institutional analysis. Except for the brief last chapter with some elliptic references, there was no sign of religious semantics.

How can this turn to a religious vocabulary be explained? Over the years, Karl had followed the work of Hegel, whose philosophy was studded with religious semantics. But these were qualified -- Hegel's intent was expressed in the following sentence: *Wir die religiöse Vorstellung in Gedanken fassen* -- We want to turn religious expression into philosophical thought. Likewise, much of what Karl was doing followed similar lines. One had to take religion seriously he thought, but to look beyond its outer trappings such as the ceremonials, the legends, the myths, the virgin birth, and the rest. The question was: Were there important truths that lay behind and beneath these beliefs and practices?

Put briefly, what Karl was looking for was an overview of the high points or stages in the evolution of human consciousness. Beneath the credos and the

cathedrals, there lay the inner kernel, the proximate clue to human consciousness. But this was not a calm and unbroken sea. Over time, such consciousness changed sharply and re-emerged on higher 'plateaus. These high points Polanyi called "the three revelations". They aren't revelations in the sense of coming from Mount Sinai or from the angel Gabriel; they were a way of revealing to human beings who they really were, how their consciousness was grounded.

All civilizations Karl maintained, are held together by some underlying ethos, a shared belief, a *raison d'être* that is axiomatic to its participants. Such a common consciousness might endure for a lengthy era, but not indefinitely. Decisive events or an interregnum might bring sharp breaks with the past and recast the mind formation and outlook of that society. This is what Polanyi meant when he appropriated the term "revelations".

In a brief schematic approach, Polanyi pointed to three high points in these shifts of consciousness in Western society. Using a simplified view of primitive, tribal society as a point of departure, we see it as encased in superstition, in myth, in a fixed role for each individual and absorbed in some form of a pantheistic religion. This might be accompanied by animal and occasionally human sacrifice. Actual tribal societies differed from each other and were more complex, but for heuristic purposes our discussion starts with this simpler view. Primitive man lived in a kind of torpor, a cyclical existence where he completely internalized the norms of his society.

What snapped man out of that torpor was his confrontation with the knowledge of death -- the full realization that his existence was finite and that its termination was inevitable. This was filtered through his consciousness in the form of myth. There were many such myths but one of the most compelling was in the Old Testament. It was the story of the Garden of Eden and man's fall from grace. This legend helped to implant the sad inevitability of earth in the Western consciousness and with it, a vital response.

This knowledge of death is what Polanyi called the first of the three revelations. Such a revelation was not an occasion for a benign or passive acceptance of this stark reality. You may resign yourself to the inevitable but you may also confront it with a legacy that you leave behind when you die. That was the challenge.

At a certain level of civilization, this became a pervasive response throughout much of the ancient world. These societies had their own legends of death and the hereafter. They accepted their mortality and embarked on the great edifices that would outlive them. The civilization of ancient Egypt pivoted on this knowledge of death. The very day the new Pharaoh ascended to his throne, he began to build his elaborate tomb and stake out his place in the Valley of the Kings. Pyramids, temples and great monuments followed. One may mention as well, the hundreds of palaces and temples of the Khmer of Cambodia and the Forbidden City of the Chinese.

As this knowledge of death works its way through Western societies, the tangible marks of civilization appear. Churches, castles, fortresses and weapons of war become widespread. They are designed to far outlast their founders and to secure their family dynasties. New technology is developed to achieve and enhance these objectives and becomes widely diffused. Consciousness of death was implanted in the psyche of Western society and drove those societies forward.

Efforts such as Polanyi's to probe the content of one's consciousness face almost insuperable obstacles. It is not only the Pauline adage of seeing "through the glass darkly" that confronts us. It is like trying to discover what lies at the other side of that mirror by continuing to stare at one's own reflection. Only the "shadows" that our consciousness casts may be available to us. We must search beneath the *religiöse Vorstellung*, the outer vestments, to find evidence of the mind's imprint.

Likewise, the timing for the great shifts in consciousness remains its own mystery. This first revelation, the knowledge of death, was superseded by a second revelation linked to the coming of Christianity. There was something more vital and more precarious than our physical existence. We recognized that we had an inner life to attend to, call it a “soul” or a “conscience”. It was more precious and more precarious than our physical existence and it stood at risk; we might violate something vital and desecrate the essence of who we really were.

