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## Regulationist and Autopoieticist Reflections on Polanyi's Account of Market Economies and the Market Society

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This article re-interprets and develops Polanyi's substantive institutionalist analysis of capitalist market economies and the market society in the light of two more recent approaches to the same issues.<sup>1</sup> These are the Parisian 'regulation school' on contemporary capitalism and systems-theoretical accounts of the modern economy. All three regard the capitalist economy (or, for autopoietic systems theory, the market economy) as an operationally autonomous system that is nonetheless socially embedded and needful of complex forms of social regulation. For each, an adequate account of economic activities should explore how they are related to the wider social environment; how they are embedded in a wider nexus of social institutions; how the latter assist in reproducing the capitalist (or market) economy; and how their development is coupled to that of these and other enviroing institutions. There are also some important differences among these approaches, however, which enable an exploration of their respective limitations and also provide useful bases for further theoretical and empirical research. Thus, after presenting these three perspectives on the institutedness and embeddedness of economies, I consider some basic problems in analyzing the improbable stability and reproducibility of the capitalist economy, paying particular attention to governance and meta-governance.



## Polanyi on the Social Embeddedness of Substantively Instituted Economies

Karl Polanyi (1886-1964) developed a distinctive approach to comparative analysis that stressed the substantive institutedness and social embeddedness of economies. He distinguished between a formal definition of economics as rational, economizing behaviour and a substantive definition of economics as want-satisfying behaviour. On this basis he then criticized the 'economistic fallacy'<sup>2</sup> in which all economic conduct is seen as formally rational and economizing and the properties and dynamics of non-capitalist economies are thereby assimilated to those of market economies. He considered the economy, in its substantive sense, as 'an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means'.<sup>3</sup> He added that, as an instituted process, '[t]he human economy ... is embedded and enmeshed in institutions, economic and noneconomic. The inclusion of the noneconomic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labor'.<sup>4</sup>

The study of how economies are instituted should start, Polanyi suggests, from how the economy acquires unity and stability, i.e., how the interdependence and recurrence of its parts get secured. He focused here on basic structural principles that might provide such unity and stability rather than on possible strategic or discursive sources of integration. And, given his interest in both market and nonmarket economies, he focused on the dominant principle of distribution of 'want satisfying material means'. Polanyi identified three such principles associated with economic activities embedded in non-economic institutions: (a) reciprocity among similarly arranged or organized groupings (e.g., segmentary kinship groups); (b) redistribution through an allocative centre linked to a political regime; and (c) householding based on production to satisfy the needs of a largely self-sufficient unit such as a family, settlement, or manor.<sup>5</sup> These principles of symmetry, centricity, and closure are contrasted with the anarchy of exchange as this is mediated through price-making markets in a disembedded and potentially self-regulating economy.<sup>6</sup> In short, the capitalist market economy is only one form of organizing economic activity and should not be used as a transhistorical model for interpreting other economies. Polanyi further argued that trade is not necessarily organized in terms of monetary exchange: it can also be organized as a gift relationship in reciprocal relationships or be administered from above in redistributive systems.<sup>7</sup> Symmetry, centricity, and market exchange can also be combined under the dominance of one principle. For example, reciprocity may be linked to turn-taking in work tasks (redistribution) and/or exchange at set equivalencies to benefit a partner short of certain necessities.<sup>8</sup> As well as its obvious role in historical and comparative analysis, this typology serves other (and partly moral) purposes for Polanyi: to establish the specificity of the capitalist market economy and to show that distribution and trade need not be subordinated to monetary gain.

Polanyi distinguished capitalist from non-capitalist economic relations in terms of their *separation* (or disembeddedness) from non-economic institutions and their extension to the fictitious commodities of land, labour, and money. In pre-capitalist economies, the process of production was more or less firmly embedded in a wide variety of institutions such as the family, neighbourhood, community, etc..<sup>9</sup> Indeed it was this very embeddedness that led Polanyi to distinguish forms of economic life in terms of their *principles of distribution* rather than *relations of production*. Thus he argued that, whilst it was often hard analytically to disentangle production from other social activities, one could generally identify the operational principles governing resource distribution.<sup>10</sup> But the rise of capitalism involved the disembedding of production and distribution from all extra-economic institutions, led to the growth of an autonomous market economy that operated in terms of profit-maximization, and even required the adaptation of essentially non-economic social relations and institutions to the demands of economic reproduction. Polanyi expresses this as follows:

'Instead of economy being embedded in social relations, *social relations are embedded in the economic system*. The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function



according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society'.<sup>11</sup>

This statement provides an important corrective to those one-sided readings of Polanyi that emphasise only the disembedding of the capitalist economy from precapitalist social arrangements and institutions. But it is also misleading because it seems to suggest that social relations themselves subsequently get embedded in the economic system. Yet what Polanyi actually proposes is that society, in and through the agency of a wide range of social forces, seeks to constrain the destructive anarchy of the free market by subjecting it to various forms of extra-economic regulation that nonetheless support and sustain capital accumulation. To the extent that these extra-economic forms become interiorised within and/or become structurally coupled to the market economy they may be said to be 'embedded' within it. But one could equally well (and with greater clarity) argue, as does Polanyi himself, that the market economy has been embedded within a market society. This is especially clear in his analysis of the four interconnected pillars that sustained and regularized the liberal regime -- the balance of power system, the international gold standard, the self-regulating market, and the liberal state.<sup>12</sup> How and why this occurs (and thereby produces what regulationists would term a 'mode of regulation') will be considered later (for a presentation of the hierarchy of concepts that inform Polanyi's historical and comparative analyses, see Figure 1).

Figure 1 about here

In this and other respects, Polanyi's analysis anticipated some arguments of the Parisian regulation school. Thus, in his history of trade and markets as well as his economic anthropology, he argues that societal (institutional) conditions sustain the (circular) interdependence of economic movements and ensure their 'recurrence' (i.e., their continued reproduction) -- without which neither the unity nor stability of the (instituted) economic process is possible. He writes that '[t]he instituting of the economic process vests that process with unity and stability; it produces a structure with a definite function in society; it shifts the place of the process in society, thus adding significance to its history; it centers interest on values, motives and policy. Unity and stability, structure and function, history and policy spell out operationally the content of our assertion that the human economy is an instituted process'.<sup>13</sup>

