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The Always Instituted Economy and the Disembedded Market: Polanyi's Dual Critique of Market Capitalism

Louis Mosar

Abstract: Polanyi's concept of "embeddedness" has been the subject of debate. Various authors have argued that it reveals a contradiction. They contend that Polanyi states that all economies are always embedded, while simultaneously maintaining that the modern market economy is exceptional because it is disembedded. Others claim that there is no contradiction in Polanyi's thought but that he is merely describing a contradiction of the market economy. In this text, I argue that both sides fail to discern two different concepts: "institutedness" and "embeddedness." "Institutedness" denotes the idea that economic behavior is always dependent on and the result of certain forms of social organization. In turn, the distinction between embeddedness and disembeddedness is inspired by the Aristotelian distinction between natural and unnatural economic behavior. This distinction refers to the finality of economic behavior: is it directed at the thriving of an ethical community or is it instead directed at wealth acquisition as an end in itself? I argue that both institutedness and (dis)embeddedness fulfill a crucial, though different, role in Polanyi's critique of market capitalism. I conclude by giving a preliminary outline of what could be the implications for a (neo-)Polanyian political economy of my analysis.

Keywords: embeddedness, Karl Polanyi, Aristotle, capitalism, neo-Polanyianism

JEL Classification Codes: A13, B20, B31, B52

According to Fred Block (2001), Karl Polanyi's most famous contribution is his concept of embeddedness. However, he adds that "this concept has also been a source of enormous confusion" (Block 2001, xxiii). That confusion consists mainly in the fact that the concept of "embeddedness" is related to two seemingly incompatible claims. Kurtuluș Gemici (2008) has identified two contradictory ways in which Polanyi uses the concept of embeddedness. On the one hand, Polanyi employs it as a universal claim about "the impossibility of separating economy from society because all economic systems are embedded in social relations and institutions" (Gemici 2008, 7). The idea that all economic behavior is always dependent on and the result of certain political and cultural institutions is indeed a central belief of Polanyi's thought. In fact, this idea is the very cornerstone of Polanyi's universalist comparative economic substantivist framework, as an alternative to the formalism of the neoclassical analysis. Every economy, Polanyi claimed, "is embedded and enmeshed in

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institutions, economic and non-economic" (1957b, 250). On the other hand, embeddedness functions as a gradational concept "which sees embeddedness as changing from one economic system to another" (Gemici 2008, 9). This usage of the term corresponds with another central claim of Polanyi's thought, namely that what is so characteristic about market capitalism, and what distinguishes it from other economic systems, is precisely that: "Instead of economy being embedded in social relations, social relations are embedded in the economic system" (Polanyi 2001, 60). This claim entails that economies are not always embedded but can become disembedded, as is the case with market society. Framed in this way, both claims cannot be true at the same time: either the economy is always embedded in society, including the market economy, or economies are not always embedded in society and can become disembedded. Gemici is certainly not the only one who has noticed this ostensible contradiction (see for example Barber 1995; Block 2003; Dale 2010a, 2010b, and 2011; Hodgson 2017; Krippner 2001; Lie 1991; Maucourant and Plociniczak 2013; Somers 2018). A popular way to respond to this apparent contradiction is by choosing one horn of the dilemma, which is accepting Polanyi's claim that every economy is always embedded and giving up the idea of market capitalism as a disembedded economy (see Barber 1995; Block 2003; Gemici 2008; Lie 1991). This leads to the idea of what Block has called "the always embedded economy" (2003, 276) and the abandoning of the concept of the disembedded economy as a *contradictio in terminis*.

However, this implies that we should give up one of the central ideas of Polanyi's thought. Is there, then, no way to salvage the concept of the disembedded economy? Some authors (Krippner 2001, 780–782; Maucourant and Plociniczak 2013, 519; Somers 2018, 104–105) believe that the contradiction is only apparent, but not real.[1] They argue that Polanyi is merely *describing* a contradiction of the market economy: the market economy tries to disembed the economy from society, but it can never fully realize this, since no economy can exist as a disembedded entity. As a result, disembedding always remains incomplete. The idea of the disembedded economy is in this interpretation an unrealizable tendency of market society. The contradiction is not located within Polanyi's thought, but within the chimerical nature of market society.

I agree with the latter group that there is not necessarily a contradiction in Polanyi's thought. However, I also agree with the former group that Polanyi was not careful enough in explicating and clarifying certain key concepts. But, whereas Block (2003) believes that the apparent contradiction is due to a paradigm-shift in Polanyi's thought and the blending of two contradictory conceptual schemes in *The Great Transformation*, Gareth Dale (2010a, 193; 2010b, 16–17; 2011, 323) believes that it is due to the ambiguous nature of the Tönniesian concepts of *Gemeinschaft* and *Gesellschaft*, as both descriptive empirical terms and ideal types, on which Polanyi's concepts of embeddedness and disembeddedness are based. Gemici (2008), in similar vein, argues that Polanyi uses embeddedness as both a universal methodological principle and a historical variable. I believe that the apparent contradiction is due to an inexplicit distinction between "institutedness" and "embeddedness." Thus, instead of claiming that Polanyi is merely describing a contradiction of the market economy

[1] Block also tends to this interpretation, in the introduction to the 2001 edition of *The Great Transformation*. There, Block claims that Polanyi has often been misread, as if Polanyi is stating that an economy can become completely disembedded. According to Block, we should conceive of disembeddedness as a chimerical tendency, that can never be fully released (2001, xxiii–xxix). And in the 2003 article, there are also passages which support this interpretation (2003, 282–284). However, in the latter text he also unambiguously claims that there is a contradiction in Polanyi's concept of disembeddedness.

itself, I want to salvage the concept of disembeddedness by arguing, following Timothy Clark (2014, 68) and hinted at by Michele Cangiani (2011, 193), that a conceptual distinction has to be made between institutedness and embeddedness. This leads to the idea of the "always instituted economy" in contrast to the "always embedded economy." "Institutedness" is, in accord with Gemici, a universal "methodological principle positing that economy and society can only be analyzed through a holistic approach" (2008, 7). It reveals the fundamental political and cultural nature of every economic system. However, this does not mean that every economy is embedded. Embeddedness is a normative and evaluative concept. If we want to understand the concept of disembeddedness, we have to approach it from its often-overlooked Aristotelian roots. I argue that the distinction between disembeddedness and embeddedness is inspired by Aristotle's distinction between unnatural and natural economic behavior. Embeddedness is not about whether or not the economy is separated from society, but about whether the economy is an end in itself or a means that aims at the reproduction of an ethical community. I argue that we need both concepts in order to make sense of Polanyi's critique of market capitalism. Both concepts fulfill different functions in this critique. The always instituted nature of every economy is aimed towards revealing the contingency of every economic system and thus the contingency of market capitalism. Disembeddedness in turn is meant to show why market capitalism is an unstable way of institutionalizing the economy.

My reading has the advantage that it is able to acknowledge the value of both the always instituted thesis and the disembedded market thesis, and is able to think them together in a consistent way. Bernard Barber (1995), Geoffrey Hodgson (2017), Kurtuluș Gemici (2008) and John Lie (1991) only point to the seemingly contradictory ways in which Polanyi seems to employ the concept. While Block (2003) and Dale (2010a, 2010b, 2011) are able to make sense of the ambiguity of the concept, and give an explanation of this ambiguity by respectively arguing for a paradigm shift in Polanyi's thinking and pointing towards the ambiguity of the sources on which Polanyi's concept draws. However, none of these authors gives us a way to think both these claims together in a consistent way.

