

Polanyi's ideas for socio-political production and consumption cooperatives and their realization in the
"El Arca" cooperative in Argentina

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Abstract

In the last years we have observed all over the world ingenious attempts to overcome the effects of the global market. Citizens have joined together and created community projects in an effort to survive and/or to achieve autonomy. "El Arca" in Mendoza is a self-organised cooperative of producers *and* consumers, a so called *prosumer* organisation, which aspires through this mechanism to avoid dependence on an external price-building market. Instead, they determine terms of exchange according to self-given rules that include social justice, fair trade, sustainability, and local needs. "El Arca" has been a success not only in terms of regional economic recovery, but also because it has given the community a certain degree of cohesion, and to its members a higher level of satisfaction. This experience is the "living proof" that another type of organisation, and therefore another kind of economy, is possible.

The social scientist and economist Karl Polanyi reflected on these issues during the interwar period. He analyses the principle of cooperatives on a philosophical basis—especially from the perspective of a concept of freedom based on responsibility—and therefore considers it as a main condition of the system which will overcome the difficulties of the "market-society." Democratic-led and democratic-owned organisations can solve, according to Polanyi, the antagonism between social demands on the one side and private initiative and market laws on the other. In this sense, they can act as the basic units of a possible "third way" between state socialism and liberal capitalism. Mutual associations are the organisational form *per se* which allows individuals, in their role as producers and consumers, to act responsibly towards themselves and the community. This will promote, in terms of Polanyi's thought, a previously unknown form of liberty: a *social* liberty based on transparency, knowledge, and responsibility. In this article I will provide a detailed analysis of the Argentinean experience from the theoretical perspective offered by Polanyi.

Key words: Karl Polanyi, El Arca, Latin-America, Cooperatives, Freedom

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1. Introduction

“If another kind of economy can take place, then another world is also possible.” This is one of main convictions behind the organisational experiment of El Arca in Mendoza, Argentina. El Arca is a so-called *prosumer* cooperative, i.e. an organisation owned and led by producers *and* consumers. It was founded in 2005 and in 2010, reached a turnover of USD \$240,000 (Ordoñez 2011). Active members of El Arca include 200 small producers (especially of food, textiles and artisanry), 300 families, 15 companies, 15 non-profit organisations, 4 public institutions and 2 universities (ibid.). More than 1,000 other people are estimated to be indirectly affected by this project (ibid.) Two other similar projects—in Córdoba and Neuquén—have begun operations in recent years that have used El Arca Mendoza as model.

El Arca is a result of a community-based effort to solve problems such as poverty, social exclusion and unemployment. Its founders note that it was *not* designed according to specific theoretical considerations but rather surged out of the practical needs of the people. However, this experiment would have been unconceivable without the shared convictions of the founders as well as their experiences in the social field. Many of the founders had been strongly influenced by a Jesuit priest who had worked with the poorest of the district in the 1980s (*Construyendo*: 4). From him they learned that each community is capable of solving its own problems by organizing itself and consciously cooperating (ibid. 4).

El Arca surged—like many other cooperatives in Argentina—as a reaction to the financial crisis in 2001. However, it differentiates from the typical Argentinean *empresas recuperadas* [bankrupted companies recovered by their workers] (Arnold 2013) because it created a completely *new economic agent*, namely a democratic-based organisation which serves as intermediation between producers and consumers. These kind of organisations deserve more theoretical attention than does a normal producer organisation on a mutual basis, for they are not only an effort to overcome the division between capitalists and workers, but *additionally*, they are an attempt to replace the price-building market with democratic decision-making.

In El Arca, there is still a functioning price system, but it is not exclusively determined by economic factors such as input costs and external demand. Prices are set according to *common principles* (ecological standards, fair pay, fair trade, and so on) and *in agreement* with the responsible consumer. The latter achieves a complete oversight of the production process and, as long as it is possible, of the wider chain of consequences (for the workers and for the community as a whole), which derive from his or her actions. Consumers can therefore decide as market agents *in knowledge* of the social consequences of their actions. Consumption becomes more than a mere economic action, but a political decision which concerns the whole community.

The principle of cooperation is, in fact, as old as mankind. The organisational form of cooperatives can be traced at least as far back as the beginning of the industrial era. Producer and consumer cooperatives

were an important theme of academic discussion in the first third of the 20th century. I would therefore like to examine this debate, in particular the socio-philosophical reflections of the social scientist Karl Polanyi (1886–1964), to theoretically analyse the experience of El Arca.