## The Regulation Approach

Like Polanyi, regulationists reject the assumption of classical economics that there is a clearly delimited, socially disembedded sphere of economic relations with a tendency toward general equilibrium.<sup>14</sup> They emphasize that economic rationality and dynamics cannot be adequately analyzed -- even as a first approximation -- in terms of exchange relations between rational economic men oriented to the price mechanism in perfect markets. Instead, they are concerned with the socially embedded, socially regularized nature of capitalist economies rather than with pure, self-regulating market phenomena. In this sense, the regulation approach (hereafter RA) regards market forces as only one (albeit critically important) factor in capitalist expansion. For capitalism in its integral<sup>15</sup> sense comprises extra-economic as well as economic factors. The former include institutions, collective identities, shared visions, common rules, norms, and conventions, networks, procedures, and modes of calculation. All have key roles in structuring, facilitating, and guiding (in short, 'regulating' or, better, 'regularizing') accumulation. Thus the RA seeks to integrate the analysis of political economy with that of civil society and the state to show how they interact to 'normalize' the capital relation. It examines the social processes and struggles that define and stabilize modes of economic calculation and norms of economic conduct. Indeed, its concept of 'mode of regulation' covers the social as well as economic modes of economic regulation that secure the conditions for the otherwise improbable reproduction of a specific accumulation regime, i.e., a particular dynamic configuration of production and consumption.<sup>16</sup>

The RA reminds one here in certain respects of Polanyi's account of the 'double movement' of capitalist development. He argued that the market economy achieved its apogee in the nineteenth century in a movement that effected the rise of *laissezfaire* and the disembedding of the market from its earlier institutional context. This provoked a counter-movement from society (*sic*) expressed in attempts to re-embed market forces in social institutions and



thereby to regulate (or, since this is not confined to law and the state, one might say 'to regularize') the market mechanism. The RA also examines how the 'extensive accumulation regime' of 'liberal capitalism' emerged from *ancien régime* economies, shows how this entailed the disembedding of market forces from the old order, and notes how a 'competitive mode of regulation' and nightwatchman state had key roles in regularizing this accumulation regime.<sup>17</sup> Despite these commonalities, the RA does not share Polanyi's views on the 'double movement'. For it argues that liberal capitalism already had its own distinctive forms of social embedding and social regulation. Nonetheless its distinctive crisis-tendencies eventually led to structural crises *of* (and not just *within*) liberal capitalism and its 'competitive mode of regulation'; and, after economic, social, and political struggles, a new regime emerged based on 'intensive accumulation' and a 'monopolistic mode of regulation'. Thus, whereas Polanyi tends to depict a two-step movement from unregulated to regulated capitalism, the RA describes a crisis-mediated movement from one regularized regime to another, each with its own dynamic and crisis-tendencies.<sup>18</sup>

## Autopoietic Systems Theories and Governance

Another approach concerned with the embedding and regularization of economic activities is the systems-theoretical analysis of so-called 'autopoietic' systems in modern, functionally differentiated societies. The concept of autopoiesis (or 'selfproduction') denotes a class of systems (whether natural, social, or artificial) that are concerned, at least in the first instance, with their own self-reproduction. Such systems are self-constituting, self-organizing, and self-reproducing. Yet they co-exist and co-evolve in complex ways with other systems with which they are reciprocally interdependent. This paradoxical combination of operational autonomy and material interdependence poses problems regarding the external steering (governing, guiding, managing) and/or strategic coordination of different systems.

An autopoietic system is self-constituting in so far as it defines and defends its own boundary vis-à-vis its self-defined external environment. It is also self-organizing because it has its own distinctive operational codes and programmes. Hence, while an autopoietic system may respond to changes in its environment and even change its organization in so doing, it does so in terms of its own codes and programmes. Interestingly this idea was anticipated, in the case of the market economy, by Polanyi, who notes that we have 'an economic system controlled, regulated, and directed by markets alone; order in the production and distribution of goods is entrusted to this self-regulating mechanism ... Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (always including services) but also for labor, land, and money, their prices being called respectively commodity prices, wages, rent, and interest'.<sup>19</sup> In addition, an autopoietic system also secures the reproduction of its own elements through the use of its own elements. This feature is well illustrated by the market economy. For, as Polanyi again noted, it deals with 'inputs' such as labour-power, land, and money *as if* they were commodities and subjects them to its own forms of economic calculation. More generally, the market economy could be seen as an autopoietic system to the extent that market forces define what will count as exchange-values, secure the exchange of the latter through market mechanisms, and also ensure the recurrence of market relations through the continuing circulation of commodities in exchange for money.<sup>20</sup>

An autopoietic system always co-exists with other systems that constitute key elements in its environment and depends on them for essential conditions for its own operation. And it is always structurally coupled to its environment through complex processes of co-evolution among reciprocally interdependent systems. The coevolution of different systems is also shaped by the 'lifeworld' (which Polanyi could be said to analyse in terms of 'society') that is formed by various social relations, identities, interests, and values not otherwise anchored in specific systems. In short, despite its capacity for self-valorization (or self-constitution, self-organization, and self-reproduction), the market economy is by no means wholly self-contained. Indeed, labour-power itself, despite its commodification (or, as Polanyi claims, its treatment *as if* it were a commodity), is largely reproduced outside any immediate capitalist labour process.<sup>21</sup> This provides an important source of friction or resistance to the logic of capital – although how the market economy responds thereto will still depend primarily on its own profit-and-loss calculations.<sup>22</sup> This explains the significance of trade unions, for example, which insert themselves into the economic process. For, even if changes in an autopoietic



system's environment are reflected in 7 changes in its operation or structure, the latter will always be mediated by its own operating codes.

This raises a problem regarding the steering of relations among functionally differentiated systems. For such systems are concerned in the first instance with their own self-reproduction rather than with their impact on other systems; yet they are also resistant to any external 'steering' based on top-down management or direct intervention. Autopoietic systems analysis connects here to more middle-range research on organizational and institutional governance. This includes work on modes of coordination that could serve as an alternative to the *anarchy* (or invisible hand) of the market and the *hierarchy* of imperative coordination (e.g., the iron fist of the state or bureaucratic command). These alternatives are based on '*heterarchy*', i.e., self-organization among mutually interdependent actors. Polanyi gives several examples of such self-organization as well as of state intervention in describing how 'society' defends itself against the anarchy of the market (see below). Forms of heterarchy include interpersonal networking, inter-organizational negotiation, and 'de-centred intersystemic context steering'. The last basically involves efforts to steer a given system by modifying the circumstances in which its operating codes are applied rather than through externally imposed imperative coordination. This can be illustrated through the use of taxes rather than law to guide market forces.<sup>23</sup>

### Rethinking Market Society

Orthodox historical materialism argues that accumulation is the dominant principle of societal organization in every capitalist social formation.<sup>24</sup> All three approaches presented above offer good reasons to reject this orthodoxy. Each seems to accept that capital accumulation in its pure form<sup>25</sup> occurs where the key inputs into capitalist production take the form of (perhaps fictitious) commodities; where there is effective capitalist control over labour-power in production; where the non-economic social and material environment is sufficiently stable to enable enterprises to orient their activities to opportunities for profit; and where profits can be realized and re-invested in a new round of capitalist production. But none concludes from the presence of these conditions that the entire society must thereby be subordinated to the market. <sup>8</sup> On the contrary, each approach implies that the universal spread of the commodity form and the resulting dominance of market forces and profit-and-loss calculation throughout society could prove self-destructive. This is certainly Polanyi's message. Regulationists likewise emphasise the necessarily social as well as economic form of capitalist reproduction even during the period of liberal accumulation regimes. And autopoieticists claim that the smooth functioning of modern societies depends critically on maintaining the operational autonomy of each and every one of its functional subsystems. In short, for all three approaches, capital accumulation always and everywhere depends on a precarious and changing balance between commodity relations and other forms of social organization. This dependence generates a complex, conflictual, and contradictory process involving recurrent shifts in the relative weight of commodification, decommodification, and recommodification.<sup>26</sup> In turn this highlights the importance of analyzing how far market forces (and their profit seeking logic) penetrate the social world and of examining the conditions for such penetration to be reproduced.