This reading is certainly no more speculative than Block's (2003).[2] Similar to Dale (2010a, 2010b, 2011), I point to Polanyi's intellectual sources and my suggestion is not less supported by textual evidence than Dale's reading. Moreover, it is able to give both theses a more precise meaning. In both readings, those that argue that Polanyi's concept of embeddedness is contradictory and those that argue that he is merely describing a contradiction of market capitalism, the ideas of institutedness and embeddedness are fused together and their meaning stays rather vague. By separating them, both concepts get a clearer meaning and it can be shown what they both contribute to Polanyi's critique of market capitalism. Moreover, this reading is able to interpret Polanyi's work, stretching from his Vienna years in the 1920s until his North America years, as consistently as possible. As we shall see the ideas of embeddedness and disembeddedness, although he does not use these terms, already appear in Polanyi's Vienna years and contributions to the Socialist Calculation Debate. Rather than a paradigm shift in Polanyi's thought, as Block (2003) maintains, my reading shows that there is a strong continuity in his oeuvre. Lastly, even if my reading does not unearth what Polanyi actually meant, it is certainly Polanyian in vein: I start from Polanyi's texts and ideas to build something that can be useful to understand and

[2] As different commentators have argued (Lacher 2019; Polanyi-Levitt 2006, 386–389), there is little evidence of Polanyi going through a paradigm shift during the writing of *The Great Transformation*.

criticize our current societal organization. After all, we do not merely exercise textual exegesis to bring to light what thinkers have actually meant, but because we believe that their ideas can contribute to our understanding of the world. In this way, my proposed interpretation can be valuable in its own right, even if it is not exactly what the historical Polanyi actually meant.

In what follows, I will first explain the idea and significance of the always instituted economy by delving into Polanyi's economic ontology. Subsequently, I will explain the idea of the disembedded market, by first briefly describing Aristotle's critique of commerce, and afterwards, showing how Polanyi's concept of the disembedded market is linked to it.

The Always Instituted Economy

What I would call "institutedness" describes a form of interactivity between the behavior of individuals and the institutions which mold this behavior. Institutedness signifies more or less what is commonly understood as the always embedded nature of the economy, by which is meant "the simple thesis that economic action is, always and everywhere, conditioned by non-economic institutions" (Dale 2011, 333). More accurately, I would say, it is the idea that economic behavior is always dependent on and the result of certain forms of social organization. However, Dale has pointed out, this concept has often been trivialized to "voicing the commonplaces that 'marketeers are people, too' that economic behavior is always woven into legal, political, customary and ideological fabrics, or that the stability and predictability of markets depend upon their connections to wider webs of social relations" (2010a, 201; cf. 2010b, 15). The concept of embeddedness would be no more than a "conceptual umbrella" (Granovetter cited in Gemici 2008, 26). Moreover, as various authors (Dale 2010a, 201; 2010b, 15; 2011, 331; Hodgson 2017, 12) have pointed out, this idea of embeddedness has already been raised and worked out more rigorously by other economists, such as Adam Smith, members of the German Historical School, and the American institutionalists. This begs the question of what the point of studying this concept would be, if this is all it has to offer?

I argue that the reason for this trivialization is that there has not been enough attention to Polanyi's economic ontology. A more careful examination will reveal that Polanyi's concept, which I call "institutedness," is much more elaborate than what it has become in its "always embedded" guise. This will also reveal why it is more appropriate to speak of "institutedness" instead of "embeddedness," a term which has not received a lot of attention in secondary literature, since only a few authors (Clark 2014, 68; Halperin 1994, 210; Stanfield 1986, 57) have drawn attention to it. We can already point out that, although Polanyi employs the concept, to my knowledge, only once (1957b, 248), he describes the so-called "always embedded nature" of the human economy not primarily in terms of being embedded, but in terms of being instituted. Polanyi's programmatic text of substantivism, for example, is called "The Economy as Instituted Process" (Polanyi 1957b), an expression Polanyi would keep using to convey what, according to him, was the very nature of every empirical economy.

Polanyi's Economic Ontology

Polanyi's work in economic anthropology consists in the development of a substantivist framework of the economy. This should replace the so called "formalistic framework" of marginalist economics. According to Polanyi, its categories are insufficient to adequately describe past economies and, hence, do not give a general and fundamental description of the nature of the economy. Thus, the goal of Polanyi's substantivism was "yielding the concepts that are required by the social sciences for an investigation of all empirical economies past and present" (Polanyi 1957b, 244). In other words, its aim was developing "a truly universal economic theory" (Stanfield 1986, 49). This implies unravelling the fundamental categories and nature of what constitutes "the economic" (i.e., aiming to disclose the ontology of the economic).

Forms of Integration

According to Polanyi, ultimately every economy "is an instituted process of interaction between man and his environment, which results in a continuous supply of want satisfying material means" (1957b, 248). All social activities that contribute to this goal can be called "economic" (1957b, 249).

Polanyi points out that two elements stand out in this definition: *process* and *institutedness*. He indicates that: "Process suggests analysis in terms of motion" (1957b, 248). Those motions are the social activities that make up the economy. Polanyi distinguishes two types of movements, the so-called "locational movements" and "appropriational movements." Locational movements are changes of the place of goods (including labor), while appropriational movements are changes in who owns or has access to certain goods. Both types of movements can occur either together or separate (Polanyi 1957b, 248; 1977: 31–32). Locational movements entail both production and transportation. (Polanyi 1957b, 248; 1977, 32). Renting or buying a house, or having a subscription to *Netflix,* are examples of appropriational movements.

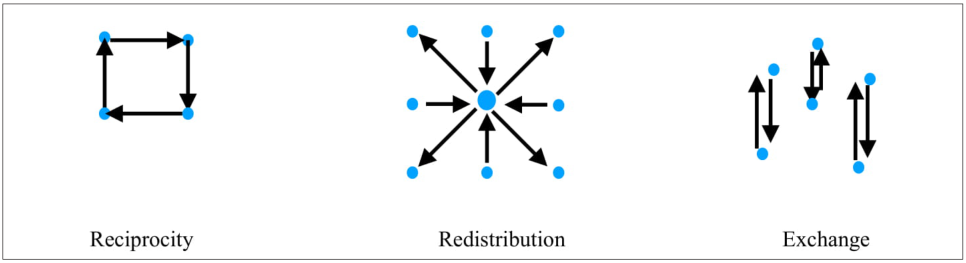
However, the economy is not just a process, it is an *instituted* process. It is crucial that this process is *always* instituted or integrated in a certain way. What he means with "instituted" or "integrated" is that the process is structured or ordered in such a way that "the economy acquires unity and stability, that is the interdependence and recurrence of its parts" (Polanyi 1957b, 250). Hence the term "integration." Institutionalization brings the different elements of the economy together and forges it into one whole. To say that an economy is instituted, means that the social activities which make up the economy are being structured according to a fixed and recurring pattern. This is crucial, since it is through this process that a society acquires the means to maintain itself. As Polanyi stated in his definition of the economy, this requires "a *continuous* supply of want satisfying material means" (1957b, 248, emphasis added), consequently, it cannot be left to a "mere fleeting chain of causation" (Polanyi 1977, 34).

