

The world market unbound

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ABSTRACT

The processes of 'disembedding' analysed by Karl Polanyi as part of the 'great transformation' are still continuing. They comprise not only market mechanisms but money and energy, space and time regimes. Especially under the pressures of globalization disembedded money, fossil energies, abstract time and space act as external constraints of the world market on social systems. Societies have to adjust structurally to the conditions set by compulsory mechanisms. How do they work? In order to give an answer to this question the authors examine the structure of markets, particularly the world market. External constraints are important for the possibilities of democratic participation; disembedding mechanisms restrict democracy's place.

KEYWORDS

World market; globalization; money; embedding and disembedding mechanisms.

In *The Great Transformation* the eminent economic historian Karl Polanyi proposed the following thesis:

the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet other ways. It was this dilemma which forced the development of the market system into a definite groove and finally disrupted the social organization based upon it.

(Polanyi, 1957: 3–4)

THE WORLD MARKET UNBOUND

Only towards the end of the eighteenth century, and then with a vengeance in the nineteenth, did the labour market, gold standard and free trade convert the 'previously harmless market pattern into a societal monstrosity' (Polanyi, 1979: 138). The economic system took on a life of its own to such an extent that in the end social relations 'became embedded in the economic system' (Polanyi, 1979: 114) instead of the economy remaining a social product. The 'mechanisms of systemic and social integration ... get separated from each other', as Habermas puts it (1987: 164), in order to show that the segmentary differentiation of lifeworld is more complex than is suggested by Polanyi's 'disembedding' thesis.

After the Industrial Revolution it is not the market itself which is historically new, but rather the all-encompassing reach and enormous tempo of market transactions; that is the exchange of goods and services in the form of commodities. By 'reach' is meant not only the physical and spatial extension to the whole planet, but also the functional-spatial process of integration of everything into a system of cool, calculating, market-like exchange. So it was that no longer only what Marx called the 'vulgar commodity rabble' (*ordinärer Warenpöbel*) which was exchanged for money on the commodity market, but in addition labour power was transformed into a commodity which was bought and sold on the labour market. Human life became dependent upon the market. Even money which is as a rule (mis)understood by economists as a pure medium of exchange (medium of circulation) and therefore as a 'money veil' becomes a commodity and therefore completely integrated into the market processes. A money market emerges which today is expanded onto a global scale in which different moneys (national currencies) are traded like sides of pork, iron ore or soya beans with, as we shall see, fatal consequences for national economies. Finally, bits of nature are marketed and thus subordinated to a logic of valorization which has little or nothing to do with their natural conditions; there also emerges a property market in which not the thing itself – e.g. real estate – but certainly the deed of title to a particular property becomes an object of transaction.

In this totality of exchange relations in which only owners of commodities or monetary wealth can participate there is little room for inter-subjective bonds via gifts or offerings, for reciprocity and solidarity (Latouche, 1994; Mauss, 1990), for reciprocal 'generosity' (cf. Aristotle's *Nicomachean Ethics*) or for human 'community'. Thus the historical process of 'disembedding' is indeed a 'great transformation' from traditional to modern relations. In place of the exchange of products, which has a very long history, all areas of human communication are taken over by forms of commodity exchange. 'Market economization' (*Vermarktwirtschaftung*) means the domination of

commodity production and circulation ('commodification') and the subordination of all relationships to its logic.

The tendency of the market to separate from its social bonds and to neglect the nature of planet earth in the course of fierce economic globalization is nothing new. It was already a subject of the analytical part of the Marx and Engels's *Communist Manifesto*. Marx occupied himself with this reality in his analysis of the commodity form and criticized it as reification, as the 'fetish character' of commodities, money and capital. These disembedded relations are human creations which, however, exercise an 'objective compulsion' (*Sachzwang*) over their creators.¹ They become external constraints because their social origins are no longer traceable and their mechanisms of domination no longer intelligible without critical efforts aimed at their transformation.

GLOBAL DISEMBEDDING

Economic forms take on a fetishized life of their own and the unfolding of their logic now dominates society. This is reflected in economic theory, in the wide-reaching abstraction of social relations with the intention of constructing a 'pure' economic theory whose rationality then in turn 'imperialistically' (Kenneth Boulding) percolates throughout society. Just as the economy divides itself off from society, so in the economic sciences the economy is no longer conceived as a socially or naturally bound phenomenon. Hayek was therefore quite consistent in avoiding the word 'economy' (*Wirtschaft*) because of its institutional connotations, falling back instead on the concept 'catalactic' (study of exchange) which had already been used by John Stuart Mill. This separating out of economic theory from the social-scientific conceptual store and then the converse attempt – because model building is just so much easier – to project the no longer socially mediated 'disembedded' and therefore 'pure' rational principle onto society seems to determine the trajectory of economic science.

As one can see from reading any economic history, markets have a long history reaching back several thousand years to post-neolithic times (Cameron, 1993; Ponting, 1991; Frank and Gill, 1993). However, the 'market economization' of land, natural resources, labour power and money is of a later date. Only since the Industrial Revolution can we speak of the 'market economy' as a totality. Before this we are dealing at the most with a 'patchwork of market economy'. 'Free wage labour' has really existed only quite recently as the generalized and globalized social form. As the early history of the capitalist means of production shows, wage labourers had to be forced to be 'free'. Fernand Braudel dates this 'great transformation' to before the time of the Industrial Revolution (Braudel, 1986: 44), Polanyi to the late eighteenth

and early nineteenth centuries – in any case as far as England is concerned (Polanyi, 1957). We can offer good grounds for either view, the plausibility of which, however, depends on what is understood by 'market economy'. As Braudel convincingly argued against Polanyi, markets and complex transregional pricing processes are very old.² The total market economy, which transforms money, nature and labour power into commodities and places them under a regime of capital accumulation, has existed only since the epoch of the Industrial Revolution, as Polanyi correctly demonstrated.