There are four interrelated ways in which market forces and profit-seeking can come to dominate society. First, the commodity form and the logic of exchange can be extended to labour, land, and money<sup>27</sup> and then into new spheres of social life. Neoliberalism, for example, (re-)commodifies political, educational, health, welfare, scientific, and other activities to organize them as businesses oriented to exploiting opportunities for profit without regard to possible extra-economic costs and benefits. Second, even domains or activities that, for whatever reason, retain a primarily noncommercial orientation can be subjected to a secondary economic coding. This occurs when choices among formally non-commercial activities are influenced by 'profit-and-loss' or economic 'cost-benefit' calculations. This trend is reflected in Polanyi's argument that the novelty of nineteenth century civilization lay in its tendency to judge all social events from the economic viewpoint.<sup>28</sup> It is seen today in neo-liberal encouragement to educational, health, scientific, and other decisionmakers to consider how their activities impact financially on the individual, organizational, and institutional levels and/or on the (perceived or discursively constructed) imperatives of a strong, internationally competitive economy.



Third, the superior dynamism and reach of a globalizing capitalist economy may cause more problems substantively for other systems than they cause for it. In other words, in the multilateral structural coupling of systems, other systems adjust more to the logic of accumulation than the capitalist economy incurs costs in adjusting to them. This is implied in Polanyi's claim, quoted above, that a market economy can only function in a market society. This asymmetrical interdependence among institutional orders is rooted in capital's greater capacity to escape the constraints and controls of other systems. This can occur through its own internal operations in time (discounting, insurance, risk management, futures, etc.) or space (capital flight, relocation, extra-territoriality, etc.) or through attempts to corrupt or commodify these systems. Fourth, a successful hegemonic project may establish accumulation as the dominant principle of societalization. This can be seen in the increasing demand for other spheres of social life on spatial scales from the local to the continental to accept the 'imperatives' of 'structural' or 'systemic' competition, i.e., competition that goes beyond narrow economic criteria to include wholesale restructuring of any organizations and institutions that might bear on competitiveness.

These tendencies have their own particular bases and may even partly counteract each other. The first is rooted in the search to establish and extend the bases of a self-regulating market economy and to find new sources of valorization; the second is rooted in attempts to impose the economizing, profit-seeking logic of accumulation on other systems that are not (or cannot be) fully integrated into the market economy; the third is rooted in the evolutionary logic of structural coupling or coevolution; and the fourth is rooted in struggles for hegemony and/or in asymmetric interactions between capitalism and other orders.

Where these four tendencies reinforce each other, the market economy can be consolidated in a market society. Thus, as Polanyi writes, the consolidation of the market mechanism 'means no less than the running of society as an adjunct to the market'.<sup>29</sup> Such a correspondence between market economy and market society is reminiscent of Gramsci's account of the 'historical bloc', i.e., 'the necessary reciprocity between structure and superstructure'.<sup>30</sup> The emergence and survival of such an historical bloc between market economy and market society is always problematic, provisional, and unstable. If the self-regulating market economy requires that 'society must be shaped in such a manner as to allow that system to function according to its own laws',<sup>31</sup> then we must ask how this alleged necessity comes to be contingently realized. Four ways in which this may happen have just been suggested. Where they interact in a structurally coherent manner, we have a 'capitalist society' or, more precisely, the dominance of capitalist societalization.

Approaching capitalist societalization in these terms also provides a way to think about sources of resistance to capitalist dominance or hegemony. Each of the four tendencies has its own limits and counter-tendencies and is associated with its own form(s) of resistance. First, in so far as valorization has become dominant in different domains, class struggles proper can develop. These can emerge both in the capitalist economy in its narrow sense – notably in the labour market and labour process that together comprise the main field of economic class struggle between capital and labour but also in respect of the commodification of land and money – and in the many and varied extra-economic contexts that are essential to capitalist exploitation. In the latter regard Polanyi argues strongly not only that class interests are not just economic<sup>32</sup> but also that there is a general societal interest that overrides particular class interests.<sup>33</sup> Indeed he even argues that the reaction of classes to unregulated market forces is one of the ways in which 'society' resists its destruction by the market.<sup>34</sup> More generally, if commodification is pushed too far it will generate 'market failures' (or other manifestations of economic crisis) that threaten the overall material and/or social reproduction of capital.

Second, in domains where another code or institutional logic remains primary, agents may resist the imposition of profitability as a secondary code. For this would threaten the codes, programmes, and operational integrity of other systems as well as the rich variety of values, norms, vocabularies, and identities of the lifeworld. It is therefore unsurprising that the representatives of other systems and social forces in the lifeworld will resist attempts at commodification from diverse perspectives. It is in this context that Polanyi criticizes the vulgar Marxist tendency to overemphasize class struggles, notes the importance of non-class bases of resistance to the logic of the market economy, and also highlights the wide range of



forces that respond more or less spontaneously to the many threats posed to 'society' by the spread of market forces.<sup>35</sup> Thus he writes:

'While monetary interests are necessarily voiced solely by the persons to whom they pertain, other interests have a wider constituency. They affect individuals in innumerable ways as neighbors, professional persons, consumers, pedestrians, commuters, sportsmen, hikers, gardeners, patients, mothers, or lovers – and are accordingly capable of representation by almost any type of territorial or functional association such as churches, townships, fraternal lodges, clubs, trade unions, or, most commonly, political parties based on broad principles of adherence'<sup>36</sup>

Although this passage tends to prioritize resistance from the lifeworld, his reference to professional persons and patients also hints at resistance in terms of the logic of other systems. Nor should we ignore the self-limitations due to market failures of different kinds (e.g., the continuing limits to the commodification of information and knowledge) and the repercussions of the market economy on social cohesion.

