

THE EMBEDDED MARKET · CHAPTER FOUR

The Membrane That Listens

Chapter Four of The Embedded Market

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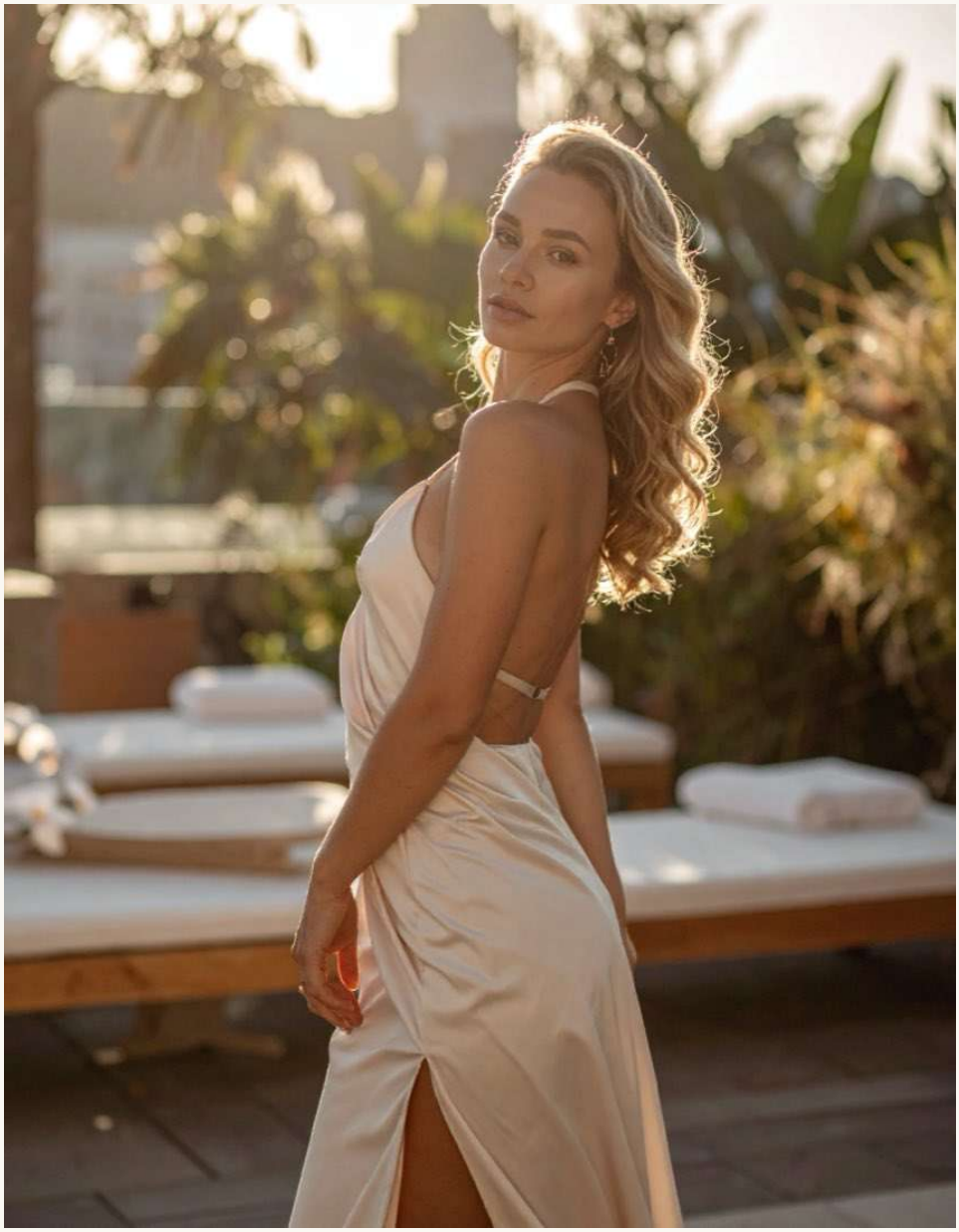
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ABSTRACT

Under a microscope a single cell looks like a small, self-contained world. It is not. Everything that keeps it alive happens at its edge. The membrane around it is a few molecules thick, and it does two jobs at once. It holds the cell together, so that what is inside stays organised. And it is constantly letting things through, nutrients in, waste out, signals in both directions, so that the cell knows what is happening around it and can respond. A cell with no membrane dissolves into its surroundings. A cell with a membrane that lets nothing through starves, and dies without knowing why. That image is the best short description of what this book has been calling embeddedness. Karl Polanyi's argument in The Great Transformation , traced in chapter 2, was that a market needs a membrane of social relations around it: law, custom, obligation, the claims of land and of human life. Remove the membrane, try to make the market the thing everything else lives inside, and the society it serves begins to come apart.