Karl Polanyi participated in the intensive intellectual discussion of the “Red Vienna” (Mc Robbie and Polanyi-Levitt 2000: 4f.) in the 1920s, in which alternative kinds of organisational systems were discussed by various different intellectuals such as Ludwig von Mises, Friedrich von Hayek, Karl Popper, Otto Bauer, and Otto Neurath. Polanyi’s thought is interesting today because he defended a system which differs essentially from a socialist administrative economy à la Neurath (1919), as well as from a market-led economy à la Hayek (1944). Polanyi (1944: 3) criticises central planning as authoritarian, but also catalogues the political ideal of the self-regulating market as a “Utopia”, and as a dangerous political project which destroys “the human and natural substance of society”. Polanyi proposes a third way, but this should not be understood either as a Keynesian middle or as the German *Soziale Marktwirtschaft* [social market economy]. Polanyi’s proposal is a radically different alternative, which is composed of markets becoming re-embedded in the political system.

In this post-market society, competitive markets will continue to exist, but they will not have a dominant role in society (Polanyi 1944: 251f.). Instead, they will be conditioned by regulations which defend human rights and freedoms (Polanyi 1925b: 129f; 1944: 256). Polanyi supports the principle of self-administration and the need for organizing production on a mutual basis. He further promotes direct democratic agreements between consumers and producers in order to co-determine production and distribution of basic goods (Polanyi 1925a, 1925b).

In the first part of this paper, I will present Karl Polanyi’s theoretical framework from which the conclusion that the price-building market should be replaced (in some spheres of society) by democratic procedures can be better understood. Polanyi’s main concern, as we will see, is not justice or redistribution but the *problem of human freedom* within a market society. Polanyi will look for institutional forms to overcome what he calls the “double repression” of the labourer caused by the alienation of his or her labour force and the reification of human relationships.

In the second part of the paper, I will describe the experience of El Arca, interpreting it in light of the Polanyian theory. Although el Arca was not designed consciously along Polanyian lines, the degree of similarity between the two proposals is remarkable. By considering this concrete experience, I primarily intend to demonstrate that Polanyi’s ideas—far from being utopian—provide a real alternative to the hegemony of neoliberal thought and policies. The case of El Arca can help us not only to better understand Polanyi’s model in its real dimensions, but also, as I hope, can help us change our beliefs regarding what is possible.

2. Polanyi's Theoretical Considerations

The self-regulating market and its consequences

Karl Polanyi's *The Great Transformation* begins with the words: "Nineteenth Century civilization has collapsed. This book is concerned with the political and economic origins of this event, as well as with the great transformation which it ushered in" (Polanyi 1944: 3). This simple description of the content of the book immediately demonstrates several important Polanyian insights, which, as I will argue, can help us to better understand our recent history as well as current trends. Polanyi asserts firstly that the 19th century was characterized by specific institutions; secondly that these institutions have come to an end, and thirdly that the fall of this civilization produced an institutional transformation, which, as we will see, is still in progress.

The 19th century civilization is characterized, according to Polanyi, by four institutions: the balance-of-power system among industrial countries, the international gold standard, the self-regulating market and the liberal state; the "fount and matrix" of this system being the "self-regulating market" and the "laws governing market economy" (ibid. 3). Polanyi explains in the following passages that the self-regulating market should not be understood as a fact, but rather as a political ideal, which in fact could not exist for long "without annihilating [...] society" (ibid. 3). For Polanyi, it is evident that the idea of organizing society exclusively through an automatic adjustment mechanism would endanger men and nature, and therefore would cause strong opposition. Society defended itself against the results of the self-regulating market, causing social reforms, which themselves disturbed the functioning of the market (ibid. 3f.).

The "market economy"—understood by Polanyi as a "self-regulating system of markets" (ibid. 41f.) or more specifically, as "an economy directed by market prices and nothing but market prices" (ibid. 43)—is based on a "fiction" (ibid. 75). A fiction, however, which, as Polanyi notes, has real and fundamental consequences for society. For self-regulation implies that not only consumption and industrial goods are traded in markets, but also the production factors are as well: land and labour (ibid. 75). The concept of the market economy therefore involves the *idea* of the commodification of aspects of social life previously organized by non-market principles (Lukács 1923). This commodification is, however, for Polanyi—in contrast to Marx or Lukács—not a *necessity* developed out of the logic of capital accumulation but rather a *possibility* in order to lead with the requirements of the industrial era. "Since elaborate machines are expensive" states Polanyi (1944: 41), "they do not pay unless large amounts of goods are produced." For the capitalist this means that a considerable demand for goods as well as a production process without interruption has to be assured, thus implying the claim that all factors involved in production (land, labour and money) must be immediately available, and therefore "for sale" (ibid. 41). Out of the development of the machine, argues Polanyi, emerges the *idea* of a self-regulating market (ibid. 40). However, the *conditions* for its factual emergence are not

naturally apparent in an agricultural society. Instead, as Polanyi states, they have to be created through strong political intervention (ibid. 41).