Regarding the third and fourth tendencies, struggles can occur over the dominant principle of societalization. These take the form of hegemonic struggles and counterstruggles over those forms of 'common sense', worldviews, etc., which posit capital accumulation as the desirable and/or necessary condition for accomplishing other social goals. Given his eye for historical detail, it is unsurprising that Polanyi also recognises these issues. He not only alludes to the tendency for the logic of a fully constituted market economy to become irresistible (see above) but also notes the role of hegemonic struggles around the entrenchment or rolling back of the expansive logic of the market. Thus he suggests that the double movement

'can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a selfregulating market, relying on the support of the trading classes, and using largely *laissez-faire* and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market – primarily, but not exclusively, the working and the landed classes – and using protective legislation, restrictive associations, and other instruments of intervention as its methods.'<sup>37</sup>

This argument can be taken further not only by noting the different economic and political programmes and ethico-political visions into which economic liberalism is articulated but also by considering the range of counter-hegemonic projects that can be developed to resist the onward march of liberalism. For, if society's fightback is to move beyond dispersed, disorganized, and mutually contradictory struggles, attention must be paid to the ways in which 'society' acquires a relative unity and cohesion in resisting capital's unhampered logic. For, as Polanyi argues, the reaction of society to the destructive impact of liberal market forces is not conducted merely in terms of sectional interests but in the name of the general interest of society as a whole. This is where the role of specific economic, political, and social projects, of hegemonic visions, and of associated strategic capacities becomes crucial. Indeed, as Polanyi was well aware, it makes a world of difference whether this resistance is conducted under the dominance of fascism,<sup>38</sup> social democracy, corporate liberalism à la New Deal, or a communist regime. And he also saw a maximally decentralized socialism (his preferred alternative, which would overcome the institutional separation of the economic and the political) as 'essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society'.<sup>39</sup>

This approach to market economy and market society provides a novel way of interpreting Polanyi's analysis of the 'double movement'. In this regard we can usefully distinguish four key points implicit in Polanyi's analysis of this dual process. First, the double movement involved continuous expansion of the market and attempts to protect 'society' from this first movement. Second, although the countermovement was essential to defend society from the annihilating effects of the commodification of land and labour, 'in the last analysis it was incompatible with the self-regulation of the market, and thus with the market system itself'.<sup>40</sup> In this sense it could not be taken too far without undermining the market economy. This point highlights the 'autopoietic' nature of the market economy, i.e., its resistance to outside



intervention. Given the autonomization of the economy, society had to be shaped to allow that system to function according to its own laws. Third, this meant that the many and varied interventions of 'society' (most notably, but by no means solely, through the state) were limited to 'checking the action of the market in respect to the factors of production, labor, and land'.<sup>41</sup> Fourth, in other respects, the effect of the dual movement was to embed social relations within the market rather than to reembed the economy within social relations.<sup>42</sup>

This interpretation, while consistent with Polanyi's own study of the dual movement, offers four theoretical advantages. First, it provides a more complex and concrete account of the tendency of a market economy to extend its reach into society, disembedding individuals from the wider ensemble of interpersonal relations, organizational affiliations, institutional and community roots, and broader societal frameworks within which they operate. Second, it provides a more complex and concrete account of how 'society' fights back against this disembedding process. In particular, as Polanyi often notes, this reaction is neither directed against market forces (or capitalism) as such nor is it a reaction of 'society' as such. Instead it is a complex series of reactions at many different points in social space to specific conflicts, crisis-tendencies, and contradictions associated with the unregulated extension of market forces.<sup>43</sup> Third, by integrating Polanyi's conclusions with the arguments of autopoietic systems theory, it offers a theoretically more sophisticated analysis of the limits to external intervention into the market (or capitalist) economy once this has reached 'autopoietic takeoff'. This analysis also facilitates research on the structural coupling of the market (or capitalist) economy with other systems (legal, political, educational, medical, etc.) and the lifeworld to produce a social formation dominated by the principles of accumulation. But, fourth, drawing on the insights of regulationist and autopoietic systems theories into the modalities and dynamics of governance, the proposed approach can also provide new ideas not only about the manner in which social relations get embedded into the market economy but also how the latter may also be re-embedded into the wider society.

### **Rethinking Social Embeddedness**

After this detour via reflections on the market society and market economy, we return to social embeddedness. This is an increasingly popular but confusingly polyvalent concept. The discussion above suggests it is useful to distinguish three levels of social embeddedness.<sup>44</sup> The first level is often discussed in recent work in economic sociology, namely, the 'social embeddedness' of interpersonal economic relations.<sup>45</sup> Such research focuses on the multiple networks in which economic actors are embedded (or, following Callon, 'entangled')<sup>46</sup> and on their differential and changing impact on such actors' identities, interests, capacities, and practices. Indeed, theorists of interpersonal embeddedness tend to show what Adam Smith knew long ago: that economic actors tend to make strenuous efforts to re-entangle economic relations in a nexus of social relations as a crucial condition for the stability and predictability of markets.<sup>47</sup> On an individual level this is reflected in the relative (dis)advantages of strong or loose ties among individuals and associated problems of trust in situations of reciprocal interdependence. It is tempting to claim that Polanyi's historical and/or anthropological studies introduced this level of analysis in dealing with the embedding of economic activities within a wider nexus of social relations. But this would be anachronistic as Polanyi also took pains to note that such activities were not subject to the sort of economizing, profit-and-loss calculation that typifies contemporary economic activities.<sup>48</sup> At best, then, one could refer to his discussion of *haute finance*, cooperatives, friendly societies, self-help, etc., as mechanisms for the interpersonal embedding of market-oriented economic action.

The second level of embeddedness is what we might describe as the 'institutional embeddedness' of inter-organizational relations.<sup>49</sup> These relations can be studied in some respects with the same basic tools as interpersonal relations but they also have important emergent properties that require fresh analytical tools. Thus organization theorists and 'new institutionalists' have explored the difficulties involved in securing the internal cohesion and adaptability of individual organizations; and in rendering compatible their respective operational unities and independence with their *de facto* material and social interdependence on other organizations. Negotiation has a key role here in reconciling these conflicting interests by identifying common short-term objectives and using these to promote longer-term cooperation in joint projects.<sup>50</sup> Studies of this form of economic embeddedness focus on the specificities of strategic alliances, inter-firm networks, etc., their path-dependent character, and the mechanisms of organizational learning. They also suggest that the capacity to steer





inter-organizational relations often depends critically on effective interpersonal networks that can stretch social relations over time and space by drawing on interpersonal trust. Although Polanyi did not explicitly theorize this aspect of embeddedness, it is implicit in his analysis of *haute finance* (see below).

The third level is that of the 'societal' embeddedness of functionally differentiated institutional orders in a complex, de-centred society. This is where Polanyi's work is most relevant and where, *pace* Swedberg,<sup>51</sup> the concept of embeddedness is critical to an understanding of his work. For he examined the embedding of market relations in traditional societies; their disembedding to form a market economy; and the latter's re-articulation with other forms of social relations to create a modern market society. If traditional societies are characterized, for Polanyi, by the embedding of substantive economies in the wider society, modern market economies are marked both by their institutional separation (disembedding) from traditional (pre-modern) institutions and by the interiorisation of extra-economic constraints within the logic of market forces themselves (so that 'social relations are embedded within the economic system') as well as by external regulation. So Callon errs in claiming that Polanyi notes only 'the existence of an institutional frame constituting the (sc. external) context in which economic activities take place'.<sup>52</sup> This does serious disservice to the richness of his economic anthropology and studies of market economies. Polanyi also discusses problems posed by re-embedding the market economy so that it is socially controlled rather than left to the anarchic logic of *laissez-faire*.<sup>53</sup> This third level is also one where the RA and autopoietic theory have much to say and, indeed, where they may conflict with Polanyi's work.<sup>54</sup> Their key contribution here lies in their account of how inter-systemic heterarchy involves problems of material and social interdependence among operationally autonomous (or closed) functional systems, each with its own codes, programmes, institutional logics, and interests in self-reproduction.