Clearly, the 'great transformation' of 'disembedding' did not reach its conclusion in the nineteenth century. It is one of the capitalist system's tendencies which was later and is still at work. What Polanyi identified in the transition to a market economy in England continues elsewhere and 'commodification' envelops the global system. Market economization drives not only towards not yet affected geographical areas, but also inwardly, into the refuges of social life. We are dealing here with that process characterized by Habermas (and before him Rosa Luxemburg) as the 'colonialization of the lifeworld' (Habermas, 1987: 332ff. especially): a process which has triggered the 'communitarian' critique not only because of the loss of meaning which unavoidably accompanies the rationalizing economization of social relations, but also because of the considerable loss of efficiency which societies experience when they give up their communal resources in the process of disembedding.

We can thus justifiably assume that, *first*, there are steps in the disembedding process which were not all surveyed by Polanyi and that, *second*, it certainly did not run its course without contradictions or contrary movements. The intensity of the process of disembedding is also increased due to, *third*, the money form took on a life of its own *vis-à-vis* the 'disembedded market' and, *fourth*, the economy becoming globalized. In this way the economy can to a large degree escape from policies of economic regulation by nation-states and the international system of nation-states or international institutions. It is not without significance for the dynamic of disembedding that, *fifth*, a global spatio-temporal regime has emerged. The capitalist imperative of the new age is 'time is money'. Life time, free time, work time, time for oneself and time for others have to obey this motto unconditionally. There emerges a world time in which the history of humanity for the first time runs its course ruled by a unified time regime. With this, concrete spaces also disappear; the borders between them become meaningless. Different spatial experiences get lost because they have become irrelevant. The new time regime has little to do with the spatio-temporal representation of peoples in historical societies. It is for this reason that it has taken so long to break the resistance against the time regimes of the factory (in nineteenth-century Europe) and the global financial market (at the end of the twentieth century in all

places). The perpetuation of the disembedding mechanism (Giddens) was possible only because, *sixth*, it has been supplied with a powerful fuel in which biotic, spatially and temporally limited energy sources are replaced by fossil and nuclear energy.

'Disembedding' is not a completed process, but one which – still today – continues and whose consequences feed back onto society as *Sachzwänge* to which the society must accommodate itself. How this accommodation occurs becomes a question of *zweckrational* decision making which is prepared and scientifically accompanied by 'expert systems' (Giddens, 1990). Are there good arguments against the necessity of subordination to conditions of competitiveness? Can a country effectively defend itself from currency crises? Can the welfare state be defended against cost reductions? Can employment policy be pushed through when control over interest rates has been lost? Can borrowers avoid interest deadlines and repayment schedules? The possibility of offering alternative answers to these questions in the face of the compulsion of integration into the global system is extremely limited. In the course of 'disembedding', the still harmless appearance of the 'fetish character' of commodities and money which Marx analysed has transformed itself into a *ubiquitous fetish* which exercises a global power over its creators within the contemporary world market. Some of these dimensions of 'disembedding' are illustrated in Figure 1.

Mechanisms of political and economic disembedding

The 'first stage of disembedding' is characterized in Polanyi's description of the separation of the economy from the society. This is clearly only a part of a much more extensive process of disembedding ('disembedding mechanisms' are at work here according to Giddens, 1990: 21–9) whose different dimensions are represented in Figure 1. The separation of economy from society is first only an aspect of a process of 'splitting of the society into society and state' (Marx after Hegel), i.e. an element of the rationalization of bourgeois modernity through the differentiation of specialized functional spheres or sub-systems in society. At the moment in which the economic bourgeois step onto the stage of world history, the citizen is born as citizen of a nation-state which, at least within European modernity, becomes a *Rechtsstaat* and later develops into a democratic and social *Rechtsstaat* (see Habermas, 1987: 356ff.). With the disembedding of the economy, society will clearly be held together only through the cool market process, 'naked interest' and the 'cash nexus' (Marx), i.e. through communication with the binary code of 'payment/non-payment' (Luhmann, 1987) and no longer through gifts and generosity.

In pointing towards the installation of 'expert systems' which are clearly not exclusively confined to the state, Anthony Giddens also