The constitution of the “market economy”—understood as a society led by the political leitmotiv of the self-regulating market—was accompanied in England and elsewhere by strong political struggles and required a severe transformation of social institutions (ibid. 43f.). Markets, Polanyi argues, are old institutions, but the *idea* of the market as the main organizing principle of society is a completely new insight, along with the belief that the motives of gain and profit are universal determinants behind human action (ibid. 43). Adam Smith’s assumption of a universal human propensity to barter and to exchange is, according to Polanyi (ibid. 43), more a prophecy than a scientific statement. It is true, as Polanyi argues, that the division of labour is found in almost all societies (ibid. 43). However, from this fact it does not follow that human beings have a natural tendency to exchange and form markets. On the contrary, argues Polanyi; division of labour is often accompanied not by exchange but by reciprocity and redistribution (ibid. 47ff.). Important human motives and action in past societies were related to religion, tradition, social acknowledgment, honour, and so on. The motive of gain is, as such, for Polanyi a historical exception that characterizes only the civilization of the 19th century (ibid. 249). Polanyi dates the definitive constitution of a market society in England at around 1834, the year in which the “free labour market” was finally set (ibid. 77). From 1795-1834 the so-called Speenhamland Law, which provided poor people with a minimum income “*irrespective of their earnings*” (ibid. 78, emphasis in original), was abolished. Starting this date, the “right to live” (ibid. 78) was eliminated, and survival was organized exclusively by a competitive labour market. For Polanyi this is the moment in which industrial capitalism became a *social* system (ibid. 83).

The abolition of Speenhamland Law is also the historical turning point in which the principle of *Laissez-faire* ceases to be a matter of mere academic interest, and transforms itself in the political leitmotiv of 19th century society (ibid. 137). Economic liberalism as “the organizing principle of a society engaged in creating a market system” (ibid. 135) became, only in the 1830s, the “secular religion” of the 19th century (ibid. 139). Before this decade, *Laissez-faire* meant only “freedom of regulations in the production”, while claims concerning international free trade and free labour market were not included (ibid. 136). The development of the leading export industry of cotton in England out of free trade legislation is, as Polanyi calls it, a “myth” (ibid. 136). On the contrary, this industry was supported by strong state regulation and protectionism (ibid. 136, 139).² Even Speenhamland Law and other legislation concerning the poor was seen, at the beginning of the century, as an *advantage* to the industry, as owners were free to dismiss workers without sending them into a state of misery (ibid. 136). The theoretical insights of economic liberalism only became politically relevant as the middle classes acquired political power in 1832 (ibid. 137). The constitution of the market economy was therefore not a natural event deriving from objective economic or social laws, but rather an outcome of political will.

² By 1800 imports of printed cottons were forbidden as well as exports of tools used in the cotton manufacture (ibid. 136).

A market economy—i.e. a society based on the political ideal of the self-regulating market—requires, however, what Polanyi (ibid. 71) calls the “institutional separation of society into an economic and political sphere”. Such a division is *not* typical for every society, but more an exception. For only in the market society is the economy ruled by a mechanism, whose laws are not only independent, but oft contradictory to the basic political and social principles of society. 19th century civilisation characterizes itself by the departure of the economic sphere from social relationships (ibid. 57, 71). The economy becomes an isolated sphere, which functions according to its own rules. This isolation, as Polanyi argues, demands sooner or later the transformation of the society according to its needs, i.e. the subordination of society to the requirements of the market (ibid. 57, 71). This subordination involves a complex of problems, especially regarding the treatment of labour and land as commodities. “To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market” argues Polanyi (ibid. 71). This implies the “demolition of society,” as we would be leaving the “fate of human beings and their natural environment” to an automated mechanism (ibid. 73). Starvation, extreme poverty, polluted rivers etc. could not be avoided in this model (ibid. 73). This is the crucial point as to why the political ideal of a self-regulating market breaks down at its limits and becomes a utopia. Such a model *is* politically unfeasible, for it is based on the absurd assumption that the production factors (human beings, families and land) are themselves “for sale” (ibid. 75).

The sole *attempt* to introduce such a model in society has brought (and still brings) strong social opposition. These “protective countermoves”, as Polanyi calls them, have avoided the total “annihilation” of society by the market (ibid. 76), but still they have endangered society in another way. According to Polanyi, state socialism and fascism are movements which can only be understood as a *result* of the inherent antagonism between the demands of the market and those set by democratic politics. While real socialism was an attempt to eliminate capitalism, fascism aspires to eliminate democracy, in order to maintain a functioning production sphere (Polanyi 1935).

The institutional separation between the economic and the political sphere is therefore at the very heart of the events which characterized Europe in the first half of the 20th century, and which finally led to World War II. The political ideal of the self-regulating market is, therefore, for Polanyi, an obsolete one; although he observes that there are still liberal economists who defend it. This liberal dogmatism derives, according to Polanyi, from the false interpretation of the role of the counter movement:

“Liberal writers like Spencer and Sumner, Mises and Lippmann offer an account of the double movement substantially similar to our own, but they put an entirely different interpretation on it. While in our view the concept of a self-regulating market was Utopian, and its progress was stopped by the realistic self-protection of society, in their view all protectionism was a mistake due to impatience, greed, and shortsightedness, but for which the market would have resolved its difficulties. The question as to which of these two views is correct is perhaps the most important problem of recent social history, involving as it does no less than a decision on the claim of economic liberalism to be the basic organizing principle in society.” (Polanyi 1944: 141f.)

