

G A R E T H D A L E

Karl Polanyi in Budapest: On his Political and Intellectual Formation

Abstract

A major thinker and inspiring teacher, Karl Polanyi's contributions have long been influential in a variety of disciplines, notably economic sociology and economic history. Two of his innovations, substantivist economic anthropology and the "double movement thesis," are recognized as seminal. All of the works for which he is known, however, were written late in life, when in exile, and very little is known of his Hungarian writings, virtually none of which had, until now, been translated. Despite his fame, the biographical literature on Polanyi remains modest: some studies provide invaluable insights, yet all are brief. This article attempts to make some headway in remedying these lacunae. It sketches the contours of that extraordinary historical-geographical conjuncture in which he was formed, and explores his intellectual and political engagements in the Galilei Circle and the Radical Bourgeois Party. It seeks in particular to elucidate the complex roles played by questions of nation, ethnicity and class in the life of the young Karl Polanyi.

Keywords: Karl Polanyi; Hungary; Liberal radicalism; Jewish assimilation.

KARL POLANYI is the author of a modern social science classic, *The Great Transformation*, as well as a number of well-known and widely debated essays collected in *Trade and Market in the Early Empires* and *Primitive, Archaic and Modern Economies*. These texts were researched and written either during his second exile in 1930s Britain or in wartime or post-war North America. German speakers, in addition, are able to access his journalistic articles and sociological and philosophical essays from his first exile, in 1920s Vienna, thanks to the three-volume *Chronik der großen Transformation* published earlier this decade by Metropolis Verlag. Not so well known, however, are his Hungarian writings from the 1910s. Until recently, very few of these had been republished or translated, although this is in the process of being rectified. With reference to new translations of his Hungarian writings, to interviews with his daughter, Kari Polanyi-Levitt, as well

as to biographical essays by Ferenc Múcsi, György Litván, Judith Szapor, Erzsébet Vezér and others, this article sketches the contours of that extraordinary historical-geographical conjuncture in which Karl Polanyi was formed, and explores his intellectual and political engagements in the Galilei Circle and the Radical Bourgeois Party.¹ It seeks in particular to elucidate the complex roles played by questions of nation, ethnicity and class in Polanyi's early life. In what manner was he shaped by his Jewish heritage and by his bourgeois milieu? What was his attitude toward the Hungarian language and nation? How did these issues influence his political views and ventures? The essay finds that Polanyi was unable to adopt a simple position of affirmation or negation towards any of the identities under discussion. He may have been quite the Hungarian patriot yet could not feel that he truly belonged. Although never more than superficially interested in his Jewish heritage, the presence of militant and vocal anti-Semitism in pre-war Hungary ensured that it could not be forgotten or ignored. And while his disdain for his class was heartfelt, this did not inspire him to agitate for its downfall or even to join with those who wished to *épater la bourgeoisie*; instead, he chose to apply his energies to organizing a political party for "bourgeois radicals."

The extraordinary Polanyi family

In its rudiments, the story of Karl Polanyi's early years is well known. He was born in Vienna but when still an infant his father, Michael Pollacsek, wishing to take advantage of propitious business conditions in Hungary, relocated the family to Budapest.² As a child, Karl grew to know both the prosperity that *fin-de-siècle* Central European capitalism could offer and the unsteadiness of the ground upon which it rested. The educated Jewish bourgeoisie into which he was born was economically and politically powerful, and sharply set off against the mass of the population. Michael Pollacsek ran a railway construction company, the income from which enabled him to acquire a grand flat on a newly-built and fashionable boulevard, the *Andrassy*

¹ The Hungarian writings referred to in this essay were translated (or summarized in English) by Adam Fabry and Kinga Sata. Translations and summaries were facilitated by generous grants from the Nuffield Foun-

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² SZAPOR 2005, p. 13.

út, as well as a summer residence, and to satisfy the wants of his six children – including a horse or pony for each.³ A team of tutors and governesses was hired to provide private tuition until the age of ten or twelve, when the children were sent to the best *Gymnasium*.⁴ When the young Karl Polanyi walked out of his front door he would have seen the continent's first underground railway being built under leafy *Andrassy út*, while in the distance smoke rose over the slums of Csepel. Beyond the capital contrasts were starker still. In theory serfdom had been abolished but in practice labour relations on the landed estates had scarcely changed since feudal times. In some parts, the diet was so poor that men's voices did not break until the age of twenty.⁵ In a land of savage poverty the Polanyi children were raised in luxury; in a country with a literacy rate of only 40-50 %, they received the best education that money could buy. It is, I think, safe to suppose that Karl's life-long dedication to the socialist cause was based in part upon an early awareness of iniquitous social division. In addition he was, one must assume, keenly aware of the instability of the capitalist economic system, for in 1900 his father's business collapsed. For the Polanyis, straitened times followed: a descent, in the words of Karl's daughter, Kari Polanyi-Levitt, "from upper bourgeoisie down into the middle class" (in the technical, not the US, sense of the term).⁶

Through good times and bad the Polanyi family remained a central fixture of Budapest's radical intellectual scene. Karl's mother, Cecile, established a salon to which she would invite the brightest lights of the Budapest intellectual scene, showcasing new talents and artistic movements. A gifted and charismatic woman, she considered herself an expert on pedagogy, gave lectures on political events – notably Russia's 1905 revolution – and was an early advocate of psychoanalysis. (In a letter to Freud, Sandor Ferenczi described her as "a very intellectual, very well educated lady, who has an excellent grasp of the sense of psychoanalysis."⁷) In her radicalism and intellectual bent, Cecile was typical of her family; indeed, one of the family's biographers has remarked that when one looks at the names on the Polanyi family tree one is tempted to conclude that,

with only a little exaggeration, and counting friends, acquaintances and love interests, the entire progressive counter-culture of turn-of-the-century Hungary could be attributed to the Polanyi family.

³ DUCZYNSKA 2000.

⁴ SZAPOR n.d.

⁵ STONE 1983, p. 303.

⁶ Kari Polanyi-Levitt, telephone interview with the author, 04.05.2008.

⁷ SZAPOR 2005, p. 52.

One of Karl's brothers, Adolf, was to gain a high-ranking position in the 1919 "Republic of Councils" while another, Michael, would achieve fame as a chemist, philosopher and liberal economist. Their sister, Laura, was a pioneering socialist feminist, became one of the first women to graduate with a Ph.D. from Budapest University and founded an experimental kindergarten (later immortalized in the memoirs of one child who attended, Arthur Koestler).⁸ A cousin, Ervin Szabó, was the country's leading Marxist theoretician, and his closest friend, Oszkár Jászi, was founder and chair of the Sociological Society, a friend of the Polanyi family and an ally and former schoolmate of Karl Polanyi's Master's dissertation supervisor, the economic anthropologist Bódog Somló. Karl's schoolmates and closest friends included Leo Popper, son of the cellist and composer David Popper, and Georg Lukács; the latter, together with members of his Sunday Circle (such as Karl Mannheim), were regulars at Cecile's salon. Lukács was the early flame of another of Polanyi's cousins, the artist Irma Seidler, whose sister married Emil Lederer – a professor of economics at Heidelberg, referee to Karl Polanyi and mentor to Mannheim and the "leading German academic socialist of the 1920s"⁹ – and whose brother, Ernő Seidler was a founder member of the Hungarian Communist Party (CP) and a minister during the Republic of Councils.¹⁰ Karl's other cousins included Odön Pór, who emigrated to Italy where he became a syndicalist and, following the First World War, an early propagandist for Mussolini's fascist movement.

The Pollacsek-Polanyi family, along with all of the friends just listed, belonged to a distinct layer of Budapest society, the educated Jewish bourgeoisie. In terms of the speed of its advancement and the degree of its domination of a range of professions it was an extraordinary social group. An indication of the pace of its upward mobility is that in the ten years from 1885 the Jewish intake at the University of Budapest quadrupled and from 1895 Jews comprised almost half of the student body. Jewish ascendancy in the professions was such that, although comprising scarcely more than a fifth of the capital's population, some two-thirds of all individuals engaged in commerce and fully 90 % of those active in finance were of Jewish extraction; in both categories, Jews were disproportionately situated in the middle and upper brackets of the scale. They were also greatly

⁸ *Ibid.*, pp. 2, 36, 56-65.

⁹ SCHUMPETER 1986, p. 884.

¹⁰ SZAPOR n.d.

overrepresented in the legal profession and in political elites. The percentage of the leaderships of all left or left-liberal parties – whether bourgeois radicals, social democrats or revolutionaries – with Jewish parentage was never below 40 and could reach as high as 60.¹¹

Typically, Jewish professionals and businesspeople aspired to integrate into the Hungarian nobility, but the conventions were stringent: they involved not only the adoption of social styles and mannerisms but also the tacit but firm expectation of conversion to one or other denomination of the Christian faith.¹² A majority of the Jewish business class entered the nobility, which in most cases involved conversion and Magyarization of the family name.¹³ (A well-known case, due to his son's later fame, was the banker József Löwinger, who purchased a title to become József von Lukács.) Karl Polanyi's parents assimilated in most respects – his mother converted to the Protestant faith and the children, albeit non-baptized, were brought up as Protestants; and Christmas was celebrated in the Polanyi household – but his father formally retained membership of the Jewish community and refused to Magyarize his name, largely out of protest against the “*arriviste* Jews” who would “change religion to be *frère et cochon* with the native nobility.”¹⁴

Whether or not they converted, Jews in Hungary did not consider themselves a national minority and even for newcomers assuming the Hungarian national identity generally seemed a straightforward and comfortable process.¹⁵ Some evidence for this is anecdotal, but the statistics on linguistic change are also suggestive. The language of urban Jews (and of local administration) in mid-nineteenth century Hungary had been German; it was the native language of 60 % of the inhabitants of Buda and 33 % of Pest – including the Polanyis.¹⁶ By the time Karl entered the *Gymnasium*, however, German speakers had been reduced to a rump, even as the city's Hungarian-speaking population soared: to 80 % in 1900 and 90 % in 1920. An important factor in this shift was the adoption of Magyar by Jews: in 1880, 59 % of Jews gave it as their mother tongue, 30 years later the figure had leapt to 78 %.¹⁷

¹¹ JANOS 1971, p. 35; 1982, p. 176.