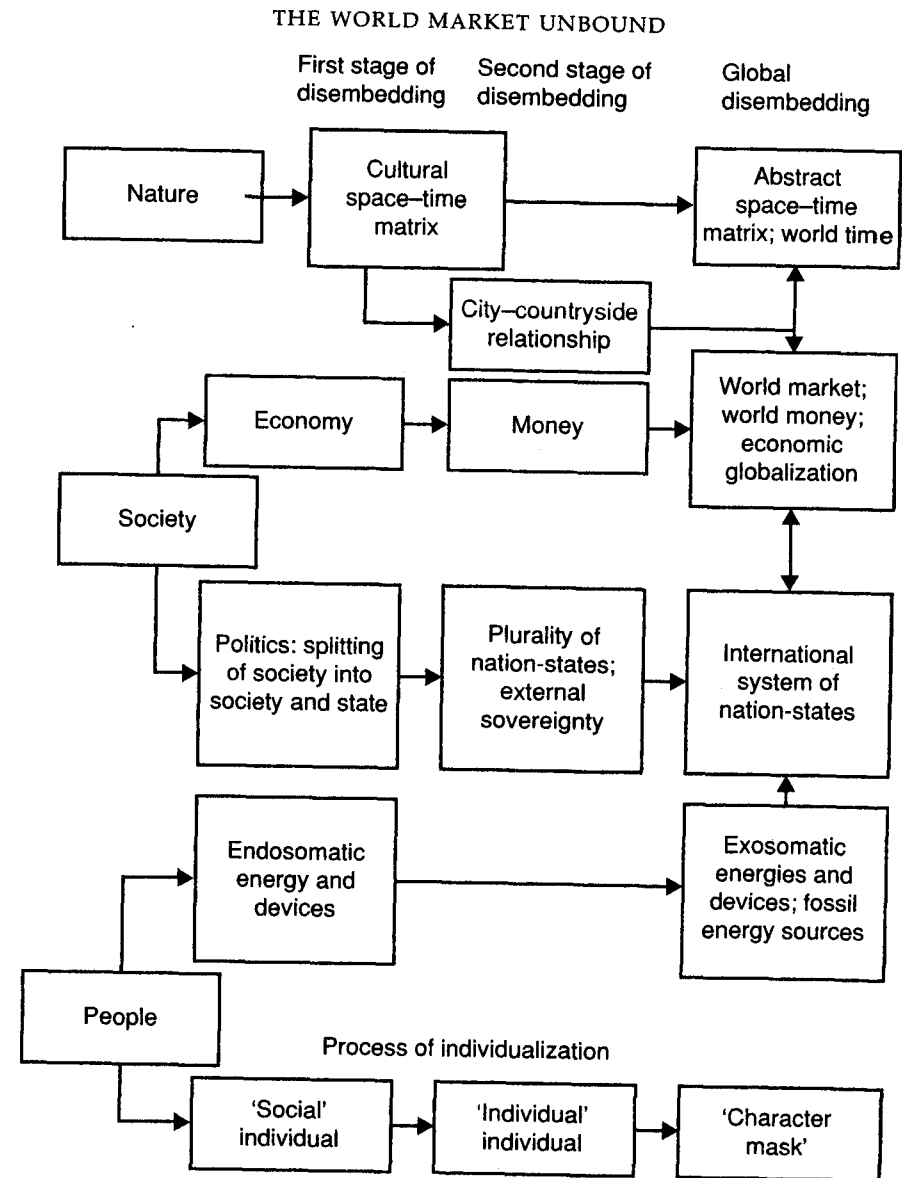


Figure 1 Mechanisms of disembedding

emphasizes these aspects of disembedding: 'by expert systems I mean systems of technical accomplishment or professional expertise that organize large areas of the material and social environment in which we live today' (1990: 27). The example of groups of experts (lawyers, architects, doctors, etc.) offered by Giddens suggests that functionaries bear a particular responsibility in the 'risk society's' division of labour which is indispensable for normalizing social action: 'expert systems are disembedding mechanisms because, in common with symbolic tokens, they remove social relations from the immediacies of context' (1990: 28). This disembedding mechanism clearly lacks the drama which is characteristic of spatio-temporal abstraction and money. We are dealing here with the necessary specialization of the division of labour which, even in traditional societies, always represents the division of domination and therewith the alienation of social relations from the people who have entered into them. However, it can be pointed out with some justification that with the increase of risk in the 'risk society' the alienation/disembedding of expert systems assumes proportions unknown in pre-capitalist/pre-industrial societies. This requires a degree of trust in a frictionless functioning system based on the division of labour – which in turn assists the establishment of expert systems: the education system for doctors, lawyers, architects; the bodies which guard over qualification and expertise; customer protection organizations and courts which determine responsibility for mistakes, etc. – all these functionaries and institutions act as regulators within a widely deregulated market society.

Because we live in a culture which is so dominated by a specific world system of rationality, the 'disembedding tendency' is itself 'embedded' in rationalization. This is one reason why it is so potent, and bare of historically effective resistance. This is often most apparent in those contexts in which a specifically 'Fordist' culture has emerged: where the commodity form of relations between people and likewise between humans and nature is accepted as an unquestionable self-evident truth. The universalization of wage labour attains a particular end point in all regions of the world only in the age of Fordism. Household production is pushed out by mass production whose products are present in almost all corners of the world where modern distribution centres – supermarkets and shopping malls – are to be found and purchasing power is to be counted upon. Mass production and mass consumption – which entail rendering cultural patterns of social communication uniform – have in time created a rich cultural soil for disembedding, yielding a paradox: disembedding results in a renewed embedding; the 'disenchanted world' (Max Weber) acquires a new enchantment.³ All this clearly does not mean a reversal of disembedding and disenchantment. On the contrary, it creates a cultural buffer which enables the effects of

the 'mechanisms of disembedding' and the processes which they bring about to have a 'soft landing'.

The political implications of the disembedding process are also considerable, particularly for the chances of political participation. The market not only frees itself from society, but also imposes its logic upon politics. Theoretically these conditions were considered by Max Weber, by Schumpeter, Downs, Samuelson, Eucken and others, but clearly without taking the critical turn towards a theory of disembedding. Disembedding of the economy from society can express itself as the destruction of political democracy to the advantage of the 'economic democracy of the dollar or the Deutschmark ballot paper'. Social participation is then possible through commodity ownership or, better still, through monetary wealth. The contours of classical democracy with their institutions of the separation of powers, legitimation, representation and selection are swept in the direction of plutocracy. In other words, economic disembedding can undermine political democracy.

Space and time: expansion and acceleration

This also becomes clear when we observe the effects of disembedding on time and space regimes. The coordinates of the 'spatially and temporally compressed' globe (Fraser, 1993) are almost identical in all areas of the world. Today it is credit schedules which determine the rhythm of global time regimes. The maturing of debts, and no longer – as in agrarian societies – the harvest cycle or – as in large-scale industry – the rate of circulation of fixed capital, defines the horizon of action and the periodization of the cycles within globalized finance capitalism. In this way money's logic dominates the global society. Here lies also the gateway to every globalization of culture which lies like mildew over national and local cultures and whose integrative effect is significant due to the simultaneity of local presence and global scope. In the course of globalization the cultures of the world are melting into a worldwide hybrid culture.

Milton Santos (1994) observed that people organize their everyday life into 'banal space' and 'banal time'. Space and time are banal because humans, like all life forms, are natural creatures and nature is unimaginable outside space and time. All creatures are naturally 'grounded' (*verortet*) in rhythms of day and night; alertness and tiredness; hunger and thirst; sometimes good, sometimes bad moods, etc. However, such forms and radii of thought are enveloped by abstract reason, that is by a transcultural, global spatio-temporal matrix. Global relations run in networks which conform to an abstract logic, just as the Spanish town planners in Latin America set cities into the landscape abstractly with scant regard to the natural conditions and attending only to the cities'

function within the system of domination. Buarque de Holanda (1995) uses the metaphor of 'tiling' the landscape – just as one would tile any old room – to capture this.