(Neo)liberals consider the counter movement as a historical fact, but not as a necessity deriving from the logic of their own model. That is the reason why they support *limiting* democracy in order to block social reform and save the market economy (Rüstow 1929, Hayek 1977 and 1979).

Social freedom and the re-embeddedness of the markets in society

The alternative to the utopia of the self-regulating market is, according to Polanyi, not central planning, but a society with embedded markets. Polanyi supports *socialism* but he understands it to be: “the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society” (Polanyi 1944: 134). Socialism is therefore the logical answer to the insight that markets should not be more “than a useful but subordinate trait in a free society” (ibid. 134).

For Polanyi, socialism must be democratic, or it is not true socialism. The social *content* of this democratic socialism is “the fuller realisation of the dependence of the whole upon individual will and purpose—and a corresponding increase of responsibility of the individual for his share in the whole” (Polanyi 1935: 392f.). This includes institutions and policies which aim at “making society an increasingly plastic medium of the conscious and immediate relationship of persons”, such as the “[e]ncouragement of the initiative of all producers, discussion of plans from every angle, comprehensive oversight of the process of industry and of the role of the individual in it, functional and territorial representation, training for political and economic self-government, intensive Democracy in small circles, [and] education for leadership” (ibid.).

Socialism involves not only the aim of a more just and equal society, but also the aim for a more *democratic* society; one constituted by *autonomous* human beings, who consciously co-determine the social order in which they live. Democracy is understood by Polanyi neither as a type of government nor as a decision method (majority rule), but as a regulative idea, which is intrinsically tied to the concept of freedom and individual responsibility (Polanyi 1927: 143). On the contrary, the market system promotes a society in which citizens do not have any control over the economy and its consequences (ibid. 143). This market order is therefore a danger to freedom, for it does not allow individuals to assume responsibility for the real affects of their actions.

In a market society human beings face prices and act according to them. However, they have no idea either of the *causes* of these prices nor of the *real consequences* which derive from their interactions as market agents. Consumers act and assume responsibility only for the consequences “at this side of the market” (ibid. 152), i.e. for the direct effects of the single act of buying, while remaining completely blind to the effects “at the other side” of it. Most of the wealth created on one side of the world depends on the miserable conditions of the other side, according to Polanyi. Human beings acting within the market economy know about this causal relationship, but as they are not able to grasp each

detail of the production process, act *as if* they are completely ignorant of it. They feel free to buy and to sell at the given price, without noticing the real effects of his actions.

Market prices are—according to Polanyi using Marx's theory of reification—a result of the relationships between human beings (ibid. 140). They are real, although they do not have their own ontological existence. Market prices derive from the sum of many individual actions within predominating market institutions, having real effects on the lives of people only under these conditions. The problem that market prices and other “objectivations” (ibid., 156)—such as market laws or interest rates—set to human freedom is that they do not allow *oversight* into the real human relationships out of which they originate. Without the knowledge about these relationships, human beings cannot aspire to act freely (ibid. 158). For free are people who consciously choose in the knowledge of the consequences of their actions.

In the socio-economic framework of the market economy, the possibility of assuming responsibility is blocked arbitrarily. The reality of the market is declared as given and as the only way to deal with the complexity of an industrial society (Hayek 1945 and 1968). Freedom and responsibility “at this side of the market” is declared to be the only possibility, while in fact, this cannot be more than a vain “illusion” (Polanyi 1927:148, 151).

In a capitalistic economy based on the private property of means of production and the separation between capitalists and workers, not only is it the market prices which create an obstacle to freedom, but the basic organisational unit, namely the profit-seeking company. In this kind of organisation the worker suffers a “double repression”: firstly, he is alienated from the product of his work; second, the alienated part becomes capital, and dominates him through its own laws (ibid. 140). The worker plays therefore a tragicomic role, because he is both the cause and the subject of domination. This double repression can only be solved by working under a mutual basis (ibid. 143).

The concept of “social freedom” as proposed by Polanyi (ibid. 146) is developed from the insight that every “objectivation”—market prices, laws, etc.—originates out of the real relationships between human beings. It is based therefore in what Polanyi calls “social knowledge”, i.e. the fact that “*on the one hand there is no human behaviour, which does not have consequences for society, and that on the other hand there is no and there will never be a being, a power, a entity and a law in society, which is not based on some ground on human behaviour*” (Polanyi 1927: 146f., my translation, emphasis in original). “To be free” in this context means to act in consciousness of this fact. That is to assume responsibility for *our part* in the human relationships besides which there is no social reality (ibid. 147).

