

THE EMBEDDED MARKET · CHAPTER THIRTEEN

Holding the Market Well

Chapter Thirteen of The Embedded Market

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THE LICENCE

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Chapter Thirteen of The Embedded Market. The whole book, with every chapter, is at business.hautelumiere.life/library/the-embedded-market (DOI https://doi.org/10.5281/zenodo.23989474).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

In 1982 Albert Hirschman, twelve years after Exit, Voice, and Loyalty , published an essay that set three old opinions about the market side by side. The first, which he traced to the eighteenth century, held that commerce civilises: people who trade with each other learn to be polite, reliable and peaceable, because their interests depend on it. The second, which ran through Marx and many conservatives alike, held that the market destroys: it dissolves the traditions, loyalties and moral restraints on which it depends, and so eats away at its own foundations. The third held that the market is feeble: that in many places it had never fully freed itself from older structures of power, and that its problems came from too little market rather than too much.

CHAPTER THIRTEEN

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Three opinions about the market

In 1982 Albert Hirschman, twelve years after *Exit, Voice, and Loyalty*, published an essay that set three old opinions about the market side by side.[52] The first, which he traced to the eighteenth century, held that commerce civilises: people who trade with each other learn to be polite, reliable and peaceable, because their interests depend on it. The second, which ran through Marx and many conservatives alike, held that the market destroys: it dissolves the traditions, loyalties and moral restraints on which it depends, and so eats away at its own foundations. The third held that the market is feeble: that in many places it had never fully freed itself from older structures of power, and that its problems came from too little market rather than too much.

Hirschman's point was not to choose. It was to notice that each opinion was true somewhere, and that people tend to hold one of them as if it were the whole truth. Marion Fourcade and Kieran Healy, reviewing the sociology of markets and morality in 2007, built their survey on his framework and found all three views still alive in the research, often in the same field.[53]

This book has spent its first chapters on two books that belong, roughly, to Hirschman's second opinion. Karl Polanyi's *The Great Transformation* argued that a market lifted out of society destroys the substance it lives on. *Exit, Voice, and Loyalty* described how an organisation that can hear only departures declines without understanding why. Both are warnings. But neither Polanyi nor Hirschman was an enemy of markets, and the closing claim of this book is that their warnings are, in practice, instructions for holding a market well. A market held inside working relationships, with voice that travels and exit that stays available, is the civilising market of the first opinion. The destroying market of the second is the same institution, held badly.

The question for a leader or a household is therefore not whether to have markets, but how to hold them. This chapter joins that question to three other books in Ecstatic Economics, sets out what to do on Monday, and ends with one tool and one image.

The commons: voice with rules

The nearest neighbour to this book is the work of Elinor Ostrom, whose study of how communities govern shared resources is the subject of a companion volume in this series, *The Pasture Was Never Empty*. Ostrom's design principles for long-enduring commons include several that are, in Hirschman's language, voice channels with rules: arrangements that let the people affected by the rules take part in changing them, monitors who are accountable to the users, graduated sanctions, and cheap, local ways of resolving conflict.

Read beside this book, a working commons is a case of a resource that is neither fully marketised nor fully controlled by the state. It is embedded, in Polanyi's sense, in the relationships of the people who use it. And it stays embedded because voice works: people who see a problem can raise it, and the rules can

change. Ammanuel Santa Anna's *Ecstatic Economics* describes the opposite case, enclosure, as the moment when "the relational web of mutual obligation that governed their use is severed." Ostrom's commons is that web kept alive by design.

The practical lesson for a leader is that voice does not have to be informal to be real. A shared resource inside an organisation, a budget pool, a lab's equipment, a team's time, can be governed by a few clear rules about who decides, how concerns are raised and how disputes are settled. Those rules are the membrane described in chapter 4, written down.

The gift: loyalty with roots

The second neighbour is the economics of gift and reciprocity, the subject of gift and reciprocity. Polanyi drew directly on the anthropology of the gift, and so does Santa Anna's book, which describes, in the gift economies Marcel Mauss and later scholars studied, a society in which status came from giving rather than holding. "To hoard was not shrewd," the book says of those economies. "It was shameful."

The connection to this book is through loyalty. Hirschman's loyalty is the attachment that holds a member in place long enough for voice to work. In a gift relationship, that attachment is built from what has been given and received over time, which is why it can bear the weight of a complaint. A customer who has been treated generously can tell you something hard without the relationship breaking. A customer who has only ever been charged correctly has less reason to stay and speak.