The 'debanalization' of space and time has always been grounded in economic mechanisms. As the 'disembedding thesis' suggested, in the market which has rid itself of its social conditions the present is 'omnipresent' (Lechner, 1994) because the historical time span is reduced to a single point in time whose coordinates are to be found in the economic rather than the natural domain of reason. Even within non-economic social sub-systems, the market economization of transactions has meant forgetting the past, just as it has meant losing the future as a project. The present dominates both past and future. The future appears in the present merely as a non-discounted value or as a simple extrapolation, and in this way becomes at a later time a present abstracted from history. The primacy of the present means the dissolution of concepts of 'diachronic solidarity' between generations and thus also of 'synchronic solidarity' within a generation because the proximity to others within an abstract space is transformed into an equidistant indifference towards all. All-encompassing contemporaneity is responsible for the conservatism within otherwise highly dynamic 'quick-living' market economies. Because future interest on loans depends upon innovation, bankers should be open-minded about innovation, but this is only possible within the framework of highly conservative guidelines because, first, they are used to discounting the future against the present, and, second, because the realization of credit from future projects requires securities which have been accumulated in the past.

The best future is therefore the one which is the same as the present but enlarged to that degree which will sustain interest rates. That the Left, too, in the abstraction of its political models from real time is not immune to this kind of Newtonian trajectory between past and future has been powerfully expressed by Jorge Castaneda: 'The only thing left to fight for is a future that is simply the present, plus more of the same' (Castaneda quoted in Dunkerley, 1995: 28). The market economy thereby dissolves historical time into a physical-logical time as Nicholas Georgescu-Roegen (1971) in his critique of neoclassicism has so convincingly shown. The future in this representation is quantitatively bigger – expressed prognostically, 'present plus' – and the past is its mirror image – 'present minus'. The axis of time is not a historically irreversible time arrow, rather it is like a spoke revolving round a centre which is the present. Hence the frustration that social-scientific predictions about the historical future always turn out wrong. There is nothing other than systematically false prediction (they can only be accidentally 'right') because events in real time run a different course from prognostications

constructed in terms of abstract time. The only exception would be if the prognosticating sciences were like Maxwell's or Laplace's 'demons' and thus not exposed to historical contingency but armed with perfect knowledge about initial and final states (see Prigogine, 1992).

Similarly political life is gripped by this present-oriented thought. The past is just as important for the social memory and consciousness relevant to action, for the identity of the individual and for the history of societies as is the 'future-oriented project': the assumption that you can shape the future according to wishes, needs and utopias of citizens which are the object of permanent conflict-laden discourses. Without this time- and space-boundedness, a democratic society is in principle impossible. But the rhythms of the political process create a systematic over-emphasis on the present *vis-à-vis* the future; on the interests of the present generation over those of future generations. Prognoses rather than utopias are required. We must prolong the present rather than think out and project something quite different, i.e. against the tendencies and counterfactual programmes and subjects brought together within the sphere of political negotiation. Market rationality forces its way into the political processes. Decisions and the consequences of decisions are considered and implemented from the short-term perspectives of a systematically short-sighted (myopic) actor.

Disembedded and empowered energy

In terms of material and energy, the widening of horizons hinted at is only possible because in the course of capitalist rationalization available energies have been rationally used and the energy base has shifted from a biotic to a fossil energy source (it is this which characterized the Industrial Revolution). Rationalization begins with endosomatic energy and the use of wind and water power (Debeir *et al.*, 1989). These are, however, essentially fixed and localized energy sources, and thus hardly support the suggested expansion of horizons and the process of abstraction and disembedding. The boundaries are in fact very tightly drawn. This is demonstrated with great clarity in Leonardo da Vinci's technically brilliantly thought-out and highly modern apparatuses where the narrow bounds of the energy and energy transformation systems stood in the way of realizing or appropriately translating them into practical operation and utilization. Only since the transition to the wide use of exosomatic energy (above all fossil fuel) from the eighteenth century have we had the expansion of human capacities and at the same time freedom from spatial and temporal limitations. Only now is the acceleration of time, which creates the modern time regime, possible. Now space can also be explored with new means of transportation and communication in such a way that the narrowness of the parish (of those

'four English miles' which according to Laurence Sterne formed the world of Tristram Shandy's nurse) is overcome and the spatial coordinates of individual and collective rootedness can be globalized. 'Global thinking' can only then become a political formula. Now the market can grow out of the social 'bed', something it had been unable to do in the long course of human history.

We should not forget that markets as an economic place of exchange and as a social institution are ancient. They came into being after the neolithic revolution when it became possible to produce a tradable surplus. Market money has also had a longer history than market-economy modernity. Only since the 'disembedding mechanisms' have been driven by fossil energy sources could they develop that power which put historians' and sociologists' tools for analysing instrumentally rational patterns of behaviour on the agenda. Now that there are fossil energy sources and appropriate technical energy transmission systems (unlike for Leonardo who had to put up with bio-endosomatic energy sources) the madness of abstract reason can easily be followed through, so as to translate its blueprints into reality. With these experiences, which at the same time open up possibilities unknown before the beginning of the age of fossil energy, the limits of 'embeddedness' are experienced as a Procrustean bed. The process of disembedding is experienced as a widening of horizons. Only now is slavery – the use of 'human coal' – a backward form of economic exploitation, now 'the idiocy of rural life' really is *passé* and the adventure of the 'big wide world' can begin.

Disembedded money

The 'second stage' of disembedding, as shown in Figure 1 above, characterizes a development of the process described by Polanyi to which he was able to pay only rudimentary attention. The characterization as 'second stage' should not necessarily be taken to mean a sequentially later event, but rather a stage which follows logically from the 'first' and which may well occur alongside it. This is particularly so for money and market. Here we reach the fourth dimension of the 'disembedding process'. The separation of economy and society is only possible where a money economy develops: when money is also unbound from society and can become a money fetish in the marxist sense. A market without commodities is unthinkable nonsense, but money without commodities all the more so. But money is not only a medium of communication or circulation that as such obeys fully the laws of commodity exchange. Rather it develops 'as money' a life of its own such that it is justified to speak of a 'second stage' of disembedding. We are dealing here with that abstraction of which Aristotle was already suspicious: 'the striving

for the accumulation of wealth' which disregards the criterion of the 'good life' in society. As soon as there is money there are further grounds for the development of the process of disembedding.

