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Alexander Ebner

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Marketization: Theoretical Reflections Building on the Perspectives of Polanyi and Habermas

ALEXANDER EBNER

Goethe-Universität Frankfurt, Frankfurt am Main, Germany

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ABSTRACT *The concept of marketization denotes the expansion of market coordination into non-market coordinated social domains as well as its intensification in already market-dominated settings. This article sets out to reconstruct an institutionalist theory of marketization. As a point of departure, it critically examines the related contributions of Karl Polanyi and Jürgen Habermas. The analytical strength of Polanyi's theory of marketization lies in the discussion of the contested embeddedness of markets and the view of marketization as a politically shaped process of institutional change. This concern with the societal expansion of markets is further developed in the Habermasian thesis of the 'colonisation of the lifeworld'. However, both Polanyi and Habermas lack a specification of the social substance of markets and thus tend to underestimate the complexity of marketization. To address this issue, the present article utilizes the concept of collective goods to introduce new arguments about the institutional dynamics of marketization in the diverse fields of society.*

Keywords: collective goods; embeddedness; Habermas; marketization; Polanyi

JEL Codes: B25; B52; P16; Z13

1. Introduction

The range and impact of the market mechanism is a key subject in ongoing debates about the institutional transformations of modern capitalism. It provides major challenges for recent institutionalist theorising in political economy and economic sociology that focuses on the spreading of the market system across other spheres of society (Deutschmann 2011; Fourcade 2007; Streeck 2011; Swedberg 2005b). With reference to these endeavours, this article discusses the concept of marketization, which denotes both the expansion of market mechanisms into

Correspondence Address: Goethe-Universität Frankfurt, Grüneburgplatz 1 PEG, Frankfurt am Main D-60313, Germany, E-mail: a.ebner@soz.uni-frankfurt.de

non-market coordinated social domains as well as their intensification in already market-dominated settings. In outlining a theoretical understanding of marketization, it approaches the perspectives of Karl Polanyi and Jürgen Habermas as points of departure. Both are concerned with the politically contested and socially disruptive expansion of market mechanisms in the course of capitalist development.

Polanyi's theory of marketization addresses the embeddedness of markets in non-market schemes of coordination. Marketization is viewed as a historical process of dis-embedding markets from non-market constraints while being met with re-embedding counter-tendencies. Resulting institutional tensions drive the persistent instability of the market system. This line of reasoning is further developed in the Habermasian thesis of the 'colonisation of the lifeworld'. It highlights social pathologies that arise from the expansion of the instrumental logic of a 'monetary-bureaucratic complex' that involves both markets and bureaucracies. This expansion is confronted by counter-movements from the domain of the lifeworld and their insistence on maintaining social cohesion by means of solidarity. Curiously, Polanyi's and Habermas' theories of marketization also share certain problematic aspects in that they fall short in specifying the social substance of markets and thus tend to underestimate the actual complexity of marketization.

In elaborating on this issue, the present article introduces a new view on marketization as a process of institutional change that augments Polanyian and Habermasian positions by introducing the notion of collective goods. It reconsiders the types of collective goods that are subject to marketization in the diverse institutional fields of society, involving the political-administrative system as well as the private and public spheres. This allows for outlining varieties of marketization and their specific institutional dynamics.

In proceeding with this content, the article is structured as follows. The next section reconsiders Polanyi's approach to marketization and the related concept of the contested embeddedness of markets. The section after highlights Habermas' thesis of the 'colonisation of the lifeworld' by the systemic imperatives of markets and states. Drawing on the deficits in both approaches with regard to their problematic conceptualisation of markets, the fourth section augments Polanyi's and Habermas' arguments by approaching the institutional changes of marketization in terms of the notion of collective goods. By doing so, the article presents a differentiated look at the varieties of marketization.

2. Polanyi on the Contested Embeddedness of Markets

The matter of marketization is intrinsically connected to the work of Karl Polanyi, which is viewed as a paradigmatic reference in analysing the variety of institutional arrangements that shape the coordination mechanisms of modern capitalism (Block and Somers 2014; Boyer 1997, pp. 60–61; Hart and Hann 2009; Swedberg 2005b, pp. 7–8). Polanyi's conceptualisation of 'the economy as instituted process' serves as the leitmotif of a comprehensive research programme, which provides an interdisciplinary perspective on comparative economic systems (Block 2001). This means that an analysis of the institutional substance of economic processes is indispensable for understanding their developmental

dynamism, which derives from both economic and non-economic institutions that constitute a specific mode of social integration.

The historical sensitivity of this substantive perspective stands in marked contrast to neoclassical economic theory, which refers to individual choices on means-ends relationships as a universal problem (Polanyi 1957, pp. 249–250). Instead, Polanyi's substantive perception of the economy as an instituted process addresses coherent interactions between society and the natural environment as a process of satisfying material wants through the provision of goods and services. The coherence of these interactions requires distinct institutional properties with integrative qualities (Polanyi 1957, pp. 248–250; 1977, pp. 20, 34).