¹² JANOS 1982, pp. 180-181.

¹³ SZAPOR 2005, p. 17.

¹⁴ DUCZYNSKA 2000, p. 303; Kari Polanyi-Levitt, telephone interview with the author, 08.11.2007. For an alternative explanation of

Polanyi père's decision, see Judit Szapor, interviewed in CAYLEY 2005.

¹⁵ NAGY 1994, p. 39.

¹⁶ ENYEDI and SZIRMAI 1992, p. 67.

¹⁷ JANOS 1971, pp. 36-38.

The existence of popular and institutional anti-Semitism notwithstanding, Jewish assimilation in pre-war Hungary could hardly be described as forced. Jewish immigration and economic advancement was positively welcomed by the bureaucratic state which, Andrew Janos has described, reached out its arms to the bourgeoisie,

and was ready to protect it not only as an entrepreneurial class but also as a religious minority. At a time when pogroms raged in Russia and Rumania, and when even in neighboring Austria an irritating anti-Semitism was increasingly accepted as part of political life, in Hungary Jews were extolled by the prime minister as an "industrious and constructive segment of the population" while anti-Semitism was denounced as "shameful, barbarous and injurious to the national honor."

In the mid-1890s the Jewish faith was accorded the same privileges as the Christian denominations and Jewish representatives were granted seats in the upper house of parliament. The Liberal party championed Jewish emancipation and was rewarded for doing so: half of Budapest's electorate was Jewish, and Liberal deputies were elected with impressive majorities.

In spite of the absence of major institutional hurdles to upward mobility and integration in pre-war Hungary the relationship of assimilated Jews to their "ethnic" heritage and to their national identity was far from straightforward. That full assimilation required conversion meant not only the exclusion of devout traditionalist Jews from the mainstream of public culture but that a barrier was simultaneously raised to the social mobility of the unbelieving or even agnostic. These faced a peculiar dilemma: they could "freely" become members of the Liberal or even anti-clerical establishment but only by taking the clerical route, through conversion (and, ideally, baptism).¹⁸ Refuse to do so and one risked pariah status; accept, and the door to parvenu status was opened but at the risk of an identity troubled by the invidious compromise that had been made. Either way, the secularized Jewish intelligentsia faced a predicament, which many of its number resolved by embracing internationalist ideologies such as cosmopolitan liberalism and socialism. In this way Hungary's assimilated Jewry exemplified that oscillation between parvenu and pariah with which Hannah Arendt characterized the Jewish experience in modern Europe. As a result of their critical estrangement from society and unique insight into the experience of oppression and social exclusion the characteristic stance of Jewish radicals was that of the "conscious pariah": they spurned the sycophancy of their conservative

¹⁸ JANOS 1982, p. 181.

fellows, and rejected not only the chauvinism of aristocratic Hungary but also Zionist separatism in favour of a “universal humanism.”¹⁹ In contrast to “those who bought themselves into baronies,” György Litván has explained, “leaders of the counterculture, and the Jewish intelligentsia within it, did not seek assimilation by artificial means, but rather sought to create an order in which the whole issue of assimilation was irrelevant”²⁰ – a political community based on universalist criteria rather than on the tribal particularism of the nation state. With regard to the “unique insight into the experience of oppression,” however, one blind spot existed: towards their own ethnic group, particularly its traditionalist variants. Even radicals such as Jászi – a convert to Calvinism – spoke of traditionalist Jews as superstitious and “cowardly wearers of the yellow patch” and lamented “the defects of the Jewish character ingrained by centuries of ghetto life.”²¹ Karl Polanyi, in his daughter’s words, took a similarly “politically incorrect” view. In connection with his “desire to become Hungarian,” he bemoaned the fact that Jews “have a divided loyalty: to their tribe and their country,” and “looked down in particular on those Jews who came from the ghetto and retained their culture.”²²

As regards national identity, citizens of Jewish extraction were known for their patriotism and Polanyi was no exception. That patriotism, however, could hardly be organic or unreserved; indeed, there is a sense in which he was an émigré in his own country. “I never quite belonged to Hungary,” he wrote his brother Michael towards the end of his life;

The first language I heard spoken was German, I suppose; the second was English; Hungarian reached me together with French. That’s why my roots were not in the Hungarian soil, which I did not touch until the age of 12, in the *Gymnasium*.²³

Despite – or perhaps because – of this “deficit” he was, at that same age, quite the Hungarian chauvinist. “Blimpian” was the term he used in retrospect, as he recalled his reaction upon discovering that many of the country’s inhabitants were national minorities: “Unable to speak Hungarian?! And yet they claim the right to live in ‘our’ country, to eat ‘our’ bread?”²⁴ But this was of course an eccentricity of childhood and

¹⁹ PITERBERG 2008.

²⁰ Quoted in JANOS 1982, p. 181.

²¹ *Ibid.*, p. 181.

²² Kari Polanyi-Levitt, interview with the author, Montréal 14.07.2006.

²³ 57-8, Correspondence: Karl Polanyi –

Michael Polanyi. Karl to Michael 21.10.1959. References of the form “1-11” denote folders and files in the Karl Polanyi Archive, Concordia University.

²⁴ POLANYI 1946, p. 94.

soon yielded to the perspective that he retained throughout his adult life, summarized by his daughter as “opposition to the chauvinist nationalism of the ruling circles and the bourgeoisie, but wholehearted enthusiasm for the Hungarian nation.”²⁵

Disruptions of liberal hegemony

When considering the Polanyi household in the round, one gains a sense of a family that was at society’s centre yet also at its margins. Being talented, sociable, and principled, they were highly regarded within the Budapest intelligentsia. Yet they felt kinship with neither traditionalist Jews nor the Hungarian nobility, and not much more with the bourgeois Jewish mainstream. According to Karl’s wife, Ilona Duczynska, his father “lived by his creed of Puritanism, positivism, progress, the scientific outlook, democracy, and the emancipation of women” and had little time for the gentrified Jewish bourgeois whose ingratiating eagerness to assimilate into the Hungarian nobility led them to adopt the elitism, snobbery and assorted vices of that class. His family existed “in artificial isolation in a social no-man’s land, virtually strangers in their own country.”²⁶ The solidarity they did feel was with “marginal” folk – such as the fugitive Russian revolutionaries who would turn up overnight at their home.

In their existence on a margin within a minority the Polanyi clan’s experience accords with the explanation offered by Isaac Deutscher for the fact that such a remarkable number of revolutionaries of modern thought were Jewish. Deutscher had in mind Spinoza, Heine, Marx, Freud, Luxemburg and Trotsky but the thesis applies equally to a Polanyi or Lukács. The minds of these individuals matured

where the most diverse cultural influences crossed and fertilized each other. They lived on the margins or in the nooks and crannies of their respective nations. Each of them was in society and yet not in it, of it and yet not of it. It was this that enabled them to rise in thought above their societies, above their nations, above their times and generations, and to strike out mentally into wide new horizons and far into the future.

Perched precariously on the borderlines of various civilizations, religions and national cultures, they were keenly alert to elements of contradiction and flux. Their attention ineluctably drawn to the

²⁵ Kari Polanyi-Levitt, telephone interview with the author, 08.11.2007.

²⁶ DUCZYNSKA 2000, pp. 303-307.

dynamic elements of reality, they could “comprehend more clearly the great movement and the great contradictoriness of nature and society.”²⁷

A not dissimilar idea has been developed more recently by Mary Gluck, in *Georg Lukács and his Generation, 1900-1918*. For her, a segment of Budapest’s Jewish intelligentsia at the turn of the century was peculiarly alive to the sense of fragmentation that characterizes modern and, still more, modernizing societies. Where for Deutscher the marginal Jewish experience promotes a sensitivity to social change and contradiction, Gluck’s emphasis is that it stimulates a search for community. The Budapest Jews she surveys attached themselves to wider groupings, such as communism or social democracy, the avant-garde and Bauhaus, and formed imaginary allegiances to communities elsewhere. Is it mere coincidence that the social theorists among them turned their attention to experiences of detachment (Karl Mannheim’s “free-floating intellectuals”) or to the dialectic of alienation and community (Lukács, Polanyi)?

Gluck’s concern, unlike Deutscher’s, is with a very specific group: predominantly Jewish Hungarian intellectuals born in, or just a few years outside of, the 1880s. Alongside Lukács, Mannheim and the Polanyi siblings this “Great Generation” included Oszkar Jászi, Ervin Szabó, and the art critics Arnold Hauser and Béla Balázs as well as gentile but pro-Jewish personalities such as the poet Endre Ady and composers Béla Bartók and Zoltán Kodály. It was an age group that faced markedly different circumstances to their parents and responded in singular and quite extraordinary ways.

