

Gábor Biró

The Economic Thought of Michael Polanyi.

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As one who has republished Polanyi's articles on economics, written articles on the subject and edited books containing articles on it, but has been unable to read any of the vast amount of his unpublished work and correspondence about it, I heartily welcome this book which uses those materials to show how his economic thinking developed, the other strands of economic thought at the time, his aim to enlighten the public about economics, and especially his own version of Keynes' policy of counter-cyclical deficit spending to increase the money in recessions and higher unemployment and budget surpluses to control expansions and the risks of inflation. Against Keynes' advocacy of direct government financing of specific projects and industries, Polanyi wanted the government simply to cut taxes and leave it to businesses and individuals to decide how the additional money would be invested or spent, and how he pioneered moving diagrammatic films to make these ideas and proposals more intelligible to the general public (Biró uses the contemporary term 'masses' which I regard as demeaning). All this is covered in some detail. For example, whereas as I knew that the final film *Money and Unemployment*, of which there is a copy at the London Film Institute, was shown only a very few times in cinemas, Biró uncovers its much wider use by adult education and similar groups.

Biró rightly emphasises that Polanyi rejected the ideologies of both socialism (and other collectivism) and the *laissez-faire* and utilitarianism of extreme liberalism. In respect of the last, Biró mentions four faults that Polanyi found with it:

1. The principle of the just reward factors of production is taken to be that of those who dispose of them.
2. It stresses the limits of the state with respect to the market, which in any case is not applicable to all relations among persons, and that *laissez-faire* is not always the answer to the central planning of the economy.
3. It cannot explain the trade cycle of boom and slump, but Keynes can and also can show a way out of depressions.
4. It is also necessary to address the general public.

Some similar items are:

1. That 'the invisible hand' is not just out there but also exists in the minds of the public, who therefore need to have some understanding of it via appropriate means such as visual ones and thus his films.
2. His criticisms of academic economists who are concerned with their theories and rigorous discipline, and neglect the enlightenment of the public.
3. Similarly they reject anything that does not fit their basic assumptions.
4. Both socialist planning and *laissez-faire* have a purely mechanical view of the participants in the economy, with no room for personal sentiment and metaphysics (i.e. general world-and-life-views).

The Epilogue is titled 'Towards a Polanyian personal economics', which would open itself to communication with the public and thus be an ally of democracy.

To some items I would like to add some qualifications:

1. A clearer distinction by the author between the influence of the social contexts of what and how we know something and their determination of the truth or error of what we know, as Polanyi drew in the important letter to Karl Mannheim on April 19th, 1944.
2. Likewise one between Polanyi's 'post-critical' philosophy and the relativism of 'postmodernism' with which Biró connects him.
3. Polanyi's refusal to separate economic theory from economic policy. Much confusion over 200 years has been created by confusing economic theory itself with utilitarianism, both by the utilitarians and their critics, so that the latter often advocated uneconomic policies. Policy requires theory and also adaptation to circumstances such as the ways of life of different populations, and professional judgement how to implement policy. Louis IV and Louis V wrecked their economies

and France itself by ignoring the costs of their wars, and by following a misconceived mercantilist economic policy, of accumulating gold by aiming continually to export more than they imported, the latter still followed by Germany, against EU rules!, and China.

The author has put a lot of effort into this valuable study and the reader will wonder how Polanyi had the time for four decades when still fully engaged in his scientific work to engage in such a great correspondence, reading books on economics, working on animated diagrammatic films and the reform of patent law, to the last of which I have found only a brief mention on p. 140, and his first attempts to articulate his own thinking on society and his philosophy.

R.T. Allen