Although an economy can be institutionalized or integrated in different ways, Polanyi believes that ultimately, institutionalization can be brought back to three basic patterns, which he calls "forms of integration." The three forms of integration are respectively: reciprocity, redistribution, and exchange (1957b, 250–255; 1977: 35–42).[3] Since they describe how people tend to behave towards each other, Polanyi has elsewhere called them "principles of behavior" (2001, 49). These forms of integration describe the fixed and recurring patterns of (locational and appropriational) movements, which constitute the economic process.

[3] In *The Great Transformation*, Polanyi does not mention exchange as a principle of behavior. There, he discusses reciprocity, redistribution, and householding as principles of behavior. He also claims that the market pattern is much more specific than reciprocity, redistribution, and householding and thus cannot be considered to be at the same level as the latter three (cf. 2001, 45–70). In "The Economy as Instituted Process" and *The Livelihood of Man*, Polanyi considers reciprocity, redistribution, and exchange as forms of integration, and claims that householding is a form of redistribution (1957b, 250–255; 1977, 35–42). I decided to follow Polanyi's most recent texts.

Hence, we can think of forms of integration as "diagrams made by the movements of goods and persons in the economy, whether these movements consists [sic] of changes in their location, in their appropriation, or in both" (Polanyi 1977, 36). Conceived in that way, reciprocity refers to patterns in which goods move between corresponding points that are symmetrically ordered. Redistribution signifies a pattern in which goods move towards a center and subsequently out of it. Finally, exchange denotes two way movements between randomly ordered points. (Polanyi 1977, 36; cf. 1957b, 250). Based on his descriptions we could visualize the forms of integration in the following way:[4]

Figure 1.



More than one form of integration can occur simultaneously in the same society, however, normally one form of integration is dominant (Polanyi 1957b, 256). According to Polanyi (1957b, 256; 1977, 43; 2001, 49–50), in most societies up to the nineteenth century, reciprocity and redistribution were the dominant forms. The nineteenth century breaks with the past because here, for the first time, exchange rises to absolute dominance. The dominance of a form of integration is determined by "the degree to which it comprises land and labor in society" (Polanyi 1957b, 255; cf. 1977, 43).

Supporting Structures

It is important to stress that forms of integration merely *describe* the way in which social activities occur and are integrated into a whole, but they do not *explain* why these activities are structured in that way. Polanyi asserts that every form of integration is dependent on what he calls a "supporting structure" (1977, 36–37), "institutional support" (1957b, 251), or an "institutional pattern" (2001, 50). Supporting structures are societal institutions that *cause* a form of integration to occur. Reciprocity assumes symmetry, redistribution requires centricity, and exchange is dependent on an interlocking system of price-making markets (Polanyi 1957b, 252–255; 1977, 37–42).

"Symmetry" refers to the fact that a form of kinship or solidarity must be institutionalized in order for reciprocity to occur (Polanyi 1957b, 253). Polanyi (1957b, 253; 1977, 39) gives us an example he borrowed from the anthropologist Malinowski, the economic system of the Trobriand Islands. In that society, a man is required to assist the family of his sister. His own family in turn will be aided by the brother of his wife. "Centricity" denotes the idea that an allocational center has to be established and which is recognized by the members of a society. Goods are collected in this center and subsequently distributed, giving rise to the pattern

[4] Reciprocity is the broadest form of integration and it can take on many shapes. Here, I visualized the economy of the Trobriand Islands, as it is discussed below.

of redistribution. An example would be the state who collects taxes, or the gathering of the spoils after a hunt and the subsequent distribution (Polanyi 1957b, 254; 1977, 40–42).

Finally, a price-making market is a far more specific institution than the previous two. Price-making markets are a distinct kind of market. They are a type of market which are governed by the "market mechanism" or "supply-demand-price mechanism" (Polanyi 1977, 123–124). This means that prices are automatically adjusted and determined by the supply and demand of goods. Crucial is that only an interlinked system of price-making markets is able to give rise to integration via exchange. In the case of non-price-making markets "the economy is integrated by the factors which fix that rate [of exchange], not by the market mechanism" (Polanyi 1957b, 255).

In order to understand this, we have to keep in mind that integration signifies unification of the different elements of the economic process according to a fixed pattern. Market capitalism illustrates how this is achieved through an interlinked system of price-making markets. In such a system "[a]ll incomes must derive from the sale of something or other" (Polanyi 2001, 44; cf. 1947b, 111). This means that all people need to sell a commodity (labor, money, consumer products, natural resources, . . .) on the market, in order to be able to buy the means of subsistence. Since these commodities are sold on price-making markets, their prices are determined via supply-and-demand. The prices of the different markets will interact with each other: the price of labor and natural resources will determine the price of consumer goods and the demand for certain consumer goods will in turn allocate labor and resources. In this way, the different economic activities are integrated, forming one process, one big market. This is also why Polanyi calls such an arrangement "a system of self-regulating markets" (1977, 124) or, put briefly, a "self-regulating market" (2001, 44). Non-price-making markets, on the other hand, do not have price fluctuations, since prices are not determined by supply and demand, but are fixed according to custom or law. Hence, the different markets are not automatically adjusted to and influenced by each other. Consequently, they do not forge the different economic activities into one coherent whole. The same can be said in the case of one or more non-interlinked price-making markets (Polanyi 1957b, 255).

As was the case with reciprocity and redistribution, exchange can only occur when its supporting structure, a system of interlocking price-making markets, is first established. Briefly put, supporting structures are the *social relations* which structure the social activities according to a certain pattern (form of integration). In other words: "Institutionalizing means shaping economic facts according to certain social relations." (Maucourant and Plociniczak 2013, 524)

Implications of Institutedness: Denaturalizing the Market

Why does all the above matter? It matters, I argue, because this ontology is meant as a direct attack against the spontaneity and naturalness of market capitalism. As we have stated, forms of integration are only *descriptions* of how the economic process occurs (i.e., how people behave) while the supporting structures *explain* why these behavioral patterns take place. Polanyi (1957b, 251–252; 1977, 37–38) stresses this fact, because it implies that forms of integration cannot be reduced to the mere aggregate of individual actions. For example, the economic system of the Trobriand islanders is not just the result of individual instances of reciprocating, but is dependent on the prior implementation of the tradition that a man is supposed to help sustain the family of his sister. Before the pattern of reciprocity can occur, a certain kind of kinship as a cultural tradition and the social structure it accompanies, have to be invoked. Without such a tradition and the societal structure of kinship, the stable and coherent pattern of reciprocity would not exist. Similarly, in the case of redistribution an allocational center has first to be established and acknowledged in order for redistribution to take place.

This illustrates the fundamental political and cultural nature of every economic process. Hence, Polanyi claims that: "The economic system, is in effect, a mere function of social organization." (2001, 52) The social structures and institutions of a society *determine* and *explain* the way in which the economy takes place. This is what is meant by institutedness and why we can say that every economy is always instituted. The implications are far more radical than they seem at first glance.

If the economy is always dependent on and determined by the prior instituted social structure and social relations, this reveals the necessary contingency of *every* economy.[5] For example, it is clear that the inhabitants of the Trobriand islands could, in principle, decide to structure their system in another way (for example, one in which the wife has to provide for the family of her husband's brother). Similarly, it is obvious that a state could stop redistributing. However, this is not the case for price-generating markets. After all, the dominant story about price-making markets is that they spontaneously arose out of individual instances of exchange. In this regard, Polanyi's concept of institutedness implies a direct attack on the traditional economic liberal view of the market.[6] Polanyi's assertion that supporting structures are not the result of mere aggregating individual actions, is directly aimed at Adam Smith and his intellectual descendants (1977, 37; 2001, 45–46).