The book is careful not to romanticise this, and this book has followed it. Gift relations can carry obligation and hierarchy as well as warmth. But the principle stands: loyalty with roots is built by giving something before it is asked for. In practical terms, this is the supplier who is told about a change in plans before the contract requires it, the employee whose good work is noticed before review season, the neighbour who is helped before they ask. Each of these deposits makes the next difficult conversation possible.



Patient capital: time for voice to work

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Patient capital: time for voice to work

The third neighbour is patient capital, the subject of patient capital. Voice takes time. A complaint has to be heard, understood, acted on and followed up, and the improvement it leads to may not show in the next quarter's figures. An organisation under pressure to show results every ninety days is under constant pressure to choose exit over voice: to replace the supplier rather than work with them, to let the unhappy employee go rather than find out why, to cut the underperforming product rather than ask its customers what is wrong.

That is why the question of who owns a firm, and how long they intend to hold it, is part of this book's subject. Owners and lenders who expect to be present for years have reason to invest in voice, because they will be there when it pays. Owners who expect to sell soon have reason to prefer the cleaner signals of exit, because those show up on the timescale they care about. Chapter 5's contrast between General Motors and Toyota is in part a story about which kind of patience each firm brought to its suppliers.

Santa Anna's book draws on the Haudenosaunee principle of considering decisions across seven generations as one expression of the same idea: the people who will live with a decision have a claim on it. A leader does not need seven generations to apply it. Three years is enough to change which signal an organisation prefers.

What joins them

The four have one thing in common, and it is what this book has been circling. Each is a way of keeping a market inside relationships that can carry information. The commons does it with rules. The gift does it with obligation freely taken on. Patient capital does it with time. Embeddedness and voice name the result: a market that can still hear what it is doing.

The book puts the underlying principle in its account of what it calls us-two logic, drawn from the work of Tyson Yunkaporta, in which every economic act happens within a web of relationships. "To make an economic decision without considering these relationships is not rational," the book says. That sentence would have satisfied Polanyi. Hirschman would have added only the practical corollary: and you will not know what the relationships are telling you unless you have built a way for them to tell you.

The Luminous 100 gives the shape of the whole in its reading of the Viable System Model: "holons all the way up and all the way down, each simultaneously autonomous and embedded." A household inside a neighbourhood, a team inside a firm, a firm inside a market, a market inside a society, a society inside the living world. Each one makes its own decisions. Each one is held inside something larger that it needs to hear.

That nesting is also why the practical steps below work at any size. The same three questions, where am I hearing only exit, what does it cost to speak, and which conversations are kept apart from price, apply to a family deciding which providers to trust, a team lead with a dozen people, and a board responsible for a supply chain across several countries. The scale changes the effort. It does not change the question.

The objection from efficiency

There is a serious objection to everything, and it deserves an answer before the practical steps. Markets work, the objection runs, precisely because they do not require relationships. A price carries an enormous amount of information in a single number, and lets strangers cooperate without knowing or trusting each

other. Every hour spent on voice, on long relationships and supplier conversations and grievance channels, is an hour not spent producing. Exit is cheap, fast and impersonal, and that is its virtue. Why replace it with something slow and costly?

The answer this book gives is not that the objection is wrong. It is right about a great many transactions. A household buying petrol, a firm buying standard stationery, an investor buying a widely traded share: in each case, the price says almost everything that needs saying, and an arm's-length market is the best membrane available. Polanyi himself never argued otherwise for genuine commodities.

The objection fails in a narrower and more important set of cases: where what is being exchanged is complex, changes over time, or involves the things Polanyi called fictitious, people's working lives, land and the places people depend on, and the credit that keeps an organisation running. In those cases, the price cannot carry what needs to be known, because what needs to be known has not happened yet. The supplier's engineer knows something about next year's part that no price this year can reflect. The employee knows something about next quarter's customer that no salary can encode. In those relationships, exit tells you late and voice tells you in time.

The skill this book asks of a leader is to know which relationships are which, and to hold each one accordingly: lightly where a price says enough, closely where it cannot.



What to do on Monday

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What to do on Monday

For a leader, three things, in order.

First, find out where you are hearing only exit. Use the embeddedness audit from chapter 2, or simply list your ten most important relationships and ask, for each, when they last told you something you did not know. Wherever the answer is *never* or *only when they left*, you have found a place where the market around you has been disembedded.

Second, lower the price of one voice. Chapter 3's voice cost ledger shows where speaking up is expensive in your organisation. Choose one cost, slow response, no follow-up, private-only channels, and change one habit for a month. The research on voice suggests that what you visibly do with what you are told matters more than what you say about wanting to hear it.

Third, separate one voice channel from price. If you buy from others, use the supplier voice protocol from chapter 5 with your three most important suppliers. If you manage people, hold one conversation each month that is explicitly not about performance ratings or pay, and ask what they are worried about that you have not asked.