The elder generation had come of age in an epoch in which life was becoming steadily more secure for the Jews of Budapest. In the third quarter of the 19th century British hegemony at the global level and domestic agricultural prosperity underpinned a pronounced liberal trend in economic policy. In politics, Hungarian liberalism experienced its golden age from 1867. Freedoms of press, speech, assembly and religion were granted, and Judaism was put on an equal footing with other religions. Liberals – including Polanyi’s father – believed sanguinely that Hungary was securely positioned on the highway to modernity headed in the direction of Western Europe, the signposts towards which read *laissez-faire* and free trade, gradual democratization, civil liberties and tolerance. For bourgeois Jews of his generation full equality was not yet in their grasp but life was manifestly more tolerable than it had been for their parents and grandparents. They

²⁷ DEUTSCHER 1968, p. 27.

had little but scorn for those who adhered to an ethnic Jewish identity, seeing it as antithetical to modernity, patriotism and liberalism.

As we have seen, in many respects Karl adopted the attitudes of his parents and their peers. But his generation could not share the same faith in linear liberal progress. The final quarter of the 19th century witnessed the first throes of what one historian, paraphrasing Dangerfield, has called “the strange death of Liberal Europe.”²⁸ During the “Great Depression” (1873-1896) the liberal consensus on the benefits of international trade and investment evaporated. As tariffs, cartels and other protectionist measures proliferated a new form of “organized capitalism” emerged, centred upon interventionist economic policy and close cooperation between banks and states. Imperial rivalries intensified, involving colonial annexations, an arms race and diplomatic tensions that culminated in the general conflagration of 1914-1918. Middle-class nationalist movements agitated against immigration and against oppressed nations’ demands for political equality. The growth of trade unions and social-democratic parties rattled the self-assurance of bourgeois Europe and pushed questions of welfare and democracy to the fore. Around 1905, trade-union and socialist movements led revolts in many parts of the continent, several of which brought left-liberal technocratic governments into office. Against this backdrop, classical liberalism faced a challenge from within, by radical outriders from the liberal camp. Whereas classical liberals were free-traders, Christians, believers in a strong centralized state and supporters of only a minimal franchise, there were also, as Norman Stone describes,

middle-class liberals who took a quite different view. They were quite violently anti-aristocratic and they regarded religion as mumbo-jumbo. They advocated divorce, and wholly secular education; sometimes, they supported the emancipation of women; . . . they wanted the franchise to be extended. They were, on the whole, contemptuous of the past and confident of a progressive future, for which the lumber of past centuries should unhesitatingly be swept aside.²⁹

Jászi, Polanyi, and many, probably a majority, of the “Great Generation” of Budapest artists and intellectuals belonged unambiguously to this current.

In the Habsburg Empire the “death” of liberalism took an especially dramatic form. With regard to its Western half the classic description is contained in Carl Schorske’s *Fin-de-siècle Vienna*, with its eloquent portrayal of the social blowback that followed upon liberal reforms.

²⁸ STONE 1983.

²⁹ *Ibid.*, p. 43.

During the last quarter of the nineteenth century, the program which the liberals had devised against the upper classes occasioned the explosion of the lower. The liberals succeeded in releasing the political energies of the masses, but against themselves rather than against their ancient foes. . . . A German nationalism articulated against aristocratic cosmopolitans was answered by Slavic patriots clamouring for autonomy. . . . Laissez faire, devised to free the economy from the fetters of the past, called forth the Marxist revolutionaries of the future. Catholicism, routed from the school and the courthouse as the handmaiden of aristocratic oppression, returned as the ideology of peasant and artisan, for whom liberalism meant capitalism and capitalism meant Jew. . . . Far from rallying the masses against the old ruling class above, then, the liberals unwittingly summoned from the social deeps the forces of a general disintegration. Strong enough to dissolve the old political order, liberalism could not master the social forces which that dissolution released and which generated new centrifugal thrust under liberalism's tolerant but inflexible aegis.³⁰

This sense of an old order disintegrating concurrently with the foundering of the accustomed alternative, liberalism, formed the experiential backdrop to the modernist moment: the flourishing of movements in the arts, sciences and in politics that spoke the language of experimentation, iconoclasm and radical regeneration.

The sense of upheaval, of crisis, of new beginnings that famously characterized *fin-de-siècle* Vienna was strongly present in Budapest too. The golden age of Hungarian liberalism was approaching its end. In the wake of the Europe-wide agricultural crisis liberal economic policy was reversed and protectionism gained ground. The brunt of a 50 % fall in agricultural prices was imposed upon agrarian wage earners with the assistance of a series of labour-repressive measures, including a law of 1878 that imposed humiliating conditions on seasonal labourers by exempting their masters from legal liability for "minor acts of violence."³¹ This was followed, at the end of the century, by an Act of Parliament – dubbed by contemporaries the Slave Law – that outlawed industrial action by agricultural labourers, made them criminally liable for breaches of seasonal contracts, and provided that fugitive labourers be returned to their place of work by the gendarmerie. Significantly, Liberals generally supported these measures, on the grounds that they contributed to the restoration of profit margins.

By the turn of the century, classical liberalism was no longer the buoyant creed that it had been when Polanyi's father was coming of age. Whereas in 1870 most citizens of Budapest had welcomed economic liberalization by 1900, according to historian John Lukács,

³⁰ SCHORSKE [1961] 1980, p. 117.

³¹ JANOS 1982, pp. 129-131.

more and more people were inclined to think that economic liberalism, capitalism and freedom of enterprise profited some people but not others; that the profits of a minority were accumulating at the expense of a majority.³²

The liberal faith that social progress would arrive courtesy of capitalist development was evaporating. Instead, commodification and marketization seemed to beget all manner of disagreeable phenomena – the destruction of rural communities, exploitation, moral regression and philistinism. On the political left, opposition to these ills coalesced around the trade unions and the Social Democratic Party. The labour movement led the campaign for democracy, and this helped forge the young Karl Polanyi's life-long identification with it. (Something of the tone can be seen in a letter he wrote Lukács recalling his sentiments on the occasion of a general strike and mass rally demanding the extension of the franchise: “my cheeks burned . . . as my eyes followed the endless red armies marching right into the future.”³³) The campaign, however, did not experience the democratic breakthrough that the street protests and industrial action of 1905 in Austria had achieved. Not only was the Hungarian labour movement weaker, but the threat to the central state's territorial claims posed by democratization in areas with minority nationalities was greater. On the political right, anti-Liberal sentiment amongst peasants alloyed with anti-democratic and anti-socialist reaction amongst the nobility and petit bourgeoisie to forge a conservative anti-Semitic coalition, fronted from 1895 by the Catholic People's Party. Although not a successful mass organization in the style of Karl Lueger's Christian Social movement in Austria, and arguably little more than “an appendage of aristocratic politics in the shadow of a powerful bureaucratic machine,”³⁴ the People's Party did help to rally chauvinist sentiment and to refashion anti-semitism from a religious movement directed explicitly at practising, non-assimilated Jews into a socio-political movement that targeted the assimilated too. By 1900 “chauvinism” was in common use as an appreciative term by many a Hungarian politician and journalist.³⁵

The new conservative anti-semitism was nowhere more visible than at the University of Budapest's Faculty of Law, at which Polanyi studied from 1903 to 1907. In 1896 Budapest University students had sent a telegram of approbation to Karl Lueger – despite his well-known anti-Hungarian prejudice.³⁶ In 1899 a movement of “Christian

³² LUKÁCS 1993, p. 183.

³³ LUKÁCS 1986, p. 39.

³⁴ JANOS 1982, p. 148.

³⁵ LUKÁCS 1993, p. 128.

³⁶ HORVÁTH 1966, p. 62.

awakening” had attracted a considerable portion of the student body. Then, during Polanyi’s student years, the polarization between conservative and radical (predominantly Jewish) students reached fever pitch, and he himself was expelled from university for fighting with members of a rival student organization.

Free radicals

As Zoltán Horváth and Mary Gluck have documented, the historical conditions encountered by Karl Polanyi’s generation diverged conspicuously from those faced by their parents. Both generations, it is true, came of age during that protracted period of rapid socioeconomic change which the sociologist Ferdinand Tönnies referred to as the “great transformation” from feudal agrarian *Gemeinschaft* to industrial capitalist *Gesellschaft*, but Karl and his generation encountered darkening trends, not least of which anti-Semitism and chauvinism, that bore a warning: the progressive potential of the transition to *Gesellschaft*, of Enlightenment and liberal values, could not be taken for granted. In its final two decades the Habsburg Empire experienced one crisis after another. Having restructured and successfully incorporated its erstwhile liberal opponents, the absolutist ancien régime faced the rise of a new force, the labour movement, which pressed for universal suffrage – successfully in Austria but not in Hungary. There, conditions in agriculture remained semi-feudal, social divisions were crass, and the landowning aristocracy remained the dominant force in the state. The parliament had a very restricted franchise: for the regions studied by Dániel Szabó the electorate in 1890 represented 5.2 % of the population, rising to 7 % in 1910.³⁷ In effect, proletariat and peasantry were excluded from representation in Parliament, as were the minority nationalities (in some cases partially, in others completely). Given the numerical weight of non-Magyars in the Hungarian half of the Dual Monarchy, questions of nationality and democracy were intimately connected: conservative patriots could successfully silence nationalistically-minded Hungarian democrats with the warning that universal suffrage would imperil Magyar dominance.³⁸ The Liberal party, its backbone formed by the arch-nationalist gentry, was anti-democratic and supported fanatically

³⁷ As a percentage of the workforce the equivalent figures were 14.8 and 16.7. See SZABÓ 1989, pp. 181–204.