Smith famously claimed that the division of labor is "the *necessary*, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck barter and exchange one thing for another" (1976, 25, emphasis added). According to Smith (1976, 25–27), this propensity is part of the very essence of human nature. Contrary to most animals, humans are dependent on each other for their survival. Humans ensure the help of their fellows, not by appealing to their benevolence but by addressing their self-love. By offering other people something that they need, we can gain something from them that we need.

In this way our modern economic system was, from prehistory to modernity, gradually established. As more people were gradually united in this system of exchange, the division of labor became more complex (1976, 31–36). Ultimately, this tendency to barter became so integrated that man could not be self-sufficient anymore, but instead he "supplies the far greater part of them [his wants] by exchanging that surplus part of the produce of his own labour." As a consequence, every man "lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society" (1976, 37).

Whereas Smith (1976) stresses human nature as the source of exchange as a form of integration, more recent marginalist exponents of economic liberalism claim that exchange is caused by the *human condition*. According to Carl Menger (2007), for example, it cannot be the case that people have an inborn tendency to barter. If this were the case, people would trade with each other ad infinitum. However, this is clearly not true, there is always an endpoint to an exchange and people will not start to barter with each other without reason.

[5] I borrowed the phrase "necessary contingency" from French philosopher Quentin Meillassoux (2009).

[6] According to Polanyi, economic liberalism is the tendency in society "aiming at the establishment of a self-regulating market" (2001, 138). Consequently, I define an economic liberal as someone who believes that the economy has to be organized via the self-regulated market.

This is illustrated by his example of two farmers who both had a good harvest of the same crop. These two farmers will not start to trade this same crop with each other—something we could expect if people would just love to trade because of an inborn inclination. Thus, people need a reason to barter, a cause which is not located within themselves (2007, 175–177). That cause is located within the circumstances of people. People will not trade with each other when they have sufficient means to satisfy their needs, they will only barter whenever they are confronted with a *shortage* of means to meet their wants. Thus, according to Menger: "The effort to satisfy their needs as completely as possible is therefore the cause of all the phenomena of economic life which we designate with the word 'exchange'" (2007, 180). For Menger, this shortage of means is not only what drives exchange, but also what defines the economic sphere as a whole. According to Menger, economic activity only begins whenever a person's means are insufficient to satisfy his needs. Because of this insufficient means, people have to choose in order to maximize their want satisfaction. Insufficient means, or, as modern economics would put it, scarcity, causes individuals to necessarily act in a certain way, which in turn gives rise to a more or less developed market system, with its characteristic institutions and tendencies. It is from the activities of the so-called "economizing individuals" that our modern economy necessarily and spontaneously arises, as Menger puts it, "the phenomena of economic life, like those of nature, are ordered strictly in accordance with definite laws" (2007, 48).

It was against this so-called "formal" or "scarcity" definition of the economy that Polanyi (1957b, 243–250; 1971; 1977, 19–34) vehemently argued. It is a conceptualization of the economy that is still very much alive and Menger directly inspired Lionel Robbins' famous definition of economics as "the science which studies human behavior as a relationship between ends and scarce means which have other uses" (Robbins 1932, 15).[7] A definition that slowly but steadily conquered the economics handbooks (cf. Backhouse and Medema 2009).

Market Economy as a Cultural and Political Project

Both the scarcity explanation and Smith's explanation of the rise of commercial society in terms of inclinations resulting from human nature, explain market economy as the necessary and spontaneous outcome of individual actions. In these views, the market economy is a historical invariant: all economies are ultimately (more or less developed) market economies and are based on the same type of individual behavior. In the last instance, the economy does not depend on cultural traditions or political power. It is either the result of the inborn nature of mankind or the scarcity of our environment to meet our needs. Either way, we ultimately end up with the quasi naturalness and necessity of market economy.

It was against this "equating the human economy in general with its market form," which Polanyi called "the economistic fallacy" (1977, 6), that his concept of institutedness was aimed. Contrary to economic liberalism, Polanyi believed that, just as reciprocity and redistribution are dependent on cultural practices and political power, so does exchange. Exchange requires an interlocking system of price-making markets. Price-making markets do not arise spontaneously out of individual acts of barter. On the contrary, if exchange is to be the principle of behavior that integrates the economy, first price-making markets have to

[7] Lionel Robbins was directly influenced by Carl Menger in his famous definition. This is proven by the fact that, immediately following his definition, there is a footnote which references Menger's *Principles of Economics* (Robbins 1932, 15n).

be established. This happened through deliberate state action (Polanyi 2001, 146), markets for labor and land had to be created by breaking up feudal relations and the enclosure of the commons. Hunger was a way to discipline the workforce into the new way of instituting the economy (2001, 177).

In accordance with James Ronald Stanfield (1991, 771–774) we should conceive of the capitalist state as a "liberal service state." Stanfield claims that the way in which the development of the liberal state and capitalist society is often portrayed is characterized by a half-truth. Most of the time the negative aspects of state action are stressed (i.e., the withdrawal of the state from the economy by leaving economic production and distribution to the self-regulating market instead of directly involving itself in it). However, the part that is often forgotten is, as is mentioned above, that the state was also actively involved in setting up and maintaining the necessary preconditions for a self-regulating market to function. Polanyi (2001, 155) notes that "as long as that system [the market system] is not established, economic liberals must and will unhesitatingly call for the intervention of the state in order to establish it, and once established, in order to maintain it." Hence Stanfield (1991, 773) claims that "the modern welfare state is not so discontinuous with its ancestry as its detractors would have us believe." Thus, the difference between the state that economic liberals prefer and the welfare state is not about more or less interventionism, but about the *nature* of the interventions.[8] Crucially, the form of interventionism that is consistent with economic liberalism is aimed at making the exchange the dominant form of integration (Polanyi 2001, 155–156). Contrary to what Hodgson (2017, 16–18, 21) claims, as long as state intervention does not interfere in price formation, this is not at odds with the idea of a self-regulating market as described above. This is why Polanyi (2001, 155–156) did not conceive of antitrust laws as antithetical to the self-regulating market.

Critics such as Gemici are thus mistaken when they say that Polanyi characterizes the market economy as "an autonomous sphere without social content" (Gemici 2008, 25; cf. 2015; Lie 1991, 222). Polanyi's account of the self-regulating market is wholly consistent with the idea of social norms and laws which entrench market institutions. Moreover, they forget that market relations are also a form of social relations. It is hard to deny that today most of our social relations happen anonymously, through market exchange. As Cangiani (2011, 181) has pointed out, Polanyi's analysis is similar to Karl Marx's analysis of the form of value, by which Polanyi was probably inspired (cf. Polanyi 1935, 2018a, 2018c). Marx (cited in Cangiani 2011) claims that in capitalism "the relationship of human beings to each other as owners of commodities is the dominant social relationship" (Cangiani 2011, 181). Similarly, Polanyi argues that in such a system people primarily relate to each other via the buying and selling of commodities. As Polanyi states, in market capitalism, the social relations between people are "hidden behind the exchange of goods; it is impersonal; it expresses itself in the objective guise of the exchange value of commodities; it is objective, thing-like" (Polanyi 1935, 375).