All historically recorded types of economies are integrated through support structures that institutionalise the movement of goods and services as well as rights of disposal in the economic process. These integrative patterns of interaction involve reciprocity, redistribution and exchange. Reciprocity accounts for the movement of goods and rights of disposal between corresponding points of a symmetrical arrangement, as exemplified by kinship-related types of gift exchange. Redistribution addresses movements towards and out of a political-administrative centre. Exchange stands for movements between dispersed or random points in a system of interactions, involving a market mechanism that coordinates transactions. Accordingly, the Polanyian account of markets refers to the setting of a perfectly competitive spot market with all equilibrating conditions intact, which implies one-off interactions among anonymous actors (ibid [1944] 2001, pp. 50–51; 1977, pp. 36–37).

This view on the institutional means of social integration informs Polanyi's claim that all economic systems except the market system submerge the economy in social relationships that are framed by non-economic institutions. In this constellation, economic activity in production and distribution is set to be a by-product of social relationships that are subject to a non-economic rationale, resembling collectively shared norms and conventions that may be promoted by kinship relations or separate political-economic organisations (ibid 1977, p. 53).

This pattern remained intact until the rise of the market system in Great Britain during the 19th century, which reversed relationships between economy and society as the economising logic of the market process came to determine social structures. While the economic motive of gain replaced former concerns with subsistence, the market system served as a historically unique institutional adaptation to the productive flexibility of the 'machine age' and its industrial civilisation as it was directed exclusively by flexible sets of market prices (ibid [1944] 2001, pp. 3, 43–45; 1977, pp. xviii–1).

Such a price-regulated market system implies that all production factors, goods and services—involving labour and land as representations of the human and natural substance of society—are transformed into commodities. Together with money as a representation of purchasing power they share the characteristic that they are not produced for sale, which means that their qualification as marketable commodities is fictitious (ibid [1944] 2001, pp. 75–76; 1977, pp. 9–10). This dis-embedding of the economy was accompanied by an institutional differentiation of economic operations, which includes a legal system that governs property rights, the organisation of the modern industrial firm, and the quantitative

rationale of monetary accounting (ibid 1977, pp. 52–53). In effect, all social relationships come to follow the commodity logic of the market, thus leading to the formation of a new type of market society: ‘Instead of economy being embedded in social relations, social relations are embedded in the economic system’ (ibid [1944] 2001, p. 60; [1947] 1968, p. 70).

Yet markets do not evolve spontaneously. Instead, Polanyi highlights deliberate institutional change and developmental interventions as key features in the evolution of economies and societies (ibid 1977, p. liv). Indeed, as the British case illustrates, the expansion of markets required a massive restructuring of social affairs, paralleled by an extension of public interventions and regulations that would eventually fuel a bureaucratisation of government endowed with extended powers for social control (ibid [1944] 2001, pp. 145–146).

Historically, however, the ensuing self-regulated market system was short-lived, if ever realised in its pure form, as the demand for social protection soon became an indispensable condition in safeguarding the reproduction of society at large. This self-protection of society from the disruptive influence of the market forces was articulated in a highly politicised manner. Political counter-movements emerged from spontaneous activities scattered all over society, pragmatically integrating diverse social interests and political ideologies (ibid [1944] 2001, pp. 76–77, 147).

This ‘double movement’, made of a societal extension of markets and parallel efforts in the self-protection of society, would most prominently affect labour, land and money as ‘fictitious commodities’ (ibid [1944] 2001, p. 79). Yet, as witnessed since the late 19th century, the interventionist counter-movement against marketization was inherently incompatible with the self-regulation of the market system, thus driving the economy and polity further apart. The ensuing economic and political disturbances and crises would culminate in national rivalries that actually led to World War I and the decades of instability afterwards (ibid [1944] 2001, pp. 136–137). In particular, the Great Depression after 1929 is said to have deepened the rift between the market economy and the democratic polity. Both would emerge as autonomous systems subject to functional disturbances in their interaction. Democratic forces, predominantly socialist parties, persistently aimed at the implementation of redistributive market interventions and planning efforts whereas business interests confronted the democratic spectrum for its alleged bureaucratic inefficiency (ibid 1932).

In the course of a cumulative escalation, then, policy interventions into the market system became ubiquitous, leading to a bureaucratisation of economic policy that would further distort prices and artificially prolong recessions, thus preventing the equilibrating self-regulation of the market system (ibid [1944] 2001, pp. 185–186). But also the relationship between market intervention and political democracy would turn out to be problematic. Corporatist and authoritarian patterns of regulation and intervention would promote a gradual hollowing out of democratic practices (ibid 1934). All of these tendencies would finally result in the ‘great transformation’ of liberal market society towards authoritarianism both in its fascist and communist guises (ibid [1944] 2001, pp. 210–212, 227–228).

In interpreting these ideas on the institutional dynamics of marketization, it has been remarked that Polanyi’s notion of embeddedness exhibits a twofold

meaning: on the one hand as an analytical representation concerning the connection of markets to the moral fabric of society, and on the other hand, as a normative term that refers to the social regulation of markets as a political project in capitalist societies (Beckert 2007, p. 8). The relationship between both conceptual perspectives is the source of ongoing controversies.