CHAPTER FOUR

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HAUTE LUMIÈRE · THE EMBEDDED MARKET · CHAPTER FOUR

A cell on a slide

Under a microscope a single cell looks like a small, self-contained world. It is not. Everything that keeps it alive happens at its edge. The membrane around it is a few molecules thick, and it does two jobs at once. It holds the cell together, so that what is inside stays organised. And it is constantly letting things through, nutrients in, waste out, signals in both directions, so that the cell knows what is happening around it and can respond. A cell with no membrane dissolves into its surroundings. A cell with a membrane that lets nothing through starves, and dies without knowing why.

That image is the best short description of what this book has been calling embeddedness. Karl Polanyi's argument in *The Great Transformation*, traced in chapter 2, was that a market needs a membrane of social relations around it: law, custom, obligation, the claims of land and of human life. Remove the membrane, try to make the market the thing everything else lives inside, and the society it serves begins to come apart. Albert Hirschman's *Exit, Voice, and Loyalty* described, at the scale of one organisation, the two ways that membrane senses the world: people leave, or people speak.

This chapter reads both through the house's own lens, the living-systems reading set out in Ammanuel Santa Anna's *Ecstatic Economics* and in the Luminous 100. The claim it makes is specific. Exit and voice are not alternatives a market chooses between. They are two phases of one sensing rhythm, like breathing in and breathing out, and a healthy economy needs both, in proportion, all the time. The failures described in chapter 3 are, almost without exception, failures of rhythm: one phase has stopped, or the other has taken over.

A note on method first. The cell is an analogy, and analogies between organisms and economies have a long and uneven history. The house uses them as instruments for noticing, not as proofs. Where the analogy suggests something a leader can check, this chapter says how to check it.

What the book adds to Polanyi

Ecstatic Economics begins where Polanyi ends. Polanyi argued that labour, land and money are not commodities, because none of them was produced for sale. Santa Anna's book takes the next step and asks what happens to the people inside an economy that treats them as if they were.

Its answer is that the economy lives in the body. The book argues that "economic exchange at its best is not a transaction between isolated agents. It is a relational event between nervous systems." That is a strong claim, and the book grounds it in the somatic research it surveys, particularly the polyvagal framework, which describes how human nervous systems shift between states of safety and connection, mobilisation, and shutdown. The book's reading of Polanyi follows from it. A disembedded market is not only a different institutional arrangement. It is an arrangement that keeps the people inside it in a state of alarm, because every relationship has become a transaction that could end at any moment.

The book is careful about how far it takes this. Its chapter on the anxiety that money produces names a pattern it calls relational numbing, in which people for whom every relationship might be financially motivated find that "the nervous system learns to dampen relational signals." It is describing, in the language of the body, what Hirschman described in the language of the firm. A system that can only hear exit stops hearing anything else.

The book's chapter on governance applies the same reading to institutions. It begins with a sentence political science seldom writes: "governance has a somatic dimension." The experience of being governed, it says, "registers in the body before it registers in the mind." A citizen who votes every few years and is otherwise managed has what the book calls "a felt sense of being governed *at* rather than governing *together*." That is a description of a membrane that lets very little through. The citizen can leave, by emigrating or disengaging, and can occasionally speak, by voting. In between, nothing travels.

The membrane

Read with the book's lens, Polanyi's embedding is a membrane with three properties, and each one is something a leader can observe.

It is selectively permeable. A healthy membrane does not let everything through. It lets through what the cell needs and keeps out what would damage it. An embedded market works the same way. Some things are rightly priced and traded freely; others, a person's safety, the integrity of the land, the stability of the currency, are held back from the market's full logic by law and custom. Polanyi's fictitious commodities are the places where the membrane needs to be least permeable. A firm that lets the market's logic run straight through its treatment of people, with hours, safety and dignity all set by the cheapest available bid, has a membrane with a hole in it.

It carries signals. This is the property Hirschman describes. Exit is a signal: a customer leaves, a member resigns, a supplier stops supplying. Voice is a signal: someone stays and says what is wrong. A membrane that carries only exit signals is like a cell that registers only when something has already been lost. A membrane that carries voice registers the problem while there is still time to respond.

It is alive. A cell membrane is not a wall. It is constantly being rebuilt from the inside. The equivalent in an economy is that institutions, relationships and customs have to be maintained or they decay. Santa Anna's book, writing of enclosure, describes what happens when that maintenance stops: "the relational web of mutual obligation that governed their use is severed." The web was not a fixed structure. It was the continuous practice of people who knew each other.