First, money in combination with the fossil energy sources lifts the 'great transformation' onto a global level. Now for the first time 'globalization' is possible as more than merely an individual journey of discovery or as a historically specific campaign of conquest. There emerges a global financial system as a monetary sphere decoupled from the real economy. The sphere of economic functioning is globalized in this fashion. In contrast, the sphere of politics is much more territory-bound than the economy, it remains national or at most extends to international politics.⁴ The thesis of the separation of the economy and society is above all relevant to market-economic regulation within nations. Thus, due to the nature of political processes within institutions and among actors at the level of the nation-state, disembedding on the national scale is never as complete as it is on the global scale which only partially knows political regulation.

Second, Keynes had already disposed of the classical and neoclassical assumption that markets, through the price mechanism in principle, equally, and in all cases, lead to a market balance of full employment. Were this really so, then the separation of markets from society would do no harm. Things are, however, not as simple as in the 'ideal world of the economists' (Ward, 1979). It is much more the case that a capitalist economy creates a specific hierarchical order of markets: the money market directs the goods market whose development directs the labour market – i.e. the system (and the level) of employment. Marx was quite right when he showed in his form-analysis of value how work as the final creator of all value becomes socialized through the circulation of money. Market economies are, as the 'monetary Keynesians' emphasize, money economies, and money decodes their laws of movement. Thus distanciation between persons through money becomes possible, thus the economy disembeds itself from society, and thus money becomes decoupled from the real economy in order to impose its logic on the economy which in turn forces society to obey it as '*Sachzwänge*'. Thus money becomes 'an inherent part of modern social life' (Giddens, 1990: 26). It is 'defined in terms of credit and debt' (Giddens, 1990: 24), i.e. as money that no longer functions only as a medium of circulation within the commodity cycle. It is 'money as money'. This is a fact which is regularly ignored in the doleful attempts to interpret money sociologically. Luhmann's interpretation of money unambiguously rests upon its function as a means of communication for the circulation of commodities which leaves the dimensions of the global money society unexplained. Deutschmann (1995) too sees money as a medium of exchange and not as credit, as means of payment or as

treasure, although in reality on the global currency markets more than US\$1,000 billion circulate daily, while for world export (yearly US\$3,600 billion) daily only US\$10 billion are needed. Viewed quantitatively, the sociological theory of money can claim explanatory power for only 1 per cent of the money turnover, not for the remaining 99 per cent.

Marx showed, in contrast to Simmel or Keynes, how first the money form is already contained in the commodity form, and, second, how it can be determined more exactly in terms of its functions: the function of the measurement of value is still bound in its entirety to the individual commodity; the function of the medium of circulation still to the exchange of commodities among and against each other. Here the room for the autonomizing tendencies (*Verselbständigungstendenzen*) is restricted; here the commodity owner appears in markets in social contact – even where Marx grounds these simple determinations of form in the possibility of crises – in the end buying and selling can take place far apart in spatio-temporal terms. However, the spatio-temporal distances responsible for the crisis have something to do with the available energy which can be used to overcome space and destroy time. The economic and social crisis is in its turn an expression of disembedding (if you wish, an accident of the disembedding process) because the socially uncontrollable economic tendencies feed back in ways which certainly do not accord with the plans of market actors.

The self-propulsion of money as money comes to fruition only when the material and energy become available to detach time and space from the immediacy of a banality limited by the everyday world. Only then does money appear as the superbly suitable instrument – as genius (not loci, but globi)⁵ – not only to connect distant times and spaces and to mediate the respective interests based there through arbitrage, but above all to reorganize temporal and spatial coordinates. While commodity owners must still be spatially and temporally present in order to exchange their wares, this is no longer necessary for the owners of money. What matters is that obligations stemming from money relations are fulfilled within the agreed time-scale. These time-scales and the agreed places in which obligations are to be met determine the space-time matrix of world society.

REPERCUSSIONS: THE DISEMBEDDED WORLD MARKET BECOMES A 'SACHZWANG'

In the chapter on money in Volume One of *Capital* there is a short section on 'world money' following the discussion of money as money which frequently goes unnoticed. Here we find the suggestion, not fully worked out, that world money – at that time gold which gets its nation-

ality stamped upon it by the currency – is something more than mere gold bars. Problems of exchange rates play a role here which can only be treated appropriately if the balance of trade, of visibles and invisibles, and of capital are drawn into the analysis. Now we see what 'disembedding' is: the emergence of 'synthetic indicators' (as furnished by the sub-balances of the balance of payments) with which societies are comparatively evaluated in the abstract functional space of the global market. Such evaluations would be harmless if they were only about the judgements on the national economy by interested politicians or scientists. But they define the comparative position of a currency area within the global economy and thus the context of a nation's currency area within global currency competition. Just as sovereignty in nineteenth- and early twentieth-century thought remained bound to the territoriality of states, so now it defines itself in a world of world money through a currency area whose borders are defended at the counters of the foreign exchanges or within the global 'swift-network' of internationally operating banks.

The mechanisms of disembedding have the fatal consequences that through them a reality is produced according to standards which are binding even when their effects should irk society. Once delivered into the hands of market mechanisms, subordinated to global time and space regimes and dependent upon the price of money (interest and exchange rate), societies must accommodate themselves to the disembedded economic mechanisms. That is to say, they must implement in perpetuity 'structural adjustment programmes' in order to maintain their competitiveness, or alternatively tolerate subordination to such a programme through the intervention of international organizations such as the World Bank or International Monetary Fund. Thus we have not only the 'disembedding mechanisms' represented by Figure 1 but also the 'mechanisms of objective compulsion' (*Sachzwangmechanismen*) stylized in Figure 2.

The world market with its time and space regimes, with the global monetary and credit system that is maintained through the fossil fuel sources and their associated material and energy conversion systems, is the frame of reference for sociation. Accommodation to quickly changing standards is a decisive element in the process of modernization whose social (and ecological) costs can clearly be very high. Figure 2 represents the 'first stage of disembedding' as the much sociologically discussed separation of the market and its logic from the society and its patterns of symbol-mediated interaction. A 'second stage of disembedding' is now money's acquisition of a life of its own in relation to the 'real economy'; the 'decoupling of monetary from real accumulation'; and the crystallization of a globally operating financial system which is subordinated to neither social norms nor political direction.

