BOOK REVIEW:

“THE ECONOMIC THOUGHT OF MICHAEL POLANYI” BY GÁBOR BÍRÓ

REVIEWED BY

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Review of Gábor Bíró's *The Economic Thought of Michael Polanyi*, Routledge, 178 pages, ISBN: 9780367245634.

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"We should take economics personally", suggests the provocative final line of the Gábor Bíró's book on the economic thought of Michael Polanyi. It is a very uneven book, nearly completely based on archival research on Michael Polanyi, and nearly completely silent on the published (economic) works of Michael Polanyi, perhaps most notably his *The Contempt of Freedom: The Russian Experiment and After* (1940). It is deeply insightful about Polanyi's vision of economics education (through film), but virtually silent how Polanyi's concept of spontaneous order influenced the economic thought of Hayek and others. Polanyi's thought is beautifully contextualized in the interwar debates over the future (or death) of capitalism in Britain, but a discussion of its Central-European roots is nearly absent.

The heart of the book is formed by a discussion of Polanyi's array into filmmaking 'Unemployment and Money' from 1940¹. Like elsewhere in the book the reader is assumed to know the contents of the work itself, and the discussion focuses on the correspondence about the film between Polanyi and his associates, as well as the more general reception and context of the film. Bíró in particular focuses on the educational ideals behind the movie which he presents as an alternative to the more systemic economic visions of Polanyi's contemporaries.

The forty-minute film presents a Keynesian circular-flow image of the economy which explains the central role of money in the modern economy and how savings can give rise to new investments but also provides the possibility of economic expansion and contraction. It was made in close consultation with John Jewkes. But the film, according to Bíró is not intended to merely explain the modern Keynesian vision on the economy, but instead to illuminate the connection between the life-world of the individuals and the larger economic system of which they are part. It is an attempt by Polanyi to help individuals make sense of their place in modern society, and it is meant to fortify their democratic commitments in a time of totalitarian temptations. He envisioned economic education centers which would provide a civic education in which his film, and others like it, would bring public enlightenment and help create responsible citizens. Polanyi's project bears striking similarities to Otto Neurath's project of visual education through his ISOTYPE presentations (although Bíró seems keener to draw contrasts between the two projects).

Polanyi shared many criticisms of modern society with the conservatives of his age. He was weary, like Hayek, of scientism and positivist rationalism. He was worried that modern bureaucracies, centralizing tendencies in business, as well as the rise of mechanical production would undermine the humanity of individuals. He shared many of the worries of his conservative contemporaries like Ortega Y Gasset that mass democracy undermined the development of individuality and a civic spirit. But unlike them he was optimistic that much could be done to counteract these tendencies at the level of the individual. He believed that educational efforts and the emancipation of individuals could counteract the centralizing tendencies and create social and autonomous individuals.

As a consequence, Polanyi believed that the solution for the malaise of the 1930s should not be sought primarily at the systemic level. Finding a third way between free-market capitalism and socialism was important to Polanyi, but the more fundamental challenge was at the personal and spiritual level. He sought to change society from the ground up through his education efforts which

¹ Available on Youtube.

should give rise public enlightenment and facilitate a different kind of politics. A type of society he would later characterize as the society of explorers.

Bíró provides a unique set of perspectives on this film. He compares it to other type of visualizations of the economy in movies and statistics. He places it within the context of the hopeful optimism that typically associates new media, most recently surrounding the internet. And he compares it briefly to the fictional accounts of the economy in Ayn Rand's *Fountainhead*, Isabel Paterson novels and her later *The God of the Machine* as well as Rose Wilder Lane's *The Discovery of Freedom* (all published in 1943). Bíró also demonstrates the problematic adoption of the film. It was shown at the Colloquium Walter Lippmann in 1938 and used by various tutors around Britain and abroad. But despite Polanyi's hope and repeated urging the film was mainly interpreted mostly as an instructional video, a replacement for textbooks or other expositions of the new Keynesian economics. Bíró is clearly sympathetic to Polanyi's goal of personal knowledge and enlightenment. Perhaps he is therefore not critical enough of the contents of the film which remained rather abstract and was more concerned with the exposition of the circular flow, than with how this connects to the life world of the individual in the modern economy. The film is based completely on the movement of arrows and graphical representations of particular firms and types of households; it contains no actors and only a single narrating voice.

Nonetheless Bíró makes a strong case that the film is consistent with Polanyi view of knowing which consists of three elements: understanding, believing and belonging. The film demonstrates how the individual household and the various activities in economic life are part of a larger economic system, and it attempts to promote understanding for the social functions of work, consumption and saving. Its mode of presentation clearly follows the famous 'show, don't tell' advice. And the film aims to foster a belief in the functionality, even the order in modern society, during a period in which its anarchic and unorganized features were criticized from all angles.

In Polanyi's vision of personal knowledge, it was knowing not knowledge which had to be democratized. Bíró contrasts Polanyi's vision of democratic knowing achieved by social searching individuals with efforts by economic experts which merely sought to make expert knowledge more accessible. For Polanyi knowledge was constructed, or emerged within communities of individuals who shared a basic outlook, a set of shared basic understanding or beliefs. Polanyi who was deeply inspired by the personalist religious visions of Tolstoy was convinced that knowing was not a purely rational process, but intuitive and deeply social. Polanyi therefore had little patience for those who believed a liberal society or even science could achieve something like impartiality. Instead like later postmodern authors such as Hans Georg Gadamer Polanyi had much respect for 'prejudice' and motivated beliefs. These were what constituted knowledge communities, societies, and which were essential in the process of the discovery of new knowledge. And hence economics education should start from this first-hand experience and shared beliefs.

As such there are very interesting links to the work of G.L.S. Shackle who was similarly obsessed with epistemics and economic education (Shackle, 1972, 1973). And with the work of Elinor Ostrom on polycentricity and the knowledge commons (Aligica & Tarko, 2012; Hess & Ostrom, 2011) or with the Austrian tradition in which the discovery of knowledge and the decentralized process of knowledge discovery take center stage (Hayek, 1945; Kirzner, 1997). But these are left unexplored in the book, as is Polanyi's strained relationship with the Mont-Pèlerin Society (Burgin, 2012).

The book is anything but comprehensive, and from a number of perspectives quite disappointing. But its searching characters reflects some of the qualities of Polanyi's own writing. It does not provide a definitive exposition of Polanyi's economic ideas, at best an exploration of them. And Bíró certainly

succeeds in making clear that there are lots of unexplored connections between economics and the thought of Michael Polanyi. His discussion of Polanyi's film is original and succeeds in moving beyond the realm of what historians of economics typically consider as 'their corpus'. He makes clear that Polanyi's film deserves at least the same amount of attention that the Philips machine has received as a visual representation of the Keynesian system (Morgan & Boumans, 2004). Bíró moreover makes a convincing case that Polanyi's perspective on economic knowledge provides a genuine alternative to economics as expert knowledge.

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