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Do We Need a New 'Great Transformation'? Is One Likely?

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Abstract

Karl Polanyi wrote *The Great Transformation* in 1944 which analysed the double movement Europe experienced, from a situation where the market was heavily regulated and controlled in the eighteenth century to a virtually unregulated market in the nineteenth century, and the huge transformation in which the market was once more brought under control as a reaction to the poverty, unemployment and insecurity brought about by the unregulated market. Yet in both developed and developing countries there has since been a reaction with a new move towards the market. This paper analyses such processes in contemporary developing countries, and considers whether, in the light of the consequences of the unregulated market, a new Great Transformation is needed. It also considers whether such a transformation is likely, reviewing moves towards increased regulation of the market, and also the challenges faced by any contemporary great transformation arising from globalization and the nature of politics.

Keywords: markets, social protection, regulation, transformation
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> Undoubtedly, our age will be credited with having seen the end of the self-regulating market. (Polanyi 1944: 148)

> It appeared then [in 1995] that that the idea of an integrated world economy, founded on market relationships, had been reborn after a long collectivist hiatus. (Wolf 2005: xvii)

1 Introduction

In his path-breaking book *The Great Transformation: The Political and Economic Origins of our Times*,[1] Polanyi analysed what he called the Great Transformation in Europe in the nineteenth and twentieth centuries. Indeed, he actually describes a 'double movement': one from the pre-market, pre-industrial system to the market-dominated industrialization of the nineteenth century. The second—which was what he termed the Great Transformation—consisted in the succession of changes that were provoked by the predominance of the market model. When he wrote the book, in 1944, it seemed that this second transformation was here to stay. Yet, there has been a huge resurgence of the market since the 1970s—many of the changes which Polanyi described have been rolled back, especially in developing countries. Indeed, in developing countries, it appears that the situation may be back to one resembling the pre-transformation situation of nineteenth century Europe. This paper considers the types of change documented by Polanyi for Europe in contemporary developing countries, and in the light of these explores, first whether a new Great Transformation is needed, and second whether, in a Polanyi style reaction to the market model, such a transformation is likely.

The paper is organized as follows: Section 2 reviews Polanyi's two-stage transformations in Europe; Section 3 considers whether these same transformations also occurred in developing countries and the ways in which Polanyi's Great Transformation has been rolled back in developing countries, following a similar but smaller movement in this direction among the developed countries. Subsequently, in Section 4 we analyse first the desirability and then the likelihood of a new Great Transformation. Section 5 concludes.

Polanyi's basic argument was that the market model involved such excesses and distortions that a reaction was inevitable. Is this still true today? And are the political processes similar to those of nineteenth and twentieth century Europe, or have changes in the nature of capitalism in general, and constraints imposed by globalization on developing countries, in particular, made an effective reaction (or a new Great Transformation) impossible?

[1] All page references to Polanyi refer to the 1944 book.

2 Polanyi's Great Transformation

To understand the Great Transformation, or series of reactions to the pure market system reinstating regulation, one has first to explore the origins of this market system. While markets may exist in some form in most, if not all, societies, they frequently do so in a subordinate role which is not what Polanyi meant by a market economy. What Polanyi defines as a market economy is a self-regulating system 'directed by market prices and nothing but market prices' (Polanyi: 45). In such a fully fledged, self-regulating market system 'the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the market' (ibid.: 60). Markets dominate where (a) each individual is motivated primarily by economic gain for him/herself; and (b) there are no (or few) regulations preventing the free flow of resources to where gains are maximized. Polanyi argues that neither of these conditions obtained either historically or in pre-modernized societies,[2] so that 'Though the institution of the market was fairly common since the later Stone Age, its role was no more than incidental to economic life' (ibid.: 45).

Drawing on the famous anthropological works available to him (Mead, Lewis, Malinowski, Thurnwald) he claims that all anthropological research shows that economic (or maximizing) motives were subordinate to social relationships. '… man's economy as a rule is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social assets' (ibid.: 48). In these societies, transactions were motivated by principles of reciprocity and of redistribution, while what he defined as *householding*, following Aristotle, (subsistence production in modern terms) provided the third principle of economic production.

The subordinate role of private economic gains as a motive is one characteristic of non-market economies. Another is the pervasive regulation of transactions, including land, labour, financial capital, and goods which obtained in pre-nineteenth century Europe, as well as elsewhere. Internal as well as external trade was subject to strict regulations, often administered by guilds. Tolls and prohibitions restricted trade between towns. Though many of these were abolished as a result of mercantilist pressures in the sixteenth and seventeenth centuries, they were replaced by extended government regulation. Equally, land was embedded in social relations and controlled politically and socially, rather than through the market (ibid.: 73). Labour was subject to numerous regulations and controls, including those governing the relations of master, journeyman

[2] He quotes Aristotle as arguing that production for gain was not 'natural to man', although the fact that Aristotle found it necessary to state this suggests that production for gain was to some extent prevalent in his time.

and apprentice, by guild, custom and statute. Moreover, in England, the Act of Settlement of 1662 had imposed severe restrictions on labour mobility, since it gave to each parish the responsibility and duty to provide for their own destitutes. In general, 'The economic system was submerged in general social relations; markets were merely an accessory feature of an institutional setting controlled and regulated more than ever by social authority' (ibid.: 70).

The manifold regulations slowed down the growth of industry; and under pressure from the new entrepreneurial class, and with the support of economists, including Smith, Ricardo and Bentham, who argued that the self-regulating market would promote efficiency and growth, the main elements of regulation were abolished as the nineteenth century progressed. The restrictions on labour mobility were loosened in 1795, temporarily to be replaced by the unworkable Speenhamland system, (which essentially entitled every worker to a quite generous minimum income, irrespective of their work situation or earnings, discouraging work and imposing burdens on the rates). This was abolished in 1834 (by the reformed House of Commons which now included representatives of the emerging industrial entrepreneurial class), leaving only minimal and demeaning support for the destitute via workhouses. Combined with the Combination Laws of 1799 and 1800 which banned workers' combinations, this marked the beginning of a competitive labour market.[3] Restrictions on land transfers were likewise abolished.[4] With the repeal of the Corn Laws in 1846, the UK came close to a purely market economy. In Polanyi's terms, labour, land and money had become 'fictitious' commodities—fictitious because they were not produced in the same way as normal commodities and their price and use had implications way beyond that of the typical commodity, determining a family's survival (in the case of wages), and environment and place, in the case of land.[5] Yet, according to Bentham,[6] in a view that is echoed by many advocating the introduction of 'modern' property rights reforms in developing countries, 'The condition most favourable to the prosperity of agriculture exists when there are no entails, no inalienable endowments, no common lands, no rights or redemptions, no tithes' (quoted in ibid.: 189).

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[3] Workers combinations developed, nonetheless, and the Act was repealed in 1824 in the belief that if legalized they would be less threatening. In fact, they burgeoned and in 1825 a new Combination Act was enacted which permitted trade unions to form but limited their right to strike (Briggs 1979: 212).

