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Reading *the Great Transformation*

The Great Transformation: The Political and Economic Origins of Our Time, by **Karl Polanyi**. Boston: Beacon Press, 2001 (orig. 1944).

The Power of Market Fundamentalism: Karl Polanyi's Critique, by **Fred Block** and **Margaret R. Somers**. Cambridge, Massachusetts: Harvard University Press, 2014. 296 pp.

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Theory

Economic Sociology

Political Sociology

Karl Polanyi's book *The Great Transformation* is a classic. First published in 1944, it has come to be recognized as a founding charter for economic sociology. It anticipated major accomplishments of late-twentieth century social science (including, among others, Ben Bernanke's studies of the Great Depression and Amartya Sen's work on famine). Its core problems—how do societies respond to globalization? how do they address the risks of market failure?—are central to contemporary macrosociology. It is

probably time to recognize the canonical status of this book and put it on the classical theory syllabus alongside Marx, Weber, and Durkheim.

But *The Great Transformation* is also—can we admit this about our classics?—a mess. It is conceptually sloppy. Some key terms (such as “market society” and “social dislocation”) are never explicitly defined. Others (such as “a ‘movement’”) are defined with pedantic care, and then used willy-nilly, as if Polanyi forgot what he said the words meant. Important steps in the argument assume what is to be proven. Inconsistencies abound. The treatment of historical sources is casual. To round it all off, the book concludes with a breathtakingly wrong prediction: namely, that the era of market liberalism is over for good—as of 1944. To salvage a theory from all this, let alone one that we can apply to societies in the present day, surely requires a heroic effort of interpretation.

Fred Block and Margaret R. Somers undertake the salvage effort in *The Power of Market Fundamentalism: Karl Polanyi's Critique*. Block and Somers have done more than anyone to ensure that Polanyi's text gets the recognition it deserves; *The Power of Market Fundamentalism* collects and revises several critical and exegetical essays that they have written over three decades. The result is an important, interesting, and idiosyncratic reading of the *Great Transformation*.

It is grounded in a serious intellectual history of Polanyi's early milieu. Block and Somers argue, based on archival evidence, that Polanyi was a Hegelian Marxist at the time he began work on the manuscript for *The Great Transformation*, but broke with Marxism and developed his own theoretical system through the process of writing the book. The task of the interpreter is therefore to distinguish the mature, coherent system

from the youthful, Hegelian elements that are still present in the text, and that represent an earlier stage in the author's thought. What Block and Somers claim to be doing for Karl Polanyi, in other words, is almost exactly what Louis Althusser and Etienne Balibar claimed to be doing for Karl Marx in *Reading Capital*; as with Althusser and Balibar's reading of *Capital*, the result is not always persuasive as a gloss on the original text, but it is an interesting theoretical contribution in its own right.

The outline of Polanyi's critique of market society is well known. A self-regulating market economy of the sort contemplated in general equilibrium theory requires that the factors of production—land, labor, and capital—be commodities. But land, labor, and money are not produced for sale and their supply is not price-elastic in the short run. To attempt to set up a self-regulating market system on the assumption that these three factors of production are commodities is therefore to court disaster. (The precise nature of the disaster is a point on which the text is inconsistent, but famine is a plausible example.)

To this, Polanyi adds a historical argument: In the latter half of the nineteenth century some people in England seemed hell-bent on setting up just such a self-regulating market system on a world scale—and courting that very disaster. The only reason human society survived was that the expansion of the market was checked by a protectionist countermovement. This countermovement took very diverse forms: Polanyi lumps together under this heading utopian communes, fascist militias, trade associations lobbying for tariffs, and paternalistic welfare programs. What these collective efforts had in common was that they aimed to sequester resources from the market and allocate them according to some other principle. Some such protectionist countermovement, Polanyi

argues, is inevitably to be expected when the market principle is applied in ways that threaten social disaster.