This latter set of problems was addressed by Polanyi, who argued that the material and social interdependencies between economics, politics, and civil society cannot be coordinated simply through the market mechanism. In particular, he noted the key role of *haute finance* in the golden age of *laissez-faire* 'as the main link between the political and the economic organization of the world in this period ... a permanent agency of the most elastic kind ... the nucleus of one of the most complex institutions the history of man has produced'.<sup>55</sup> The importance of interpersonal relations to the governance of inter-organizational relations is taken one stage higher here through the dependence of inter-systemic linkages on inter-organizational relations. For not only did *haute finance* rest on an interpersonal network with diasporic as well as national dimensions, it also depended on a complex web of interorganizational relations that connected the different logics of the economic, political, and military systems on both national and international levels. Indeed one could see Polanyi as a pioneering student of 'international regimes' as governance mechanisms as well as of national 'modes of regulation' in so far as he claimed that nineteenth-century civilization rested on the balance of power system, the international gold standard, the self-regulating market, and the liberal state.<sup>56</sup> The first two of these are political and economic regimes of international scope, the latter two are structurally coupled and co-dependent governance mechanisms that are more national in scope.

In this sense, Polanyi developed a pre-theoretical understanding of the inherently spatio-temporal nature of (dis)embedding. His analysis of the four main pillars of nineteenth-century civilization identified a specific spatio-temporal fix based on the balance of power system, the international gold standard, the self-regulating market, and the liberal state. This was appropriate to the golden age of *laissez-faire* and, as Polanyi notes, crises in any one of these pillars triggered counter-movements to limit the damage caused by the market mechanism.<sup>57</sup> Radical American economists from the 'social structure of accumulation' school, which is one of seven parallel traditions in the RA,<sup>58</sup> also identify four pillars that stabilized postwar Atlantic Fordism, namely, a capital-labour compromise, a capital-capital accord, a worker-citizen compromise, and an international settlement based on 'embedded liberalism'.<sup>59</sup> More recently I have addressed the problems involved in finding a new and appropriate spatiotemporal fix for the globalizing post-Fordist economy as it undergoes a fresh round of neo-liberal disembedding.<sup>60</sup> Polanyi would easily recognize the destructive consequences of the newly expanded freedom of disembedded capital to 'flow' freely through space and time. However, capital has also its own particular productive and reproductive needs that can only be



materialized only in specific types of spatiotemporal location and, as Polanyi might have argued, this provides a new round of opportunities for the 'double movement' to operate.

The details of these different analyses are less important here than the more general recognition that a key dimension of market relations is how they are disembedded from particular locales and time horizons and re-embedded in others. This can be considered from the double viewpoint of 'time-space distantiation' and 'time-space compression'. The former stretches social relations over time and space so that they can be controlled or coordinated over longer periods of time (including into the ever more distant future) and over longer distances, greater areas, or more scales. Its relation to embedding is complicated in so far as the stretching of social relations tends both to disembed them from particular local contexts and to embed them in spatially more extensive interpersonal or inter-organizational networks of control. This is reflected in more extensive spatial divisions of labour and/or organizational coordination. Time-space compression involves the intensification of 'discrete' events in real time<sup>61</sup> and/or increased velocity of material and immaterial flows over a given distance. This also has an ambiguous relation to (dis)embedding processes. For even hypermobile financial capital which appears to operate in a space of flows rather than being tied to particular locales actually needs operational bases in global cities (or similar urban spaces) with appropriate and distinctive kinds of material, immaterial, and social infrastructures.<sup>62</sup>

### **Governance and Meta-Governance as (Re)Embedding Mechanisms**

These ambiguities in the spatio-temporal embedding of capital flows reflect a broader set of contradictions in capitalism. For, as Polanyi emphasized, the very process of commodification induced by the spread of the market mechanism generates contradictions unresolvable through that mechanism. This point can be generalized by referring to Marx's analysis of the principal contradictions inscribed in the most basic forms of the capitalist mode of production.<sup>63</sup> Thus the commodity is both an exchange-value and a use-value; the worker is both abstract labour and a concrete individual; the wage is both a cost of production and a source of demand; money is both international currency and national money; productive capital is both abstract value in motion and a concrete stock of time- and place-specific assets in the course of being valorized; taxation is both a deduction from revenue and a source of demand; and so on. These contradictions prove more or less manageable depending on the specific 'spatio-temporal fixes' and the institutionalized class compromises with which they are from time to time associated. It is in disrupting past fixes and compromises without providing a new structured coherence for continued capital accumulation that neo-liberal forms of globalization appear to be so threatening to many capitalist – let alone other – interests.

This raises a series of problems concerning market failure and crises. For example, when existing embedding and governance mechanisms failed in nineteenth-century capitalism, including the central role of that heterarchic governance mechanism *par excellence* materialized in *haute finance*, what happened next? Polanyi argues that the state stepped in. He writes that

'In the last resort, impaired self-regulation of the market led to political intervention. When the trade cycle failed to come round and restore employment, when imports failed to produce exports, when bank reserve regulations threatened business with a panic, when foreign debtors refused to pay, governments had to respond to the strain. In an emergency the unity of society asserted itself through the medium of intervention'.<sup>64</sup>

Thus Polanyi suggested that the historical record shows that markets work in the shadow of hierarchy – not only in the shadow of *haute finance* as a peak level heterarchic coordination mechanism but also in the shadow of the state, which would always intervene in the last resort to protect society. But Polanyi was also well aware, of course, of the limits to intervention. It is in this context that it is worth revisiting the autopoieticists' idea of 'de-centred context steering'. *Haute finance* can be seen as one mechanism of such steering.

No doubt those involved took account of the operating codes and rationalities of the prevailing economic and political systems as well as their various substantive, social, and spatio-temporal interdependencies. They would also have been concerned to promote mutual understanding between these systems ('noise reduction') as well as to engage in negotiation,



negative coordination, and positive cooperation in shared projects. But they could not master all the structural contradictions nor manage all the strategic dilemmas that were entailed in *laissez-faire* capitalism. Sooner or later the state would be forced by social pressures (the counter-movement of society) to intervene. But in the current stage of capitalist development, with its far greater entangling of scales of economic and political action resulting from the complex dialectic of globalization-regionalization, even these last resort powers of the sovereign national state have been challenged. This points to the need for new and even more reflexive forms of meta-governance.