We walked with this abiding fear of a fateful misstep. In religious language, this might be called a fear of “damnation”. Instead, we hewed to its opposite and sought for what we termed “salvation” or “eternal life”. These were the religious metaphors for what Polanyi termed the second revelation.

Man had a soul to lose; he was suspended between an abiding inner fear and the hope to which he aspired. This comes to us first in the New Testament with Paul and subsequently with others such as Luther. Polanyi did not refer to Luther directly in our conversations, but Luther’s famous essay, *Von der Freiheit eines Christenmenschen*, “On the Freedom of a Christian” goes to the heart of the matter. Luther states that a Christian is free because he cannot be touched by the misery and all the pressures brought on by the world around him; he can stay above the fray and safeguard his unblemished conscience. His main duty is to serve and love his neighbour.

That was the source of “Freedom”. (capital “F”) as it came to us from the sphere of religion, That was what religion offered to the inner life of the individual: a clear conscience, untarnished and intact. This is what he aimed to preserve against the lingering fear of an empty, soulless existence. This existence was represented by its own myth of “original sin”.

Freedom appeared first in its religious garb before acquiring its cherished secular status -- our civil liberties. They are an offshoot of the original religious message. Their origin lies, Polanyi maintains, in the tacit recognition

that everybody is walking the same tightrope; all of us are in common jeopardy when it comes to the integrity of our inner life. We share a tacit understanding and mutual sympathy in our common moral hazard. This is the “cross that we must bear” and no one should be unduly burdened or obstructed in this personal quest. All of us walk in trepidation at the edge of this abyss. That is why we knew so closely to our concrete freedoms -- freedom of the press, freedom of religion, freedom of assembly and so on. These are assured so that everyone may have the best chance of finding his own way. The converse side of this ethos is not to oppress or constrain others -- essential to maintaining a clear conscience.

We cannot explain why and when these revelations make their appearance, why the response to death suddenly permeates Western society (as it did in other societies before it) or why the burden of conscience (the “soul”) becomes a touchstone of our own identity. Momentous changes in consciousness appear suddenly; they exist everywhere at once and begin to reshape the whole of that society.

With the coming of industrial society, this moral landscape begins slowly to shift. Such a society knits all individuals more tightly together. By the twentieth century we become mutually dependent on the technological systems around which our lives have been built. Our lives would be shattered without that dense network of communications, transportation, electricity and water. As we realize the full extent of that dependence, our own vulnerability hits home: we realize that we must protect these arteries of our life at any price. We offer our tacit consent to hand over to our government the virtually unlimited power to do whatever is “necessary”.

This is the enhanced world of *raison d'état* in our midst -- the new world that Edward Snowden and Julian Assange have uncovered for us. It is the clandestine world that is flanked by the institutions of “Homeland Security”. This is also the world where there are recurrent cyber attacks on our computers, where global epidemics threaten our health, where we are

improvising new uses for the anonymous and guiltless technologies such as the drones. It is the world of “Big Data” where discreet banks of computers now monitor what we think and anticipate what we want to do.

We don’t know who is hit by this tight network of new technology and exhaustive bureaucratic surveillance. Such repercussions are widespread and anonymous. Yet, the responsibility for these events remains ours.

While Polanyi viewed the emerging scene from the vantage point of the 1950’s, he was prescient in regard to the venue today. A new consciousness was making its way and began to render the previous moral challenge and its accommodations obsolescent.

Somewhere at the back of our mind we remember that it is our tacit consent that supports this entire apparatus but we also know that we cannot go into reverse. This new world writes *finis* to the stellar aspiration of a blameless and clear conscience. We may look away and go into denial; we may hide momentarily behind some refurbished idealism. But we must finally acknowledge that the basis of the old “Freedom” -- e.g. Luther’s promise that nothing can touch our inner existence -- is now eroded. The pristine conscience that we dreamt of has become a thing of the past.

This became the basis of Polanyi’s third revelation. This concept was to be the centerpiece of the sequel that we were planning.

The “reality of society” is a subtle concept and easily misunderstood. Here we have a radical shift in the connotation of the term “society”. It now plays a totally different role from that played by “society” in *The Great Transformation*. In some intuitive way, “society” restrained the blind expansion of the laissez-faire world of the nineteenth century and stood up as a counterforce to the robotic drive of the market economy.