³⁸ POLANYI 1946, p. 96.

repressive measures against the agricultural labour force.³⁹ The Social Democratic Party was more cautious and legalistic than were any of its Second International sister parties. As a result, Michael Löwy has observed, the Hungarian intelligentsia was to a remarkable extent free from attachment to major socio-economic classes. The moderate wing was deprived of its natural ally, the liberal bourgeoisie, which clung tightly to the coat-tails of the gentry, while the revolutionary wing could not feel at home in the main organization of labour, the Social Democratic Party.⁴⁰

In this light one can see why *fin-de-siècle* Hungary produced more than its fair share of frustrated intellectuals. The generation of radicals who came of age at around 1900 were painfully aware of their country's backwardness yet were closely connected to innovative political and intellectual movements elsewhere in Europe. They were "more thoroughly disenchanted with the present and more passionately invested in the future" than their West European counterparts, in the judgement of Mary Gluck. As East Europeans "they were invariably somewhat outside West European developments, . . . and as Hungarian nationals they were increasingly shut out of an inward-looking and increasingly anti-Semitic national community." Whereas for their parents' generation, Hungarian nationalism was linked to liberalism and progress, they were raised as patriots at a time when nationalism was becoming increasingly strident, xenophobic and provincial. Gluck's book focuses upon Georg Lukács, and Karl Polanyi does not enter her discussion. However, the connections that she draws between the sense of alienation felt by Lukács and the other members of his Sunday Circle and the spirit that guided their intellectual and political endeavours could apply equally to Polanyi. "Their inability to find genuine roots in the stony soil of turn-of-the-century Hungary," she speculates, "produced in many not detachment but a strong nostalgia for the possibility of a community that kept eluding them."⁴¹ They reacted against the materialistic, utilitarian civilization of the late 19th century with passionate hatred, convinced that "the dubious material gains of progress have been made at the price of stupendous spiritual loss."⁴² They shared with conservatives an intense and melancholic awareness of "life as it was, and is not, and should be." Unlike conservatives, however, they made no attempt to recapture the traditions of bygone ages. They seemed to possess

³⁹ STONE 1983, p. 317.

⁴⁰ LÖWY 1979, p. 73.

⁴¹ GLUCK 1985, p. 73.

⁴² Stephen Spender, quoted in GLUCK 1985, p. 7.

a deeper, more tragic sense of separation from the past, and sensed that its forms and conventions were irretrievable and probably inappropriate for modern man. To borrow a phrase from Robert Sayre and Michael Löwy, they may be classified alongside Ferdinand Tönnies as “resigned Romantics.” (And the German sociologist’s influence was potent, both on the young Lukács and, more enduringly, on Polanyi).⁴³ For them, the past became an instrument of criticism against the present, as well as a model of integrity and synthesis for the future. Like the Romantics, they searched in the past – usually the Middle Ages or Ancient Greece – for ideal instances of non-alienated cultures “when individuals supposedly still felt that their inner selves were adequately reflected by the cultural world around them.”⁴⁴ Like their modernist counterparts elsewhere, they were captivated by primitivism and folk cultures; in African masks, folk music, peasant culture they thought to have discovered the sense of personal wholeness and communal rootedness that they felt to be so woefully lacking in the modern world.

Three strands of the counter-culture

At the centre of Budapest’s radical counter-culture were three individuals, each of whom represented a distinctive intellectual or political pole of attraction for Karl Polanyi. One, Georg Lukács, lived on the same street and was a good friend of both Karl and his mother. In his youth, Lukács was more a philosophical than a political radical. A metaphysical idealist, he found in Romantic philosophy pointers towards an intellectual and cultural renaissance, and was fiercely critical of what he saw as the insipid stultifying staples of 19th century liberal philosophy: utilitarianism, positivism, materialism, and determinism. He learnt much from vitalist and neo-Kantian philosophers who, in various ways, emphasized the distinction between the methods of the natural and the social sciences, between the objective world studied by science and the subjective reality of individual consciousness and social existence. At a 1910 meeting of the Galilei Circle – of which Polanyi was the founder – Lukács expounded upon the toxic cocktail of positivism, determinism and liberal individualism, how these acted to dissolve social bonds and attenuate the

⁴³ SAYRE and LÖWY 2001, pp. 70–71.

⁴⁴ GLUCK 1985, p. 7.

intellectual basis for conscious human action. In his perspective, as explicated by Mary Gluck,

it was ultimately positivistic science which was responsible for the fragmented, relativistic world view bequeathed by the nineteenth century to the twentieth. Positivism, he felt, approached nature from a position of passive observation rather than active involvement, and encouraged a view of the world geared to register the reality of atomized individuals and dispersed, disconnected movements.⁴⁵

Lukács' greatest enthusiasms, alongside Dostoevsky and the Hungarian poet Endre Ady, were German and French philosophers and sociologists: Nietzsche, Bergson, Dilthey, Simmel and Weber. But there was also one home-grown theorist, Ervin Szabó, to whom he was greatly indebted.⁴⁶ Szabó, Hungary's leading Marxist theoretician, was also a major influence on Polanyi – indeed, the latter's wife would later describe him as “our spiritual father.”⁴⁷

A revolutionary syndicalist, Szabó was sharply critical of the programme and practice of the Social Democratic Party. It was, he said, controlled by union bureaucrats and engaged in “timid parliamentarism.”⁴⁸ The theory that sanctioned such behaviour was Lassalleian rather than Marxist: a deterministic “objective sociology” that denied the role in history of ideas, of human psychology.⁴⁹ “All historical development,” he would insist, “has been the result of the actions of critical individuals.”⁵⁰ Every individual, he declared in a speech to the Galilei Circle, has an active part to play, and not least “in seiner eigenen Seelen- und Gefühlswelt.”⁵¹ In *Syndicalism and Social Democracy*, published in 1908, Szabó proposed that the workers' movement establish its categorical independence from the bourgeoisie, insisting that freedom, passion and the flourishing of the worker's human potential are of greater consequence than the construction of mere institutions, even including those of a future socialist State.

Intellectually and politically, Polanyi was closer to Szabó than to Lukács, and he kept abreast of the progress of the syndicalist phenomenon around Europe. Another of his cousins, Odön Pór, was active in syndicalist movements in Italy, and Polanyi also followed the course of the Great Unrest (sometimes called the Syndicalist Revolt) in Britain. He was familiar with the work of G. K. Chesterton, took approving note of his radical proposals for redistribution of

⁴⁵ *Ibid.*, p. 140.

⁴⁶ LUKÁCS 1983, pp. 39–40.

⁴⁷ VEZÉR 2000, p. 283.

⁴⁸ TÖKÉS 1967, p. 10.

⁴⁹ SZABÓ 1982, p. 109.

⁵⁰ LITVÁN and BAK 1982, p. 8.

⁵¹ HORVÁTH 1966, p. 498.

productive property and land, and translated the first chapter of his *Heretics* into Hungarian.⁵² Chesterton was the editor of *Eye-Witness* and a contributor to *New Age*, the principal journals of cultural rebellion in Britain at the time; (the latter carried an enthusiastic piece by Pór about the “national guilds” – co-operatives – of Emilio Romana and Ravenna.) The brunt of Chesterton’s interpretation of the Great Unrest was that it was directed against collectivism – including the encroaching “servile state” and statist forms of socialism.⁵³ He was, however, close friends with a prominent statist socialist, and one of Polanyi’s life-long idols and the subject of one of his earliest published essays, the dramatist George Bernard Shaw.

Statist, Fabian socialism formed the third pole of attraction in the Budapest counter-culture, and was the one to which Polanyi was most strongly drawn. It was the creed of Shaw, of his other teenage idol, H. G. Wells, and of Oszkár Jászi and his friend Eduard Bernstein. The latter had broken from the mainstream of the German SPD – refusing its philosophy of history, economic determinism, lack of separate ethical agenda, and theory of crisis – to become a “bourgeois radical” of a Fabian stripe.⁵⁴ For him, capitalism was not moving towards collapse, and if the position of workers was becoming intolerable this was due to the uncertainty of their existence in a volatile environment and not to any sustained tendency to depress their living standards.⁵⁵ The method by which to expand working-class influence within society was not class struggle and certainly not revolutionary upheaval but the broadening of the franchise. Together with Achille Loria, Franz Oppenheimer and Eugen Dühring he inspired the Central European current of “liberal socialism,” a movement, to which Jászi and Polanyi both signed up. Alongside democratization, it was dedicated to ending the exploitative character of capitalism, a task that liberal socialists believed would be achieved with the abolition of the latifundia system and the opening to all of the opportunity to own land.

Jászi was very much the “anti-aristocratic” radical in the sense described by Norman Stone above. Radicalism’s mission, he believed, was to breathe new life into a liberalism that had become discredited through its association with “Manchesterism” (the advocacy of free trade as a means of entrenching the dominance of the strong, cynically

⁵² 45-11, Abraham Rotstein (1957) “Notes of Weekend XV with Karl Polanyi”, pp. 18, 39.

