Karl Polanyi: A Life on the Left
by Gareth Dale
381 pp.
Reviewed by Geoffrey Kurtz

For intellectuals seeking to revive and reorient the democratic left, Karl Polanyi has become an indispensable resource. A member of the generation of left intellectuals who fled Central European fascism for exile in North America, Polanyi developed a far-reaching theory of modern politics and society: a non-Marxist account of the rise and consequences of the market economy.

Gareth Dale’s intellectual biography of Polanyi—the first such book—is exceptionally satisfying: thoughtful and engaging, detailed yet focused. Dale gives due attention to Polanyi’s masterpiece, The Great Transformation, but also attends to archival materials (including letters) and lesser-known publications. By evoking the fascinating milieux through which Polanyi passed—Hapsburg Budapest, Red Vienna, British guild socialist and Christian Left circles on the eve of the Second World War, European émigré life in America during and following the war—Dale is able to explain the contexts of Polanyi’s ideas and thus to reveal nuances in key Polanyian themes (like “the reality of society” and “embeddedness”) that other studies of Polanyi’s thought have missed. Dale writes that “thinking through Polanyi’s life is a rewarding exercise” (283), and his book admirably sustains that claim.

Polanyi is best known for his argument about the “double movement” in which the modern market economy becomes “disembedded” from society and society reacts against this disembedding. Prior to the nineteenth century, in Polanyi’s account, economic activities were “embedded” in society, tuned to cultural norms. Markets were, in Dale’s words, “either marginal
or enmeshed in social or religious institutions” (7)—as in Aristotle’s notion that the oikos exists for the sake of the polis. The past two centuries, however, have seen “a sharp demarcation between the market economy and other institutional spheres” (7). Nineteenth-century governments planned the development of laissez-faire economies (an irony of which Polanyi was fond), raising markets to a new prominence, leaving them without any aim or function beyond money-making itself, and thus wrecking traditional ways of life. Markets came to dominate societies, rather than the other way around. Only the healing of this “rupture” between economic activity and social purposes “would truly enable a flourishing both of individual responsibility and community” (5-6). One way or another, Polanyi expected, society would protect itself from the dehumanizing consequences of the purposeless market. This “counter-movement” promised to yield a “great transformation,” a “re-embedding” of market in society on modern and democratic terms.

Polanyi was confident that this re-embedding would take place but unsure about its form. At times, he seemed to think that Roosevelt’s New Deal or Attlee’s Labour government had re-embedded the market, and at other times that such reforms were mere harbingers of a true re-embedding. Dale suggests that despite Polanyi’s occasional “ambiguity and ambivalence” (253), he was on the whole fired by a deep “hatred of the market system” (154) and, more often than not, expected that only a planned economy could re-embed the market in society.

Dale evidently wants to reclaim Polanyi for those on the left who would “dismantle the market system” if only they could find a way (288), but his account of Polanyi’s intellectual development is complex enough to provide grounds for other interpretations. For one thing, Dale might not be appreciative enough of Polanyi’s ambivalence: tellingly, he recounts that Polanyi tried several times to plan a more programmatic sequel to The Great Transformation, but never
settled on what it should say. Could it be that Polanyi’s ideas about market and society had rendered unbelievable (and unnecessary) the nineteenth-century dream of a fully socialist society, and that he simply found this hard to accept? If so, he would hardly have been the first (or last) political thinker to be torn between new insights and old habits of mind and heart.

More important, Dale’s biography sheds light on the development of Polanyi’s intellectual method. In his judgments on events and programs, Polanyi was an inconsistent social democrat; nevertheless, his intellectual method consistently exhibited the family features of the social democratic tradition: he relied on political and institutional categories of analysis and was oriented by an ethic of mutual obligation (in his case rooted in an unorthodox Christianity). That synthesis of historical-institutionalist concepts and ethical-socialist principles has been no small part of his appeal, in recent years, to social democrats who have little nostalgia for the “lost world” (282) of nineteenth-century absolutist socialism. Although Dale sees Polanyi’s “defense of nonmarket utopia” as his greatest legacy (282), his readers might conclude that Polanyi’s method is the more valuable legacy.