For a household, the same three steps, smaller. Notice where the family learns about problems only from a bill or a departure. Lower the price of speaking up at home, especially for children, by thanking a concern before answering it. And keep one or two long relationships with the people and businesses you depend on, a doctor, a mechanic, a bank, a neighbour, deep enough that they would call before something goes wrong.

The household version deserves a little more space, because it is where most people first meet the market and where the lessons of this book are easiest to test. A household's membrane is made of perhaps a dozen relationships that matter: an employer or two, a landlord or lender, a doctor, a school, a few providers of things that break, the neighbours. For most families, some of these have already become purely priced, met through an app or a call centre, and some remain personal. Neither is wrong. The question is whether the personal ones are the right ones: whether the relationships that carry the family's health, home and income are the ones where someone would tell them something in time.

The High Frequency Workbook describes money itself as "a river of energy that flows through the world in patterns shaped by both individual choice and collective structure." A household cannot change the collective structure on Monday. It can choose which of its relationships to hold closely, and it can make it easy for its own members, children included, to say when something is wrong. That is embeddedness at the scale of a kitchen table, and it is the scale at which most people learn whether voice is safe.

None of these steps is large. Santa Anna's *Luminous Moral Development* makes the case for starting small in a sentence about personal courage that applies just as well to institutions: "you don't build strength by lifting the heaviest weight once. You build it by lifting manageable weights repeatedly." An organisation learns to hear itself the same way, one returned call at a time.

What this book cannot show

A book that argues for honesty about limits should end with its own. It has relied on two classic books, one historical argument and one theoretical framework, and on a body of research that supports their central mechanisms in particular settings: grievance channels and quit rates in American labour markets,

managerial openness and employee voice in one restaurant chain, supplier relationships in the car industry. None of that research shows that more voice is always better, that embedded relationships are always wise, or that any particular practice will produce a particular result in a particular organisation. It shows a consistent pattern, and the tools are ways of finding out whether the pattern holds where you are.

The living-systems reading in chapter 4 is a lens for noticing, not a measurement. Its value is in what it lets a leader see. Whether what they see is accurate is a question for the audit, the ledger and the conversations, not for the metaphor.

A hand on a shoulder

Here is the image this part of the book ends on. A supplier's engineer is standing at a workbench with a part that does not quite fit. A carmaker's engineer has driven over to look at it. Neither of them is negotiating. One of them is pointing at the place where the seal wears, and the other has a hand on the bench beside it, leaning in. In a few minutes the drawing will change. Nobody outside that room will ever know.

That is what an embedded market looks like when it is working. Not a price on a screen, though there will be one. Not a contract, though there is one of those too. Two people inside a relationship that can carry a small, inconvenient truth from the place where it was seen to the place where it can be acted on. Polanyi wrote a book to say that markets cannot live without that. Hirschman wrote one to explain what happens when it fails. The bench is where it is kept.

The Tool: The Weekly Exit and Voice Review

Fifteen minutes, once a week, for a leader or a household. It keeps the rhythm of exit and voice visible so that neither phase stops unnoticed. Keep the answers in one notebook or one document, dated, so that the weeks can be compared.

1. Exits this week. Write down every departure, cancellation, lost customer, lost supplier, resignation or quiet withdrawal you learned of this week. For a household, include a provider you stopped using or a relationship that went quiet. Next to each, write whether you know why. If you do not, write *unknown*.
2. Voices this week. Write down every time someone told you something was wrong, at risk or could be better. Next to each, write what you did with it: *acted*, *explained*, *deferred*, or *nothing yet*.
3. The match. Look at the two lists together. For each exit marked *unknown*, ask whether there was a voice earlier, in this notebook or in your memory, that you did not act on. If there was, mark both. These linked pairs are the most valuable lines in the notebook, because they show where voice arrived and was not heard in time.
4. One call. Choose one exit marked *unknown* and contact the person or organisation, without trying to win them back, to ask what led to the decision. Write down what they say. Choose one voice marked

nothing yet and close it this week, even if the answer is that you will not change anything and here is why.

5. One deposit. Write down one thing you will give this week before it is asked for: information shared early, thanks given for a concern raised, help offered to a supplier, a neighbour or a colleague. Do it.

Reading the notebook. After a month, count three things: exits marked *unknown*, voices marked *nothing yet*, and linked pairs. All three should fall over a quarter. If voices rise while exits fall, the rhythm is working: people are speaking before they leave, and you are hearing them. If exits rise while voices fall, the organisation or household is moving toward silence, and the next step is the audit from chapter 2, done in full.

Your page — run the The Weekly Exit and Voice Review here, dated.

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