Crucially, the defenders of the "always embedded" idea, seem to miss the most important point of the concept of institutedness. Polanyi is not merely maintaining that markets need laws and social conventions to operate optimally, which is completely consistent with an economic liberal view of the market development, as is proved by Adam

[8] I would like to thank an anonymous reviewer for pointing out the similarity between Polanyi's account and the one given in Stanfield's (1991) article "The Dichotomized State."

Smith and neo-institutional economics (see for example North 1977).[9] It is rather that the behavior (exchange) on which markets depend, are the consequence of a particular form of institutionalization. As Stanfield puts it well: "The pursuit of gain through exchange is an institutionally enforced pattern of behavior which must be analyzed as a result rather than as the antecedent of the historical process" (1986, 32). Exchange is not the result of a propensity to barter, nor a scarce world. The propensity to barter is a behavioral norm of a society based on price-making markets to which people have to abide in order to survive: "For under such a system, man, if he is to keep alive, is compelled to buy goods on the market with the help of an income derived from selling other goods on the market" (Polanyi 1947b, 111). Scarcity is a reality that is *created* by this particular social organization, it is not a given and necessary characteristic of the human condition. Polanyi points out that a market economy institutes scarcity, since: "[t]he general introduction of purchasing power as the means of acquisition converts the process of meeting requirements into an allocation of insufficient means with alternative uses, namely, money" (1957b, 247).

The Disembedded Market Economy

Every economy is always instituted, meaning that it is ultimately dependent on prior instituted social relations and social organization. Market capitalism is no less a contingent political and cultural constellation than systems which are based on reciprocity and redistribution. However, this does not mean that an economy cannot be institutionalized in such a way that it becomes disembedded. Contrary to Dale (2010b and 2011), I believe that the idea of disembeddedness is not primary Tönnesian, but rather Aristotelian.

Despite the fact that Polanyi often mentions Aristotle (1947b, 111–112; 1957a; 1957b, 253; 1977, 29–31, 68–69, 212, 215, 232, 235, 245n62, 256–258; 2001, 56–57, 119), the Aristotelian influence on Polanyi has not received the attention it deserves (notable exceptions are Clark 2014; Gallagher 2018, 16–37; and Stanfield 1986, 8–10). Polanyi (1957a; 2001, 96–97; 1977, 29–31, 68–69) often cites Aristotle to praise his distinction between unnatural and natural economic behavior. He argued that Aristotle's "distinction between the principle of use and that of gain are the key to the utterly different civilizations" (Polanyi 2001, 57). These two civilizations are respectively the embedded economies from the past and the disembedded market of our modern world. We should take this hint seriously, as the key to understanding what Polanyi means with "disembeddedness." It is on this distinction, I argue, that Polanyi's idea of embedded and disembedded economies draws. Moreover, Polanyi's most explicit discussion of the concept of disembeddedness takes place within a text about Aristotle's economic thought (Polanyi 1957a, 68–78). Ironically, one of the defenders of the "always-embedded-thesis" (Lie 1991, 222) has drawn explicit attention to interpreting disembeddedness in this way. Unfortunately, he does not develop this line of thought any further. Others who suggested this line of thought are James Ronald Stanfield (1986, 8–10) and, more recently, Timothy David Clark (2014, 66–76) and Robert L. Gallagher (2018, 20). I want to develop this line of thought further. In order to do this, I need first to explain Aristotle's critique of commerce.

Aristotle's Critique of Commerce

Human Flourishing and Community

[9] Douglass North (1977) even explicitly conceived his project as a way to avoid Polanyi's radical implications.

As Gallagher (2018, 77) remarks, we cannot understand Aristotle's economic theory if we do not understand his theory of community, and we cannot understand his theory of community, if we do not comprehend his metaphysics of human nature. According to Aristotle, humans can only flourish in a community, more precisely, in the political community of the *polis*: "It comes to be for the sake of living, but it exists for the sake of living well" (Aristotle 2017, 1259b29–30; cf. Aristotle 2017 1253a32–37).[10] People have to associate with each other because, contrary to wild beasts or gods, they are not self-sufficient on their own (Aristotle 2017, 1253a27–29). As Aristotle states, it is need "which binds everything together" (Aristotle 2014, 1133b25). In the *polis,* every individual fulfills different tasks and crafts in order that every human being has the means to thrive; Aristotle states that "a city does not come about from those who are alike" (Aristotle 2017, 1261a22–24; cf. Aristotle 2014, 1133a16–19). What is so unique about human beings is that their communities, contrary to other social animals, like social insects, depend on a shared conception of the good:

> For this is special to humans, in comparison to the other animals, that they alone have perception of the good and the bad, the just and the unjust, and the rest. And it is community in these that makes a household and a city. (Aristotle 2017, 1253a14–18)

This shared conception of the good is the basis of solidarity and benevolence between its members, or *philia* (political friendship), which holds the community together (Aristotle 2014, 1155a22–24). Political friendship leads to concord, or *homonoia* which, as Misung Jang remarks, can also be translated as "like (homo)-mindedness (nous)" (2018, 422). Jang continues that through *philia* "citizens do not merely live in the same place, but all participate in the state's common goods, and this way ensures the state's continued existence" (Jang 2018, 419). We could say that through *philia,* people are able to grasp the interdependence of their own thriving and the need to act responsibly towards each other and the group. Hence, we can agree with Gallagher that "for Aristotle, by caring for others I care for myself" (Gallagher 2018, 159).

Natural and Unnatural Chrēmastikē

As we have stated, human communities come into existence because of need. How a community manages its need satisfaction is the subject matter of *oikonomikē*. In his *Politics*, Aristotle makes a distinction between, at the one hand, o*ikonomikē* and, on the other hand, *chrēmastikē*. *Oikonomikē* is the art of household management, or how to use and manage resources, while c*hrēmastikē* is the art of acquisition of wealth (Aristotle 2017, 1256a9–10). The end, or *telos*, of *oikonomikē* is *autarkeia*, and so far as c*hrēmastikē* contributes to *autarkeia*, it is a part of o*ikonomikē* and it is "natural" (Aristotle 2017, 1256a26–30).

Aristotle elsewhere defines *autarkeia* as that which "on its own, makes a life choiceworthy [sic] and lacking in nothing" (Aristotle 2013, 1097b 14–15). Ultimately, *autarkeia* is the precondition of the good life (2017, 1256a30–31). *Autarkeia* is generally translated as "self-sufficiency." However, as Eric Brown remarks, *autarkeia* is "a curious value with two tendencies etymologically packed into it." It requires both "being and independent self (*autos*)" and "being sufficient or having enough (*arkein*)" (Brown 2014, 115). Kostas Vlassopoulos (2007) points out that there is an important, although not straightforward, way, in which the notion

[10] All translations cited are those of C. D. C. Reeve (see Aristotle 2014; 2017; 2018).

of independence is related to the idea of indeficiency. He points to Aristotle's claim that "it is impossible for any city that is by nature slavish to deserve to be called a city. For a city is self-sufficient, whereas a slavish thing is not self-sufficient" (Aristotle 2017, 1291a, 9–10). Vlassopoulos explains that "the point here is not that a slavish community cannot produce everything it needs by its own means, but that a slavish community has no *independent will* to take decisions to procure anything in need." He continues that the element of independence in the idea of *autarkeia* of an entity refers to the "ability, the *power* to provide itself with everything that it is in need of" (2007, 73–74, emphasis added). Thus, the concept of *autarkeia* does not entail that a *polis* is a completely self-producing entity, closed off from the larger world. Aristotle explicitly states that cities should trade, in order to "import the things that are not available at home and to export those of which they have a surplus" (Aristotle 2017, 1327a 25–30). The element of independence has more to do with the idea that a *polis* has to be a self-determining entity, and not being subjected to an alien will. To summarize, we could say that *autarkeia* should be understood as not lacking in the necessary means of the good life and having the power and ability to procure those means without becoming subjected to the will of another.