[4] By the Prescriptions Act, the Inheritance Act, the Fines and Recovery Act, the Real Property Act and the general Enclosures Act of 1801 as well as subsequent legislation.

[5] 'The economic function is but one of many vital functions of land. It invests man's life with stability; it is the site of his habituation; it is a condition of his physical safety; it is the landscape and the seasons' (Polanyi 1944: 187).

[6] *Jeremy Bentham's Economic Writings* (1952-54) critical edition based on his printed works and unprinted manuscripts, by W. Stark. Published for the Royal Economic Society, Allen & Unwin: London.

The social consequences of these reforms, in the short to medium term, were appalling in terms of poverty, squalor and indignities. Workers were forced to work very lengthy days in dangerous conditions; child labour abounded; and health, sanitation, and housing were all of abysmal standards.[7] The business cycle saw sharp fluctuations in activity culminating in the Great Depression of the 1920s and 1930s. These extreme consequences led to reactions which limited market freedoms. Two types of reaction occurred: piecemeal reform in Britain and some other countries in Western Europe; and massive changes in the whole organization of society and the economy in the cases of Marxist and Fascist societies.

In Britain, reforms emerged as a result of a combination of pressures: liberal observers campaigned to correct gross abuses—including Robert Owen who initiated the co-operative movement; the Chartist movement which fought for political rights (without success in the short run); and the growth of the trade union movement. Factory acts followed which regulated hours and conditions and banned child labour. The extension of the franchise to the (male) urban skilled working-class in 1867, and then to skilled and semi-skilled agricultural labourers and miners in 1887, increased political pressure to improve working conditions. These reforms were soon followed by the expansion of education to much of the working-class and by further legislation regulating factory conditions. The twentieth century saw more social interventions (with Lloyd George's reforms, including unemployment insurance and pensions), the end of the gold standard and the reintroduction of tariffs in reaction to the massive unemployment of the 1920s and 1930s. During the Second World War planning and controls basically replaced the market. Polanyi was writing at the peak of regulations over the market in the UK. However, state interventions in the economy continued over the subsequent thirty years or so: Keynesian interventions dominated macro policy, while a comprehensive welfare state was established, following the recommendations of the Beveridge Report. Other features which constrained the role of the market included a strong role for trade unions, national wage bargaining, industrial and agricultural subsidies, a large state sector, tariffs on imports and limitations on currency convertibility. This was the Great Transformation—from an almost unadulterated market system to a strongly controlled one (with an even greater transformation in this direction in the cases of fascism and socialism). At the time Polanyi was writing neither Keynesian macro policy, nor industrial nationalization, nor the comprehensive welfare state had been introduced. Yet all fit so well into his Great Transformation that they serve to strengthen the case he was making. According to Polanyi this Great Transformation was the inevitable consequence of adopting a pure market economy because of its harsh and unacceptable human an environmental consequences

[7] Engels (1920) was among the first to record the conditions of the English working-class in detail. Later in the century Rowntree (1901) started his pioneering investigation into poverty. Among many more recent accounts see, for example, Thompson (1964) Brown (1990) Huck (1995).

> Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society…Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way. (p. 3)

In the last part of this quotation, Polanyi hints that the situation brought about by the Great Transformation may not be a stable one. And, as is now well recognized, the heavily regulated society Polanyi described lasted only about thirty years and was followed by a swing back towards a market economy. Regulations and interventions were at their peak in the 1940s in the UK, just when Polanyi was writing. But a 'bonfire of controls' soon followed, as wartime price controls and licensing were dismantled. In the subsequent decades, there was gradual liberalization, with lowered trade restrictions and a slow move towards convertible currency. However, the sharp policy reversal occurred in the Thatcherite era of the 1980s, in a political move to the right which was due in part to the way the previous interventionist system had, as noted by Polanyi in the above quotation, 'disorganized industrial life and thus endangered society in yet another way'. Keynesian macro policies were generally discredited and disavowed in theory, though not always in practice. Britain led the way in privatizing previously nationalized industries and in limiting the powers of the trade unions. The private sector began to make headway even in the provision of public services. The market once again dominated society, albeit a much regulated market, constrained on most fronts by myriad regulations relating to employment conditions, market structure, trading conditions etc. Moreover, in most developed countries extensive measures of social protection were maintained.

3 Polanyi and developing countries

In so far as Polanyi himself considered what we now term 'developing countries' in his book on the Great Transformation he did so as the subject of study by anthropologists, pointing out, as already noted, that in these societies the market played a subordinate role only, and that neither land nor labour were treated as commodities, to be bought and sold on an unregulated market.[8] Rather both had important social functions, and social relationships largely determined their allocation and use. According to Polanyi, exchange took place according to the principles of reciprocity and redistribution, the latter involving hierarchical and centralized modes. Since the developing countries provided just a backdrop in Polanyi's book—a model with which to contrast European developments— what follows is my own attempt to describe developments in Polanyist terms.

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[8] He treated the topic more systematically in Polanyi (1957).

To summarize a hugely complex and differentiated situation, the colonial period saw a mixture of 'traditional' relationships outside the market, and forced markets, introduced by the colonists. The colonial period did not see the introduction of an extensive unregulated market to the extent that occurred in nineteenth century Europe because large swathes of most economies remained outside the market. Political independence (for most developing countries occurring between 1945 and 1970, though, of course, in Latin America it was much earlier) happened at a time when planning, public ownership and market regulation was dominant in Europe. This was also the era of apparently thriving socialism in the Soviet empire. The interventionist philosophy resonated with the objectives, politics and philosophy of the newly independent countries, and of Latin American governments, which had already started to initiate active industrial policies in reaction to the fall in commodity prices in the 1930s.

For most post-colonial countries in the 1950s, the overriding reality was underdevelopment, characterized by low incomes, a predominantly agrarian structure with a large subsistence subsector, and heavy dependence on the industrialized countries for all modern inputs. Governments of the newly independent countries had two related economic objectives: to become economically as well as politically independent; and to raise their incomes to the levels of the developed countries. In a famous statement President Truman declared that

> We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. The old imperialism is dead—exploitation for foreign profit has no place in our plans. What we must envisage is a program of development based on the concepts of democratic fair dealing.[9]

The desirability of development planning was widely accepted, by developed country observers[10] as well as developing country theoreticians and practitioners. Development plans were introduced by Mahalanobis in India, Prebisch in Latin America and visiting economists in many African economies (Killick 1983). The state was given a major role in determining economic priorities via price and import controls, investment planning and sometimes as a producer, with the adoption of a strategy of import-substituting industrialization. Formal sector labour markets were subject to regulations, including minimum wages. And trade unions were recognized as important players. Thus developing countries virtually skipped Polanyi's unregulated market phase, moving straight into a situation of extensive regulation and a large public sector, with markets, again, playing a subordinate role.