⁵³ VILLIS 2006, p. 42.

⁵⁴ SCHUMPETER 1986, p. 883.

⁵⁵ The resemblance of the latter claim to arguments in Polanyi’s *The Great Transformation* may not be entirely accidental.

disguised by the vocabulary of liberty).⁵⁶ In sharp contrast to Szabó he exhorted radicals to pledge themselves to “industrial capital” in its battle against “agrarian feudalism,”⁵⁷ and to rescue “the part of classical liberalism that is still viable today” – by which he meant tolerance, civil liberties, parliamentary democracy, and free trade, but not *laissez-faire* or even, necessarily, private property in the means of production.⁵⁸ Jászi’s faith in natural science and positivist social science was fervent, and it is telling that he held Herbert Spencer in the highest regard, yet he insisted upon the privileged role of ideas as the switching points of social change – especially where they are discussed and developed collectively within the public sphere and educational institutions. The goal to which he aspired was the replacement of the decaying old religious and metaphysical ethics by a “new morality, founded on science and human solidarity.”⁵⁹ The way towards that goal involved grounding political reform upon social-scientific knowledge. “We believed,” he was later to recall,

in the power of ideas; we believed in the limitless optimism of the theory of progress; in the invincible strength of truth; in the weakness of the debauched “ancien regime”; and above all, we believed in the importance of spreading our noble, simple, and clear principles among our fellow men. We were rationalist, anticorruptionist knights errant . . . who, with the diamond-tipped lances of our utilitarian truths, carried on proud, solitary guerrilla warfare against the thousand-year-old bastion of feudalism and clericalism.⁶⁰

Their differences notwithstanding, Lukács and Szabó viewed Jászi’s group as firm and unconditional allies in a shared rebellion against feudal absolutism and its Liberal props. The three currents – Romantic anti-capitalist, dissident Marxist, and liberal socialist – converged around a set of overlapping centres of influence, of which the most notable were the literary review *Nyugat* (“West”), Jászi’s Sociological Society and its journal *Huszadik Század* (“Twentieth Century”), and the Galilei Circle, with its periodical *Szabadgondolat* (“Free Thought”).

In Polanyi’s mind, the schism between Romantic anti-capitalism and Jászi’s pragmatic, positivist reformism resonated, one would imagine, with two other interlinked cleavages: between the political-cultural outlook of his parents, and between Britain and Russia. His father, an engineer, businessman, positivist and Liberal, had lived for a time in Edinburgh (where he studied techniques of building railways across city centres) and returned to Budapest “as what he understood

⁵⁶ CONGDON 1974, pp. 304–305.

⁵⁷ HORVÁTH 1966, p. 293.

⁵⁸ LITVÁN 2006, p. 164.

⁵⁹ KETTLER *et al.* 1984, p. 20; HORVÁTH 1966, p. 135.

⁶⁰ GLUCK 1985, p. 104.

to be a practising Scotsman.”⁶¹ The model he held up “was Englishness, which he identified with modernity.”⁶² Britain, for Karl, was the land of his father’s tales, of his English language education, of J. S. Mill and New Liberalism, of utopian socialism and Fabianism, and of his life-long idols Robert Owen and George Bernard Shaw. His mother, by contrast, was bohemian and chaotic; her interests leaned to the aesthetic and the psychoanalytic. She would chide Jászi, as he recalls, for his “narrow, Spencerian, English positivism” and recommend that he “balance it with Nietzsche’s brilliance.”⁶³ Of Russian descent, Cecile maintained links to Russian émigré circles, above all through her close friend Samuel Klatschko. A Russian socialist and former narodnik, Klatschko had, in early life, founded a utopian community in the US and later provided a Viennese base for exiled Russian revolutionaries (including Trotsky and Radek). He exerted a lasting influence on both Karl Polanyi and Ervin Szabó. From him, Karl developed a fascination with the Russian student movement, and “lived with the image of the self-sacrificing, man-of-the-movement” in his mind. Russia was the land of populism, of revolutionary spirit, and of those literary avatars of romantic anti-capitalism, Dostoevsky and Tolstoy.

Of the thinkers presented above as leading figures of the three strands of Budapest’s counter-culture, Polanyi was closest to Jászi, and has been described as one of his “most faithful followers.”⁶⁴ Yet, already in his earliest writings one can discern Romantic and syndicalist overtones and, in the 1910s, he began to develop his own distinctive voice. Marking a critical juncture in his intellectual formation was his encounter with the writings of Guild Socialists, notably G. D. H. Cole. Guild Socialism was the product of an unlikely coalescence of Fabianism, medievalist aestheticism and syndicalism – a trinity which, if transposed onto the Hungarian counter-culture maps quite precisely to Jászi, Lukács and Szabó. Initiated during the Great Unrest it was sometimes referred to as “English syndicalism,” where “English” connoted opposition to abrupt change and saturation in the culture of liberalism. As its most famous adherent, Bertrand Russell, put it, whereas the Syndicalists accept, from Marx, the doctrine of class war and, from Anarchism, the immediate abolition of political power, “the Guild Socialists, though some persons

⁶¹ DUCZYNSKA 2000, p. 303; SZAPOR 2005, p. 15.

⁶² Kari Polanyi-Levitt, telephone interview with the author, 08.11.2007.

⁶³ KADARKAY 1991, p. 89.

⁶⁴ CONGDON 1991, p. 18; Kari Polanyi-Levitt, telephone interview with the author, 06.10.2007.

in this country regard them as extremists, really represent the English love of compromise.”⁶⁵ To Polanyi, Guild Socialism embodied the meeting point between “England” and “Russia,” between reformism and Romantic anti-capitalism, parliamentary democracy and workers’ self-government, father and mother.

From theory to practice

The moral, cultural and political transformation in which Polanyi, Jászi, Lukács *et al.* invested their hopes and energies would, if successful, overcome the alienation and identity conflict described in the first part of this essay. No longer would society be fractured along lines of education. The franchise would be extended to all and the oppression of the minority nations would be brought to an end. The gulf between classes would be reduced or eliminated, and in the pulse of this progressive sea-change the primary causes of anti-Semitism would dissolve. In a radical or revolutionary Hungary the counter-culture would become the mainstream. But how were the critics’ ideas to be turned into reality? How might those sharply honed intellectual resources of the counter-culture be put to practical effect? In this section I turn to examine how Polanyi engaged with this challenge, by exploring his practical activities and political engagement in the run-up to and immediate aftermath of the First World War.

In 1908-1914, Polanyi’s major efforts lay with the Galilei Circle, a Freemason-funded organization, over 2,000 strong, of students and young intellectuals.⁶⁶ Its mission was to overcome Hungary’s backwardness and inspire national moral regeneration; its enemies were clericalism, corruption, bureaucracy and the privileged elites who resisted its aims: the establishment of an open liberal (or socialist) society with a modern education system and generously defined and robustly defended academic and scientific freedoms.⁶⁷ Within this broad remit a number of specific agendas were identified. Polanyi, for example, saw research in rural sociology as an important task; the Galileists, he believed, should follow the Russian student movement that had gone “out to the villages” to meet the people.⁶⁸ A higher priority was

⁶⁵ RUSSELL 1918, p. 124.

⁶⁶ 30-1, “Karl Polanyi: Biographical information, 1940-1984.”

⁶⁷ 29-12, Ilona Duczynska n.d. “Karl

Polanyi (1886-1964) – A family chronicle and a short account of his life.”

⁶⁸ MÜCSI 1990, p. 27.

in the pedagogic field: between its foundation in 1908 and its prohibition in 1917 the Galilei Circle organized thousands of adult education classes that were attended by tens of thousands of working people.⁶⁹ But if it possessed one defining task, it was to introduce and disseminate cutting-edge scientific, cultural and social-scientific thought to the Budapest intelligentsia. Alongside Ernst Mach and Richard Avenarius, and Marxist and other socialist theorists, the Galileists engaged above all with the ideas of Albert Einstein, Herbert Spencer and Sigmund Freud.⁷⁰ The keynote speakers were often home grown (e.g. Polanyi and Lukács) or Austrian (Max Adler), but an impressive assortment of foreigners came too, including Eduard Bernstein, Roberto Michels, Wilhelm Ostwald and Werner Sombart.

The Galilei Circle was principally a scholarly enterprise, but Polanyi was simultaneously engaged in overtly political activity, producing strategic discussion papers for and participating in the creation of a political party. Various translated as “National Citizens Radical Party” and “Radical Bourgeois Party,” for Polanyi the operative term was “radical.” In the meaning he gives it, radicalism “views the world *from within* and recognizes in human progress its own work,” in contrast to Marxism, which “views the world *from without*,” and imagines social development to be “a pure automatism, propelled by the machinery of the class struggle.”⁷¹ Radicalism was also to be contrasted with traditional liberalism, a current that had forsaken its rebellious past. He was dismayed that Hungarian liberals, in shameful contrast to their forebears in 1848, were pusillanimous in the face of clerical conservatism. Why had liberalism lost its vitality, he wondered; why had it foresworn all revolutionary initiative and become a reactionary movement? The answer he found lay not in material developments – such as the ascendancy of liberalism’s chosen economic system, capitalism, or the threat to private property in the means of production posed by the rise of organized labour – but in a “new, mistaken and disastrous idea” that had gripped the social sciences and radical politics alike.⁷² The new idea was “political fatalism,” the “blind belief in the constant development of society as the solution to all of society’s problems” with its concomitant relegation of political action to a mere handservant of that development.⁷³ Infected with this spirit liberalism had abandoned any

⁶⁹ 30-1 (*op. cit.*). See also MENDELL 1994, p. 25.