Meta-governance is concerned with the collibration of governance mechanisms, i.e., with the overall organization and balancing of the different forms of coordination of complex reciprocal interdependence.<sup>65</sup> In addition to meta-governance practices within the more or less separate fields of anarchic market exchange, hierarchical organizations, and heterarchic self-organization, there is also extensive scope for meta-governance practices that steer the evolving relationship among these different modes of coordination. The latter are concerned to provide the ground rules for governance, ensure the compatibility of different governance mechanisms and regimes, deploy a relative monopoly of organizational intelligence and information with which to shape cognitive expectations, act as a 'court of appeal' for disputes arising within and over governance, serve to re-balance power differentials by strengthening weaker parties or systems in the interests of system integration and/or social cohesion, etc.. Thus it involves shaping the context within which governance arrangements are forged rather than developing specific strategies and initiatives for them. To the extent that these practices are oriented to inserting the neo-liberal globalizing market economy into a new cosmopolitan market society, they would provide the basis for that 'co-existence' in market societies for which Polanyi argued and struggled.<sup>66</sup>

### Some (All Too) Brief Concluding Remarks

The preceding remarks have discussed some convergencies and complementarities between Polanyi's institutionalism, the regulation approach, and autopoietic systems theory. There are also display some basic differences. Thus Polanyi was strongly interested in pre-capitalist as well as in capitalist economies.<sup>67</sup> In contrast, regulationists have so far been mainly interested in different forms of capitalism, give more weight to the specifically capitalist nature of the labour process, and highlight the importance of the wage relation. Above all, they propose new and exciting ways to think about the economic and extra-economic conditions that help to secure an always provisional and unstable capitalist order. In this regard they help us to extend and refine Polanyi's analyses. Finally, systems theorists are more interested in the overall evolution of societies so that their typology of economic systems and account of the latters' evolution differ from Polanyi and the regulationists. They see modern economic systems as comprising formally free activities oriented to 'profit-and-loss' and stress the mediating role of money and market forces. They are particularly insightful regarding the problems of regulation that derive from the modern economy's simultaneous independence as an operationally autonomous system and its complex structural interdependence with other functional systems. In this regard they help us to understand the roots of Polanyi's 'double movement' in the system world as well as the lifeworld. And they also offer useful suggestions on how the market economy could be governed so that it co-exists with, rather than threatens, other institutional orders.

It is this combination of convergences, complementarities, and differences that has facilitated the double-sided critique in this article. Thus I have tried not only to disclose some weaknesses in Polanyi's analysis but also to show how his work can be used to improve the other two accounts of modern economies. Four main innovations have been suggested. First, I have offered a more detailed analysis of the various forms and levels of social embeddedness and of their interconnections. Polanyi's analysis of *haute finance* is particularly illuminating here. Second, I have given a more detailed analysis of the self-organizing logic of a market economy and its implications for the limits of intervention. Here I have drawn both on Marx's analysis of the historical conditions of the self-valorization of capital within the circuit of capital and on the self-avowedly anti-Marxist arguments of autopoietic systems theory.<sup>68</sup> The former provides far better insights into the structural contradictions and strategic dilemmas inscribed in capitalist market relations and thus into the inherent limitations of the extension of the commodity form to labour-power, land, and money. The latter offers a necessary corrective to the reductionist temptation in Marxist theorizing to



see the logic of the capitalist market economy as somehow determinant 'in the last instance' of an entire social formation. I have argued that Polanyi's account of the dual movement is located at the intersection of these two approaches.

Third, I have provided a more detailed analysis of capitalist societalization – or the forms of what Polanyi called the market society – and of the mechanisms through which the logic of the market economy comes to dominate and hegemonize the wider society and the various forms and sites of resistance thereto. This is intended both as a corrective to Marxist reductionism by specifying the various economic and extra-economic mechanisms through which a social formation could come to be dominated by the logic of capital; and as a way of revealing the richness of Polanyi's own reflections on the dialectics of the dual movement through which a market economy first emerges through its disembedding from pre-capitalist institutions and is then (re-) embedded in a market society.

Fourth, I have identified how the 'dual movement' that structurally couples the market economy with other systems and the lifeworld can be subjected – always, of course, within certain limits – to appropriate forms of governance and meta-governance. In this way the primary sources of society's counter-movement, i.e., the more extreme manifestations of the formal rationality of market forces, can be tamed through the more reflexive, dialogical rationality of governance. I believe this is one way in which we can rethink the possibilities of co-existence between the market economy and market society – an issue of interest to Polanyi in his more ethico-political writings.

## Endnotes

<sup>1</sup> This article derives from a lecture at the Sixth Karl Polanyi Conference, Montreal, October 1996. Its written version has benefited from the comments of Fikret Adaman, Pat Devine, Marguerite Mendell, Klaus Nielsen, Gunnar Oloffson, several conference participants, and two anonymous referees for *New Political Economy*.

<sup>2</sup> On the economic fallacy, see especially Karl Polanyi, *The Livelihood of Man* (Academic Press, 1977); for a useful commentary, Fred Block and Margaret R. Somers, 'Beyond the economic fallacy: the holistic social science of Karl Polanyi', in: Theda Skocpol (Ed.), *Vision and Method in Historical Sociology* (Cambridge University Press, 1984), pp. 47-84.

<sup>3</sup> Karl Polanyi, 'The Economy as instituted process', in: Mark Granovetter and Richard Swedberg (Eds), *The Sociology of Economic Life* (Westview, 1982), pp. 29- 51, at p. 33.

<sup>4</sup> *Ibid.*, p. 34.

<sup>5</sup> Karl Polanyi, *The Great Transformation: the Political and Economic Origins of our Time* (Rinehart & Company, 1944), pp. 47-53; cf. 'Economy as instituted process', p. 35; and *Livelihood*, pp. 34-47.

<sup>6</sup> Polanyi, 'Economy as instituted process', p. 35. The first, second, and fourth of these principles provide an interesting parallel with the three main principles of governance: heterarchy or horizontal self-organization, imperative coordination through hierarchy, and the anarchy of market exchange (see below).

<sup>7</sup> *Ibid.*, pp. 40-45.

<sup>8</sup> *Ibid.*, p. 37.

<sup>9</sup> Polanyi, *The Great Transformation*, pp. 46-53; cf. 'Economy as instituted process', p. 30.

<sup>10</sup> The Althusserian structural Marxist approach to pre-capitalist modes of production makes similar points about the complex articulation between the economic and extra-economic in constituting social relations of production, even noting the importance of politics (for the ancient mode) and religion (for the feudal) but tries to explain this in terms of 'economic determination in the last instance' (i.e., in terms of how surplus labour is appropriated in different epochs). For an otherwise laudatory critique of Polanyi on the latter lines, see Maurice Godelier, 'On the "shifting place" of the economy in societies', in idem, *The Mental and the Material* (Verso, 1988), pp. 179-207. See also Louis Althusser and Etienne Balibar, *Reading Capital* (New Left Books, 1977); Anthony Cutler *et al.*, *Marx's Capital and Capitalism Today*, vol 1. (Routledge and Kegan Paul, 1977); and Emmanuel Terray, *Marxism and 'Primitive' Societies* (Monthly Review Press, 1972).