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9 Inaugural Address, 20 January 1949, Washington DC.

10 For example, Fei and Ranis, by no means anti-market economists, stated that 'The need for development planning is well recognised' (Fei and Ranis 1964: 199).

The policies adopted were in some ways remarkably successful. Savings and investment rates rose dramatically from the mid 1950s and growth accelerated in most countries, and some countries, notably in East Asia, experienced spectacular growth rates. Social indicators, such as infant mortality and literacy rates, also improved, although other developments were less welcome. Population growth accelerated, and growth in employment lagged behind output. Unemployment and underemployment emerged as serious problems; and the absolute numbers of people falling below the poverty line increased. A dualistic pattern of development continued, with a small relatively privileged modern sector leaving the rest of the economy with low incomes and investment.[11] Moreover, the economic independence sought proved elusive, as dependence on developed countries for capital and technology increased.

The situation changed in the early 1980s, following the abrupt switch to monetarism in Britain and the US. Interest rates rose and there was world recession, with a sharp worsening in commodity prices. Most developing countries—who had borrowed heavily in the 1970s to finance current account deficits resulting from oil price rises—found themselves in an unsustainable financial position and were forced to request assistance from the international financial institutions (IFIs). These institutions used the opportunity to enforce a series of pro-market reforms on the borrowing countries (a package which came to be known as the 'Washington Consensus'). These reforms together led to a virtually complete retreat from interventionism and the institution of something approaching the 'self-regulating market'.

The following reforms were widely enacted:[12]

- conversion of quotas into tariffs and reduction of tariffs
- abolition of industrial licensing
- privatization
- reduced/eliminated restrictions on foreign ownership of assets and supplies of components
- reduction/abolition of minimum wage
- reduced role of trade unions
- move towards budget balance
- reduced 'financial repression' with abolition of directed credit and market determination of interest rates.

[11] The ILO summarized the position, 'It has become increasingly evident … that rapid growth at the national level does not automatically reduce poverty or inequality or provide sufficient productive employment (ILO 1976: 15).

[12] For evidence of the advance of these policies in Latin America and Africa see, for example, Williamson (1990); World Bank and UNDP (1989); Dean et al. (1994).

In many countries, in addition, there was:

- moves towards convertibility of currencies
- capital account liberalization
- an increased market role in the provision of government services
- the introduction of western style property rights with respect to land
- and similarly, with respect to intellectual property.

The changes paralleled changes introduced in developed countries roughly at the same time, but far exceeded them as developed countries confronted much less harsh economic conditions, were not dependent on the IFIs and could therefore follow independent policies. Moreover, as democracies, they were unable to adopt policies against the interests of the majority, while some of the well established interest groups were extremely powerful. Thus, the US and EU retained agricultural subsidies that would not have been permitted by the IFIs in developing countries. The US has periodically run huge budget deficits, which, similarly would be unacceptable to the IFIs; in continental Europe the labour movement retains considerable power to regulate the labour market, resisting efforts to make it 'more flexible' and, despite privatization, the state continues to account for 40 per cent or more of most European economies. Most importantly, in Europe, the state continues to guarantee reasonable minimum standards of living and of public services for all citizens.

In developing countries, the pro-market changes were more radical and systematic, albeit at uneven pace, varying with the degree of local autonomy. The large and powerful countries—China and India—were able to choose the pace and degree of liberalization, whereas small African countries generally had to take the medicine in one go, with Latin American countries in an intermediate position. Moreover, whereas in most developed countries the impact on livelihoods was cushioned by elaborate social security systems and the newly privatized industries were circumscribed by more or less effective regulation, in developing countries, social security systems were much more limited in scope and the regulatory system much more tenuous. However, while interventionism had been extensive in virtually all developing countries, it generally only directly affected a minority of the population—those in the so-called formal sector. The majority of the population in most developing countries were in unregulated or weakly regulated sectors, including those in the non-agricultural informal sector and most people working in agriculture. Social security systems, such as they were, also mostly only related to this relatively privileged minority, as did the trade unions. So the unravelling of interventions and reduced social security that went with the reforms for the most part only affected the minority in the formal sector directly, albeit the others were affected via knock-on affects, as, for example, the newly unemployed joined the informal sector, swelling numbers and depressing incomes.

Interpreting and analysing these changes in Polanyist-terms, we can see that in developing countries they might be best interpreted as being parallel to the move to the market in Europe in the nineteenth century, with the abolition of regulations being akin to the unravelling of the various guild and statutory regulations of pre-nineteenth century Europe, It was not so much, therefore, the reintroduction of a market for labour or land, or money, but the introduction of these markets in more-or-less pure form for the first time. And as in Europe in the nineteenth century, the changes were not accompanied by mechanisms to protect people from the harshest affects. Only after nearly a decade of tough reforms with evidence of sharply rising poverty levels, did the IFIs recommend some rather weak mechanisms to protect the poor in developing countries. In this there is a contrast with Europe of the late twentieth century, where existing protective mechanisms—although they did not prevent rising inequality—have prevented poverty rising in absolute terms.

There are some other important differences in the developing country switch to the market from the changes in nineteenth century Europe. First, in Europe the changes reflected the ideas of major domestic philosophers and were introduced as a result of domestic pressures. In contrast, in contemporary developing countries, the 'liberal' pro-market philosophy almost all came from outside; including Milton Friedman (US), Ian Little (UK), Maurice Scott (UK), Tibor Scitovsky (US), Bela Balassa (US), Anne Krueger (US), with Deepak Lal and Jagdish Bhagwati (from India, but educated in the UK) almost the sole developing country representatives of the initial push towards marketization. And while it was the emerging industrial classes who forced the pace of reform in the UK in the nineteenth century, it was the IFIs, themselves ruled by and largely representing the interests of the developed countries, which forced the pace in developing countries. In neither nineteenth century Europe, nor contemporary developing countries, were the changes introduced through democratic institutions. In Europe, they predated democracy, and were largely reversed once democratic institutions were instituted. The second pro-market transformation in Europe (in the late twentieth century) did occur in democracies, but this time, as noted, it was surrounded by regulations and social protection mechanisms. Most developing countries adopting pro-market changes were not democratic, as the extensive democratization of the 1990s mainly followed the reforms (and in part may have been a reaction to them). In any case, it was the IFIs—sometimes with the support of local elites—who initiated the changes, although some of the local elite undoubtedly benefited from some reforms, such as privatization. Few countries had any sort of democratic debate on the measures. Where there was debate (as in Nigeria in 1986), the proposed reforms were rejected.

Another big difference from nineteenth century Europe was the importance of globalization in the late twentieth century, and particularly global corporations. In the nineteenth century, the UK, if not the rest of Europe, could largely ignore global forces and determine its policy autonomously in what it considered to be its own best interests.[13] This is not an option for developing countries today, whose high dependence on aid, trade, and overseas investment makes global considerations paramount. The huge influence of the IFIs has already been noted. But even countries which do not depend on them must consider the impact of their policies on trade and capital flows. In general, such global influences reinforced (and lay behind) the IFIs promotion of market mechanisms. The new global economy also makes a fundamental difference, as compared with Europe of the nineteenth and twentieth centuries, in constraining the possibilities of a new Great Transformation, as we shall discuss below.

