

The Power of Market Fundamentalism: Karl Polanyi's Critique. By Fred Block and Margaret R. Somers. Cambridge, Mass.: Harvard University Press, 2014. Pp. xiv+296. \$49.95.

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With *The Power of Market Fundamentalism*, Fred Block and Margaret Somers show Karl Polanyi's critique of modern capitalism to be as trenchant, and relevant, today as it was when he published *The Great Transformation: The Political and Economic Origin of Our Time* in 1944 (Farrar & Rinehart). Written during the Second World War, when Polanyi was at Bennington College on a Rockefeller fellowship, the book critiques classical economics and its influence in the West. Polanyi blamed economics for the fascism of the 1930s and the war that followed. He insisted that we should judge a society by how well it provides freedom from want of education and work, shelter and health care, for the average citizen, not by how well it provides freedom from state interference for the 1%. Economists had encouraged interwar governments to minimize public interference. Polanyi rushed *The Great Transformation* into print in the hope of winning the peace with public policies that would protect citizens against poverty and stimulate prosperity.

Block and Somers trace Polanyi's views to his early experiences in Europe. Born in fin de siècle Budapest to Jewish parents, he left for Vienna at the end of the Great War. There he saw firsthand how the policies of "Red Vienna" improved worker health, housing, and education, and served capital in the process. He left for England on the rise of the Right in the early 1930s and there saw firsthand the intellectual and political power of free market ideology and the harm it did during the Great Depression.

For Polanyi, Western policy makers were deluded in thinking that markets unfettered by political interference can create a free and prosperous society. They believed in what George Soros calls "market fundamentalism," likening belief in the market to religious fundamentalism for both its fervor and its disregard for evidence. A follower of the German and British historical schools of economics, Polanyi challenged economic theory as it evolved from Malthus to Hayek, arguing that classical economists envisioned a "stark Utopia" in which corrupt states would be obliterated by the rule of self-adjusting markets. For Polanyi, a stateless nation governed by markets "could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness" (Polanyi 1944, p. 3). Describing the self-regulating market as a utopia was Polanyi's jab at

rightwing critics of socialist utopias. In predicting that the self-regulating market would lead to a state of wilderness, he turned Locke and Hobbes on their heads, suggesting that unbound markets would not deliver us from a state of nature, but return us to one.

The myth of the self-regulating market was based on the mistaken assumption that labor, nature, and money are commodities like any other, regulated by the laws of supply and demand. The supplies of labor and nature cannot be magically adjusted to changes in demand, and in consequence, unrestrained markets impoverish labor and despoil nature. The supplies of money and credit do not naturally self-adjust—absent regulation, private parties manipulate both and imperil the financial system. The withering away of the regulatory state spells disaster for these fictitious commodities and for society itself. What better prophet than Polanyi for our neoliberal age of inequality, environmental apocalypse, and financial system collapse?

The fallacy and folly of the self-regulating market were never more evident than in Europe in the 1920s. Not until 2008 anyway. The fiction that money and credit are self-regulating led to the reestablishment of the gold standard after the Great War. Rigid exchange rates led countries across Europe to pursue austerity. The fiction that labor is self-regulating led to arguments against social welfare programs, on the theory that aid would lead to the perverse consequences that Hayek outlined in *The Road to Serfdom* (University of Chicago Press, 1944): the immiseration of the very workers who received assistance. The “stark Utopia” of the self-regulating market thus led, through misguided austerity and welfare contraction, to fascism and a war that decimated Europe.

Polanyi was confident that we would learn from our mistakes, through the “double movement” toward a self-regulating market and then toward policies to moderate its adverse consequences. When Block and Somers met as activists in the late 1960s and began dissecting Polanyi’s work, he seemed to have won the peace. Europe and even the United States looked to be following the lead of Sweden. But the pendulum has since swung back toward the market fundamentalism of the 1920s.

Economic historians have challenged parts of Polanyi’s historical story, particularly his extended analysis of the effects of the Speenhamland system of poor relief, though it is difficult to gainsay Polanyi’s insight that without state policies promoting a free market for labor, Britain would not so quickly have moved from feudalism toward capitalism. The real contribution of *The Great Transformation*, however, is not so much its specific critique of the doctrine that poor relief harms the poor as its profoundly social constructionist view of how the modern worldview is shaped by economic theory—a theory based not in scientific evidence but in a thought experiment about a society governed by markets alone.

Polanyi's masterpiece can be a maddening read both because of its inconsistencies—in his rush to publication, he never revised early sections to reflect his later thinking—and because he was mired in myriad academic debates from the past century. Two of the smartest and most erudite sociologists at work today, Block and Somers deftly trace the biographical origins of Polanyi's ideas and elucidate the philosophical, historical, and economic literatures he alludes to. The result is a lucid, engaging, and often brilliant guidebook to *The Great Transformation* that shows just how much we need Polanyi today. It is no surprise that Polanyi has been enjoying a revival in economics, with fans like Joseph Stiglitz and Paul Krugman, as well as in sociology. Everyone should be reading *The Great Transformation* these days. But first they should probably read *The Power of Market Fundamentalism*.

Theorizing in Social Science: The Context of Discovery. Edited by Richard Swedberg. Stanford, Calif.: Stanford University Press, 2014. Pp. xx+251. \$29.95.

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The premise of *Theorizing in Social Science* is that theories in the social sciences no longer advance as they once did. We are stuck, editor Richard Swedberg contends, and the best way to move things forward is to begin developing methods for enhancing creativity in the theorizing process.

A common and accurate portrayal of science observes two complementary modes of theoretical progress. These go by various labels, but in his own contribution to this collection he edited, Swedberg refers to these dual modes as the context of discovery and the context of justification. In the discovery phase, *theorizing* is a central activity, and *theory* its main product. Anything goes when it comes to theorizing because it is a creative, inductive practice that can draw on observation, analogy, prior theory, even dreams. The justification process, in stark contrast, demands that semantic, logical, and empirical attention be paid to theories so induced.

Theorizing in Social Science focuses squarely on the side of discovery, ostensibly because that is where the most work is needed. The various contributors had free rein to plumb the depths of their own and others' creativity. Their enthusiasm is palpable. In this very brief review I will try to impart a chapter-by-chapter taste of what is offered, giving short shrift to both their merits and demerits. I conclude with some skeptical notes.

"Intuitionist Theorizing" (Karin Knorr Cetina) speculates and introspects on how intuition and unconscious thought potentially aid theoriz-