As a point of departure, the Polanyian concept of embeddedness may be reiterated in Durkheimian terms by addressing an embedding of markets in non-market institutions that involve non-commercial motivations and non-contractual arrangements. Such a view resonates well with a reconsideration of the role of institutions in coping with the uncertainty of market exchange (Beckert 2009). Basically, this view highlights the insight that markets require non-market elements for their sustained performance. This view informs interpretations of Polanyian embeddedness such as Fred Block's thesis of an 'always embedded market economy'. Corresponding arguments highlight the persistence of rules and norms that allow for a re-embedding of markets, framed by ongoing conflicts over the relationship between market and non-market elements across the social fabric (Block 2003, p. 297; Somers and Block 2005, pp. 263–264). This view of the Polanyian 'double movement' gives the impression that all market systems are necessarily embedded all the time, for wide-ranging social and political regulations of the market mechanism condition its operation (Gemici 2008, pp. 9–10).

Yet this interpretation of Polanyian embeddedness as a variation of Durkheimian ideas concerning the functional necessity of non-market elements in market exchange has been criticized for confusing the concept of embeddedness with related Polanyian ideas on the 'institutedness' of the economy. Polanyi's substantivist approach claims that the ideal types of exchange, reciprocity, and redistribution present themselves in historically variable combinations in all economic systems. In this manner, economies are 'always instituted' by diverse institutional constellations. Specifically, the market system draws on the institutions of private property and market prices (Cangiani 2011, pp. 191–193). Accordingly, capitalist market economies are not 'always embedded', as Block would have it, but rather 'always ordered'.

Indeed, a distinction of embeddedness and order in the institutional organization of markets is at hand. Market operations require an institutional order of rights and obligations that reduces uncertainty and enforces property rights. Yet the notion of embeddedness reaches beyond this aspect of order, for it is even more intensely concerned with the contested range of marketization. This holds especially with regard to Polanyi's 'fictitious commodities', and here in particular concerning labour and the conditions of its physical and social reproduction (Ebner 2011, pp. 28–29).

At this point, the Polanyian notion of embeddedness may be most convincingly reframed by accounting both for its historical dimension in the analysis of pre-capitalist economic systems as well as for its political dimension regarding the institutional dis-embedding and re-embedding of the market system in modern capitalism. Both dimensions account for non-market constraints of markets, involving historically variable and politically contested degrees of marketization in the course of economic development.

However, widespread misrepresentations of the related concepts of embedd-
edness and marketization reflect shortcomings in Polanyi's original reasoning on
markets as void of social relationships. In fact, in Polanyian thought, the inte-
gration modes of reciprocity and redistribution are said to represent specific
social relationships, such as kinship or political-religious affiliation, whereas
market exchange would stand out as a one-shot interaction among anonymous
actors (Dalton 1968, pp. xiv–xv).

Obviously, this ideal typical scheme of perfectly competitive markets as
price-regulated arenas of horizontal exchange, with its mechanistic inclinations,
may be confronted with rich empirical evidence and theoretical reasoning on
the social structuration of market exchange. Indeed, Polanyi's own arguments
on the institutional complexity of economic affairs may be invoked in confronting
such a reduced understanding of markets. Related advances of institutionalist
reasoning in political economy and economic sociology stylise market trans-
actions in terms of social processes that entail aspects of struggle, contestation,
bargaining, and mutual understanding, which are decisively impacted by the
state, politics and culture (Beckert 2007, pp. 9–10; Ebner 2008; Krippner 2001,
pp. 777–778; Krippner et al. 2004; Swedberg 2005a).

Apart from the conceptual problems generated by the abstractions of ideal
typical reasoning on markets, it is even more relevant that Polanyi subscribes to
an understanding of markets, which resonates with the neoclassical belief in the
equilibrating, self-stabilising capacities of price-regulated markets that are
unhampered by policy interventions; a position that was most prominent in the
works of the Austrian School's Ludwig von Mises (Dale 2008, pp. 512–515;
Ebner 2011, pp. 29–30). Thus, Polanyi derives the catastrophic economic conse-
quences of the Great Depression during the early 1930s largely from the impact of
policy interventions that would obstruct the flexible adaptation of market prices
and thus further aggravate imbalances (Polanyi [1944] 2001, pp. 241–242).
Obviously, this position contradicts Keynesian ideas on the endogenous instability
of markets and the possibility of their policy-based stabilisation (Dalton 1968,
p. xxv; Hejeebu and McCloskey 1999, p. 302).

What appears to be a paradoxical turn of arguments becomes more consistent
when it is combined with Polanyi's consideration of the separateness between
economy and polity as societal domains that follow distinct functional logics.
According to this interpretation, Polanyi views the market system as a differentiated
social sub-system with an internal logic that may conflict with the alien rationale of
policy interventions. Polanyi's thesis of the functional separateness of economy and
polity thus may be translated into arguments on the problematic governance of dif-
ferentiated self-organising subsystems (Jessop 2001, pp. 222–223). Allowing for
such a reconsideration of systemic conflicts, the market system may be characterised
as loosely coupled with other societal domains. Lacking from pre-stabilising forces,
buffers and backup mechanisms may provide a temporary coherence that is persist-
ently prone to failure (Block 2007, p. 7). Given Polanyi's thesis that the institu-
tionalized market logic decomposes society, this amounts to the claim that markets are
in fact 'always precarious' (Dale 2010, pp. 200–203, 2011, pp. 331–333; Streeck
2012, pp. 25–26).

