

Michael Polanyi, Tacit Knowledge and Economics, Part II

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by [Pedro Blas González](#) (September 2024)



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The Logic of Economics and Liberty

The first part of this essay, "Michael Polanyi, Tacit Knowledge and Articulation," elaborated on tacit knowledge, the articulation of knowledge and the implication of the aforementioned to human liberty as a staple form of being human. Part II concentrates on tacit knowledge and economics.

The structure of totalitarian societies, especially those marked by Marxist despotism, is grounded in positivism and the destructive institutional control that philosophical materialism signifies for the advent of science, individual liberty and the human person.

Auguste Comte's conception of positivism is founded on 'The law of three stages.' He calls stage one the theological stage. Stage two is referred to as the metaphysical stage. For the purpose of this enquiry, it is stage three that concerns Polanyi's thought.

The final of Comte's three's stages of historical development, he called the positive stage. The third stage, what Comte considers to be the synthesis of a long and painful societal evolution, concerns itself with the arrangement of the *facts* of history. This means that man encounters a universe of matter and material processes that, according to philosophical materialism, he merely re-arranges for technical and industrial ends. In this stage, man is stripped bare of his metaphysical and existential make-up, effectively becoming de-spiritualized. Man's social/moral condition, in short, the metaphysical/existential source of human values is not only de-valued but is made to work for one end: veneration of the State.

In stage three of Comte's alleged historical development of mankind, concerns for personhood, individuality and freedom are vanquished in the service of a State-sanctioned and controlled existence. Of course, we are talking about the annihilation of personal, existential freedom and, as a consequence, the destruction of social/political liberty and

the institutions that work in the service of the human person.

Modernity and postmodernity readily put on display the destructive effects on human freedom of Comte's law of three stages of human history. The culmination of this savage existence has been aptly described in Huxley's *Brave New World*, Orwell's *1984*, Koestler's *Darkness at Noon*, Zamyatin's *We*, Witkiewicz's *Insatiability* and a slew of works of other thoughtful, well informed and perspicuous writers and thinkers.

Comte's positive stage is marked by the absolute control of the human person by centralized government. This, in turn, marks the destruction of aspects of human life that have nothing to do with social/political categories. This is because Comte's positive stage reduces man to an entity that owes its allegiance to the State. The third law views human reality through the reductionist lens of 'all is political.'

Comte's third stage of history is barbaric and totalitarian, though not primitive, for pre-history was already a theological age. Man in pre-history used rational skills in hunting and gathering and displayed existential concerns for his well-being by attempting to order and control his world (environment) through artistic renditions in cave paintings found in many parts of the world.

As a social/political theory, positivism demands that societies become stringently planned and socially-engineered. This is neurosis posing as science. The artificial and arbitrary stratification of human reality destroys man's desire for personal freedom and spontaneity. As a point of principle, such a planned existence is forcibly managed and maintained through the necessary annihilation of free will.

In Polanyi's thought, spontaneous order has less to do with the idea of free association—as important as that form of liberty is to free societies—and everything with safeguarding

primordial freedom. Spontaneous order means the existential ability for individuals to make a path for themselves in objective reality. That is, in life.

In a free society individuals embrace a self-imposed code of duty and personal responsibility. On the other hand, the destruction of spontaneous order by Comte's third law means the implementation of coercive measures, social/political repression and violence.

How does the absence of spontaneity and State-sanctioned appearance that poses as reality affect science, the arts, religious faith, free thinkers and economic activity among individuals?

A free society demands that individuals exercise free will and responsibility in their choice-making. Polanyi informs us, "The principal belief—or I should rather say the main truth—underlying a free society, is that man is amenable to reason and susceptible to the claims of his conscience."

Spontaneous order is characterized by the desire of individuals to adjust "their actions to the actions of others." This aspect of Polanyi's thought, what essentially amounts to a common sense view of human reality, does double duty as a refutation of economic planning.

Economic activity, according to Polanyi, cannot be planned given that human behavior cannot be predicted, though the latter is the goal of social-engineering conditioning. Economics must be allowed to flourish by dint of the exercise of personal freedom. Individuals live their life through the prism of spontaneous order.

Polanyi's economic principles are based on his rejection of State control of science, a tragic reality that he witnessed firsthand in the Soviet Union in the 1920s. We ought not to forget that economic bartering, trading, selling and buying are forms of human existence—modes of being.

Much has been made, especially in the twentieth and twenty first century about the need to create the rational means that foster *research* into human nature that will make it easier to plan and control economic activity. This is social-engineering by any other name. Polanyi has the following to say about the impulse for totalitarianism: "Producers and Consumers are of course the same people, and form in effect the whole population. The devices of monetary circulation and money-making offer to the population the only possible way of rationally co-operating in the common exploitation of a pool of varied resources, for the production of a large variety of goods destined for distribution among themselves."