A further difference arises from the nature of politics in developing countries; whereas politics in Europe historically tended to be class based—perhaps because of the relative homogeneity of populations—contemporary developing country politics tend to be patrimonial and/or political support and divisions follow ethnic or religious differences (Horowitz 1985; UNRISD 2005).

3.1 Consequences of the switch to the market for developing countries[14]

The pro-side argues, in brief, that growth accelerated, poverty declined, and inequality fell during the era of pro-market reforms and enhanced global integration. The anti-side argues that while growth accelerated in the two Asian giants (China and India) it has slowed down in Africa and Latin America; poverty numbers showed little fall and the Millennium Development Goals will not be met in large numbers of countries (UNDP 2005). The pro-side argues that world income distribution has improved since 1980 when country incomes are weighted by population (Boltho and Toniolo 1999). The anti-side points to a worsening of inequality in the majority of countries and a widening in absolute gaps between the richest and poorest countries (Wolf 2004, chapter 9; Cornia 2004). In addition, national instability and personal insecurity has risen with higher fluctuations in national incomes as capital swings in and out which is reflected in rising personal insecurity, particularly as social security systems are cutback.

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[13] It is often pointed out that globalization was high pre-First World War, fell after the war, and then resumed its upward growth. For example, foreign assets over GDP were estimated at 18.6 per cent in 1900 falling to 4.9 per cent in 1945 and rising to 17.7 per cent in 1980. However, in 1870 it was only 6.9 per cent and by 1995, the ratio had risen to 56.8 per cent, which supports the view that global forces were much more important towards the end of the twentieth century than in the mid nineteenth century (data from Crafts 2000).

[14] There is a huge literature on the consequences of marketization and globalization, with highly divergent opinions. This is reflected in the titles of recent works if we take globalization as broadly synonymous with pro-market reforms. On the one hand, Martin Wolf (2004) has written *Why Globalization Works*, described by *The Economist* as 'the definitive treatment of the subject', while Jagdish Bhagwati (2004) has written a very similar book entitled *In Defence of Globalization*. In contrast, Joe Stiglitz's (2002) book on the same subject is entitled *Globalization and its Discontents*, while George Soros (himself a major actor in advancing globalization) has produced a book entitled *The Crisis of Global Capitalism: Open Society Endangered* (1998).

There were huge differences in impact in different parts of the world which are not reflected in these aggregates. Out of 104 low and middle HDI countries, the majority (64) had per capita growth rates of less than 1 per cent from 1975-2002, and 41 had falling per capita incomes (UNDP 2005). For the most part, the performance in Africa was extremely weak on all fronts. In Latin America, growth was virtually non-existent over a twenty year period and inequality and poverty rose. Yet in most of Asia, and notably India and China, there was a marked acceleration in growth, and, despite rising inequality, poverty ratios and (more controversially) numbers fell. But the anti-globalization team would argue that India and China controlled the market and did not accept it in pure form—hence their success. And the pro-team argue that if only it had been accepted in pure form everywhere, the results would be even better. 'The world needs more globalization, not less' (Wolf 2004: 320), echoing the arguments of some observers of nineteenth century Europe.[15]

Yet, everywhere it is agreed that there remains unacceptable poverty. And while the market provides employment, incomes and private health and education for some, in virtually all developing countries it leaves out many more. In most places, the market is virtually unregulated, and conditions of work frequently parallel those of nineteenth century Europe, with long hours, unhealthy and unsafe conditions, employment of children and young women, crowded and unsanitary housing and pitiful wages. Moreover, the global attack on trade unions has weakened workers' ability to protect themselves and downward pressure on government expenditure has weakened governments' ability to do so.

The devastating environmental consequences of current patterns of growth seems to be difficult to question (Figure 1). In the nineteenth century there were local environmental consequences not dissimilar to those experienced by developing counties today, but the global hazards—particularly that of global warming as a result of CO_2 emissions—is unprecedented.[16] This, as well as local environmental problems, is another consequence of an unregulated market world economy. Even the most enthusiastic globalizers argue that 'the management of the environment requires well targeted measures (Wolf 2004: 194).

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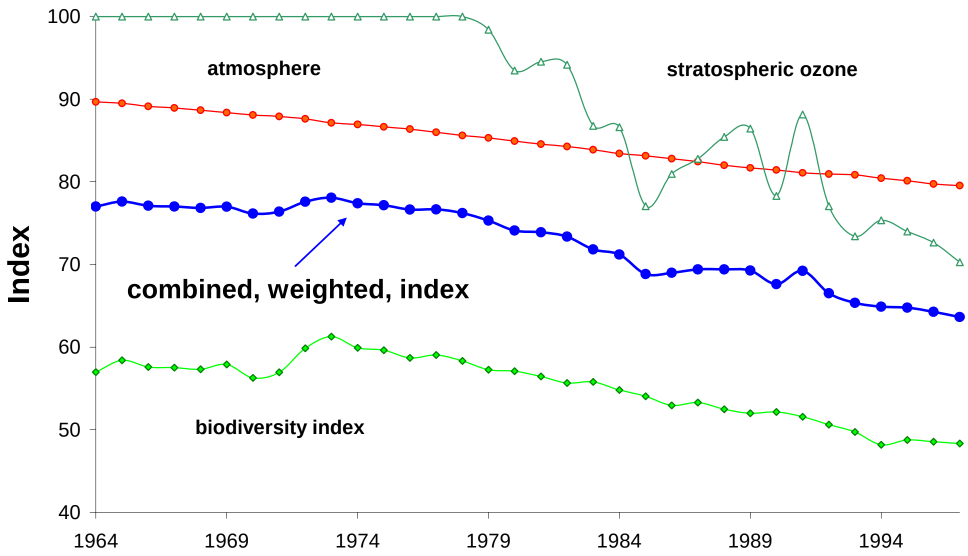
15 'Liberal writers like Spencer (1940), Sumner (1963), Mises (1978), and Lippmann (1938), offer an account of the double movement substantially similar to our own, but they put an entirely different interpretation on it. In their view all protectionism was a mistake due to impatience, greed and short-sightedness, *but for which the market would have resolved its difficulties*' (Polany 1944: 148, italics added).

16 These too were predicted by Polanyi (1944: 193) who argued that the consequences of the unregulated market might extend to 'even the climate of the country which might suffer from the denudation of forests, from erosions and dust bowls, all of which ultimately depend on the factor land, yet none of which respond to the supply and demand mechanism of the market'.

Figure 1: Trends in environmental variables



Source: Butler (2000).

Note: 100 per cent represents level before any significant human impact.