This reconsideration of systemic tensions resulting from the conflicting logics of markets and states goes well together with an understanding of the Polanyian notion of the double movement as a clash of economic ideas and social principles on the range of markets in society (Blyth 2002; Polanyi-Levitt 2006, pp. 162–163). In this manner, despite the lack of specifying the social substance of markets, Polanyi's ideas on the contested character of embeddedness and the institutional conditions of the formation and expansion of markets provide key building blocks for an institutionalist theory of marketization. This perspective may be usefully augmented with a pronounced analysis of the interplay between economy and polity in relation to the private and public spheres of society that figure as 'lifeworld' in Habermasian parlance. Indeed, Habermas' theory of communicative action with its thesis of an uncoupling of system and lifeworld has been identified as a prominent example for the continuous relevance of Polanyian ideas in modern social theory (Dale 2010, p. 4).

3. Habermas on the 'Colonization of the Lifeworld'

Habermas shares Polanyi's concern with the corrosion of social solidarity in the course of capitalist development. Indeed, Habermas identifies marketization with the spread of instrumental rationality as an economising ends-means calculus in support of practical interests that differs from the substantive meaning of a communicative rationality that promotes inter-subjective understanding.

These common concerns reflect the intellectual heritage of the Frankfurt School of critical social theory. Polanyi's 'Great Transformation' was actually prepared and published during the same period of World War II as 'Dialektik der Aufklärung', the magnum opus by Theodor W. Adorno and Max Horkheimer, the paradigmatic theorists of the Frankfurt School. Polanyi as well as Adorno and Horkheimer address the authoritarian self-destruction of what they denote as liberal bourgeois civilisation and they share the criticism of instrumental rationality in this process. As outlined in Marxian terms by Adorno, critical social theory associates the evolution of modern capitalism with a domination of society by an instrumental economic logic that is oriented towards the realization of exchange value. In consequence, the commodity form triumphs over society. However, the monopolistic and bureaucratic tendencies of 'late capitalism' soon erode the liberal ideal of competitive markets (Adorno [1969] 1997, pp. 363–365).

In line with these concerns, Habermas' early works resonate particularly well with Polanyi's 'Great Transformation'. They address the institutional transformation of bourgeois society, which is driven by both commercial and bureaucratic forces as illustrated by structural changes of the public sphere (Habermas 1962, pp. 217, 232–233). In further elaborating on this matter, Habermas explores the technocratic instrumental rationality, which informs the relationship between an increasingly interventionist state and the wider domains of society (Prychitko and Storr 2007, pp. 257–258).

In 'Legitimationsprobleme im Spätkapitalismus', Habermas argues that recoupling the economic and political spheres creates a distinct need for legitimation as the state no longer follows liberal prescriptions on safeguarding the insti-

tutional order of the market system, but actually becomes an active part of the economic process (Habermas 1973, pp. 96–97). In this context, Habermas introduces the distinction between systems and lifeworlds as manifestations of social differentiation. Subsystems of society are subject to systems integration by means of steering media while lifeworlds are subject to social integration by means of generalised forms of communication (Habermas 1973, pp. 14–15). Due to tensions between systems and lifeworlds, capitalist society requires certain shared cultural values, which are reproduced in the lifeworld of the social actors. Thus, the lifeworld provides indispensable boundary conditions for the market system. Yet the latter tends to undermine these cultural values and thus decomposes the set of shared meanings that is required for the social integration of capitalism (Plant 1982, pp. 344–346). This set of analytical motives commonly shared by proponents of classical sociology such as Weber and Durkheim is also reminiscent of Polanyi's theorising.

Habermas' 'Theorie des kommunikativen Handelns' further theorises on communicative patterns and symbolic mechanisms of the lifeworld set apart from the differentiated economic and political subsystems with their instrumental logic. The notion of communicative action highlights an actor-orientation towards reasoned arguments, consensus and cooperation that contrasts with the instrumental logic of strategic action in pursuit of individual goals (Habermas 1981a, p. 44). Habermas then claims that social evolution involves a differentiation of the lifeworlds, which results in a separation of social integration and systemic integration. The instrumental logic of the latter is further differentiated in economic and political-administrative systems.

The economic system, which is synonymous with the 'market system' or 'capitalism' in the Habermasian account, becomes mediated by money as a generalised medium of exchange (Habermas 1981b, pp. 246–247). Crucially, money promotes the quality of the economy as a 'norm-free sociality' that is not framed by a normative context anymore. Accordingly, Habermas claims that the market system in capitalist societies represents the most important example of a cooperative governance mechanism void of moral considerations, for markets operate in terms of systems integration that provides a functional combination of the consequences of social action. This differs from social integration by means of deliberative agreement and normative consensus (*ibid* 1981b, p. 116).

Money also drives the evolution of the modern state as taxation takes the shape of a monetary flow. This underlines the role of money as an 'inter-systemic medium of exchange' and points to the dependence of the state on resources from the market system, altogether resulting in an assimilation of the political-administrative steering medium of power to the economic steering medium of money (*ibid* 1981b, pp. 255–256). Accordingly, the subsystems of economy and polity emerge as formally organised fields of social action that utilise money and power as steering media. Nonetheless, although both of these systems do not require communicative understanding anymore, they are still shaped by law, which may embody moral considerations in its legal codes (*ibid* 1981b, p. 455). Therefore, the institutional separation of the system from the normative concerns of the lifeworld is never complete. Instrumental rationality remains insufficient in exclusively guiding economic and political-administrative affairs. Rephrased in

Polanyian terms, moral considerations in legal frameworks may promote the embeddedness of markets and thus shape the contours of marketization.