Many of the problems with this argument are also well known. Here is one: Why are social protectionist movements forthcoming just when they are needed? In Polanyi's account, the answer is that society needs them: "For if market economy was a threat to the human and natural components of the social fabric, as we insisted, what else would one expect than an urge on the part of a great variety of people to press for some sort of protection?" (156). That does not so much answer the question as restate it. He later adds that the intervening causal mechanism is the action of classes or sections—the task of defending society ultimately “fell to one section of the population in preference to another” (169)—but the question is why it should have fallen to *anyone* instead of just falling through the cracks. Even the tasks that are necessary to save a society sometimes go undone. (Not all societies last forever.)

A second vexing problem in the *Great Transformation* is why anyone ever believed that a self-regulating market was possible. Polanyi emphasizes that national and global markets could only be instituted through the efforts of zealots who shared an almost-millennial belief in the self-regulating market economy (139). But he also argues that such a market system is a “stark utopia” (3)—not only impossible, but *obviously* impossible. True believers in a general market equilibrium have to assume that prices and quantities of labor, land, and money all adjust as if these are commodities produced for exchange; but, Polanyi asserts, “labor, land, and money are obviously *not* commodities” (75). So how was anyone snookered into thinking that they were?

Block and Somers address these problems head-on. They are unsparing critics of Polanyi's text, and in order to keep his theory afloat they are willing to throw a lot of things overboard. Some of what they throw out is baggage that few readers will miss—such as Polanyi's quasi-Hegelian assumption that a society is a unified subject that knows, has interests, and acts to achieve its ends. Other things that they discard, such as the concept of capitalism (78), may surprise readers. Much of Polanyi's historical narrative goes overboard, too. Block and Somers make a particularly strong case for jettisoning his account of “the Speenhamland system.” This was a late eighteenth-century system of poor relief that, on Polanyi's account, kept people from starving during the transition to labor markets in rural England, at the price of cultural degradation. His account of Speenhamland was, to an earlier and more conservative generation of interpreters, the point of the book. Block and Somers show definitively that it is wrong, and argue that it is unnecessary to his purposes in any case. Out it goes.

What we are left with is a spare “conceptual armature” (8) that bridges some of the most troublesome gaps in Polanyi's book. The foundation of the reconstructed theory is “holism,” the premise that the action of institutions and social classes can be understood only in relation to each other (58). The relatively stable relations among institutions, in turn, establish “opportunity structures” (69) that shape action. In place of the image of society as a coherent, unified subject with mysterious powers of self-defense, their reconstructed Polanyi gives us a vision of society as an articulated set of arrangements for living—or as a congeries of “multiple social institutions and dense networks of social relationships” (226). In order to explain why protectionist countermovements emerge, in this version of Polanyi's theory, we need not assume that

anyone actually knows what is good for the whole society, nor that anyone is able, or even willing, to act effectively to secure the universal good. Instead, we need merely assume that people may act to defend their vested interests in *particular* relationships and institutional arrangements that are threatened by disruptive competition.

More provocatively, Block and Somers solve the epistemic problem—why did anyone believe in the market utopia?—by arguing that certain ideas enjoy “epistemic privilege” (156). Epistemically privileged ideas have an inherent persuasive power not only despite their empirical implausibility, but *because of* it. Their example is “market fundamentalism,” or the belief in “a sacred imperative to organize all dimensions of social life according to market principles” (150). Market fundamentalism is persuasive because it is often accompanied by three other, interdependent ideas—a claim that its conclusions can be deduced from real but unobservable causal mechanisms that underly empirical regularities (“theoretical realism”); a claim that these real mechanisms are “natural” in the sense that they are pure givens, neither plastic nor amenable to human design (“social naturalism”); and a self-serving story about how the true believers came to know the truth behind appearances (the “conversion narrative”) (158). A doctrine that combines these three ideas is immune to refutation, because it is unfalsifiable. Block and Somers argue that *any* such doctrine will tend to outcompete a doctrine that does not—it has an intrinsic “comparative advantage” (156) in the marketplace of ideas—and, if it is a political or social doctrine, its persuasive power may even give it the character of a self-fulfilling prophecy. An epistemically privileged idea can make itself true by persuading people to reorder the world in accord with its premises (107, 156).