Polanyi's concept of social freedom can be therefore understood as the opposite pole of the liberal concept of freedom, which only supports freedom and responsibility at this side of the market (Hayek 1960: 83). This short-sighted vision of the possibilities of our freedom is completely arbitrary. It promotes a kind of ideal, in which a person is free *from* all relevant responsibility. On the contrary, Polanyian freedom is achieved *through* responsibility, not by escaping it (Polanyi 1927: 147).

At a political level, the concept of social freedom leads to policies which increase *oversight* into existing human relationships. Polanyi (1925: 114-119) will differentiate between external and internal oversight. While *external* oversight refers to the capacity of the State to have detailed information about events in society, which can be mainly grasped by statistical methods, *internal* oversight relates to the knowledge concerning individual needs, problems, and value judgements. This latter kind of knowledge is not to be achieved by a central authority, because it refers to individuals' "mental states" (ibid. 116). It is, however, this kind of oversight which is most relevant to the concept of freedom based on social knowledge and responsibility (Thomasberger 2003).

Internal oversight can be achieved by using the knowledge available in existing institutions such as democratic organized labour parties, trade unions, consumer cooperatives, and producer confederations (Polanyi 1925: 119). The emphasis is set by Polanyi in the term *democratic*. For in democratic organized associations, the real opinions of members are seriously taken into consideration (ibid. 119). In a democratic organized trade union there will be oversight into the real work efforts and work experiences of the members. Further, there will be oversight about other factors which influence the degree of personal satisfaction concerning wage differentials, such as family situation or job riskiness (ibid. 120f.). In a democratically organized industrial association there is not only technical know-how available, but also knowledge about the role of the different branches within one industry. The latter is indispensable in order to achieve self-administration of the means of production (ibid. 121f.). Consumer organisations at local and national levels provide detailed oversight about the needs of citizens and about problems, such as those industrial production causes to the neighbourhood (ibid. 122).

Detailed oversight about the needs of the people is therefore not impossible, but *within a market society* this knowledge cannot be expressed without setting the market into "panic" (Polanyi 1940: 280). Due to the institutional separation between economic and the political spheres, which characterizes the market society, democratic claims are often perceived to be against the market laws. Social reforms and state intervention disturb the functioning of the markets, and therefore need to be oppressed (Hayek 1977: 9).

Polanyi's solution is, on the contrary, to integrate the democratic procedure *within* the economy. He will borrow the concept of a "functional democracy" from Otto Bauer (Polanyi 1925: 124), in order to conceive a system in which prices concerning relevant spheres of society are set not by a self-regulating market, but through democratic "agreements" (Polanyi 1922: 96). Polanyi's ideal has to be understood as a reaction against both liberals of the Austrian School, and dogmatic socialists of the "Kautzky-Neurath-Trotskyan direction" (ibid. 72). Polanyi does not think that an economy in an industrial epoch can function by only applying use-values, but neither does he think that a market economy based on the idea of self-regulating market is the only alternative. Polanyi will instead propose a third alternative, in which markets are present, but *conditioned* by democratic claims (Polanyi 1925b: 128).

In “Sozialistische Rechnungslegung,” an article written in 1922 as an answer to Ludwig von Mises’ thesis of the impossibility of socialism (Mises 1920), Polanyi works on the construction of a socialist accountancy. The socialist economy differs from the capitalist one, because the latter considers a concept of productivity, which is mainly technical; maximum production by minimal use of resources. On the contrary, in a socialist economy the term productivity also includes social considerations, i.e. the total production is also judged according to principles derived by democratic decision making (Polanyi 1922: 81). These social considerations include the distribution of work efforts, incomes and life-relevant goods (staple foods, water, energy, transport, etc.), as well as the direction of production, and the use of natural resources and other means of production (ibid. 86f. and 97ff.; 1925b: 128).

Decisions concerning these spheres are taken after agreements between the political unity—representing the consumers and the community as a whole—and the producers association (Polanyi 1922: 96f.). Polanyi pays special attention to the democratic agreement process; this is characterized by the fact that in these discussions each person understands himself as *both* a producer and a consumer (Polanyi 1927: 161f.). Consumers and producers discuss with each other, but they realise that they have interests in both parties (ibid. 161f.). The decision will sometimes rely more on the side of the consumers, sometimes more on the side of the producers (Polanyi 1924: 85). This temporary weighting does not mean, however, that there is no balance of power between the parties as Mises (1923) suggests (Polanyi 1924: 85). Functional democracy is neither state planning nor guild socialism, as it is based on the acknowledgement of the parties and the commitment to democratic compromise (ibid. 85).