The process of institutional differentiation, which results in the bifurcation of systems and lifeworlds, also drives a differentiation of the lifeworld of bourgeois society into two distinct orders of social integration, namely the private sphere involving family household structures and the public sphere involving cultural institutions and the media, which provide resources of public legitimation (ibid 1981b, pp. 471–472). The corresponding Habermasian scheme of interactions between sub-systems and lifeworlds builds on the Parsonian model of social differentiation. The economic system exchanges resources with the private sphere. It provides income as well as goods and services to the households. The latter provide labour and consumer demand to the economy. The provision of labour is mediated by power while income, demand and commodity exchange are mediated by money. Another monetary resource flow relates to taxation, which is administered by the political-administrative system in exchange for power-mediated organizational services (ibid 1981b, pp. 472–473).

However, there is a key difference in the resource flows from the private sphere to the economy. The provision of labour follows the instrumental rationale of organisational roles as determined by the legal frameworks of labour markets and business organisations. Yet the provision of demand in the shape of individual consumption still allows for a certain degree of autonomy in decision-making, which implies the persistence of normative considerations that are rooted in the communicative logic of the lifeworld (ibid 1981b, p. 475). Again, Habermas emphasizes that social order cannot be achieved in exclusively instrumental terms. Certain interactions must remain socially integrated in order to uphold the institutions that are set to constrain the system and by doing so promote societal viability. Lifeworld ‘pathologies’ arise when domains of social interaction that are required for the symbolic reproduction of the lifeworld are confronted with an intrusion of the systemic media of money and power. The enforced switch to instrumental rationality that potentially results from this intrusion resembles a ‘colonisation of the lifeworld’ (ibid 1981b, pp. 476–477).

According to Habermas, the expansion of the instrumentally rational subsystems into the communicative lifeworlds outlines a central motive of capitalist development. Thus, Habermas presents the thesis of the ‘colonisation of the lifeworld through system imperatives’ as an explanation for all those phenomena of social disruption that have been the subject of Weberian reasoning on rationalisation.

First, Habermas claims that the lifeworld may be decoupled from the ever more complex systemic areas of economy and polity; still, it depends on systemic resources. This dependence allows for a further ‘mediatisation of the lifeworld’. Social interactions that have been coordinated through communicative means such as language are increasingly shaped by money and power as economic and political steering media (ibid 1981b, p. 452). This mediatisation turns into a pattern of colonisation as the money-mediated market system and the power-mediated political-administrative system complement each other in subjugating the lifeworld to their instrumental imperatives (ibid 1981b, pp. 247–248). This comprehensive process involves a monetisation and bureaucratisation of everyday

life. The lifeworld of private households is transformed into the life-forms of consumers and employees, based on an instrumental logic that disseminates consumerism, possessive individualism and a generalised motive of competition. As the communicative patterns of the private sphere erode, so the public sphere is undermined by the intrusion of the political-administrative system (ibid 1981b, p. 480).

At this point, Habermas insists on the twin character of this ‘colonisation’. In distancing his arguments from the Marxist dialectics of material basis and institutional superstructure, he emphasises that economy and polity complement each other in submitting the lifeworld to their imperatives. Accordingly, the reification of social relations as a particularly prominent topic in Lukács’s interpretation of Marxian reasoning is said to result from a combined monetisation and bureaucratisation of the private and public domains of the lifeworld (ibid 1981b, p. 504). The monetisation of market transactions and their legal regulation by bureaucratic means both inform an expanding ‘monetary-bureaucratic complex’. It undermines the communicative structures of the lifeworld and thus transforms the moral fabric of society (ibid 1981b, p. 548).

This Habermasian line of reasoning is well summarised by the thesis that systems tend to repress communicative processes in favour of systemic forms of integration, that is, markets and bureaucracies (Taylor 1991, p. 29). Yet this process of ‘colonisation’ remains contested as the intrusion of instrumental rationality and systemic steering media into the lifeworld causes social pathologies. Systemic crises spill over to the lifeworld and endanger its capacities for symbolic reproduction that rest on cultural traditions, social integration and education (ibid 1981b, pp. 452, 488). In this manner, interfaces between system and lifeworld become the institutional terrain for complex conflicts that involve the diverse behavioural roles and interests of employees, consumers, welfare recipients and citizens (ibid 1981b, pp. 581–582). In Habermasian reasoning, then, solidarity remains a socially integrative steering medium in its own right, which is set to obstruct further advances of money and power into the lifeworld. In effect, system integration by means of money and power needs to be balanced with the social integration of the lifeworld by means of solidarity in order to achieve a coherent societal setting (ibid 1985, pp. 157–158).

This point is further emphasised in Habermas’ ‘Faktizität und Geltung’: social solidarity is viewed as a most endangered resource from within a lifeworld that is at risk of falling prey to deregulated markets and expanding bureaucracies (ibid 1992, p. 12). The law plays a key role in this contested process of ‘colonisation’. Law serves as a formalised mechanism of marketization and bureaucratisation, yet it also communicates social values of solidarity. In this manner, it potentially operates as an integrative force that affects all of the three media of integration, namely money, power and solidarity. It thus resembles a ‘transformator’ in the circulation of communication flows between the social system and lifeworld (ibid 1992, pp. 59–60, 77, 108).