Apart from the magnitude of the environmental threat, the balance is not dissimilar from assessments of the market in the nineteenth century. There too a comparison with the previous situation was by no means ambiguously negative—growth had occurred at an unprecedented rate; some had gained significantly; and over the long run there was the prospect of an escape from the harsh conditions. But the downside was large, hence the reactions and the Great Transformation. In today's developing world much the same can be said: so do we need, and can we expect, a new Great Transformation?

4 The need for a new Great Transformation

The basic characteristic of the first Great Transformation was to pull back control over people's lives from being solely the product of impersonal market forces to being in society's care, so that the market might serve society rather than society be subservient to the market. In order to achieve this political and organizational changes were necessary—basically an organized working-class and democratic reforms. The measures taken included those directed at improving working conditions, regulating firms, assuming power over macroeconomic policy, extending social protection and social services, and reintroducing restrictions on international trade. Any new Great Transformation would not necessarily include all the same elements—indeed it would be surprising if exactly the same ones were relevant today. But it would be based on the same objective; to make the market serve society rather than conversely, and it would be directed at 'the protection of man, nature and productive organization … to rehabilitate the lives of men and their environment' (Polanyi: 225). In view of the insecure and impoverished lives that so many live in developing countries today, and the severe damage to the environment that the current system is producing, it seems difficult to argue against the objective of securing changes in such a direction. Indeed, given the global nature of the market today, the need for such a transformation would appear even greater than in the nineteenth century, since it is a matter not only of the disempowerment of all those (the vast majority) with few or no assets, but also the disempowerment of whole countries and even continents.

While, as noted, actual measures most appropriate to achieving this fundamental objective are likely to differ from some of those in the earlier period and, indeed, between regions or countries, some (broadly defined) are likely to be shared across time and space. Each country needs to decide for itself what changes are needed—indeed this is part of having the market serve society. But common characteristics are likely to be:

- Regulation of conditions of work, not only in the formal sector but in the economy as a whole.
- Reasonable minimal income guarantees for all—to be determined, of course, in the light of the resource availability of the particular country. Where this does not permit a survival standard, aid resources may be called upon.
- Assurance of universal provision of basic social services.
- Regulation of the market to avoid monopolistic (or other) exploitation.
- Regulation of the economy to ensure environmental protection.
- Regulation of capital markets and of fiscal and monetary policy to avoid excess fluctuations in activity.

4.1 Is a new Great Transformation under way?

The original Great Transformation occurred through myriad activities in response to the harsh conditions of the market

> The purpose of the intervention was to rehabilitate the lives of men and their environment, to give them some security of status, intervention necessarily aimed at reducing the flexibility of wages and the mobility of labour, giving stability to incomes, continuity to production, introducing public control of natural resources and the management of currencies in order to avoid the unsettling changes in the price level. (Polanyi: 225)

Among the forces supporting interventions of this kind, the most important in the UK were the emergence of the trade union movement together with the extension of the franchise and the political changes that followed, as well as changes in the intellectual climate (epitomised by Keynesian economics); elsewhere the communist and fascist revolutions were responses to these self-same harsh conditions. Above all, the changes followed because people *combined* to bring about changes that would control or even replace the market. As de Tocqueville (1966: 666) wrote, ‘In democratic countries knowledge of how to combine is the mother of all forms of knowledge; on its progress depends that of all others'. The question then is whether we can expect, or indeed can already detect, similar changes in developing countries. There are some signs that indeed we can, but also evidence of severe constraints on their potential effectiveness.

Democratization has made considerable progress among developing countries over recent decades. Between 1974 and 1999 multiparty electoral systems were introduced in 113 countries (UNDP 2000: 38). This provides a permissive environment for transformation, particularly since the numerical majority have below average incomes, and are disproportionately lacking in social protection. However, whether this translates into extensive social change and market regulation depends on the nature of democracy and, particularly, political parties. In many countries, political parties are not ideological but organized behind personalities, family, ethnicity or religion, and use these ties together with patronage and corrupt practices to gain or retain power. But populist leaders have emerged with democratic transition and have tried to introduce some transforming policies. Examples include Nelson Mandela in South Africa, Lula da Silva in Brazil, Hugo Chavez in Venezuela, and Evo Morales in Bolivia. In principle, one would expect democracy in poor countries eventually to generate transforming policies. Indeed, there is some econometric evidence that democratic regimes are more redistributive than non-democratic (Silva Leander 2005). But there are some important constraints on governments in developing countries, including countries with democratic systems, which will be discussed later.

A second force making for transformation is the growth of non-governmental organizations (NGOs) and community organizations, both international and national. There has been a rapid growth in their numbers over recent decades (Salamon and Anheier 1999). In India, at least one million non-profit organizations have been counted (Sen 1998); in Brazil, federal government records include over 200,000 (Salamon and Anheier 1999); in Thailand, 15,000 were recorded by one observer (Pongsapich 1998). Of course, the category includes very different types of organization. Many are 'efficiency' type groups,[17] basically providing services where the market fails and complementing rather than challenging the market. But these may soften its harshest impacts. Others are 'pro bono' groups, delivering goods and services to the most impoverished, again supporting but also softening the market. The third category are groups with 'claims' functions; these aim to improve the position of their members by challenging rules and regulations and demanding greater shares of output. This third group includes, for example, associations of landless, worker associations of various types and also advocacy groups formed to alter regulations in ways which favour the deprived. In practice, many groups have more than one of these three functions. Where formed among or for the deprived, all three types of group tend to improve the social

[17] This is the categorization adopted by Heyer et al. (2002).

and economic operation of the market but only the third type fully contributes to a Great Transformation, in the sense of being directed at changing the rules.

A survey of local organizations in the early 1980s found about two-thirds were primarily devoted to production/efficiency issues, and one third to advancing group interests (Esman and Uphoff 1984).[18] NGOs receiving government or international support tend to be entirely in the first two categories (production and/or pro bono).[19] NGOs undoubtedly do contribute to a transformation, but generally their impact is limited for various reasons. One reason is that their total coverage is mostly quite limited.[20] Moreover, in general, the poor are particularly handicapped in forming such groups because of lack of education, finance, and networks (Thorp et al. 2005), and many of the NGOs purportedly intended to assist the poor, in practice do not, either because their real agendas are rather different or because they are ineffective. Thus a study of NGOs in Africa argues that local NGOs lack effective power: 'this absence of NGO power has undermined development across the continent' (Michael 2004: 105). Moreover, new models of organization (the 'New Public Administration')[21] have been imposed on many local NGOs organization (in the name of transparency, accountability and efficiency) which have tended to undermine their effectiveness in reaching the poor (Lorgen 2002; Mawdsley et al. 2002).