The relevant point about replacing the market system (in some spheres of society) with a democratic decision method is that the market changes its *function* (Polanyi 1925b: 128f.). It ceases to be the mechanism through which the degree of usefulness of the commodities, the income of entrepreneurs and workers, as well as product distribution and factor prices are determined (ibid.). Instead, as Polanyi argues, these spheres are now pre-determined or at least partially conditioned by social agreements. The function of the price system is also transformed. Prices of non-essential products and services continue to be set by markets, but in social relevant spheres prices cease to be a result of supply and demand, but rather an expression of political will (ibid. 131). Labour, natural resources, and life-essential products lose their character as commodities (ibid. 130), for the latter is characterized not only because it is produced “for sale”, but also because its usefulness (and survival in the market) is uncertain (ibid. 131). On the contrary, essential goods determined as such by democratic will are defined to be useful and their production is secure even when they do not create profits. The function of money, Polanyi notes, will also achieve in this context a great transformation, for it will cease to be the general value and exchange measure (ibid. 131).

For Polanyi (1922: 73; 1925b: 124), it is evident that this new post-market era requires not only changes at the political level (regulations, functional representation), but also and in particular at the *organisational* level. The role of the cooperatives here is of enormous relevance, for only people

organized on a mutual basis can truly become autonomous (Polanyi 1927: 143). If these producer cooperatives are inserted into community life, then a democratic agreement of products, qualities, quantities and prices is possible. For this purpose, Polanyi (1927: 154) proposes the formation of circulation units—between production, consumption and community life—which are *as small as possible*. Polanyi takes as an example the “villages of co-operation” formed and promoted by Robert Owen (1771-1858). In these smaller, regional contexts it is easier to achieve a better oversight into real human relationships, and therefore to apply the method of the functional democracy replacing the market as a decision mechanism.

Transparency through the use of local markets, regulations, democratic decision making and self-organisation are the key factors in achieving an autonomous society, i.e. one in which individuals freely co-determine the social order in which they live. One of the main obstacles in achieving this is, according to Polanyi, the predominant creed of economic liberalism and its beliefs: that there is no other alternative to central planning than as a society led by the market, that there is no other freedom than the one reached at this side of the market, and that regulations are *per se* a denial of freedom (Polanyi 1944: 256).

3. El Arca from a Polanyian Perspective

The history of the prosumer co-operative El Arca has been summarized in the text “Construyendo conocimientos desde las prácticas [Building knowledge out of the practice].” This text was written in order to systematize experiences and lessons learned, to share knowledge and practices, but also to better understand their own role as prosumer community in a wider—national and global—context.

The idea of an autonomous community was not born on just one day. It was also not an automatic result of the financial and economic crisis in Argentina in the year 2001. It has, on the contrary, a larger history and pre-conditions which have helped its emergence. In the 1980s, there were already efforts made by the first habitants of the city district in order to find solutions to extreme poverty and unemployment. These people were convinced firstly that a community has *legitimate needs*, such as access to water, electricity, accommodation, education, food and possibility to work and receive just wages. Secondly, they were sure that problems such as poverty and unemployment are not private issues, but common problems, which the community with its individuals had to solve.

It is interesting that the idea of an autonomous community is therefore not an alien idea, but it is inserted in common beliefs about the dignity of human beings and also about the role of the individual in the social order: “We are part of a community, as a leaf is part of a plant. Nobody says that he will care of himself alone, without caring of the community. It is so absurd, as if the leaf would say to the plant: I don’t care about you, I will care by myself” (*Construyendo*: 4, my translation). The conviction that each individual is part of the community is the first basic pre-condition of the efforts to find community-led solutions to common problems. The aspiration of autonomy for the community is the

second element, in particular the belief that “an organised community can be capable [to solve the problems] on its own” (*Construyendo*: 5, my translation). A third element was the firm conviction that the relationship with others through networking and co-operation are vital elements in creating a successful community. A fourth is that education at primary and secondary levels, but also adult education, is needed.

Out of these convictions, a community led project was developed first: The *Asociación Emprender Mendoza* (ASEM). People came together to share knowledge and learn from others. A first identification of community needs and available know-how took place. ASEM was an “innovative institution, which gave the first steps in the construction of inter-sectorial spaces” (*Construyendo*: 7, my translation). ASEM helped in this way not only to share existing technological knowledge, but also to articulate popular wisdom. It further supported the initiatives of young entrepreneurs and adults with less capacities and opportunities, promoting local development with more equality.

After the crisis in 2001, Argentina was immersed in a complex socioeconomic situation. The life conditions of most Argentines, but especially those of the poorest sectors of societies deteriorated acutely. In Mendoza, unemployment reached 40%, while around 35% of young people had neither job nor a place to study (*Construyendo*: 8.). For the inhabitants of the district it became evident that unpopular terms such as “country risk” or “financial crisis” had real and fundamental effects on daily life. It became also obvious that to wait for a political answer was pointless; instead, a community-led solution was required. The latter was, however, not simple and it took some years of trial-and-error before the concrete idea of a prosumer community was born.