⁷⁰ 29-12 (*op. cit.*); 30-1 (*op. cit.*); 46-6, Ilona Duczynska (1970s) Interview with Ilona Duczynska by Dr. Isabella Ackerl.

⁷¹ Quoted in CONGDON 2001, p. 37.

⁷² 1-12, Karl Polanyi (1913) “Speech on the meaning of conviction.”

⁷³ 1-13, Karl Polanyi, “A lesson learned.”

serious fight against the rule of the large landowners and the Church, and although Social Democracy had at least taken up the campaign to extend the franchise, for the most part it was in the grip of its own immobilizing fatalistic doctrines.

By what means could radical Hungary be shaken out of its torpor? What was required in order to re-ignite the spirit of 1848? On the intellectual front the task was clear: to combat fatalism. But what of the political front? Here, matters were more complex, and to grasp Polanyi's views and strategic proposals it is first necessary to comprehend his class analysis of contemporary Hungarian politics. In his judgment, the Hungarian state, even though it had presided over rapid industrialization and a burgeoning and confident bourgeoisie, remained dominated by landowning interests and the Church and was therefore fundamentally a feudal institution. The upper bourgeoisie was represented by the powerful Liberal party, and the rapidly expanding manual-industrial working class by the Social Democratic Party, but in the intervening space a "new middle class" had come into being, encompassing white collar workers, private and public officials, and the intelligentsia (including, for example, priests, actors and academics).⁷⁴ In this, Polanyi was picking up a theory that had been developed in the 1890s by the German Historical Schoolmen Gerhard von Scholtze-Gävernitz, Gustav Schmoller and Sombart, and popularized by Bernstein. To my mind, Polanyi's analysis, grouping as it does blue- and white-collar workers together with the upper middle-class practitioners of "mental labour" as a single stratum, obfuscates matters, and no less confusing is his use of diverse, even contradictory, labels to refer to it, including "intelligentsia," "intellectual class," "intellectual workers" and "bourgeois." Be that as it may, the inferences he drew were clear: that the two "classes," although inextricably united in their destiny were innately different in their nature, the manual worker being "necessarily materialist" and concerned above all with economic matters "while the intellectual worker is necessarily idealist."⁷⁵ This difference in character and outlook necessitated their separate organization into bourgeois-radical and social-democratic parties.

In an anticipation of his later turn towards functionalist theory, Polanyi maintained that the essential cause of the crisis of progressive Hungary was that Social Democracy had trespassed on the functions proper to bourgeois radicals, and it had been able to do so in part

⁷⁴ POLANYI 1918.

mus programja és célja."

⁷⁵ 1-25, Karl Polanyi (1918) "A radikaliz-

because the latter were politically homeless, with no party to call their own. For taking up the struggle for parliamentary democracy and for “entrenching radical bourgeois ideas within progressive public opinion” Polanyi was deeply appreciative of the Social Democrat-led struggles of Hungarian labour, but in so doing it had stolen the clothes of bourgeois radicalism.⁷⁶ For their part, a good many members of the “extreme left wing of the bourgeoisie” had backed the Social-Democrats’ campaign for democracy, but such support had become “empty with the passing of time.”⁷⁷ In short, neither the intelligentsia nor the industrial proletariat had shown itself capable of fulfilling its proper vocation; only a coalition of manual and mental labour, organized separately but acting together on the critical question of democratization, could come to the rescue of Hungary (and indeed, Polanyi believed, of human society).

In a raft of articles and speeches in the run-up to the First World War Polanyi argued for a loose association between Social Democracy and bourgeois radicalism. It would be based upon a division of labour with regard to constituency – on one hand, the working class, on the other, radical elements of the bourgeoisie and intelligentsia together with minority nationalities and the peasantry – and with regard to long-term ends: “Bourgeois politics and the struggle against feudalism will be carried out by the radicals, while the working class movement and the struggle against capitalism will be represented by the socialists.”⁷⁸ The area of common ground would consist of the immediate goals towards which the actual activities of both parties would be oriented: the overthrow of feudalism and clericalism and the expansion of the franchise. Taking a position vis-à-vis the middle-class intelligentsia analogous to that of Gramsci towards the working class, Polanyi made a case for its hegemonic role within a broad democratic bloc: “A new world-view has to be created that ensures the leadership of the intellectual forces on the basis of democracy . . . The road for the proletariat leads through the goals of bourgeois radicalism.”⁷⁹

This strategy, Polanyi believed, held out terrific promise for a progressive Hungary. The formation of an intellectual middle-class party that was prepared to “besiege the fortress of feudalism out of bourgeois interests and with bourgeois forces” would arouse the latter from their stupour and hoist the bourgeoisie back onto its

⁷⁶ POLANYI 1914b.

⁷⁷ POLANYI 1913.

⁷⁸ 1-23, *op. cit.*

⁷⁹ POLANYI 1913; 1-25, Karl Polanyi (1918) “A radikalizmus programja és célja.”

emancipatory track. It would at last create a platform within Parliament that would provide serious and genuine opposition to the rule of the landowners and the Church, in the process ensuring that the axis of public life would swivel such that “the struggle between forces of progress and reaction” would thenceforth take centre stage.⁸⁰ For the labour-movement organizations, too, the creation of a Radical Party could not but be beneficial, for in place of well-meaning intellectual advisors they would gain a strong middle-class ally – to the support of which they should, Polanyi advised, pledge their unconditional commitment.⁸¹

Polanyi’s strategic thinking was developed in close conference with Oszkar Jászi, and when he set up the Radical Bourgeois Party in June 1914, Polanyi was installed as its General Secretary.⁸² The core points of the party’s programme were the extension of the franchise, land redistribution, free trade, education reform, and federalization. The last of these points, aimed at assuaging the demands for autonomy of the minority nationalities whilst maintaining the borders of Greater Hungary, was seen by conservatives and anti-Semites as a cosmopolitan plot to undermine “Magyardom,” yet if the radicals’ nationalities policy deserves criticism it is, on the contrary, for being insufficiently appreciative of the oppressions inflicted upon the minority nations. Of the two chief arguments that Polanyi deployed in justification of the case for federalism, one was that in its absence the nationalities would be tempted to ally themselves with absolutism against democracy in order to block the formation of a Magyar-dominated state, but the other, although avowedly democratic in inspiration, was brazenly, even arrogantly, nationalistic. “It is only the Magyars in this country,” he declaimed,

who have reached the threshold of democratic statehood, and the new, modern Hungary can only be built by their forces. This process will be a veritable manifestation of the cultural hegemony that underpins Magyar political hegemony, that real “leadership” which is based not on force and fraud but on economic welfare and intellectual prowess. Hungary will accomplish this democratic solution in accordance with its essence: so that it applies to Magyars and non-Magyars alike, and, if necessary, against the desires of the nationalities.⁸³

The Radical Bourgeois Party did not live up to Polanyi’s hopes. Clearly, the inauspicious date of its foundation – June 1914 – did not help. But there were deeper reasons too. Although programmatically

⁸⁰ 1-23, *op. cit.*

⁸¹ POLANYI 1913.

⁸² 30-1, *op. cit.* See also MÜCSI 1990, p. 29.

⁸³ POLANYI 1914a.

committed to an alliance with the peasantry and minority nationalities, in practice it failed to reach beyond its core constituency in the left and left-liberal intelligentsia. Quite simply, according to Jászi, it “was of too intellectual a type” to gain mass support.⁸⁴ In Gluck’s harsher judgment, Jászi, Polanyi and their colleagues were the epitome of “a fastidious intellectual elite who were, on occasion, glad to give lectures for the edification of working-class audiences; were more than ready to theorize about the “proletariat” as an abstraction” while remaining essentially ignorant of and indifferent toward the concrete, individual manifestations of working-class and peasant life.⁸⁵

The moment for the radicals to attempt to break out of their niche did arrive, in autumn 1918, with the “White Aster Revolution.” The genesis of that upheaval can be traced to December 1917, when workers’ councils were established in factories and a network of them swiftly spread.⁸⁶ The first half of 1918 witnessed a general strike, scores of wildcat strikes, and revolts in the barracks.⁸⁷ Amid worsening social conditions and with defeat in war looming the political mood, as elsewhere in Central and Eastern Europe, swung sharply towards republicanism, social democracy and communism. The *Zeitgeist* is captured well in Jászi’s memoirs:

The spirit of revolution had penetrated into every sphere of human relations in the course of September and October. Men lost all interest in everyday affairs and were looking fixedly into the future. . . . An electrician’s apprentice, come to repair the wires, prophesied that we were on the threshold of revolution and appalling events. The maid bringing in the soup told us that she had it from her relatives in the country that the old world would last very little longer now. The young men of the Galileo Club pursued their anti-militarist propaganda almost openly, and the imprisonment of a few of them only increased their revolutionary enthusiasm. Soldiers and even officers spoke aloud in public of the collapse of the front. In the tram one heard passionate outbursts against the war, the authorities and the propertied classes.⁸⁸

In the early autumn, the Social Democrats joined forces with the Radical Bourgeois Party and Count Michael Károlyi to form the “Hungarian National Council” (HNC). In October, Károlyi, whose aim was a peaceful and orderly transition to liberal democracy, warned the Parliament in Budapest and the Emperor in Vienna that Hungary faced the choice between an HNC-led government and Bolshevism.