11 Polanyi, *The Great Transformation*, p. 57; italics added.

12 *Ibid.*, p. 3.

13 Polanyi, 'Economy as Instituted Process', p. 34. 24

14 The Parisian regulationists acknowledge Polanyi's influence alongside that of, among others, Marx, Keynes, and Kalecki: see Robert Boyer, 'Aux origines de la théorie de la régulation', in: Robert Boyer and Yves Saillard (Eds), *Théorie de la régulation. L'État des savoirs* (La Découverte, 1995), pp. 21-30. For a regulationist homage to Polanyi, see Robert Boyer, 'The great transformation of eastern europe: a "regulationist perspective"', *Emergo*, Vol. 2, No. 4 (1985), pp. 25-41. For a useful (and, I believe, unique) comparison of Polanyi's institutionalism and early Parisian regulationist work, see Lars Mjøset, 'Regulation and the institutionalist tradition', in: Lars Mjøset and Jan Bohlin, *Introduksjon til Reguleringskolen: tre Arbeidsnotater* (Arbeidspapirer fra Nordisk Sommeruniversitet, No. 2, 1985), pp. 1-101.

15 Following Gramsci's analysis of the integral state (*lo stato integrale*) as comprising 'political society + civil society', we could analyse the integral economy in terms of 'accumulation regime + mode of regulation'. See Antonio Gramsci, *Selections from the Prison Notebooks* (Lawrence & Wishart, 1971), p. 251. 1

6 For an introduction see Robert Boyer, *Regulation Theory: A Critical Introduction* (Columbia University Press, 1990); for a recent encyclopaedic survey, see Boyer and Saillard, *Théorie de la régulation*; and, for a recent critique, Bob Jessop, 'Twenty five Years of the Regulation Approach: the Paradox of Success and Failure at Home and Abroad', *New Political Economy*, vol. 2, No. 3 (1997), pp. 503-526.

17 For useful summaries of these arguments, see Alain Noël, 'Accumulation, regulation, and social change: an essay on French political economy', *International Organization*, Vol. 41, No. 3 (1987), pp. 303-33; and Mick Dunford, 'Theories of regulation', *Environment and Planning D: Society and Space*, Vol. 8, No. 3 (1990), pp. 297-321.

18 For RA analyses of the ancien régime and laissez faire economies, see Boyer, *Regulation Theory*; and Robert Delorme and Christine André, *L'État et l'économie* (Seuil, 1982).

19 Polanyi, *The Great Transformation*, pp. 68,69.

20 Cf. Niklas Luhmann, *Die Wirtschaft der Gesellschaft* (Suhrkamp, 1986); Dirk Baecker, *Information und Risiko in der Marktwirtschaft* (Suhrkamp, 1988).

21 In this sense it is a 'fictitious commodity'.

22 Even where profit-making activities are subject to legal or other constraints, firms will calculate whether it is cost-effective to break the law or ignore the other constraints. Orthodox economics theorizes this in terms of 'efficient breach of law'.

23 See Manfred Glagow and Helmut Willke (Eds), *Dezentrale Gesellschaftssteuerung: Probleme der Integration polyzentristischer Gesellschaft* (Centaurus- Verlagsgesellschaft, 1987); and Helmut Willke, *Ironie des Staates: Grundlinien einer Staatstheorie polyzentristischer Gesellschaft* (Suhrkamp, 1992).

24 This claim goes beyond Marx's claim: '[a]ccumulate, accumulate! That is Moses and the prophets!' See Karl Marx, *Capital vol I* (Lawrence & Wishart, 1976), p. 854. This expresses the individual capitalist's viewpoint to investment and consumption rather than society's need to adapt to the imperatives of capital accumulation. 2

5 Accumulation can occur, of course, where capitalist and non-capitalist relations coexist as in the phase of primitive accumulation or slavery in the Deep South. This reinforces my argument that accumulation need not entail accumulation's dominance as the primary principle of societalization.

26 Cf. Claus Offe, 'the theory of the capitalist state and the problem of policy formation' in: Leon N. Lindberg *et al.* (Eds), *Stress and Contradiction in Modern Capitalism* (D.C. Heath, 1975), pp. 125-44.

27 Polanyi, *The Great Transformation*, pp. 68-9.



28 *Ibid.*, pp. 33-4.

29 *Ibid.*, p. 57.

30 Gramsci, *Selections*, p. 366.

31 Polanyi, *The Great Transformation*, p. 57.

32 *Ibid.*, p. 152-4.

33 *Ibid.*, pp.

34 *Ibid.*, p. 132.

35 *Ibid.*, pp. 132,149,152.

36 *Ibid.*, p. 154.

37 *Ibid.*, p. 132.

38 Polanyi interpreted fascism as a totalitarian attempt to subordinate an entire society to the logic of the market in the interests of the proprietors and gave an interesting analysis of the anti-universalist ideology of 'blood and race', the neofeudal economic structures, and the political matrix in which this occurred. See Karl Polanyi, 'The essence of fascism', in: L. Lewis, Karl Polanyi, and David D. Kitchin (Eds), *Christianity and Social Revolution* (Books for Libraries Press, 1972). For a useful discussion, based on the Polanyi archive, see Jerome Maucourant, 'Polanyi, lecteur du Marx', *Actuel Marx*, No. 27 (2000), pp. 133-51, at pp. 139-42).

39 *The Great Transformation.*, p. 234.

40 *Ibid.*, p. 130.

41 *Ibid.*, p. 131.

42 *Ibid.*, p. 57.

43 On this point see the insightful commentary in Gunnar Olofsson, 'Embeddedness and integration: an essay on Karl Polanyi's 'The Great Transformation'', in: Morten Mortensen (Ed.), *Social Integration and Marginalization* (Samfundslitteratur, 1995) pp. 72-113.

44 Oloffson. 'Embeddedness and integration', offers a similar threefold analysis of Polanyi's work on embeddedness. He suggests that 'Polanyi's concept can be defined ... as a combination of three sets of linkages: (a) connections between economic and non-economic institutions (or parts of societies) on the macro-level; (b) relations between actors and institutions on the levels of social relations (cf. the contribution of Granovetter); and (c) a second-order systematic linking of these two sets of connections (a macro-micro link)' (p. 74). My own account of the three levels rests on more general reflections on the implications of the three theoretical approaches considered in this article. See also Bob Jessop, 'On the governance of complexity and the complexity of governance', in: Ash Amin and Jerzy Hausner (Eds), *Beyond Markets and Hierarchy* (Edward Elgar, 1997), pp. 95-128.

45 Cf. Mark Granovetter, 'Economic Action and Social Structure', *American Journal of Sociology*, Vol. 91, No. 3 (1985), pp. 481-510.

46 Michel Callon, 'Introduction: the embeddedness of economic markets in economics', in: idem, ed., *The Laws of the Markets* (Blackwell, 1998), pp. 1-57.

47 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nation* (Modern Library, 1937).