The founding members report that it was necessary first to “believe” that a systematic solution was possible in order to be able to “see a new economic agent”, who would act as an intermediary between the many small producers and the community (*Construyendo*: 10, my translation). This new agent would not accumulate capital, but distribute it among producers. It would be the link between the community needs and the production possibilities at the local level. This new agent had the task of networking among producers, and also between producers and community. Institutions, families, students and in general all neighbours were contacted and addressed as responsible consumers. They were invited to form part of a common project, in which they could participate not only by buying, but by co-determining the direction of production and the distribution of income and resources; for the first time, the act of consuming became a social and political one. Responsible consumers are political actors, who consciously determine the social order in which they live.

El Arca understands itself as an inter-sectorial actor, which includes families, social organizations, local enterprises, schools, universities and state institutions. It is an auto-administrated organisation, which promotes the local community and is independent of political, religious and economic powers. Contracts are based on the principles of *fair-trade*, of *human dignity*, of *conscious and responsible consumption*, as well as the *care of nature*. It is a non-profit organization, but it looks for financial auto-sustainability. El Arca is firmly bound to produce with sustainable quality; it promotes direct

democratic participation and bases its operations on rules made out of democratic consensus. Operative and administrative processes are to be transparent and subject to social control. El Arca understands itself as an alternative, viable model of organization, and it is further a political player, which aspires to achieve influence in local and national legislation, in order to promote the development of this new kind of organisation.

How does El Arca function?

The general assembly of producers and consumers democratically elects an Executive Committee. This committee has the task of defining goals, general strategies and internal rules. Elected members are not required to have management skills at the time of the election, but they are expected to learn them “with time and conviction” (*Construyendo*: 25, my translation). Learning can take place among the members of the committee, but also using the associated network. Elected members enjoy the confidence of the assembly, but are also controlled by them. Time is invested in constructing transparent processes, in order for each of the members of the assembly to be capable of understanding and judging the decisions taken by the committee.

The executive committee delegates tasks concerning the daily events to an “operative team”; this is in charge of putting the general strategies of the organisation into practice; achieve the goals set, maintaining and expanding the network, and creating a monthly report of results. The operative team consists of an executive coordination, which includes the persons responsible for the following areas: administration, production, commercialization, quality control, and financing. El Arca favours students or academics engaged in fair trade and conscious consumption for these areas. However, finding them has been a difficult task, as “this new kind of operating within the economy is rarely transmitted in our academies” (*Construyendo*: 25, my translation).

The production area is tasked with promoting the production process with sustainable quality, promoting networking among small producers, and to diversify offered quantities and services. The commercialization area promotes products within the framework of a social economy and local development; it expands demand by reaching new families, companies, institutions, and also by applying for government contracts. The financial area looks for social investors, while the administration area guarantees the transparency of these processes.

Producers in El Arca are mostly artisans, small producers and young entrepreneurs, who normally do not have access to the labour market, and if they do they need a complementary activity to increase their income. Producer members share the conviction that a “full life” requires autonomous work and participation in the community. They support organic production procedures, and are prepared to enter in a democratic process in which the desirability and quality of their own products will be determined.

There are two types of contracts through which the producers are involved in El Arca: as “direct associated producers,” who use El Arca’s locations and are commercially advised by El Arca

specialists, and the “adherent associated producers,” who organize production independently from El Arca, but use the commercial channels it offers. The first group commits itself to prioritizing El Arca as an institution and determining their production according to its demand. They provide the production level required to reach the sustainability equilibrium.

Producers in El Arca commit themselves to quality, to transparency (e.g. open budgeting), to democratic participation with other producers and with consumers, and to shared knowledge. They divide themselves according to the productive areas (food, textiles, and artisanry) and practice self-organisation of the group; there is no “external” director who controls these groups, only internal social control. Within the group, competition is avoided and replaced by the principle of conscious cooperation. The decision about who is to fulfil a certain sale order is taken democratically. Producers with stronger positions (larger production scales, lower costs) are therefore not automatically preferred. This is only the case when the order requires a certain degree of complexity, which can only be provided by these larger producers. The “natural monopoly” is broken by democratic decision making and social compromise. This can be seen at the beginning as “inefficient” and therefore as a disadvantage for the consumers; in the middle term, however, this supports the development of the small producers, and therefore of the whole community. A “positive circle” is created, in which the most experienced producers share knowledge with the new ones. Synergies are also shared: if a new technique is found, training for all producers is guaranteed (*Construyendo*: 35f.).

El Arca offers to its producers the possibility of commercializing their products. It provides advice about tax payment and other legal issues, continuing education, and larger scale sales in cooperation with other producers. Self-organisation of the groups matters, as the producers know that they are not “employees”, but rather members of El Arca. Producers report larger satisfaction levels as they feel acknowledged by their colleagues and the community. They themselves feel free as they are able to co-determine important decisions and they do not depend on an external boss. They are also glad of their ongoing training and increasing capacities.