As we have said, to the degree that *chrēmastikē* contributes to *autarkeia*, it is a part of *oikonomikē*. However, Aristotle claims that not all *chrēmastikē* is part of *oikonomikē* (Aristotle 2017, 1257a39–40). As Scott Meikle (1995) points out, in order to understand the difference between the two kinds of *chrēmastikē*, we have to look at the *telos* or the end it serves. As a general rule in Aristotle's thought, "actions are defined by their aims or ends, and if two activities aim at different things they are different activities" (Meikle 1995, 47). Whereas natural *chrēmastikē* is aimed at providing the means for the good life, the goals of unnatural *chrēmastikē*, is the acquisition or accumulation of wealth as an end in itself (Aristotle 2017, 1257b37).

In connection with these two kinds of *chrēmastikē*, Aristotle distinguishes between two kinds of wealth. The goal of natural *chrēmastikē* is true wealth: "a store of what is both necessary for living and useful to the community" (Aristotle 2017, 125a30; 36–37; cf. Aristotle 2018, 1361a23). In contrast, the wealth which is the aim of unnatural *chrēmastikē* is the possession of money (*2017,* 1257b29). This also helps to clarify in which respect the *telos* of unnatural and natural *chrēmastikē* are distinguished from each other. According to Aristotle, the wealth, which is the end of natural *chrēmastikē*, is of a limited nature, while the wealth which is pursued by unnatural *chrēmastikē*, is unlimited (2017, 1257b23–40).

As Meikle (1995, 48–49; cf. Aristotle 2017, 1257a5–30) suggests, we could link the distinction between natural and unnatural acquisition, and true and untrue wealth, with the modern distinction between use-value and exchange-value. Exchange-value can indefinitely be accumulated, it is a never-ending process. There is, however, a limit to having or acquiring useful things in pursing the good life, and a point at which wealth acquisition becomes destructive in achieving human flourishing and *autarkeia*.

Aristotle claims that unnatural *chrēmastikē* "involves taking from others" (Aristotle 2017, 1258b1–2). In this way, unnatural *chrēmastikē* leads to the undermining of *philia*. As Gallagher (2018, 98–99) has argued, we can find an example of this from Ancient Athens in the phenomenon of corn speculation, as described by the Athenian orator Lysias. In his speech "Against the Corn-Dealers," Lysias rallies against the corn dealers who buy up corn and wait for corn scarcity to occur, or even fabricate rumors of approaching scarcity, in order to sell it as high as possible. Thus, he claims that "their interest are the opposites of other men's" (Lysias 1930, 22: 12–15).[11] The corn speculators are only concerned with accumulating wealth. This leads to "taking from others," as Gallagher (2018) remarks, the consequence of this practice is a devaluation of the wealth of the Athenians, since the Athenian laborer or artisan "must expend more of his income in order to feed his family" (Gallagher 2018, 100).

Ultimately, the problem is that, in this practice, there is no concord or *homonoia*. Instead of people being united in an interdependent striving for each other's flourishing, people's interest are opposed to each other. This could ultimately lead to civil strife. People are no longer bound by a common conception of the good, but only look out for their own good, irrespective of the good of others. The flourishing of the community and others are no longer a pre-condition for my own flourishing. In the case of the corn speculators, their good even becomes antithetical to the good of the other citizens. This leads to the disintegration of the community, since it was a perception in the good that holds a community together.

This disintegration of the ethical bounds of a community becomes even more aggravated because, through this process, in which ends become substituted by means, the *polis* can lose control of what and how it produces. Aristotle claims that "a city should engage in trade for itself, not for others, whereas those that open their market to everyone do so for the sake of revenue" (Aristotle 2017, 1327a 27–29). Whenever a *polis* starts trading for revenue, it no longer produces for the achievement of its own good, but for that of others. As Aristotle remarks "the craft of commerce is productive of goods, not in every way, but through their exchange" (2017, 1247b20–22). Unnatural *chrēmastikē* leads to production for trade at the expense of producing the goods for human flourishing. In this way, the *polis* becomes dependent on commerce in order to acquire those means (cf. Gallagher 2018, 95). It becomes a slavish city without an independent will and power over itself to achieve what it needs. Instead, it becomes a mere instrument subjected to the will and ends of others. The increase of acquisition beyond the needs of living well does not further the aim of *autarkeia*, but instead even undermines *autarkeia*, since it subjects the will of the *polis* to the will of others, in order to acquire its own sufficiency.

Thus, it is important that c*hrēmastikē* is kept in its proper place, because otherwise natural c*hrēmastikē* "can be compromised, or subordinated, or in the worst case, entirely replaced by the art of getting money" (Meikle 1995, 71). This process in which the means towards *autarkeia* become the end, and in which through this process the community becomes morally atomized and loses its power of self-determination, is what the idea of disembeddedness entails in my interpretation.

Polanyi as an Aristotelian

We are now in a position to understand "disembeddedness." There are indeed various passages in which Polanyi (1957a, 68; 1977, 47–48; 2001, 60) seems to claim that the

[11] The translation used is that of W. R. M. Lamb (see Lysias 1930). It could be remarked that Lysias here is speaking of non-citizen residents of Athens (Lysias 22, 5). And thus that these people are not part of the community and, hence, cannot be said to undermine the community of which they are part. However, as Gallagher asserts, nowhere in his exposition of the development of commercial trade (Aristotle, *Politics* book I chapter 9), Aristotle speaks of commercial traders as foreigners, but instead describes how commercial trade arises from *within* the community. This suggests that unnatural c*hrēmastikē* has, in fourth century Athens, become a practice, in which at least some of the Athenian citizenry has indulged (Gallagher 2018, 97–98; cf. Polanyi 1957a, 83). Hence, it is entirely conceivable that in Aristotle's time, corn speculation had become something in which some parts of the Athenian citizenry takes part. Even if this particular form of unnatural c*hrēmastikē* (corn speculation) did not occur from within the community, it is at least useful as a way to think about how it could play out in an ancient community with a form of unnatural c*hrēmastikē* that did exist in the ancient world.

disembedded economy becomes separated or stands apart from the rest of society. However, elsewhere he claims that: "A market economy can exist only in a market society." (2001, 74). Thus Clark rightly points out that in market society "economy and society remain deeply integrated" (2014, 41).

We can make sense of this paradox, if we understand disembeddedness in a similar way as the idea of unnatural *chrēmastikē*. Disembeddedness means instituting the economy in such a way that wealth acquisition becomes an end in itself. Similar to the idea of natural *chrēmastikē*, which is a mere means to the well-being of the community, an embedded economy is conditioned by a common conception of the good which directs it at satisfying concrete and definite human needs. However, whenever wealth acquisition becomes an end itself, Polanyi agrees with Aristotle's "crucial point," that this leads to "the divorce of the economic motive from all concrete social relationships which would by their very nature set a limit to that motive" (Polanyi 2001, 57). Thus, when Polanyi claims that "[t]he disembedded economy of the nineteenth century stood apart from the rest of society" (1957a, 68), what he means is that we have a separation between the process of wealth acquisition and the common conception of the good which forms the moral basis of a community and which conditions the economic process. This does not imply that the economy becomes ontologically separated from the rest of society, but only that it is no longer conditioned by an ethical community.