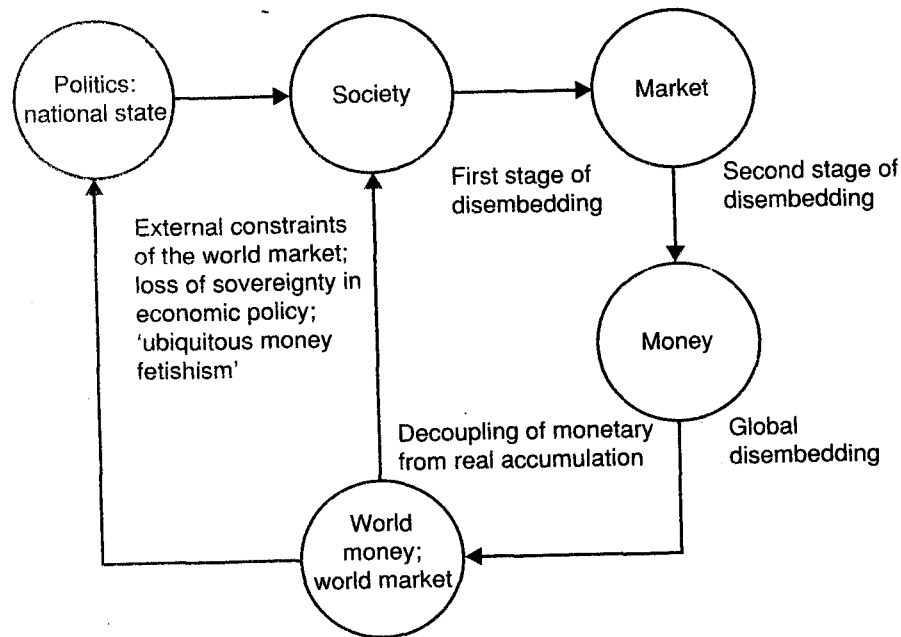


Figure 2 From disembedding to the external constraints of the world market and the loss of sovereignty in economic policy

Money is no longer a reified medium of communication with socially destructive autonomizing tendencies *vis-à-vis* those actors who use it to enter into communication – as those who rely on Simmel claim (Deutschmann, 1995: 387) – but rather a societal relationship between creditors and debtors. This ‘autonomization’ (*Verselbständigung*) as money transforms the global society into a *society of monetary wealth owners*. But with monetary wealth come obligations (debts) which have created a global *debt-society*. One social relationship therefore means two societies, which already indicates how much money works as a bacterium, now, however, on a global scale. A society of monetary wealth and debt as an expression of global disembedding lacks all those social bonds which are still found in regional or national-state bounded societies, whether traditional or modern. The ‘realm of necessity’ spreads and tightens its grip against the expectation that it would emerge into the ‘realm of freedom’.

As schematically suggested in Figure 2, disembedded powers therefore feed back onto social relationships and systems of political institutions as *Sachzwänge*. This finds expression in the ‘hierarchy of markets’ already described by Keynes: the money market steers with

prices the market in commodities, and this is in turn relevant for demand on the labour market. In terms of the life practices of dependent employees, disembedding means therefore that their chances on the labour market are directed by processes on the global market which they cannot influence at all. For the political system this same process is responsible for the loss of sovereignty in economic policy. When interest and currency rates are no longer determined politically by legitimate institutions of the nation-state but rather are formed by global markets, the market dynamic can no longer be politically regulated according to directives which are *incompatible* with it. Then in reality as well as theoretically, ideologically and finally politically, the ratification of these conditions of global disembeddedness appears as a politics of ‘deregulation’. Politics does not disappear, but its rationality is synchronized with the economy.

Here we see again that mechanisms of disembedding not only represent the negative side of the separation of economic processes from social and political regulation, but can actually become a historically powerful project which as a ‘neo-liberal counter revolution’ (Friedman, 1962) has dominated for decades the politics of entire continents.⁶ Social relations come to be thought of and treated as a mere market medium. In light of the disembedding of money from the market and then the globalization of the ‘mechanisms of disembedding’, this project comes to demand subordination into the world market and world money; the ‘opening’ to the outside of society bounded culturally, regionally and by nation-states. Consequently, ‘the opening up of the world market’ is the motto of the deregulating project which, even in newer conceptions in which disembedding is reined in in the favour of the mobilization of the potential of civil society, goes unquestioned. Therefore we should ask what is meant when we speak of the self-evidence of markets and their external constraints (*Sachzwänge*).

THE MARKET: THAT UNKNOWN THING ...

Niklas Luhmann casually remarks that ‘we [lack] an adequate theory of the market even or precisely in the economic sciences’ (Luhmann, 1990: 107). He is not so far wrong. One could, however, extend the dictum to money and work by adding that this theoretical gap becomes wider the more one enters into the world market for commodities, labour, money and capital. Here most social and economic theoreticians come to a breathless halt. On the one hand the market, due to the disembedding tendencies presented here, is a simple opportunity free of all social and political residues. One could conceive of it as a functional place of exchange processes, thus avoiding any representation of the economy as a phenomenon bound in space and time, and so, with

F. A. von Hayek (and J. S. Mill), conceptualize the economic process as a pure catallactic; as an unending series of price-regulated exchanges which in the end produce an equilibrium in which no agent of the market has reason to revise his/her plans. Already for Cournot this was a horrible image because at the point at which a change in action becomes irrational, history comes to an end (cf. Anderson, 1992). Even von Hayek was against it because it is imbalances which stimulate innovations. The market is not a balanced phenomenon but rather a 'voyage of discovery' (Hayek, 1968). Here too, he, like Luhmann, was not so far off the mark. The market is in practice an extraordinarily complex and thus theoretically complicated phenomenon which is not simple to decode.⁷ To show this a whole range of arguments can come into play.