48 Swedberg argues that '[w]hereas Karl Polanyi ... introduced the notion of embeddedness to emphasize that the economy was an organic part of society in pre-capitalist times, Granovetter's point was nearly the opposite, namely to show that economic actions are truly social actions in capitalist society'. This claim is misleading because it conflates the first and second levels of embeddedness distinguished here. See Richard Swedberg, 'New economic sociology: what has been accomplished, what is ahead?', *Acta Sociologica*, Vol. 40, No. 2 (1997), pp. 161-182, at p. 165.



49 Cf. Gernot Grabher (Ed.), *The Embedded Firm: on the Socioeconomics of Industrial Networks* (Routledge, 1993).

50 Cf. Renate Mayntz, 'Modernization and the logic of interorganizational networks', in: John Child *et al.* *Societal Change between Market and Organization* (Avebury, 1993), pp. 3-18; and Fritz W. Scharpf, 'Games real actors could play: positive and negative coordination in embedded negotiations', *Journal of Theoretical Politics*, Vol. 6, No. 1 (1994), pp. 27-53.

51 Swedberg, 'New economic sociology', p. 171, claims that Polanyi used the term 'embeddedness' only twice in a casual manner in *The Great Transformation* and only gave it a 'half-hearted' theoretical status in his comments on the economy as an instituted process. This claim is doubly misleading: first, it mistakes words and concepts; and, second, it ignores the critical distinction between the substantive and formal concepts of the economy in Polanyi's work. On the first point, Oloffson, 'Embeddedness', has shown that Polanyi uses various synonyms to describe embeddedness in *The Great Transformation*, including 'submerged', 'enmesh', 'intertwined', 'absorbed in', 'accessories of', 'compatible with', 'embodied in', 'accessory feature of', 'formed part of', and 'subordination'. He adds that '[a]ll these different expressions are either linguistic varieties of the same concept (i.e., embeddedness) or they take up partly different specialized meanings of the general concept' (p. 86). On the second point, the distinction between substantive and formal economics underpins that between an embedded economy and an institutionally separate economic system and justifies an institutional approach. This argument is developed most fully – and certainly not 'half-heartedly' – in Polanyi's posthumously published synthesis of his life's work, Polanyi, *Livelihood*.

52 Callon, 'Introduction', p. 8.

53 Polanyi, *The Great Transformation*; idem, *Livelihood*, *passim*.

54 Cf. Niklas Luhmann, *Social Systems* (Stanford University Press, 1995); and Glasgow and Willke, *Dezentrale Gesellschaftsteuerung*. 28

55 Polanyi, *The Great Transformation*, pp.10 and 11. For a Polanyian account of the role of *haute finance* in contemporary capitalism, see Eric Helleiner, 'Globalization and *haute finance* -- *déjà vu?*', in Kenneth McRobbie and Kari Polanyi Levitt, eds, *Karl Polanyi in Vienna. The Contemporary Significance of 'The Great Transformation'* (Black Rose Press, 2000).

56 Polanyi, *The Great Transformation*, p. 3.

57 See especially Polanyi, *The Great Transformation*, pp. 208-19.

58 See David Kotz *et al.* (Eds), *Social Structures of Accumulation* (Cambridge University Press, 1994); and Bob Jessop, 'Regulation theory in retrospect and prospect', *Economy and Society* Vol. 19, No. 2 (1990), pp. 153-216.

59 E.g., Sam Bowles *et al.*, *Beyond the Wasteland: a Democratic Alternative to Economic Decline* (Doubleday, 1983). On embedded liberalism, see also Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton University Press, 1984).

60 Bob Jessop, 'Reflections on the (Il)logics of Globalization', in Kris Olds *et al.* (Eds), eds., *Globalization and the Asia Pacific: Contested Territories*, London: Routledge, 19-38.

61 This can occur either by reducing the time it takes to produce a given 'event' or by increasing the ability to discriminate more steps in an 'event', thereby enhancing opportunities to modify its course or outcome by intervening as the event happens.

62 Cf. Kevin Cox (Ed.), *Spaces of Globalization* (Guilford Press, 1997); Saskia Sassen, 'The state and the global city: notes towards a conception of place-centred governance', *Competition and Change*, Vol. 1, No. 1 (1996), pp. 31-50.

63 Marx, *Capital*, vol I.

64 Polanyi, *Great Transformation*, p. 206, cf. pp. 207-8.

65 On collibration, see Andrew Dunsire, 'Tipping the balance: autopoiesis and governance', *Administration and Society*, Vol. 28, No. 3 (1996), pp. 299-334



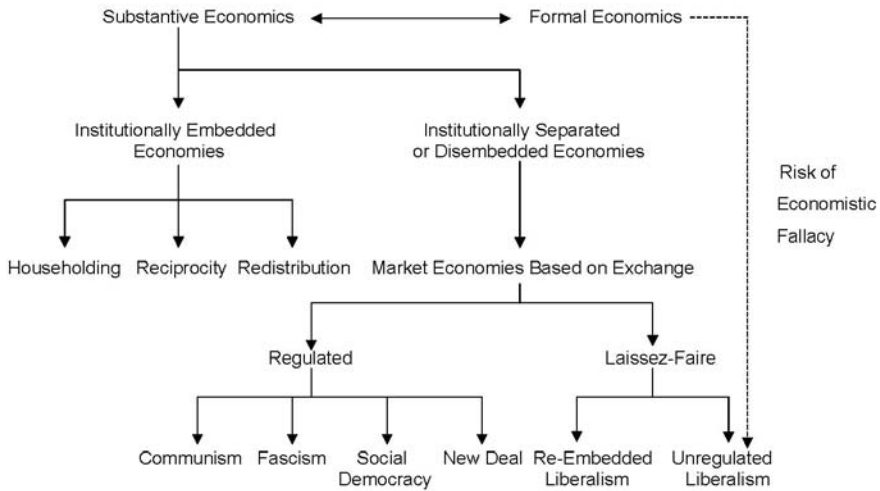
66 For further discussion of meta-governance, see Bob Jessop, 'The rise of governance and the risk of governance failure: the case of local economic development', *International Social Science Journal*, No. 155 (1998), pp.29-45.

67 Luhmann considers pre-capitalist economies in terms of segmentary or centreperiphery relations rather than functional differentiation from other systems: see his *Wirtschaft der Gesellschaft* and *Social Systems*. And, although the RA has shown little interest in pre-capitalist economic formations, Polanyi's account has strong similarities to that in Marx's notebooks on this key topic: Karl Marx, *Pre-Capitalist Economic Formations* (Lawrence & Wishart, 1980).

68 Luhmann, *Social Systems*, argues that Marxism is a pre-modern theory because it assumes that one system (i.e., the economy) can hold the central position in society. In contrast, he argues that modern society is characterized by de-centred functional differentiation rather than a hierarchical ordering of different institutional orders.

### Figure

Figure 1. The Hierarchy of Concepts in Polanyi



Source: Author's Own Interpretation

--- possible relevance of formal economics