The effects of this separation are, in Polanyi's case, similar to the ones described by Aristotle. First, like Aristotle's city that does not trade for itself, but for revenue, a society which is aimed at gain, stops being self-determining. Because, in market society, everyone has to produce for sale in order to gain the means of subsistence, such a society has to conform to laws of the market, instead of its own laws (Polanyi 1947a; 1947b 114–115; 1957a, 68; 2001, 116; 1977, 47; 2018c, 16). As a consequence, all social relations become subordinated to the process of wealth acquisition: "Instead of economy being embedded in social relations, social relations are embedded in the economic system" (Polanyi 2001, 60; cf. 1947b, 114; 1977, 12). As was the case with unnatural *chrēmastikē,* we get a reversal of means and ends.

Secondly, it leads to the moral atomization and disintegration of the community. Like Aristotle, Polanyi (1947b, 111; 2001, 48) believed that humans are political animals. He also shared the believe that the concept of *philia* is a crucial notion, he calls it "the essence of all human community" (1957a, 80). Similarly, he believed that the process of substituting *autartkeia* to gain leads to the moral disintegration of the community. This is why Polanyi argues that the primary evil of capitalism is not exploitation, but "the disintegration of the cultural environment" (2001, 164). Elsewhere, he writes that "the true criticism of market society" is "that its economy is based on self-interest," which according to him is "unnatural." We could understand this in the Aristotelian sense of being contrary to (the *telos* of) human nature, which makes it empirically exceptional (2001, 257). Polanyi already stresses this problem in his contributions to the debate on socialist accounting. In his "Socialist Accounting" (Bockman, Fischer, and Woodruff 2016), Polanyi states that market capitalism does not lead to what he calls "social productivity." Social productivity implies the valuation of goods from the standpoint of society or individuals as social beings. In market capitalism, however, people valuate goods and relate to each other from the standpoint of the isolated consumer, not as members of a community, which "undermines the morality of needs and leads them astray by artificially stimulating false needs and disorienting the healthy sense of the hierarchy of natural needs." Moreover, Polanyi claims that in a market economy, we are not able to assess what the impact of production on the community will be, let alone that we would be able to "promote consciously the positive goals of general well-being—the spiritual, cultural, and moral goals of community" (Bockman, Fischer, and Woodruff 2016, 404–405).

As people become isolated consumers, rather than members of a community concerned with a common good, the connection (and the awareness of this connection) between the good of the individual and the common good, is severed. Instead, it is replaced by striving for the maximization of individual wants satisfaction. It is important to realize that the self-interest of which Polanyi speaks, does not necessarily imply that people become cold-hearted egoists. What it implies is the destruction of *homonoia* in which the individual is able to identify the individual good with the common good, or rather the harmony of those two. He states that: "Under such a system, human beings are not allowed to be good, even though they may wish to be so." This is illustrated by the fact that:

> Giving your goods away at less than the market price will benefit somebody for a short time, but it would also drive your neighbour out of business, and finally ruin your own, with consequent loss of employment for those dependent on your factory or enterprise. (Polanyi 2018a, 147)

More fundamentally, he claims that there is an essential antagonism in the process of determining prices by the market mechanism, since one party wants to sell as high as possible, while the other wants to buy as low as possible. This undermines the solidarity between the members of a community (Polanyi 1957b, 255). Market society is institutionalized in such a way that, in order to achieve the means of subsistence, we have to try to pay as little as possible for what we buy, while, at the same time, what we pay constitutes the means of subsistence of others. Cheap products mean that consumers can buy more with their money, but it also means that producers have less. Peoples' interests becomes antithetical to each other. There is no shared goal or *homonoia*. On the contrary, the others appear to us as mere ends, rather than as fellows involved in a shared good.

Conclusion: Towards a (Neo-)Polanyian Political Economy

I have argued that we have to make a distinction between institutedness and embeddedness. They fulfill two different functions in Polanyi's critique of market capitalism, and we need both in order to make sense of this critique. Institutedness means that every economic system is dependent on the prior institutionalization of certain social structures and social relations, according to which people have to relate to each other. Ultimately, this has the implication that an economy is always a contingent phenomenon, dependent on political power or culture. Institutedness plays a crucial role in Polanyi's critique of capitalism, its aim is to reveal its contingent nature. Disembeddedness in turn has another function, its goal is to show that market capitalism is an unstable form institutionalizing the economy. Disembeddedness is not about the economy being separated from society, but about what the aim of the economy is. I have argued that Polanyi is here inspired by Aristotle's political thought. A disembedded economy is an economy in which unlimited wealth acquisition has become an end itself, an embedded economy is an economy in which wealth acquisition is in service of a finite goal: the flourishing of the human community.

What now is the relevance of this exegetic and hermeneutic exercise? In the introduction I suggested that my reading of Polanyi could improve our understanding of our current situation. In these last paragraphs, I want to illustrate the relevance of my reading, (i.e., how it can improve our understanding of our cotemporary world and sketch a preliminary outline of what a (neo-)Polanyian political economy could look like). I present a (neo-)Polanyian pathology of market capitalism which gives us an evaluative framework to assess economic sickness and health, allows us to diagnose the problem more precisely and in so doing gives us the start of a treatment.

A Pathology of Market Capitalism

A (neo-)Polanyian political economy along the lines of my interpretation can improve the economic pathology of our cotemporary world by providing a normative-evaluative framework that helps us first to (re)define both what the illness is and what a healthy economy should look like, second to give us a more precise diagnosis of the problem and third to points us towards a treatment, using this more precise diagnosis.

Defining Economic Sickness and Health

As stated above, a disembedded economy is an economy in which unlimited wealth acquisition has become an end in itself. That today's market-economy is a disembedded market system is most obvious in our devotion to the main guiding principle of economic policy around the world: the striving for never ending economic growth as an end in itself. Our contemporary paradigm defines economic health as growth and illness as the absence of growth (stagnation or recession). However, in a (neo-)Polanyian scheme unlimited wealth acquisition as end in itself is a sickness called disembeddedness. Its symptoms are: the reversal of means and ends which undermines human flourishing, the moral atomization of the community and the loss of the community's ability of self-determination. Countless examples can be given of all three symptoms: the proliferation in capitalist heartlands of what David Graeber (2019) has called "bullshit jobs" (reversal between means and ends and loss of self-determination), real estate speculation (reversal between means and ends and moral-atomization) and the displacement of industry to low-cost countries (moral atomization and loss of self-determination). However, our contemporary environmental crisis—by which I refer to humanity's transgression of the ecological boundaries identified by Johan Rockström et al. (2009)—is an exemplar instance of all three symptoms which illustrates how these three symptoms are intertwined.