Not only are producers and consumers the same people who live under the same sun, and who barter, trade, sell and buy, it is also essential to remember that producers and consumers come in a myriad of unpredictability. What economic planner can honestly say who will purchase what from whom, under what circumstances, and for what price?

Intellectuals as Producers and Consumers

Let us briefly consider the role of intellectuals as producers and consumers. If we are ready to admit that intellectuals—including writers and artists—are producers of goods, products and services, we must also be prepared to recognize that none of these people can predict with any degree of certainty the products of their artistic and reflective toil. Artistic creation is not pre-meditated. For this and many other reasons, artistic creation cannot be socially and politically engineered. Most importantly, even if artists could predict their creations, they would not be able to predict the effect that their work has on other people. The 'others,' being no less than the consumers of such artistic creations.

Libraries, from the great library of Alexandria to the Library of Congress, are replete with the product of human toil for readers to consume. Hence, even intellectual property, including writing, music and art, is a form of human production. This truism is conveniently left out of consideration by people who denigrate human creations that are readily consumed by those 'others' who have been conveniently labeled as consumers.

Economic activity does not differentiate between the consumption of comestible goods and other forms of human production or artistic creation, as the case may be. The days when such capricious and fallacious Marxist ideological conventions are protected from rational and critical scrutiny must be made an ideological and dishonest thing of the past. Human ingenuity, industriousness, skill and good will inform the products that are created.

For decades, the Soviet Intelligentsia and their brethren in Soviet satellite nations consumed—actually relished—dachas, the Bolshoi Ballet and the Saint Petersburg Symphony. These cultural/economic renderings were considered the exclusive product of Soviet totalitarianism. We can turn to a discussion of the hierarchy of axiological values on another occasion. For now, it will suffice to realize that people throughout human history have produced and consumed goods as a matter of survival or a form of existential salvation.

If Polanyi is correct in his conviction that meaning is tied to intellectual freedom, the free and open society must be viewed as the basis for the possibility of free-thinking people to create meaningful lives for themselves.

Polanyi is correct in arguing that thought and reason are viewed by nihilists as being of no importance. For this reason, nihilism deems it necessary to denigrate reason, truth, and free and open societies as intrinsically good and noble human pursuits. The importance and essential role of

economic activity in free and open societies allow individuals to live on the strength of their personal beliefs and higher values and assume responsibility for their articulation.

Polanyi's thought is forward-looking—though, this does not mean *progressive*—for he recognized that the only way that man can achieve a lasting peace is to respect personal autonomy. While positivism and Marxism are anti-philosophies-to-end-all-philosophies, no philosophy or science is capable of planning, predicting and tracking the trajectory of free will. Polanyi warns us:

We see at work here the form of action which has already dealt so many shattering blows to the modern world: the chisel of skepticism driven by the hammer of social passion.

Free and open societies create lasting institutions that come about as the result of existential enterprise. In addition, free and open societies exist to protect the spirit of man in the embodiment of differentiated persons.

In the absence of free and open societies, man encounters misery and State control of all aspects of the human person. These are some of the most ominous and undeniable implications of central economic planning that culminate in a one-world, globalist totalitarian government.

Postscript:

- **See:** Michael Polanyi. *The Study of Man, The Tacit Dimension, Personal Knowledge: Towards a Post-Critical Philosophy* and *The Logic of Liberty: Reflections and Rejoinders*.

- Polanyi's understanding of the Objective-Subjective/Knower-Known poles is similar to José Ortega y Gasset's Objectivism/Perspectivism, where the Spanish philosopher argues that reality is objective but that such a realization can only make sense from a human perspective. That is, through the interdiction of individual knowers. **See:** José Ortega y Gasset's *Meditations on Quixote*.
- The section in *Personal Knowledge* entitled "Religious Doubt" is illuminating: "Religion, considered as an act of worship, is an indwelling rather than an affirmation. God cannot be observed, any more than truth or beauty can be observed. He exists in the sense that He is to be worshipped and obeyed, but not otherwise; not as a fact – any more than truth, beauty or justice exist as facts. All these, like God, are things which can be apprehended only in serving them."
- About what Polanyi views as the inherent problems of formulating mathematical models of economics, he writes: "I have explained that economic problems take up an intermediate position between the fully formalizable and entirely unformalizable tasks: they are theoretically formalizable. We can set up mathematical models of economic problems and speculate on mathematical methods of solving them. The fact that a mathematical model can be set up of the functions performed by a market economy as a whole, has in the past lent strength to the idea that the economic system could be managed centrally by solving the set of simultaneous equations constituting this model. This project has been opposed by F.A. Hayek on the grounds of its twofold impracticability; that it would be impossible to collect the requisite numerical data and that even if these were made available, the task of carrying out the proposed computations would be excessive."

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