A more general critique of the role of NGOs as a mechanism for challenging dominant power structures is the Marxist/Gramsci view that what civil society organizations essentially do is to support the hegemonic power—they may challenge aspects of this power. 'But there is also no doubt that such sacrifices and such a compromise cannot touch the essential' (Gramsci 1971: 161). 'In this paradigm, civil society is understood as the arena in which the state perpetuates its power through hegemonic rather than coercive means' (Brown 2004: 20; see also Femia 2001). In general, NGOs do not attack the fundamental causes of poverty (land distribution, technology, terms of trade). For example, a review of NGOs in Egypt concluded that

> The mission of the majority of Egyptian NGOs is not to alter the structural inequalities in society, but rather to attempt to 'alleviate' the suffering of the poor and render their lives more bearable. By doing so, NGOs are actually postponing any real lasting solutions to deeply

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18 Pro bono type organizations were not included.

19 See, for example, the activities recorded in a survey of NGOs in Uganda; Barr et al. (2005).

20 There are a few well known exceptions; for example total micro credit provision in Bangladesh is estimated to extend to over 13 million people; the health and nutrition programmes of BRAC in Bangladesh are estimated to cover over 30 million people. But even these appear to have a rather small impact on poverty, as indicated by the so-called macro-micro paradox of Bangladesh—that despite such extensive and effective NGOs, poverty remains high (White 1992).

21 See Greenwood et al. (2002); Frederickson (1980).

> embedded problems of the poor and exploited in society. (Abdelrahman 2004: 196-7)

The spectacular growth of international NGOs (INGOs),[22] sometimes known as 'global civil society' (GSC), may also challenge the model of market dominance at a global level. A breakdown of GSC according to their function, however, shows that INGOs devoted to 'economic development and infrastructure' (efficiency functions as defined above) account for the largest number (around 9,500), followed by 'research' at over 8,000 (presumably leading to advocacy), then social services, health and education also around 8,000 (which would be classified as efficiency and pro bono) with 'politics' at a little over 1,000 and showing a small decline, 1990-2000. Like NGOs, the total impact of INGOs is limited. For example, they initiated the growing fair trade movement but it still accounts for only a very small fraction of total trade; just 2 per cent of the coffee market in 2002 (and this is an industry where it has probably made most progress). The total value of fair trade was estimated at GB£500 million; only 0.03 per cent of 2002 value of developing country merchandise exports.[23]

INGO advocacy is directed at global rules and may contribute to a transformation at this level.[24] INGO campaigns can take credit for the introduction of the developing country debt relief (HIPC), which has alleviated some of the financial problems of the poorest countries, but in no way contributed to structural transformation as can be seen by the content of the Poverty Reduction Strategy Papers (PRSPs) with which HIPC is associated, to be discussed further below.

Another international source of transformation is the growing movement for corporate social responsibility (CSR). Campaigns in the North have put pressure on multinational companies to operate in a 'responsible' way. Responsibility is interpreted as not using child labour, providing reasonable conditions for workers, sometimes including provision of social services for workers and for the locality where the companies operate, and being environmentally responsible.[25] Schemes include company codes of conduct, multi-stakeholder initiatives, and public-private partnerships. These have changed the operations of particular companies, but the impact is spotty, typically confined to particular companies operations and not to the economy at large. They often sideline trade unions and do not extend to the informal sector. Some companies clearly

22 Kaldor et al. (2004).

23 Estimate from D. Carvajal, 'Third world gets help to help itself', *International Herald Tribune*, 7 December 2005.

24 For example Oxfam's trade reports. Jubilee 2000's campaign for debt relief.

25 The movement has generated 'codes of conduct, improvements in occupational health and safety, environmental management systems, social and environmental reporting, support for community projects and philanthropy' (Utting 2004: 1); see also IDS (2005).

use SCR for public relations, while continuing with deleterious activities (for example, British American Tobacco, see ASH 2002). As Utting (2004: 1) notes, 'There is a danger … of codes as being seen as something more than they really are, and being used to deflect criticism, reduce the demand for external regulation and undermine the position of trade unions.' Nevertheless, among foreign companies, some participation in SCR has become fairly extensive. Multi-stakeholder initiatives of various kinds were estimated to cover about 53,000 companies in 2004, of which over 90 per cent mostly related to certification schemes. The estimated number of TNCs plus affiliates in 2002 was 934,000 (data from Utting 2004). Only about 4,000 TNCs produce reports on their social or environmental performance (IDS 2005). Public-private partnerships have also been growing, encouraged at a global level by the United Nations. However, regulation seems to be weak: 'the lack of attention to criteria and procedures for selecting and screening corporate partners, and to monitoring and compliance mechanisms, are downsides to the rapid proliferation of PPPs' (Utting 2004: 2). These initiatives are mostly fairly recent. With a strong input into monitoring from communities and NGOs and the development of government regulatory mechanisms, including the development of appropriate standards for the whole economy and mechanisms for monitoring and complaints and penalties, SRC could make a contribution to a new transformation, albeit confined to the sectors controlled by multinational corporations.

Taken together these non-governmental organizations, national and international, do make a contribution but a limited one, largely because that is the nature of voluntary non-governmental activity. Their ambiguous impact—partly carrying out official policy and partly challenging it—again reflects the ambiguity in Gramsci's who, while seeing them as largely instrumentalized by prevailing powers also saw them as a source of dissent: civil society is 'the space where the subaltern classes can challenge the power of the state' (Abdelrahman 2004: 22). In line with this ambiguity, such organizations may achieve a minor transformation, but not a great one.

In the North, the Great Transformation essentially occurred as a result of *government*, not non-governmental action, even though NGO pressure was highly influential over government action. There is a parallel with nineteenth century Britain: Owen's Lanarkshire experiment (a 'socially responsible' factory) and the co-operative movement he supported did make a contribution, as did the Workers' Education Associations and many charitable institutions which dispensed support for the poor of various kinds, but the Great Transformation had to await government action. While there was a paternalistic element to some action by leaders such as Disraeli, appalled at the condition of the poor, most reforms were due to political pressures coming from political parties and their supporters. Hence we need to return to the question of how much we can expect to come from this source in contemporary developing countries.

4.2 Constraints on a New Great Transformation

In countries where the market is basically succeeding, in the sense that it is generating relatively stable growth and expansion of employment and incomes, political parties may be expected broadly to support the extension of the market, intervening only at the edges. But in countries where the market seems be failing, associated with high and sometimes rising levels of poverty and stagnant and sometimes falling incomes, one would expect a more robust political challenge. This seems particularly probable where there are democratic institutions—the situation, as noted, in most developing countries today. Yet everywhere the political and economic situation seems to constrain any political challenge to the market to a much greater extent than it did in Europe and the USA in the late nineteenth and early twentieth century. Moreover, the way politics is organized in most developing countries also militates against radical change. Constraints arise from the growth of the multinational corporation and other global institutions, as well as the increasing importance of the global economy for most developing countries, which together severely limit countries' freedom of action.

It is often pointed out that globalization is not a new phenomenon, but was equally in evidence pre-1914 (Hirst 1997). However, a major difference today is the presence of MNCs and multinational institutions which present more severe constraints to independent and market challenging action than was the case in Europe when the Great Transformation occurred. The constraints are partly external and economic, partly internal and political.