Ironically, Garrett Hardin's (1968) "Tragedy of the Commons" is a very helpful resource to make this point. Hardin asks us to imagine a pasture open to all. He argues that "each herdsman will try to keep as many cattle as possible on the commons" (1968, 1244). By increasing the cattle on the pasture, each herdsmen reaps personally the advantages of putting extra sheep on the common. However, the negative effects of over-stressing the common are shared and are less than the utility that each herdsman gained for putting an extra sheep on the pasture. Hence, Hardin concludes that every herdsman is compelled to keep adding individual sheep to the pasture, until the capacity of the common is stretched to such an extent that it breaks down:

> Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit—in a world that is limited. Ruin is the destination toward which all men rush, each man pursuing his own

> best interest, in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all. (Hardin 1968, 1244)

Here we already see the first symptom play out: making wealth acquisition an end in itself can lead to undermining human flourishing instead of improving it. It also helps us illustrate the second symptom. The very premise that is baked in Hardin's thought experiment—we could conceive it as an instance of the economistic fallacy—is that of moral atomization of the community. He presents market behavior as an ontological necessity of every economic system. Hardin assumes that the question of livelihood is an individual problem and that the herdsmen are producing to maximize their own gain instead of being informed by a shared vision of the good to satisfy concrete and finite ends. However, contrary to what Hardin claims, from a Polanyian perspective, this "market mentality" (Polanyi 1947b) is not inherent in humanity's relation to his environment but merely an effect of instituting the economy in a certain way. Thus, Hardin actually illustrates the destructive effects of the moral atomization of the community on the environment by individualizing the question of livelihood through the logic of a self-regulating market. This individualization severs the connection between collective and private good, making us prone to disregard the consequences of our actions. Because in such a system people no longer produce in order to satisfy concrete needs, they have to produce for the market in order to gain enough exchange value to buy the means of subsistence. Thus, they can no longer collectively and directly produce for their own needs. This illustrates the third symptom: the loss of self-determination. Whenever production is primarily geared to exchange-value rather than use-value, the difference between means and ends becomes obscured: it is always better to have more since it secures access to the means of subsistence. This leads to the institutionalizing of acquisitive behavior that is geared towards the accumulation of exchange-value. Thus David Bollier (2014, 26) rightly points out that what Hardin illustrates is actually "the tragedy of the market" rather than the tragedy of the commons.

Conversely a healthy or embedded economy should be geared towards human flourishing, which entails a moral community held together by a shared conception of the good and the possibility of social self-determination. However, this raises the important issue of how we should conceive of a moral community (i.e., a community held together by a shared conception of the good). Some could be worried that it implies a form of "perfectionism." Steven Wall (1998, 8, emphasis removed) defines perfectionism as the claim that "political authorities should take an active role in creating and maintaining social conditions that best enable their subjects to lead valuable and worthwhile lives." Perfectionism is generally conceived as a problem because it lets its political morality (i.e., how political authorities should behave towards their subjects) be informed by a conception of human flourishing. The danger here is that political authorities no longer are neutral towards the question of how people should live their lives and could thus impose a way of living on its subjects, regardless of whether its subjects want it or not. Perfectionism could thus lead to paternalism.

However, I think we should conceive of the shared good which binds a (neo-)Polanyian moral community in line with its Aristotelian inspiration as a form of civic friendship. It is an *activity* rather than a substantive doctrine on what entails human thriving. This activity entails that we wish the best for our fellows and that we are able to identify our personal thriving with our collective thriving.

In this way the common good in a (neo-)Polanyian society comes very close to Axel Honneth's (2014) idea of "social freedom," a term which Polanyi also employs to denote his ideal of freedom—and which is also substantively very similar to Honneth's characterization (cf. Polanyi 2018c, 19ff.).12 The idea of social freedom is well summarized by Timo Jütten (2015, 188) who states that social freedom implies "a sphere of social action in which individual actors 'complete each other' in the sense that the satisfaction of others desires is a precondition of the satisfaction of their own." Axel Honneth (2014) is inspired by Georg Wilhelm Friedrich Hegel (Elements of the Philosophy of Right §7) who defines the full realization of freedom as "being-with-oneself-in-an-other" (Neuhousser 2000, 19). As Honneth (2014, 7) notes, by stressing "that intersubjectively practiced customs and not cognitive beliefs are what define the homestead of morality," Hegel's conception of morality remains Aristotelian in nature. According to Hegel (Elements of the Philosophy of Right §7A) freedom as "being-with-oneself-in-an-other," is structural equivalent to the relationship between loved ones or friends. In this conception of freedom we do not see the other as an obstacle to our own freedom that has to be overcome, instead we have to overcome the otherness or alien character of others. As Frederick Neuhouser (2000, 19–21) notes, loved ones continue to be individual beings, "while at the same time, through an act of conscious identification with the loved one's need and well-being, the demand those needs placed upon the lover cease to appear as something foreign or limiting." However, my (neo-) Polanyian analysis converges with Jütten's (2015) adjustment of Honneth's theory through Jütten's reading of Marx's (1992) "Excerpts of James Mill's 'Elements of Political Economy.'" Contrary to what Honneth (2014, section 6.2, 176–253) maintains, the capitalist market sphere does not entail the promise of social freedom. Consistent with the (neo-)Polanyian analysis of the self-regulating market, Jütten claims that:

> if I engage in market exchange I do not take a genuine interest in others needs as such; rather I see the others need as an opportunity to further my self-interest. It is not my end to help the other meet his need, but to profit from its existence. (Jütten 2015, 199)

The Cause of the Illness and its Treatment

Not only can Polanyi's concept of disembeddedness give us a normative framework to evaluate the economic health of the system, but it also allows us to diagnose the central problem of market capitalism more precisely and in so doing, points to a way out. According to Polanyi, the problem with market capitalism is not markets as such, nor prices or money. The problem is a social-organization on the basis of a self- regulating price mechanism. Hence what needs to be challenged are the ways in which markets are integrated and in which prices are set. In his contribution to the Socialist Calculation Debate (Bockman, Fischer, and Woodruff 2016) and other papers written during this period (for example Polanyi 2018b), Polanyi already pointed this out. In these writings, he does not do away with markets, prices or money but argues instead for setting prices of commodities in an alternative way, a way that reflects concerns for the needs and suffering of others. In these texts, Polanyi calls the question of how a complex economic system can account for ethical concerns about the needs and suffering of others "the overview problem" (Bockman, Fischer, and Woodruff 2016, Polanyi 2018b).

[12] A thorough analysis of how Polanyi's conception of social freedom converges with that of Honneth would require an article of its own. Such undertaking remains outside of the scope of this text. In this text I can only point the similarity out.

Regardless of the feasibility of Polanyi's own proposals in the 1920s, there is an essential point worth remembering: contrary to what Polanyi's younger cotemporary Friedrich Hayek (1976a; 1976b) maintains (and which is implicit in marginalist strands of economics in general) is that the price-mechanism cannot be allowed to be an amoral and blind power that merely decides between the different usages of our means. Instead, prices should embody a shared meaning of justice and fairness. Social justice is not a "mirage," as Hayek (1976b) maintains but instead a necessary ingredient of a functioning economic system.

The realization of this project is a difficult question which will require long and hard interdisciplinary work. We can possibly look to non-market integrated societies for inspiration—this also seems a probable explanation for why Polanyi dedicated himself to exploring economic history and anthropology. However, I believe we can find a first step in the direction of a positive (neo-)Polanyian research program in Diane Elson's (1988) concept of "socialized markets." In concord with (my reading of) Polanyi, she argues that "[t]he problematic status of commodities derives not from the mere fact of sale and purchase, but from the fact of sale and under conditions which enable them to take an independent life of their own." Consequently, what is needed is "not the abolition but the socialization of buying and selling and the price formation process" (1988, 4). Elson's socialized markets entail that price formation should be made transparent and "subject to public checks" (1988, 33). In this way, the possibility is opened up for a moral economy with markets, in which the well-being and suffering is an integral element in its functioning.

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