All this talk of opportunity structures and self-fulfilling prophecies may sound more like Robert Merton than Karl Polanyi. Nevertheless, Block and Somers assert that this theory, or something like it, is implicit in *The Great Transformation*. They further argue that this reconstructed Polanyian theory permits us to explain events that took place after the publication of the *Great Transformation* and that might otherwise seem to call Polanyi's argument into question.

Probably the greatest such anomaly is the development of popular support for the self-regulating market. *The Great Transformation* explicitly describes a tension between market economy and democracy. In Polanyi's view, popular suffrage was incompatible with a free market in labor, because enfranchised laborers would vote themselves social protection and use state power to take wages out of competition. Events of recent decades would seem to challenge this view: particularly in the United States, political sociologists have watched voters, including many working-class voters, elect candidates who espouse relatively extreme versions of market liberalism.

Block and Somers argue that a properly reconstructed Polanyian theory can account for this apparent anomaly. They argue that international economic arrangements, and in particular, the post-Bretton-Woods liberalization of trade and finance, created new competitive threats for workers in the United States, while constraining the policy options available to respond to those threats. Many working-class people, especially in the regions most exposed to competition, therefore sought social protection in other ways—by turning to churches, for example, or embracing nationalist candidates who promised to exclude non-citizens from competing for a share of the federal budget. Block and Somers push this interpretation of the American populist right very far, and some of their

examples seem to me far-fetched—the anxiety for the fetus evident in the rhetoric of the pro-life movement, for example, is said to be a displacement of anxieties about “market forces” (204)—but in very general terms, I think they are onto something. Much of what appears to be free market sentiment on the populist right is, in effect, disguised social protectionism: many far-right voters seem to oppose welfare benefits for immigrants, for example, in part because they have a vague idea that the expense of such benefits might jeopardize the fiscal sustainability of their *own* government benefits. They are not acting in defense of society as a whole. They are, however, defending particular social arrangements against the threat of competition produced by the internationalization of labor markets, and a chastened Polanyian theory may be helpful in making sense of this defensive mobilization.

A second knotty problem for would-be Polanyians today is to explain how the belief in economic liberalism survived the great transformation that Polanyi thought had killed it. Block and Somers’s answer to this question—signalled by the title of their book—is that the reason for the revival is inherent in the market fundamentalist idea itself. Epistemically privileged ideas just have more staying power, regardless of their truth or falsehood. (As evidence for this staying power, they offer a long list of parallels between the early 19th century arguments of Thomas Malthus and the late 20th century arguments of various conservative Republican critics of welfare for poor single mothers.)

There is much more to *The Power of Market Fundamentalism*, including a chapter on Polanyi’s anti-utopian rhetoric that I found particularly illuminating. Because it is a book about the power of ideas, however, it may be appropriate to conclude this essay by speculating about the impact that this book itself is likely to have. Like the *Great*

Transformation, it is more than just a work of historical interpretation and theory-building: it is also a polemic against economic liberalism, and a manifesto for a sociological alternative. But without Polanyi's faith that some group will inevitably act to defend the interests of society, it is a strangely pessimistic manifesto. Block and Somers offer no theoretical blueprint for the proper form of a mixed economy. They reject the call for a grand economic theory of everything. Instead, they call for democratic experiments rooted in local communities and workplaces. They oppose market fundamentalism in the name of a "new public philosophy" (224) that is antinaturalistic, empiricist, and pragmatic: we will find our way by a kind of collective, democratic tinkering. I find this public philosophy appealing, but if Block and Somers are correct, it is also likely to be ineffective. It calls for a knowledge that is too falsifiable, too little sure of itself; the comparative advantage will go to the fundamentalists, market- and otherwise, because they have the holy trinity of rhetorical resources (naturalism, realism, the conversion narrative) that confers epistemic privilege. *The Power of Market Fundamentalism* summons the uncertain pragmatists to the barricades so that they can do battle against market fundamentalism—and lose.

I am glad that Block and Somers wrote this book, but I hope they are wrong about the power of ideas, so that their book can have the impact it deserves. I also hope, as they do, that it sends more of us back to re-read *The Great Transformation* for ourselves.