⁸⁴ JÁSZI 1924, p. 75.

⁸⁵ GLUCK 1985, p. 102.

⁸⁶ TÖKÉS 1967, p. 39.

⁸⁷ DEÁK 1971, p. 28.

⁸⁸ JÁSZI 1924, p. 29.

When neither legislators nor monarch responded to this threat, the Social Democrats – by far the strongest component of the HNC – sought to entrench their bargaining position by appealing to the workers and soldiers to act. The response exceeded their expectations, and indeed took them utterly by surprise: a wave of street demonstrations, strikes and mutinies hoisted them into power.⁸⁹ If the HNC's intention had been a “negotiated transition” to democracy, the reality was “ruptura.”

In its initial phase, the Aster Revolution was characterized by the sense of unity that typifies the first stages of revolutions in which the working and middling layers of society band together against an autocratic regime. Jászi's memoirs record his elation at the unity between classes and between nationalities that arose during those spirited days.⁹⁰ I have little doubt that Polanyi felt the same, and he, like Jászi, also drew attention to the critical role played by Galileists. Thus, although he awards the plaudits for the revolt's success first and foremost to “the leaders whose foresight and courage made it possible for a new democratic Hungary to rally round their persons” and, secondly, to “the revolutionary discipline of the Hungarian masses,” he credits the “fervour and the integrity of the revolution,” and its “shining, unblemished nature” to the “students' movement ‘Galilei,’” which had raised a generation devoted to the idea of public obligation.⁹¹ Nevertheless, the Aster episode did not fulfill Polanyi's expectations, let alone his hopes, and for this, in a *mea culpa* written some ten years later, he pinned part of the blame upon the Galilei Circle. The problem, as he saw it in retrospect, had lain with the Galileists' privileging of the sphere of ideas over political engagement. “Ich war davon furchtbar niedergedrückt,” he recalls, “weil dort lauter Seminare gelaufen sind, lauter Soziologie, lauter gelehrte Sachen statt Aktion.”⁹² It was due to the failings of the Galilei Circle,

that there was not available in 1918 a generation, welded in one with the peasantry and with the national minorities in long-standing, stern battles. I had been leading the Circle in an anti-political direction. Neither with the working class, nor with the peasantry, nor with the national minorities did I try to achieve unity based on action.

“I have never been a politician,” he added, not without a soupçon of hyperbole; “I had no talent that way, no interest even.”⁹³

⁸⁹ KÁROLYI 1924, p. 443.

⁹⁰ JÁSZI 1924, p. 34.

⁹¹ POLANYI 1929; 1946, p. 97.

⁹² 46-6, *op. cit.*

⁹³ 30-1, *op. cit.*

From Károlyi to Kun

If the HNC government experienced a honeymoon period it was not to last for more than a few weeks and its demise was predictable – Károlyi was widely seen as playing Kerensky’s role in Hungary’s rendition of the Russian revolution.⁹⁴ The new administration’s first step was to autonomously sign an armistice with the Allies, breaking from Vienna in the process, but it immediately found itself in troubled waters. Although committed to gradual reforms within a liberal framework, it had been hoisted to power by mass movements, with strong bases of support within the army, that were pressing for swift and wholesale changes that went beyond the limits of parliamentary-democratic capitalism. In Budapest a potential rival power had arisen in the form of the soldiers’ and workers’ councils. In the countryside, peasants agitated for land redistribution. On the perimeter, national minorities were moving to secede.

The initial euphoria notwithstanding, the unity for which Polanyi yearned was hardly to be realized under Károlyi’s provisional government. Instead, social polarization ensued. On one side, the old ruling classes mobilized against the incoming government. (“As there had been scarcely any social welfare in the past,” Károlyi’s wife, Catherine, recalls in her memoirs, “the mildest measures could irritate and alarm the ruling classes.”⁹⁵) On the other, movements of workers and peasants, their political confidence raised thanks to the central part they played in the Aster Revolution, pressed for further demands: land redistribution, improvements to pay and conditions, and socialist economic policies. According to Károlyi, his government did its level best to dampen the demands of the “popular classes” while displaying the utmost magnanimity to the bishops, counts, princes and bank directors. “We were,” he reflected with the benefit of hindsight, “bitterly to regret this generous attitude.”⁹⁶

Despite the widespread goodwill that Károlyi’s government had earned by signing the armistice and extending the franchise (to men over 21 and women over 24), few constituencies felt that their demands were being met. “Vested interests, doctrinaire prejudice and urban indifference”⁹⁷ – by which Polanyi referred to the land-owners, the Church and Social Democracy – ensured that the government procrastinated over its promise of land reform. It divided

⁹⁴ CONGDON 1974, p. 310.

⁹⁵ KÁROLYI 1966, p. 195.

⁹⁶ KÁROLYI 1956, p. 127.

⁹⁷ POLANYI 1946.

up a mere handful of large estates, including Károlyi's own, as compared to scores that were occupied "from below." Citing "the general lack of energy of the government and its indifference to the progress of the revolution," Jászi resigned his cabinet position in January.⁹⁸ In February, liberal values were thrown overboard when, following an unsuccessful attempt to expel Communists from the trade unions and workers' councils, the cabinet authorized the rounding up and imprisonment of leaders and cadre of the fledgling Communist Party and banned its newspaper. Its leader, Bela Kun, was beaten up in prison in the presence of a newspaper journalist, whose report caused "a wave of sympathy for the Bolsheviks [to sweep] over the capital" – a sentiment that embraced an increasingly disenchanted Karl Polanyi.⁹⁹ The incarceration of the Communists, he observed, was causing people who were otherwise unsympathetic to Communism to think that there might be a degree of truth in their views. And with the masses, he opined, not without a hint of elitism, "a partial truth means *the* truth."¹⁰⁰

Until February 1919, Polanyi had regarded the HNC regime as his own. However, he bemoaned its lack of a "clear and feasible political programme" (a fault for which, as we noted above, he blamed himself, for neglecting to shape the Galilei Circle into a hot-house to cultivate a revolutionary intelligentsia skilled in political campaigning and administration).¹⁰¹ Of the Károlyi government he demanded "more determination . . . against every breath of the counter-revolution," the acceleration "of the economic construction of socialism," a retreat from its protectionist economic policies, and an end to its "chauvinist attitude in the nationalities question."¹⁰² Although he backed the HNC in its rivalry with the Communists, in December he – in possibly the first such initiative in Central and Eastern Europe – initiated a debate on Bolshevism in his journal *Szabadgondolat* and, at his request, the first to air their views, alongside Jászi, were Georg Lukács, who was at the time moving rapidly into the Communist camp, and the Communist Eugene Varga. His own contribution, although caustically critical of Bolshevism, did credit it with being "the only serious representative of socialism."¹⁰³

By March 1919 the Károlyi government found itself under attack from Czech-Slovak, Serb and Romanian armies, and was ordered by

⁹⁸ JÁSZI 1924.

⁹⁹ 29-12, *op. cit.* See also CONGDON 1991,

p. 33.

¹⁰⁰ POLANYI 1919.

¹⁰¹ POLANYI 1929.

¹⁰² LITVÁN 1990, p. 33.

¹⁰³ POLANYI 1918.

the French government to withdraw its forces to the borders drawn up by the victorious powers at Versailles. It was simultaneously under pressure from the masses, with peasants seizing land, workers taking strike action in support of the imprisoned Communists, and a Soviet assuming control of the southern provincial capital of Szeged. “The hold of Bolshevism was greatly strengthened,” according to Jászai, “by the growth throughout the country of counter-revolutionary movements,” a development for which he held the Károlyi government responsible, for it had permitted the chief conspirators among the Whites “to continue their work undisturbed.” In view of the palpable reality of counter-revolutionary movements, which the HNC government failed to confront,

Revolutionary Hungary stood in fear and trembling; it was generally felt that [the Károlyi] government was no longer able to save the October Revolution; and if a choice had to be made between White and Red ... the Red was preferred.¹⁰⁴

With his authority crumbling, Károlyi resigned and handed the reins of power to the Social Democrats. Yet they too were in disarray. Support for Communism was surging, especially amongst soldiers and workers, and entire sections of the Social Democratic Party, including its Youth League, went over. Of those that remained an important part sought rapprochement with – or, more accurately, co-optation of – the CP. In this manoeuvre, international considerations played a critical role, given the belief in the SDP’s leading ranks that before long the Russian Red Army would break through Romanian lines and reach Hungary’s eastern borders. “We must take ... from the East what has been denied to us by the West,” declared one SDP leader, explaining his party’s “left” turn;

The army of the Russian proletariat is approaching rapidly. A bourgeois government ... will not be able to cope with these new developments. ... the Communist comrades immediately must be released from prison and tomorrow ... we shall announce to the entire world that the proletariat of this country has taken the guidance of Hungary and at the same time offered its fraternal alliance to the Soviet Russian government.¹⁰⁵

This was an act of desperation, writes John Rees, and one that “depended on the stupidity, inexperience, and gullibility of the CP leadership if it was to work. Unfortunately, these were qualities that Bela Kun and his comrades possessed in abundance.” By agreeing to the fusion – and against advice from Moscow – the Communists

¹⁰⁴ JÁSZAI 1924, p. 88.