The relation between producers and consumers is not only defined by the commodities which they exchange. Instead, there is a close relationship between them based on *shared values*. To produce and to consume becomes more than a necessity or a part of the economic cycle; it is, on the contrary, the “implementation of citizenship” and therefore a political act which “transforms reality” (*Construyendo*: 40). Potential consumers of El Arca are every individual and every institution in the region. Of course, every potential consumer is also a potential producer. In el Arca, a company which buys uniforms for its employees provides the organisation with logistics. A producer of tomato buys the weekly vegetable box offered by El Arca. Many products can be also obtained not through money, but through direct exchange; in this way, someone can “pay” for his food by offering maths courses.

Consumers interested in the products and production processes of El Arca are primarily people engaged with the community with the firm conviction that their simple buying action has direct implications for the community. People are addressed as conscious persons, as human beings capable

of realizing their role in the economic cycle. Someone who always bought tomato sauce at the supermarket is able to understand that this money will very probably leave the region; instead, a bottle of tomato sauce bought at El Arca goes direct to the neighbour, promoting local development. The consumer does not even pay more for this product as it is prepared in returnable bottles. This system conserves the environment and reduces costs as no plastic packaging has to be paid for.

Many of these commodities are distributed directly to different homes or in schools of the neighbourhood. Higher transport costs do not arise as available spaces of trucks from companies members of El Arca are in use. However, it is important to note that consumer members of El Arca decide to participate in this project not because of the possible price advantages, but because they want to act consciously and responsibly.

Prices, qualities and services are determined in agreement with the consumers (Nievas *et al.* 2012). Three different groups are identified according to the needs: family networks and small businesses, institutions and big companies, and direct sale markets (*ferias*). Different strategies and communication methods are used in each of these groups. Families are reached through schools or neighbourhoods councils, while companies are visited directly in order to evaluate satisfaction and determine adaptation of the product (*ibid.*).

Last but not least, El Arca relies on a system of social finance, where investors receive a return on investment *in commodities*. Social investors support the production of El Arca because they realize the positive effect of their investment on the whole community.

4. Concluding Remarks

The experience of El Arca demonstrates that another kind of organisation is possible, one in which the double repression—reification and alienation—is at least partially overcome. Producers working in El Arca are not alienated either from the product of their work nor from their own labour, as created capital is re-distributed among those producers or re-invested for the sake of the organisation. The producers do not “sell” their working hours in an external labour market; they instead self-determine how much they can receive in a transparent process where the consumer is directly involved. The price system continues to exist, but it is not a system determined exclusively by external factors which neither the producer nor the consumer has the power to change. In this sense market prices lose their character as “objectifications”, i.e. entities completely independent of human will and purpose. On the contrary, prices become the result of democratic decision making.

The role of the responsible consumer is crucial in this context. His actions are not only determined by his desires as an *isolated* consumer but also as a *social* human being who takes into consideration the consequences for the community (Polanyi 1922: 83). This *conscious* and *responsible* human being is not an invention, it exists even after several decades of neoliberal hegemony, in which the picture of the egoistic individual who acts isolated from society was considered as the only reality. Friedrich

Hayek (1968) praised the market order as a “discovery procedure” and argued that one of its main advantages is the fact that it functions *without* requiring the knowledge of the market agents. Consumers and producers “need not know” of the causes behind price changes, argues Hayek, for “[i]t does not matter for him *why* at the particular moment more screws of one size than another are wanted, *why* paper bags are more readily available [...]. It is always a question of the relative importance of the particular things with which is concerned, and *the causes which alter their relative importance are of no interest to him*” (Hayek 1945: 525, emphasis mine). But El Arca shows that people care for their environment and for other members of society. They are also able to understand that the simple act of buying has larger implications for the community as a whole, and they aspire to be responsible for these consequences.

Although the founding members of El Arca do not ascribe their project either to the theory of Polanyi or to any other author, they do share the Polanyian conviction that freedom is based on oversight and responsibility and that the economy must not serve as an obstacle to freedom, but as an instrument of it. El Arca community in Mendoza is an attempt to reduce the impact of markets and to subordinate them under the goals set by democratic politics. It is an effort to construct a kind of economy, which is no more than a mere function of society integrated within the set values of the community. El Arca questions not only the finality of the labour market, but the function of prices, of money and in general of the markets as the main “organizing principle in society” (Polanyi 1944: 141f.).

The work of Karl Polanyi is a worthy theoretical source from which to understand this transformation. It provides a detailed and sharp analysis of the problems of the market society as well as of the institutional forms to overcome these problems. The best demonstration of the contemporary relevance of Polanyi’s ideas is offered by the several practical attempts in Latin America and elsewhere to overcome the dependency on global market prices (Valderrama 2012). The prosumer cooperative Arca is only one of these attempts: an effort to achieve a higher degree of autonomy and to increase human freedom based on responsibility.

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