At this point, Habermas’ reasoning on the contested character of the expansion of the market system and its political-administrative counterpart into the lifeworld may be reframed in terms of the Polanyian discussions of marketization, embeddedness and the ‘double movement’. Polanyi suggests that marketization

involves both the expansion of markets and bureaucracies, for market-making requires a wide range of political-administrative operations that range from efforts in social engineering to the provision of regulatory frameworks. The constitutive role of the law in related dis-embedding and re-embedding movements is well illustrated by Polanyi's historical discussions of legal changes ranging from the Poor Law Reform to the Corn Laws in the evolution of the market system in Britain (Ebner 2011, p. 23).

Drawing on related problems, Habermas' concerns with the marketization of society and the social pathologies this process produces immediately reconnect with Polanyi's reasoning. Habermas translates these issues into a dynamism of social opening and social closure, which is said to characterise the contested expansion of the market system as a facet of societal modernisation. In line with Polanyian thought, marketization dis-embeds the lifeworld, which then becomes subject to concerted efforts in support of its reintegration and re-embedding. Accordingly, Habermas emphasizes that the Polanyian scheme of the 'double movement' provides crucial insights into the process of marketization and its societal effects. In particular, its normative content informs the need for balancing market dynamics and political regulation in order to preserve the coherence of social relations among the citizens of political communities (Habermas 1998, pp. 126–130, 2010).

On a more critical note, however, the Habermasian thesis of the 'colonisation of the lifeworld' shares some key problems with Polanyian thought on marketization, in particular with Polanyi's modelling of markets as void of social relations and communicative interchange. Of course, as outlined above, Polanyi's understanding of markets relates predominantly to the neoclassical view of competitive markets with a multitude of basically anonymous actors in supply and demand. Habermas also perceives markets in terms of a 'social vacuum' with social concerns represented exclusively by the legal frameworks of the prevailing market order.

Yet this kind of Habermasian reasoning on the social substance of markets – or better, the lack thereof – is more in line with Marxist thought on reification and alienation in commodity production. Also, given Habermas' early concerns with the crisis of late capitalism, his view of the market system seems to be strongly influenced by the contemporary image of 'state monopoly capitalism', involving large bureaucratic enterprises that collude with an expanding state in governing monopolistic structures (Dahms 2011). Indeed, Habermas tends to view the economic sphere of material reproduction as a social system that operates exclusively according to the standards of instrumental rationality without any sustained reliance on social norms and communicative interactions. Yet such a perspective is at odds with significant institutional aspects of marketization, such as persistent struggles for the recognition of the validity of social norms, which mould the institutional substance of the market mechanism (Honneth 1989, pp. 332–334).

Further points of criticism amount to the allegation of a functionalist misrepresentation of the historically contingent relations between system and lifeworld. Habermas' allegedly functionalist understanding of instrumental rationality as a dominant feature of the subsystems thus neglects social aspects such as motivation and communication in their actual pattern of activity. Therefore, Habermas seems

to dismiss the actually existing embeddedness of the market system in the lifeworld, which is set to prevail under the conditions of modern capitalism (Sitton 1998, pp. 74–75, 81). Consequently, also the institutional articulation of the complex relationship between economic and political-administrative systems is said to remain theoretically underdeveloped in the Habermasian perspective (Avio 2002, p. 517). After all, the Habermasian thesis of the ‘colonisation of the lifeworld’ exhibits a mechanistic flavor as it underestimates the option that the marketization of non-market coordinated fields can actually generate feedback effects on the market system itself and by doing so alter its own institutional setting (Hartmann and Honneth 2006, pp. 48–50). Thus, marketization is not a one-way mechanism but a complex process involving unintended consequences and paradoxes.

All of these problematic aspects in Habermas’ reasoning culminate in his vague specification of economic affairs. The economic subsystem is interchangeably denoted as ‘market’, ‘economy’ and ‘capitalism’, rendering these terms inappropriately synonymous. This imprecise use of most substantial analytical terms informs the unsettling impression that Habermas’ theorising simply lacks an adequate understanding of markets as social mechanisms; in this vain, echoing related deficits in Polanyian reasoning. There is not much sense for the institutional specificity and social substance of markets in such a perspective. Yet this is exactly what needs to be explored in further theorising on the dynamics of marketization as a key feature in the evolution of contemporary capitalism.

4. Theorising Marketization: An Institutional Approach

Institutionalist reasoning maintains that modern capitalism is historically characterized by a persistent redefinition of the boundaries, relations and interactions between market and non-market domains. Marketization thus may be viewed as a component of the institutional evolution of capitalist development, involving diverse interests and ideas on the scope of markets in society, which involves not only an expansion of markets in formerly non-market coordinated domains, but also an intensification of market logics in already established market settings (Crouch 2005, p. 151n; Streeck 2011, p. 154n, 2012, p. 3). In particular, the social process of marketization builds on behavioural and institutional patterns of cost-benefit calculations that promote the expansion of socio-technical arrangements coping with the price-coordinated production of goods for monetary gain, framed by distinct sets of rules, conventions, knowledge and material infrastructures that provide a genuine market order (Çalışkan and Callon 2009, p. 3, 2010, pp. 370, 384). Crucially, as markets come to resemble moral orders with a dedicated normative orientation, marketization also implies that market-compatible behaviour is normatively imposed on the involved actors (Fourcade and Healy 2007, pp. 299–300). Accordingly, both the expansion and intensification of market mechanisms are subject to social conflicts and political interventions.