The Luminous 100 makes the same point about stakeholders in the language of strategy. Its upgrade of the conventional stakeholder map, which sorts people by power and interest and assigns each a management strategy, proposes asking instead: "Who are the living beings and systems affected by this decision? What is

the quality of our current relationship with each?" It goes further and rewrites the verbs, "replacing "manage closely" with "deepen relationship" and "monitor" with "extend awareness and care."" Read beside Hirschman, that is a description of opening the membrane. A stakeholder who is managed can only exit. One who is in relationship can speak.



The nervous system

HAUTE LUMIÈRE · THE EMBEDDED MARKET · CHAPTER FOUR

The nervous system

If the membrane is where the economy meets the world, voice is how the signal travels inward. The book's workplace chapter states the principle plainly: "Vitality requires information." And it describes what happens without it in an image that has already appeared: organisations that suppress feedback become "the economic equivalent of a body that can't feel pain."

The research witness here is Amy Edmondson's work on teams. In a study of fifty-one work teams in a manufacturing company, published in 1999, she found that teams whose members shared a belief that it was safe to take interpersonal risks, to ask a question, admit a mistake or raise a concern, engaged in more learning behaviour, and that learning behaviour was associated with better team performance.[18] The finding has been widely replicated in its broad shape, though how large the effect is, and how it varies across settings, remains an active question. It is a description of a nervous system that conducts. A team where people speak is a team where signals reach the place where action is possible.

Santa Anna's *Organizational Soul Work* describes what happens when a leader opens that conduction deliberately. When a person with positional power names an uncomfortable truth, especially one about their own contribution, he writes, "it sends a signal through the entire organizational nervous system: *it is safe to be honest here*." The phrase is not loose. A nervous system is a set of pathways along which a signal either travels or does not. A leader's behaviour sets the resistance on those pathways.

The root system

Loyalty, in this reading, is the root system. It is the part of the organism that is not visible, that holds it in place through a bad season, and that allows it to draw on reserves when the surface is under stress. Hirschman's loyalty does exactly this. It holds a member in place long enough for voice to work, and it lets an organisation survive a decline that would otherwise have emptied it.

Roots can also hold a plant in poor soil long after it should have moved. That is the loyalty critique from chapter 3, seen from the ground. The Luminous 100's upgrade of the Net Promoter Score names the distinction precisely. The conventional instrument, it says, "measures transactional loyalty but misses relational depth and developmental impact." A customer who will recommend you because switching is inconvenient has shallow roots. A customer who stays because the relationship has changed something for them has deep ones. The upgrade replaces the follow-up question with a better one: "describe the moment when our work most mattered to you." That question measures roots, not inertia.

Exit and voice as breathing

Here is the chapter's central claim, stated as plainly as possible. Hirschman's book is often read as describing a choice: a dissatisfied member either exits or uses voice. Read as a living system, exit and voice are not

a choice between two tools. They are two phases of one rhythm, and the health of a market or an organisation depends on both phases being present, in proportion, over time.

Exit is the out-breath. It is how a living system releases what no longer fits: a customer moves on to a provider who serves them better, a worker leaves for work that suits them, capital moves to where it is more needed. Without exit, a system becomes a lazy monopoly, in Hirschman's phrase, holding on to members who should have gone and protected from the most honest signal of all.

Voice is the in-breath. It is how a living system takes in what it needs to know: a complaint, a warning, an idea from the edge. Without voice, a system releases members without learning why, and the decline Hirschman watched on the Nigerian railway sets in.

The Luminous 100's upgrade of Polarity Management describes the shape of the relationship exactly. Apparent opposites in organisational life, it says, are "breathing rhythms of a single living system," and "the creative power in any polarity lives not in either pole but in the dynamic movement between them." Applied here, the question for a leader is never whether to have exit or voice. It is whether the rhythm between them is working: whether people who leave are leaving for good reasons, and whether people who stay are speaking.

Every failure in chapter 3 is a broken rhythm. The Speenhamland Commission heard the exit of rising poor rates and never took in the voice of the labourers. The restaurant chain in Detert and Burris's study lost the voice of its best people first, which meant its next exits would be its most costly.[19] The organisation that locks people in with punitive terms has stopped the out-breath, and gets neglect, a kind of held breath, instead.



Three signs the membrane is failing

HAUTE LUMIÈRE · THE EMBEDDED MARKET · CHAPTER FOUR

Three signs the membrane is failing

The reading earns its place only if it helps a leader notice something earlier than they otherwise would. Three signs, each observable without special instruments, suggest a membrane that has stopped listening.