First, the process of disembedding does not go so far as to leave the society and its institutions with no role in the regulation of the market. Globalization, as already indicated, meets its limits; globalism is never attainable. Rather it is the case that disembedded markets which follow an 'asocial' and 'non-natural' logic and can conform to economic rationality require social regulation. Money relations are in principle contractual relations which require legal regulation via an independent body which is itself no party to the contract. In contrast to neoliberal assumptions that more market means less state, market economization produces an enormous demand for legal regulation of money relations which increases state intervention at least with respect to regulations.⁸ The Freiburg School around Eucken knew this, and in Great Britain too deregulation has only been possible because new regulations have been developed. If only between the lines, the IMF too is concerned in its analysis of 'emerging equity markets' (*World Economic Outlook* (May 1994): 26) about the stability of global financial markets, and pleads for some regulation by nation-states whose capacity to intervene has been reduced precisely by market economization introduced under the direction of the IMF's 'structural adjustment programmes'. Similarly, in the transitional countries of eastern and central Europe we hear the call for order, for contractual and legal security, so that the private 'investors' can make their decisions under conditions of calculable 'risk'. Even the tendency for further privatization of money through the introduction of the 'electronic purse' requires public regulation.

In this way the state with its 'regulatory policy' which neoliberals developed against 'process politics' comes into play. For Walter Eucken, private property rights (and this means in each case clearly established property rights guaranteed by the public authorities), clear rules of liability, a policy of ensuring currency stability and the restriction of money supply by public institutions such as the central bank together form the 'core' of regulation policy. The securing of the 'functioning price system' is the 'economic-constitutional basic principle' (Eucken,

1959: 160f.). So it is that economic deregulation is followed by regulatory law and political re-regulation. The pure disembedded market economy is thus a mirage. Socially disembedded market economies and political authoritarianism share a family resemblance.

Second, as Emile Durkheim (1933) has shown, contractual and thus also money relations always contain extra-contractual (and by implication, extra-market) preconditions which are unavoidable for the functioning and efficiency of the market and money economy. The sociological critics of the neoclassical rational model of money and market-mediated sociations (Etzioni, 1988; Granovetter, 1985) start from this 'moral dimension' in order to show, rightly, that empirical societies have always produced non-economic networks (beyond market and hierarchy) in order to cope with the economic *Sachzwänge* which they have themselves created. This suggests that a complete separation of the economy from society – a total disembedding – is in fact damaging not merely for the social substance but also for economic efficiency.

Extra-market networks of social relations, however, depend on the competence of *civil society* and on its power to socialize individuals as market participants, on access to information, on trust and reciprocal relations, and on consensus and mutual recognition. All these connections of the economy as a social-communicative system are inadequately explained within the economic theory of the market: the 'invisible hand' is so invisible that no one asks about the anatomy of the body whose instrument it is. Moreover, market theoreticians are usually satisfied with the 'invisible' hand without asking about the second, the 'visible' hand (Chandler, 1977), or even the 'third hand' (Elson, 1990). Here we find ourselves in the midst of the debate about 'governance', i.e. the institutional binding of market processes into networks (see Messner and Nuscheler, 1996). Civil-societal 'networks' have a material dimension to which Polanyi refers when he quotes R. G. Hawtrey:

In contrast to the nomadic peoples, the cultivator commits himself to improvements *fixed in a particular place*. Without such improvements human life must remain elementary, and little removed from that of animals. And how large a role have these fixtures played in human history! It is they, the cleared and cultivated lands, the houses, and other buildings, the means of communication, the multifarious plant necessary for production, including industry and mining, all the permanent and immovable improvements that tie a human community to the locality where it is. They cannot be improvised, but must be built up gradually by generations of patient effort, and the community cannot afford to sacrifice them and start afresh elsewhere.

(Hawtrey quoted in Polanyi, 1957: 184)

Third, anyone who speaks today of the 'market' must speak of the world market. In doing so we must analyse not only world trade, but also the world money market. Here restrictions on money are created which are imposed upon market actors in order to stimulate them to high levels of performance in global competition. Curiously and fatally the sociological debate about 'money as a social construct' does not ascribe significance to this fact (e.g. Deutschmann, 1995). The science of society has no clue that society at the end of the twentieth century is a money-mediated world society.⁹ So the cynical and fatalistic assessment gains plausibility that the world market provides a constant context for dealing with the welfare state (*Sozialstaat*) and that the only option is to adopt internal adjustments to it. In this way the welfare state becomes a mere cost factor. These costs are intervention variables and are at the same time nationally accessible. Money's constraints are written into 'social nature' in the form of the global processes of reproduction, but paradoxically within the world economy they find their expression in political institutions such as the IMF, the World Bank, GATT or the World Trade Organization, namely in the 'conditionality' of 'structural adjustment programmes'.

Table 1, which builds on and extends that of Michel de Vroey (1991), indicates the complexity of the market. Every field in the schema demands theoretical clarification. We are dealing here with a well-known social-scientific problem: that of structure and action, and thus 'structuration' (Giddens). How is it that prices are formed when all the market agents act as price takers in the model of complete competition (2.1 in Table 1)? How is the structuration of a market price system to be conceptualized *ex ante* through individual non-selected actions? The relevance of the question is disguised by the fact that the outcomes are always ratified by the market *post festum*. How can independent 'individual' decisions be justified when all market participants simultaneously use a common social ambience (through common language, habits and norms, cultural practices) and natural environment and then transform them by creating externalities (positive or, as in most cases, negative) (5.1) – when they thrive on the same social yeast? Is the assumption of 'methodological individualism' still justified although it represents the basis of 'rational choice' (1.1)? Where there are no independent decisions, the basic assumption of autonomous individuals who enter into free contracts is questionable (1.1; 1.2). They find themselves already in relations which strengthen them and sometimes also bind and restrain them ('lock-in effect'), and which require a mediation through cultural – public political – regulation, not private law. This is particularly spectacular in the case of so-called 'positional goods' which may no longer be exchanged as commodities. For them the market is not a suitable mechanism of coordination. How does an equilibrium –