First, there are multinational institutions—the IFIs and the WTO in particular—whose rules and influence all promote pro-market policies. Their impact on developing country policy is extensive. Policy-based lending represents 10-20 per cent of total World Bank lending and one third of commitments. In one way or other adjustment conditions affect virtually every borrowing country—that is, almost every developing country. About half the conditions (1999-2004) involve a strong pro-market component (those relating to trade, economic management, agriculture and infrastructure and finance and the private sector), while the rest relate to the social sector and infrastructure and public sector management (also often involving market reforms). In the 1980s, the conditions involving direct market elements accounted for a substantially higher proportion (at 70 per cent) (data from World Bank 2005).

The IMF's traditional focus is on macroeconomic stabilization, but what they term 'structural' conditions have become of increasing importance. These are 'comprehensive programs that include policies of the scope and character required to correct structural imbalances in production, trade and prices'.[26] Structural policies cover

[26] Decision of the executive board in 1974 when establishing the extended fund facility (EFF) quoted by IMF (2001: 3).

a wide range of reforms relating to tariffs and pricing policy, subsidies, privatization, as well as some institutional reforms. The thrust of the reforms, like those of the adjustment lending of the World Bank, is towards a greater role for the market (although not every one could be classified in this way—some involve improving administration, for example). By the mid 1990s almost all arrangements had some structural arrangements, while the number of structural conditions per arrangement also grew (IMF 2001: 9). Conditions relate predominantly to the exchange system, the trade regime, pricing and marketing, public enterprise reform, privatization (accounting for the largest proportion of conditions), and the financial sector (IMF 2001: 24). While World Bank lending is virtually universal, IMF conditions only come into play among countries which have a financial crisis and need IMF support. Hence the conditions have been mainly felt in Africa, Latin America and the transition countries. However, after the East Asian financial crisis of 1997 structural conditionality extended to East Asian countries. In Indonesia this involved reforms across the board; in Korea, reforms were mainly in relation to the financial sector and some ‘systemic reforms’; and in Thailand the reforms extended to privatization, the financial sector and ‘systemic reforms’.

Despite claims that the IFIs wish to promote country ‘ownership’, no country wishing to receive support from the international institutions can undertake any major challenges to the market organization of their economies—indeed, quite the reverse, as there is a continual push for a greater role for the market. While the desirability of tackling poverty is universally accepted, actual policies to achieve this are severely constrained by this market context, together with requirements for budget balance. The PRSPs are a good example of this. They are the main mechanism by which the World Bank, IMF and donor community have been promoting poverty reduction and engineering country ‘ownership’ of programmes: yet they all accept orthodox pro-market macro and meso policies, making only minor changes in resource allocation at the local level (Table 1).

The WTO is another global institution devoted to promoting free market resource allocations—though with notable exceptions. Trade reforms are all towards freer trade, even though progress in areas of particular interest to developing countries, especially agriculture, is slow. However, the WTO does not cover the movement of labour, and many countries are increasing restrictions on international labour mobility, particularly in relation to unskilled labour. In so far as the WTO supports and extends intellectual property rights, this too goes against free trade and resource allocational efficiency since it prices a commodity far in excess of its marginal cost.

Multinational corporations are the other global institutions which constrain moves towards a transformation. They do so partly by putting pressure on democratic institutions, through lobbying, finance of political parties, and corrupt practices, and partly by threatening to remove their investments if a country introduces policies which

Table 1: Some policy reforms contained in PRSPs[a]

Reforms	Albania	Azerbaijan	Benin	Bolivia	Burkina Faso	Cambodia	Cameroun	Chad	Ethiopia	Ghana	Guyana	Honduras	Kyrgyzstan
Economic management													
Reliance on macroeconomic stability for poverty reduction	x	x	x	x	x	x	x	X	x	x	x	x	x
Trade policy (tariff reduction/export promotion)	x		x	x	x	x			x	x		x	x
Monetary restraint	x	x	x	x		x		X	x	x	x	x	x
Exchange rate policy	x	x	x	x			x	X	x	x		x	x
Fiscal restraint	x	x	x	x	x		x	X	x	x	x	x	x
Tax and customs reforms	x	x		x	x	x	x		x	x		x	x
Price control/wage policies	x	x										x	
User fees		x				x				x		x	x
Sectoral policies	x	x	x		x	x	x	x	x				x
Financial sector reform													
Financial institutions	x	x	x			x	x	x	x	x		x	x
Financial intermediation policies	x	x					x	x	x	x		x	x
Private sector development													
Privatization	x	x	x		x	x	x		x	x		x	x
Price liberalization	x	x					x						
Legal and judicial reform	x		x	x	x	x	x	x	x		x	x	x
Land tenure laws	x			x	x		x		x	x	x	x	x

	Malawi	Mali	Mauritania	Mozambique	Nicaragua	Niger	Rwanda	Senegal	Sri Lanka	Tajikstan	Tanzania	Uganda	Yemen	Zambia
Economic management														
Reliance on macroeconomic stability for poverty reduction	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Trade policy (tariff reduction/export promotion)		x		x	x	x	x	x	x	x			x	x
Monetary restraint	x	x	x	x	x	x		x	x	x	x	x	x	x
Exchange rate policy			x	x					x	x	x	x	x	x
Fiscal restraint	x	x		x	x	x	x		x	x	x	x	x	x
Tax and customs reforms	x	x	x	x	x	x		x	x	x		x	x	x
Price control/wage policies				x									x	
User fees			x			x			x	x			x	
Sectoral policies	x	x	x	x		x	x	x	x			x	x	x
Financial sector reform														
Financial institutions		x	x			x	x	x	x	x		x	x	
Financial intermediation policies		x	x	x		x	x	x	x	x	x	x	x	
Private sector development														
Privatization		x	x	x	x	x	x	x	x	x	x		x	x
Price liberalization		x								x				x
Legal and judicial reform	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Land tenure laws	x		x	x	x	x	x	x	x	x	x	x		x

Source and note: [a] The reforms also include public sector governance and management and social sector reforms, but these are not detailed here for space reasons. The full table is in Stewart and Wang (2005: 447-74).

might be costly for them. Crouch (2000: 2) has analysed what he terms ‘post-democracy’ in developed countries, which is a system in which political outcomes stem from business pressures

> Under this model, while elections certainly exist and can change governments, public electoral debate is a tightly controlled spectacle, managed by rival teams of professionals expert in the techniques of persuasion, and considering a small range of issue selected by those teams. The mass of citizens plays a passive quiescent, even apathetic part, responding only to the signals given them. Behind this spectacle of the electoral game politics is really shaped by private interaction between elected governments and elites which overwhelmingly represent business interests.