The surprise departure. When someone leaves and the people closest to them say they had no idea, the membrane has been carrying exit without voice. In a healthy system, departures are usually preceded by conversations: a concern raised, a request refused, an alternative explored. When a leader is regularly surprised by who goes, the signals were travelling somewhere else, or nowhere.

The uniform report. When every review, survey or supplier scorecard comes back in the same narrow band, mildly positive and without detail, the membrane is filtering out everything that does not fit the form. Santa Anna's *Organizational Soul Work* calls this structural silencing, and it is the easiest of the three signs to mistake for good news. Real systems are uneven. A report with no unevenness in it is a report that is not reaching the edge.

The late fix. When problems are routinely found by customers, auditors or regulators rather than by the people who work closest to them, the signal path from edge to centre has broken. Chapter 5 follows one industry in which this pattern cost a great deal.

None of these signs is proof on its own. Each is a reason to look more closely, using the map at the end of this chapter. Taken together, they describe a cell whose membrane still holds it together but no longer tells it what is happening outside. The organism looks intact. It has stopped learning.

What the reading can and cannot do

The living-systems reading is a lens. It is good at three things. It makes visible what a conventional analysis misses: that silence is a signal, that the most valuable members leave first, that loyalty can be deep or shallow. It turns abstract arguments into things a person can feel: the difference between being governed at and governing together is something most people recognise in their own bodies. And it joins ideas that are usually kept apart, Polanyi's history, Hirschman's theory, the research on psychological safety, into a single picture that a leader can hold.

It cannot measure. The membrane is an analogy, and its permeability cannot be read off a meter. The claims about nervous system states in *Ecstatic Economics* draw on a body of research whose application to whole economies is still largely interpretive, and the book presents them as a framework for practice rather than settled findings. And the reading does not, by itself, say what a specific organisation should do. That is the work of the next chapter, which takes one public case and works it through.

The book is clear about this limit in its own terms. Its practices are invitations, not prescriptions, and its chapter on governance warns against assuming that any structure, however well designed, works without the people inside it changing too.

The cell, again

Back to the slide. The cell is still there, its membrane a few molecules thick, letting through what it needs and holding back what it does not, registering every change outside and carrying the signal inward. It is not a wall and not an open door. It is a listening edge.

Ecstatic Economics closes its account of the gift economies Polanyi studied with a line about the oldest form of that edge. In those economies, the book says, "Wealth was not something you *had*. It was something you

moved." The membrane is where the moving happens. A market that keeps its membrane alive goes on moving: taking in what it needs to know, letting go what no longer fits, and remembering, through its roots, why it is there.

That is what it means for a market to be embedded. Not walled in, and not dissolved. Listening.

The Tool: The Membrane Map

A one-page map of where your organisation or household meets the world, and how it senses what is happening there. Allow ninety minutes the first time. It can be drawn on paper or a whiteboard.

1. Draw the edge. In the centre of the page draw a circle for your organisation, team or household. The line of the circle is the membrane. Outside it, place every party you exchange with, grouped loosely: people who work with you; customers or those you serve; suppliers and the places you depend on; lenders, funders and investors; regulators and the wider community.
2. Mark what crosses. For each party, draw an arrow inward for what they give you (work, payment, materials, trust) and an arrow outward for what you give them. Write one word on each arrow. If an arrow is only money in both directions, mark it with a small square: this is a purely priced relationship.
3. Mark how you sense. For each party, add one of three symbols at the point where they meet the circle. V if they have a working voice channel, something they have used in the past six months to tell you something. E if the only way you would learn of a problem is that they leave or stop. S if they once used voice and have since gone silent.
4. Find the held breaths. Circle every party marked E or S whose arrows also carry something Polanyi would call fictitious: people's time and safety, land or premises, or the credit you run on. These are the places where your membrane is weakest at the points it most needs strength.
5. Choose the in-breath and the out-breath. For one circled party, write one change that would add a voice channel: a standing conversation, a question added to an existing review, a named person they can call. Then look for one party you are holding on to past their fit, a relationship that should end well, and write how you would let it go generously. Act on both within a month.

Reading the map. A healthy membrane shows mostly Vs, a few Es on relationships that are rightly arm's-length, and few or no Ss. Silences are the most important marks on the page, because they are the places where voice once worked and stopped. Redraw the map every six months. A map that has more Vs and the same or fewer departures is a membrane that is listening.

Your page — run the The Membrane Map here, dated.

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