Table 1 The complexity of the market

	Actor	Process	Coordination
Actor	1.1 Decentred individual; 'methodological individualism'; interdependency and interference	1.2 No knowledge of the market system's consequences for action	1.3 Spontaneous non-anticipated consequences for action 'behind the back of the actor'
Process	2.1 Actors as reactors ('price takers'). If all are price takers, who determines the price?	2.2 Market interferences, market hierarchies; labour market dependent upon goods and finance market	2.3 Result: balance and optimization. How are they to be defined? How do they come together in the conditions of the market process?
Coordination	3.1 Rules of the game; external restrictions; property rights; 'Sachzwang'	3.2 Alternative types of market process: from full competition to monopoly	3.3 Total balance in the system is impossible
Observer; economist	4.1 Actors are like marionettes in a game directed by the observer; model building	4.2 Observer knows the market logic. In order to push the logic through, he acts like an auctioneer	4.3 Result of the process under conditions of competition comparable to those of planned economies: 'perfect competition = perfect computation'
The market's environment	5.1 Actors use and influence the social and natural environment. Thereby emerges non-market-like interference; externalities; extra-contractual elements on contractual relations	5.2 Incomplete information and erroneously introduced processes; short-sightedness; market failure	5.3 The materialism of coordination; the energy side of the information flow

the reference point of market theory – come about in practice if no market participant strives for an equilibrium of market processes but for maximum profitability of single capitals and for the highest satisfaction of needs of individual consumers (1.3; 2.3)? Is ‘perfect competition’ with the Walrasian auctioneer not – like ‘perfect computation’ – only imaginable as a game external observers play with market agents as though they were their marionettes, not as a game among market participants themselves (4.2; 4.3)? By the way, how do markets come into being in cases where no participant ‘makes’ it actively? This is the question about ‘market makers’ which is significant for the transitional economies of eastern Europe. All honour to Say’s Theorem according to which every supply already creates its own adequate demand. But demands for services (e.g. investment goods) must appear in order for commodity markets to come into being and production to get fully under way. As Keynes (and naturally Marx) have shown, a minimal level of ‘marginal efficiency of capital’ – a minimum profit rate – is required.

And the world market? What Marx characterized as the ‘propagandistic tendency’ to bring the world market into being is no longer an abstraction which can only be understood by an analytical mind. It is rather a reality of capitalist modernity. It is more than exotic produce, long-distance travel, casino capitalism and multinational enterprise. The world market is an ensemble of economic and social forms and political institutions of money, commodities and labour markets. In the process of disembedding, the market goes beyond the trade in goods to other aggregate forms of capital: a world market for money and capital comes into being, for labour and even for nature’s bounty. What Polanyi had already shown for the national labour and money markets can now be seen on a global level, namely the development of institutions and organizations – i.e. the formation of a regime – if only as a partial and underdeveloped regulation of elements of the world market. All over the world market nation-states are also present. In no way do these disappear in the course of globalization even if the political sovereignty necessary for economic regulation is limited in the process. However, what is forgotten by global bodies of regulation and nation-states in their function as global players in world market competition is that we are dealing here with market institutions, not political ones. The difference is important because only political institutions of democratic legitimization require consensus and react to the logic of hegemonic stability and the participatory demands of civil society. Political market institutions – e.g. the IMF, World Bank, WTO – do not find this consideration necessary except insofar as civil society forces them. Herein lies the meaning – or from the perspective of these institutions, the scandal – of the newer actors on the international stage (non-governmental organizations, e.g. Greenpeace).

NOTES

This article is an abbreviated translation of Chapter 4 of Elmar Altvater and Birgit Mahnkopf, *Die Grenzen der Globalisierung. Politik, Ökonomie und Ökologie in der Weltgesellschaft* (Münster: Verlag Westfälisches Dampfboot, 1996).

- 1 This is a Faustian dilemma: ‘Beim ersten sind wir frei, beim zweiten sind wir Knechte’ (By the first we are free, by the second serfs). With these deeds the conditions of action are set which as restrictions and as *Sachzwänge* impose ‘dependency upon a path’ on all later actions and actors. Only with bifurcation is free choice returned to the path; only then can the serf successfully become master of his own fate.
- 2 Frank and Gill (1993) date the emergence of markets and capitalist relations far back into antiquity. But they only succeed at the cost of abstraction from each and every historical process which Marx characterized in his analysis of the conditions of production of ‘relative surplus value’ as the ‘real subsumption of work under capital’.
- 3 Habermas also seems to have this process in mind when he criticizes – not, however, on the whole very convincingly – the marxist theory of value: ‘Marx has no criteria by which to distinguish the destruction of traditional forms of life from the reification of post-traditional lifeworlds’ (Habermas, 1987: 340).
- 4 As a consequence of this there is no ‘earth policy’ (Weizsäcker, 1989). This label is only a metaphor for the many-sided, usually helpless, attempt to regulate processes through trans- and international policies which have been largely removed from the reach of nation-state and international regulation within the global disembedded functional space. The territory of the earth knows not that single sovereignty which the nation-state claims in order to be.
- 5 The genius of money is not the ‘genius loci’, but from the beginning a ‘genius globi’.
- 6 The dominance and fetish character of the mechanisms of disembedding also find expression in the fact that the style of thought associated with it has been uncritically absorbed by the once critical social sciences.
- 7 Sombart’s definition is therefore too simple to do justice to the complexity of the market. He writes: ‘With the word market we understand in general and abstract sense the epitome of possibilities of selling and opportunities to sell’ (Sombart, 1987: II, 185). This follows only the view of the producer (‘Seen from the vantage point of the producers/traders’ (ibid.: 188) and therefore Sombart is interested above all in the ‘enlargement of the market’ on the basis of ‘demographic’, ‘administrative’, ‘political’, ‘commercial’ and ‘technical’ factors (ibid.: 187). ‘When we speak of local or national markets or of a world market: we assume the vantage point of one interested in the business of commodities’ (ibid.: 188).
- 8 Ironically, in the original country of deregulation – Great Britain – the number of regulatory measures in the 1980s grew more than in, say, France or Finland, that is by about 600 per cent (from 1980 to 1991). In France the rate of growth between 1976 and 1990 was 100 per cent, in Finland from 1980 to 1993, 200 per cent. The data are presented in a ‘Regulatory Report’ of UNICE (1995: 6), in the course of a plea for further deregulation. But even here the agreement of its members about some measure of intervention and regulation by states is demonstrated.

- 9 Luhmann says explicitly that society today is a world society, but does not draw any consequences from this assessment for the media and codes of social system regulation.

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