In this vain, private sector actors may be interested in an expansion of the market mechanism to the benefit of new business opportunities, yet also governments may come to utilise markets in order to fulfil public policy objectives. Accordingly, markets harbour persistent struggles and bargaining procedures

over the range and structuration of the market system (Chang 2002, p. 539n; Ebner 2008, p. 4n; Fligstein 2008). The ensuing complexity of context-specificity, multi-factor causes and unintended consequences ensures that processes of marketization differ across countries and regions, markets and industries as well as societal segments and policy fields. Institutional corridors of marketization are accordingly outlined by the recombination of market and non-market forms of coordination in different types and varieties of capitalist economies (Crouch 2005; Fligstein 2002).

In exploring these issues from an institutionalist perspective, which highlights the role of interests and ideas for the evolution of those rules and norms that govern the political economy of modern capitalism, the key motives of Polanyian and Habermasian reasoning turn out to be particularly relevant. Polanyi and Habermas share complementary analytical viewpoints concerning the erosion of societal cohesion due to the impact of marketization.

In normative terms, both are concerned with maintaining social equity and democratic participation in the face of expanding market mechanisms. Polanyi perceives marketization as a complex social process, involving diverse agents and interests all across diverse social groups and institutional fields. In this view, states promote marketization yet they are also the terrain for the political implementation of market-constraining and re-embedding counter-movements; all of this framed by the precarious separation between economy and polity. Habermas broadens this perspective on the contested character of marketization by differentiating between the private and public spheres as fields of contested marketization as well as by underlining the correspondence of the market system and the governmental apparatus in promoting marketization, which requires a distinct legitimization. The analysis of marketization then requires an inquiry of institutional changes and related conflicts at the interfaces between the systemic domains as well as between system and lifeworld.

However, given the neglect of social relations and institutional diversity in both Polanyian and Habermasian stylisation of markets, it is first of all necessary to specify the various institutional manifestations of marketization. Indeed, marketization draws on various processes of institutional change in diverse fields, proceeding with different intensities and orientations along specific trajectories. Therefore, marketization may be usefully viewed as a set of differentiated sub-processes.

At the outset, economisation refers to the spread of cost-benefit schemes in individual and organisational behaviour, ranging from cost-related considerations to profitability motives. It is most relevant for individual and organisational actors that operate in previously non-market coordinated domains and are set to adapt internally to the economising logic of market schemes. On the output side, commercialization refers to an increasing demand orientation in the production of goods and services. This does not necessarily include a for-profit orientation, although the latter usually turns out to be a key motive. In this manner, commercialisation promotes an external adaptation to the logic of markets.

Commodification then extends the logic of competitive markets across the factors of production, in particular involving labour. At this point, the market mechanism becomes a society-wide instrumental device. The evolution of monet-

ary and legal institutions accompanies this process of commodification, allowing for a monetisation of market relations and their legal formalisation. Privatisation of property rights and the legal regulation of markets draw on the same institutional infrastructures. Together, all of these processes feed into marketization in terms of the expansion of market mechanisms into non-market coordinated fields as well as their intensification in already market-coordinated fields.

Given the diverse social structures of markets, the process of marketization will be based on changes in the social structuration of the involved institutional fields. In line with Habermasian reasoning, these changes occur most prominently at the interfaces of the differentiated institutional setting of modern capitalism. The contested character of marketization, which is implied in this perspective, hints at the articulation of collective action in the social processes that drive the dis-embedding expansion and re-embedding containment of market mechanisms as grasped by the Polanyian notion of the double movement. These corresponding constellations of marketization may be usefully approached with reference to the Habermasian scheme of societal differentiation.

In adding some distinctly institutionalist content, however, the notions of system and lifeworld can be theoretically reframed in terms of the concept of institutional fields. These fields denote a particular social order that is based on specific sets of norms, rules and actor configurations that shape the involved modes of interaction (Fligstein 2001).

Four major institutional fields in modern capitalist societies can be distinguished: the market system with its hegemonic dynamism of marketization, and the political-administrative system with its governmental apparatus, both of which constitute the systemic domain of society; paralleled by the lifeworld, which comprises the private sphere involving household, family and community relations, as well as the public sphere involving civil society and its political discourses. Historically, all of these domains are subject to movements and counter-movements of marketization.

Furthermore, in order to grasp the dynamics of collective action in the process of marketization across these institutional fields, it may be claimed that each of these fields is associated with the provision of a distinct type of good that characterises a specific combination of market versus non-market mechanisms of coordination. Following conventional typologies from the theory of collective goods, the types of goods under consideration involve private goods on one hand, and a set of collective goods on the other hand, involving public goods, common goods and club goods (Cornes and Sandler 1999, pp. 3–5; Ostrom 2003, pp. 240–241).