Crouch (2000: 15-16) argues that the globalization of business interests (together with the fragmentation of the working population) shifts political advantage away from those ‘seeking to reduce inequalities of wealth and power in favour of those wishing to return them to levels of the pre-democratic past’.[27] And as a consequence

> The welfare state is gradually becoming residualised as something for the deserving poor rather than a range of universal rights of citizenship; trade unions exist on the margins of society; the role of the state as policeman and incarcerator returns to prominence; the wealth gap between rich and poor grows; taxation becomes less redistributive.

Confronted by such powerful forces, can we expect the fragile new democracies of developing countries to do better? Will they move straight from pre-democracy to post-democracy, bypassing what Crouch calls ‘the democratic moment’? Crouch points to the fragmentation of social classes in contemporary developed countries which prevents unity of interests, such as obtained among the working-class in Europe at earlier times.[28] Such fragmentation is also in evidence in developing countries—the interests

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[27] Similar arguments are advanced by Foot (2005) who goes further than Crouch, stating that ‘The system of society favoured by the rich across the world, capitalism, is in its essence and in its daily dealing with human beings wholly hostile to democracy. In all its manifestations it is hierarchical and bureaucratic’ (p. 428). ‘Capitalism and democracy are always in conflict and the history of all capitalist states that have conceded universal suffrage has been, in part, a history of that conflict’ (p. 429). See also Brittan (1975), who identified a clash between market capitalism and liberal democracy and predicted the victory of the former over the latter .

[28] ‘Nevertheless, when every caution has been made, the outstanding fact of the period between 1790 and 1830 is the formation of the “working-class”. This is revealed, first in the growth of class conscuiousness: the consciousness of an identity of interests as between all these diverse groups of working people and as against the interests of all oter classes. And second in the growth of corresponding forms of political and industrial organization. By 1932 there were strongly based and self-conscious working-class institutions—trade uinions, friendly societies, educational and religious movements, political organizations, periodicals—working-class intellectual traditions, working-class community patterns, and a working-class structure of feeling’ (Thompson 1964: 168, 212-3).

of the agricultural sector generally differ from that of the industrial or services sectors; the landless from small and large landowners; unskilled industrial workers from skilled, professional and managerial workers; and women from men. This fragmentation is similar to that of Europe in the early industrial revolution and may explain the weakness of political parties representing working-classes and progressive ideas. Moreover, it is overlaid, in a way that was much less true of Europe in the nineteenth century, by ethnic and religious divisions. Indeed, Horowitz (1985) has argued that in the many ethnically (or religiously) divided societies, political parties tend to mobilize along ethnic rather than class lines. Research at the Centre for Research on Inequality, Human Security and Ethnicy (CRISE) has confirmed the strong ethnic/religious dimensions to politics in the countries studied and the weak element of ideological class-based politics. [29]

Yet, as industrialization proceeds, we may expect a more homogeneous working-class population to emerge in many countries—as an increasing proportion of the working population are employed in the formal non-agricultural sector. More ideological and class-based political parties (and governments) may develop as institutions evolve that represent, argue for, and unite such interests. Such institutions would not develop from NGOs, nor INGOs, even of an advocacy variety, nor social movements, because these tend to be single issue organizations and to divide rather than unite different groups. In developed countries, the growth of trade unions spearheaded such a movement (and were largely responsible for the Great Transformation). In contemporary developing countries, however, trade unions tend to be weak and divided, co-opted by governments and covering only a minority of workers, undermined wherever possible by the IFIs, MNCs and the elite,[30] and lacking leadership because the most intelligent and entrepreneurial people mostly move up the educational ladder and away from working-class occupations. Twentyfirst century technology requires a greater variety of skills and generates high and growing wage differentials between the skilled and unskilled which also reduces the unity of purpose of employees. To the extent that ‘post-Fordism’ prevails, it lends itself to post-democracy.

Nonetheless, there are some signs that workers are acquiring some power in the more developed developing countries; that political parties are becoming more ideological; and that where the progressive parties do gain political power, moves occur in the direction of a transformation—South Korea and Brazil are examples. But where governments broadly representing alternative perspectives do emerge, their

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[29] See for example Akindes (2006); Brown (2005); Caumartin (2006).

[30] For example, in the early 1990s the Malaysian government indicated that it would not allow the unionization of the electronics sector because it would frighten foreign investors (since then, in-house unions have been allowed but still no sector-wide union); Brown (2004); cites *Business Times*, 4 September 1992 ‘Some investors against nationwide union’.

achievements are heavily circumscribed by the international context; as can be seen in the developments in these two countries, and elsewhere, for example, in India, South Africa, and Venezuela. Like developed countries today, the transformatory achievements of such governments seem likely to be somewhat marginal—a small transformation, not a great one. Moreover, the tragedy is that alternative politics only seem to gain ground at late stages of development (as in Europe) and not in the poorer countries when the economy's operations are most harsh and such a change is most needed.

Devastating events can be another source of transformation. In Europe it was the Great Depression and the Second World War. Today environmental disasters most likely eventually force a pullback. The environmental shortcomings of the unregulated market (already pointed to by Polanyi) in time will affect the world's elite as well as the poor and may therefore eventually—probably too late to offset the worst consequences of global warming—be a trigger for major transformatory action.

5 Conclusion

This chapter has explored whether Polanyi's arguments—put forward in 1944 with respect to Europe—apply to contemporary developing countries. Polanyi showed how the harsh consequences of the unregulated market led to a counter-movement (a Great Transformation) to regulate and humanize the market, so that society controlled the market rather than vice-versa. This control over the market lasted about forty years, but then a counter-revolution set in, once more giving a central role to the market throughout the world and again leading to inequality and insecurity, along with accelerated growth in some places but stagnation in others. This reflected the 'double movement' that Polanyi analysed—the swing of the pendulum that occurs as the adverse consequences of movement in one direction lead to political reaction and consequently a reversal of the previous position. In developed countries, the renewed role for the market was accompanied by quite effective regulation and measures of social protection, but this has not been the case in most developing countries. In developing countries especially, therefore, the harsh consequences of the market make a new great transformation desirable, but the possibilities of change are severely constrained by global forces, especially international institutions that were not present in the first Great Transformation—the IFIs, the WTO and the huge powers of MNCs—which pose severe constraints even on democratic politics. For developed and developing countries alike, the environmental consequences of the global market necessitate a major turn around. Yet here too, powerful business interests are preventing any serious change.

This chapter has covered a huge amount of ground rather superficially. Hence it represents a research agenda, rather than a finished product. Certain areas seem particularly in need of further research:

- What is the strength of movements for political change in particular countries around the world?
- Are the trade unions as weak as depicted here? And ideological parties broadly absent?
- Are there cases, where the majority workers in the informal and agricultural sector have succeeded in uniting and advancing their interests by so doing?
- How extensive and effective is the impact of the various SCR initiatives?
- Can single issue movements achieve major change?
- Can institutions for change be strengthened by international unity?
- Have some countries managed to break the constraints apparently imposed by the global institutions and the global economy, and secure changes towards a transformation?

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