¹⁰⁵ REES 1998, pp. 254-255.

entered government. Although both the new government and Party were led by Bela Kun, his comrades took a minority of the senior positions in both institutions.

Initially at least, the Councils Republic was not lacking in popularity. According to Jászi, normally an implacable critic, the first months of 1919 witnessed “the complete conversion of the masses to Bolshevism,” and a positive disposition towards the new regime among the bulk of the intelligentsia as well.¹⁰⁶ The Republic, Jászi continued,

maintained a measure of order and organisation during a period in which there was no alternative to it but the horrors and anarchy of mob domination. . . . It planted in the minds of the great mass of semi-brutalised slaves perhaps the first seeds of faith and hope of liberation; to this day there lives in the hearts of millions the sense of the rights of the workers and of their superiority to the drones and idlers. Above all, the dictatorship shook out of their age-long apathy the unhappy helots of Hungarian society, the agricultural workers. No less important was the service of the Soviet Republic to the idea of internationalism, made vivid and real in the minds of the people by the memory of hard and bloody conflicts. Finally, . . . the Republic did pioneer work for the ideals of more advanced types of democracy and self-government.¹⁰⁷

A portion of its popularity, in addition, related to the Entente’s intention of reducing Hungary’s territory, with nationalists of all political colours praying that the new regime would imbibe something of Soviet Russia’s spirit in rejecting the impositions of the Great Powers.

The conditions that Kun’s “Republic of Councils” faced, including economic collapse, food shortages and ongoing military attacks, however, were as inclement as those endured by the Bolshevik-led government in Russia. The communists within it were not only far less experienced than their Russian mentors, but they had come to power not by securing a majority in the workers’ and soldiers’ councils but – and in this the Republic was an historical singularity – by bureaucratic sleight of hand, in the form of fusion with an established governing party. Polanyi viewed the handover, as one might expect, with ambivalence. Although far from uncritical of the new government, or indeed of the left Social Democrats for having abandoned Károlyi in favour of an alliance with Bolsheviks, he recognized that no alternative regime could have been installed, and accepted an official position in the People’s Commissariat of Social Production, a post that he held for three months.¹⁰⁸

Despite having ducked any formal appeal for popular approbation, Kun’s government sought to institute that were policies even more

¹⁰⁶ JÁSZI 1924, pp. 38, 116.

¹⁰⁷ *Ibid.*, p. 151.

¹⁰⁸ CONGDON 1991, p. 218. See also POLANYI 1925.

ambitious than its Russian ally. Although some of these were pioneering, notably in the fields of culture and education, in other areas a series of policy decisions were taken that were either disastrously overambitious or simply disastrous. Within weeks of assuming power, and with little thought to the consequences, it nationalized over 20,000 businesses – a move that drew a sharp rebuke from Polanyi.¹⁰⁹ It expropriated the estates of the Hungarian aristocracy, but implemented this by bureaucratic means and as the first stage in a programme of forced collectivization rather than land redistribution. The demands for autonomy or secession voiced by the national minorities, were not conceded.

Domestically, as a result of these policy failures, opposition to the Councils' Republic grew. Yet the blows that actually brought it down were delivered by foreign hands. Even before it could celebrate its first month in office it faced an invasion by Romanian, Slovak and Czech forces, backed by Western powers. Hungary's "Red Army" was pushed back almost to Budapest, where, in a remarkable turnaround, it was reorganized, received an infusion of energy from the working-class neighbourhoods, and pushed outward again on 2 May – on which day Polanyi sent a message to Lukács to say "I am joining the [Communist] Party" – in a triumphant campaign that saw it recapture lost ground and push deep into Slovakia, where a "Soviet republic" was proclaimed in mid-June.¹¹⁰ This was, however, the last hurrah of the Councils' Republic. Under pressure from Paris to comply with the terms of Versailles, and with its support amongst the peasantry evaporating,¹¹¹ the Red Army began its retreat and, after only 133 days in office, Kun's government resigned. "The desperate but not inglorious episode of the Commune," as Polanyi referred to it, was over.¹¹² Power passed initially to the Social Democrats but was swiftly usurped by the Romanian army. The Romanians and their French-backed successor, the dictatorship under Miklós Horthy, instituted a reign of terror in which thousands lost their lives – above all communists, socialists and Jews. Fortunately for the Jewish socialist Karl Polanyi, he had, already in June, reached the safety of Vienna.

¹⁰⁹ 2-9, "Politisch-historische Perspektive."

¹¹⁰ 29-12, *op. cit.*

¹¹¹ Polanyi criticized both the Social Democrats (under Károlyi and Kun alike) and the Communists for neglecting "the necessity for a radical redistribution of the land" a mistake for which they paid "with

the easy victory of the counter-revolution, which could count on a peasantry indifferent to the cause of the workers." 18-26, Karl Polanyi (1944) "Towards a New October Revolution in Hungary."

¹¹² POLANYI 1946.

Conclusion

Karl Polanyi had been a central figure in Budapest's radical counter-culture, the members of which were to exert an influence upon 20th century thought that was out of all proportion to their number. The radius of their social circle, moreover, was remarkably short, as exemplified by the relationships between its four most prominent figures: Polanyi was a cousin of his mentor Jászi's close friend Szabó, and a schoolmate, friend and neighbour of Lukács. For the most part they hailed from and moved within a narrow layer of society: the educated bourgeoisie of Jewish extraction. Their attempts to reach out beyond that milieu – for example, through the Galilei Circle's adult education classes – were noteworthy but could not fundamentally alter their experience of detachment. Like Szabó, Jászi and Lukács, Polanyi believed that political and moral change in Hungary offered the prospect of a society that would feel at ease with itself, and with which he would feel in tune, but the movements in which he participated were incapable, or only fleetingly capable, of realizing that goal. Those movements reached their meridian in the revolutionary upheavals of 1918–19, after which the counter-culture abruptly dispersed, with some of its number remaining in Horthy's Hungary while others – including Jászi, Lukács and Polanyi – fled into exile.

More or less concurrently with its geographical dispersal, the experience of war and revolution polarized the Budapest counter-culture along political and intellectual faultlines – including the figures discussed in this essay (minus Szabó, who died in 1918). Jászi's radicalism evolved into a mainstream (and sternly anti-Marxist) liberalism. Lukács engaged in a leap of faith, committing to Leninism in late 1918 before, a decade or so later, accommodating to a reformist variant of Stalinism. Polanyi, having been shaped by the overlapping dichotomies of “father and mother,” “Britain and Russia,” and populist socialism and rationalist liberalism, resisted identifying himself with communism, liberalism, or mainstream social democracy but searched for a “third way,” a form of society in which democracy could be extended into the workplace without necessitating the complete abolition of markets. Whether or not that project was feasible, it provided the core *problematic* and the impetus behind those creative inquiries into economic history and anthropology that were to establish Karl Polanyi's reputation in the latter half of the 20th century, even while memories of Budapest's counter-culture were beginning to fade.

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Résumé

Grand penseur et maître prestigieux, Karl Polanyi a longtemps exercé une forte influence dans plusieurs champs disciplinaires, principalement sociologie économique et histoire économique. Deux de ses apports, l'anthropologie économique substantive et la thèse du double mouvement se sont vues reconnaître valeur pionnière. Cependant toute son œuvre connue a été écrite tard dans sa vie, en exil et on sait peu sur ses textes hongrois qui, pour la plupart, n'avaient jusqu'alors pas été traduits. En dépit de sa renommée, on a assez peu de travaux biographiques sur lui, hormis quelques brefs aperçus de qualité. L'article entend remédier à cette lacune en esquissant le tableau de cette extraordinaire conjonction historico-géographique dans laquelle il s'est formé et en explorant ses engagements intellectuels et politiques dans le cercle Galilée et le parti bourgeois radical. Au premier plan on a le rôle des questions touchant à Nation, Ethnicité et Classe dans la vie du jeune Polanyi.

Mots clés : Karl Polanyi ; Hongrie ; Radicalisme libéral ; Assimilation juive.

Zusammenfassung

Vordenker und Leitfigur, Karl Polanyis Beiträge haben über lange Zeit zahlreiche Disziplinen, vor allen Dingen die Wirtschaftssoziologie und -geschichte, beeinflusst. Zwei seiner Überlegungen, die substantive Wirtschaftsanthropologie und die These der Doppelbewegung, sind Pionierarbeiten. Im Gegensatz zu seinen Exilschriften sind seine ungarischen Arbeiten kaum bekannt, da zum größten Teil bis jetzt unübersetzt. Auch ist relativ wenig über seine Person geschrieben worden, eine Lücke, die dieser Aufsatz schließen will. Im Mittelpunkt steht das außergewöhnliche Zusammenspiel von Historie und Geographie, dessen Zeitzeuge er war. Ebenso wird sein intellektuelles und politisches Engagement im Galilei-Kreis und der radikalen bürgerlichen Partei beleuchtet. Schwerpunkte sind Nation, Ethnizität und Klasse im Leben des jungen Karl Polanyi.

Schlagwörter: Karl Polanyi; Ungarn; Liberaler Radikalismus; Jüdische Assimilation.