Since Polanyi offers an intellectual method, there can be a Polanyian critique of Polanyi. Dale, disinterested as he is in Polanyi’s social democratic side, seems not to see this. He does offer a critique of Polanyi: like many on the left in his generation, he was “prone to fatalism” about the impending victory of a socialist majority (228). Dale rightly notes that we need some way of accounting, better than Polanyi did, for the difficulty of reigning in the market. But notice the external (more or less Marxist) form of Dale’s critique: Polanyi was a democratic fatalist because he was convinced of the “neutrality of the state,” Dale writes, assuming too easily that social reforms would accumulate and failing to recognize that “the bodies that organize the political affairs of capitalist society are…capitalist states” (284-285). Dale wants less allowance
to be made for the institutional distinctiveness of the state, but this is giving away the store: Polanyi’s differentiations between state and market, market and society, made possible the “diagnosis of the corrupting consequences of the [market]” for which Dale praises him (282).

The irony here is that Dale’s book exhibits, better than most studies of Polanyi, the richness of Polanyi’s method of thought, and thus suggests ways that his ethical institutionalism (for lack of a better term) can contribute to a critique of his unwarranted optimism about reformism’s future. Polanyi conceived of an “institution” as an evolving complex of practices within public life that has a dynamic of its own, not reducible to the effects of other institutions or to the aggregate effects of individuals’ actions. This concept allows a persistently distinctive role (what Dale calls “neutrality”) for the democratic state, even in the face of the market economy. But the state is not the only institution involved in the restraint of the market: society needs to take institutional form as well if it is to recognize and assert itself. Influenced by the guild socialist tradition, Polanyi knew this well. Through “trade unions, industrial associations, co-operatives, and socialist municipalities,” he wrote, individuals learn to “put themselves in the situation of others, to empathize with their needs” (95-96). Here, then, is an immanent critique of Polanyi, deploying his institutionalism against his democratic fatalism: as society begins its countermovement against the disembedded market, unions and other associations become ever more important, not least in pressing the democratic state to adopt new policies—and as the disembedded market exacts its cultural toll, eroding social solidarities and fostering an atomistic sense of the self, these associations also become ever more difficult to organize. Re-embedding the market is a Sisyphean project, a Polanyian thinker might say, not because the state is “capitalist” but because the importance and the vulnerability of society’s institutions increase in tandem.
More challenging still, consider the phrase “the reality of society”—for Polanyi, a summary of his political creed (66, 128-129, and passim). Dale demonstrates that Polanyi developed this concept during the second half of the 1930s, the period of his collaboration with Christian socialists like R.H. Tawney and John Macmurray. This conjunction matters. For Polanyi, “the recognition that individuals fulfill themselves through social connections” (248, Dale’s words) is, at bottom, not so much political as theological: “Because there is God,” he wrote, “the individual has an infinite value,” and thus “the Christian discovery of personality is the discovery of the truth that every human being has a soul to save” (128). For Polanyi, society’s reality is founded on the mutual recognition of ensouled personhood on the part of society’s members. He never explicitly draws the conclusion: such a recognition is necessarily unsettling. Matters of the “soul,” as the Christian tradition has commonly defined them, are those that we are always tempted to deny or bury. If recognizing the reality of society is like that, then society’s counter-movement against the disembedded economy will be difficult to sustain in ways for which political concepts cannot adequately prepare us. Polanyi’s notion of society, understood in all its dimensions, as Dale helps us to see it, cues us to expect this—even if Polanyi himself did not.

Dale’s biography does much to help us understand and appreciate Polanyi’s thought, and if his book has a significant fault, it is that Dale does not fully acknowledge how rich and useful a story he has told. Reading Dale (against Dale), we may find that Polanyi helps us best when we read him as his own best critic.