Private goods represent the commodified core of the market system given that their provision is based on private property and market prices. This equals their character as exclusive and rival types of goods, which means that others can be excluded from using or consuming them by means of property rights while their scarcity implies that their use or consumption by one actor precludes that of another. Thus, the provision of private goods in the market system stands for a dis-embedded market setting. This contrasts with the provision of non-exclusive and non-rival public goods in the political-administrative system, which is

The dynamics of marketization are depicted in [Figure 2](#), which combines different types of goods with distinct institutional fields. According to this illustration, marketization may be viewed as the expansion of the market system with its marketized logic of private goods, settled in quadrant A, into the quadrants B, C, D harbouring the political-administrative system as well the private and public spheres with their particular types and logics of collective goods. Key actors in these fields include business enterprises in the market system and government in the political-administrative system, paralleled by households and communities in the private sphere as well as clubs and associations in the public sphere of the lifeworld.

Accordingly, as a first approximation, the following four varieties of marketization may be distinguished:

- *Marketization of the private sphere (A → C)*: This historically most prominent variety of marketization addresses the erosion of community-oriented, communication-based coordination on the basis of collectively shared social norms due to the expansion of the market system with its instrumental logic and related rules and regulations. This transformation of common goods into private goods informs Polanyi's presentation of the enclosure movement in Tudor England as a characteristic historical case concerning an enforced and contested transition from the commons to private property (Polanyi [1944] 2001, pp. 33–35). Current research highlights the institutional level of local communities that persistently govern common pool resources on the basis of shared community norms, which are under pressure of marketization (Ostrom 1990, pp. 12–13).

Lifeworld	System
C	A
Private sphere / Common goods	Market system / Private Goods
Households, communities	Business Firms
D	B
Public sphere / Club goods	Political-administrative system / Public Goods
Clubs, associations	Government, public administration

Figure 2. Institutional fields of marketization

- *Marketization of the public sphere (A→D)*: Democratic discourse is largely driven by public reasoning in the press and related media, historically promoted by the emergence of political clubs, yet this public sphere is subject to marketization pressures that fuel its functional decomposition as illustrated by the advent of the cultural industries (Habermas 1962). This marketization of the public sphere of the lifeworld may be viewed in terms of a transformation of club goods into private goods with institutional actors succumbing to pressures for commercialisation. Current debates on an emerging ‘post-democracy’ mark that point, for they involve a ‘commercialization of citizenship’ with blurred boundaries between democratic deliberation and commercial spectacle (Crouch 2004, pp. 4, 78).
- *Marketization of the political-administrative system (A→B)*: Market and state are complementary expanding systems, as outlined by Polanyi and Habermas. At the same time, marketization directly affects the political-administrative system and changes its rationale. This is well exemplified by the thrust for economisation that goes with new public management accompanied by policy reforms in key domains of government such as social welfare and higher education, which are set to marketize the supply of governmental services by transforming public goods into private goods (Levidow 2002; Rieger and Leibfried 2003). In this way, phrased in Habermasian terms, not only are the relationships between system and lifeworld restructured in a market-oriented manner, but also those between the subsystems themselves.
- *Marketization of the market system (A→A)*: This instance of intensive marketization implies that even in an established market setting, institutional constraints on the market process may be relaxed while the competitive logic of private goods is reinforced. For example, this may involve the design of market institutions in accordance with economic theory, which illustrates the performativity of economic models of market competition in the social construction of markets (Mackenzie, Muniesa, and Siu 2008). In addition, the technological infrastructures of markets matter. For instance, the introduction of synthetically computerised transactions on financial markets has increased competitive pressures while social relations among the involved actors come to resemble the ideal type of spot markets (Mirowski 2007; Preda 2009, pp. 198–199).

Reconsidering these varieties of marketization involves the viewpoint that marketization proceeds asymmetrically in the major sectors of society, depending on specificities in institutional structures, interest configurations and power relations. Therefore, theorising marketization needs to account for the actual diversity of marketization processes in terms of contested institutional changes that evolve in the context of markets, states and private and public spheres. After all, marketization is a key component in the institutional evolution of modern capitalism with all of its commonalities and diversities (Streeck 2011, p. 161). However, capitalism cannot be reduced to the logic of the market alone, for the latter is persistently contested in all the main institutional fields of society. The varieties of marketization thus reflect the norms, rules as

well as interests and ideas that mark the actually existing national and regional varieties of capitalism.

5. Conclusion

The concept of marketization, as discussed in this paper, denotes both the expansion of market mechanisms into non-market coordinated domains of society and the intensification of market coordination in already established market domains. Polanyian and Habermasian positions on marketization share a complementary concern with the parallel expansion of market mechanisms and bureaucratic forces, which may erode social coherence and endanger democracy.

Polanyi's approach to the economy as an 'instituted process' takes the embeddedness of markets in non-market modes of coordination as a point of departure in order to highlight the dissemination of market mechanisms as a politically shaped and socially contested historical process. The Habermasian thesis of the 'colonisation of the lifeworld' further elaborates on these issues. It addresses markets as systemic mechanisms that are part of a 'monetary-bureaucratic complex', which expands into the lifeworlds of the private and public sphere.

In advancing an institutionalist theory of marketization, the positions of Polanyi and Habermas may be augmented by perceiving markets as terrains of complex social processes that interact with the domains of communities, civil society and government, all of which are subject to the provision of distinct types of goods. This leads to a reconsideration of the types of collective goods that are subject to marketization in diverse institutional fields. The corresponding varieties of marketization reflect a contested expansion of the logic of private goods from the market system all across the political-administrative system as well as the private and public spheres. Exploring the institutional dynamics of these varieties of marketization poses a key challenge for further theorising.

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