In 1944 *The Great Transformation* offered hope for the post-war world. Its message was that institutions were pliable, they could be altered and reformed. The market could be contained and made subordinate to the larger goals of society. Now that technology rather than market institutions is the main protagonist that we must encounter, our options shrink drastically. Technological systems form a medium of an entirely different kind, more rigid and not easily amenable to institutional containment.

A half-century ago Polanyi was prophetic when he described this emerging world with “ribs of steel and nerves of electronic impulses.” The following paragraph offers a semblance of the sequel that we planned:

What appears as the real world, all that is massive, impressive and discussed, is outside of us; heaped up in agglomerations of concrete, dynamos, terminal stations, hospitals, structured steel, motor cars, bulldozers and stocks of goods of endless variety...Man exists now outside himself, he is externalized. His life is hedged in by roadblocks. Yet all this is but a symbol of the true change from inner freedom to loss of freedom. Automation and the mechanical brain are but visible imitations of the automatism and the mechanization of the human tissue of society. We are as helpless in the human world as we are in that of power and movement. For our consciousness has not adjusted to our lives, and may be never will; the shape of our lives may have to give in. But whatever the balanced result, if such there be, the external environment has ceased to be material and mechanical alone, it comprises a human structure – a complex society – which is an ultimate reality, ultimate in the metaphysical sense.

Living today within the depths of this modern leviathan, it seems clear that the old promise of a clear and blameless conscience is now forfeit. Polanyi is not alone in sensing that something of ultimate importance has been lost. During the same decade of the 1950's, the French existentialists were attempting to portray something similar. Theirs was a nameless despair with an intangible sense of loss. Recall Samuel Beckett in the famous line from *Waiting for Godot*,

“Nothing to be done”, or Sartre in *La Nausée* or in *No Exit*. Albert Camus’ *The Stranger* comes to mind as well. They share a sense of inarticulate sorrow and despair that something nameless has vanished.

For Polanyi, the mood was somber as well but not one of total despair. The existentialists can despair he maintained, but we must face up to it. We will never retrieve the unsullied conscience that was promised long ago in the second revelation. Its ethos and ideals are gone. We will never be released from the electronic bureaucracy that accompanies this new world nor can we eliminate the compulsion that makes it function. This is the society in which we are going to live and it cannot be reversed.

But a mature approach does not imply a passive acceptance of an untrammelled bureaucracy, a runaway technology nor the lack of recourse for the individual who has been victimized or ignored. We are mandated to search for better safeguards, for an iron-clad *habeas corpus*. We must search for the limits where we can draw the line to contain these systems. Only then can we resign ourselves to the fact that the technological society will always remain part of us.

Toward the last decade of his life, some dozen years after *The Great Transformation*, Polanyi is somber but realistic about the outcome.

Frustrations and alienation in technological civilization and the adjustment of life it requires may eventually lead to a recognition of a dwindling or loss of inner freedom which transcends the institutional sphere. There is thus a technological civilization, the adjustment of life, and thirdly, the loss of freedom, which may destroy those forms of adjustment, but we are uncertain whether we can survive it... there is here a danger of untrammelled idealism wiping us off the globe.

That was said in 1957. Now that we are well into our new millennium, we see such untrammelled idealism erupt in new quarters. We become increasingly

desperate to recover the dwindling ideals whose time is past. And as all this seeps in, various forms of denial and sharp reaction occur. Dogmatic schisms within countries and within religions come to the fore. They have their diverse origins but are now amplified through technology, terrorism and war. Frequent cyber attacks remind us of the increasing vulnerability of our technological world. As the sponsors and defenders of that world, we are left with these difficult dilemmas of transition into this new reality.

In conclusion, you may ask why this sequel to *The Great Transformation* did not appear? The answer is that Polanyi would never let go of the *Dahomey* manuscript which he was still trying to complete. He was a perfectionist and worked at it continuously. I had moved to Toronto to work with him and discovered – fortunately or unfortunately – much new research material that was relevant such as the monographs of *L'institut français d'Afrique noire*. While we kept talking about the sequel, we continued to work on *Dahomey*. *Dahomey* eventually was finished, the sequel never was. When I think about this, I fall back on the closing line of Karl's essay on "Hamlet": "Life is a missed opportunity".
