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Do we need a new 'Great Transformation'? Is one likely?

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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 18th century to a virtually unregulated market in the 19th century; and the great 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 constraints faced by any contemporary great transformation arising from globalisation and the nature of politics.

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> Undoubtedly, our age will be credited with having seen the end of the self-regulating market. (Polanyi, 1944), p148.
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> 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), p xvii.

I. *Introduction*

In his path-breaking book *The Great Transformation. The Political and Economic Origins of our Times,* 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 industrialisation of the 19th century. The second – which was what he terms 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 secondly, whether, in a Polanyi style reaction to the market model, such a transformation is likely.

The paper is organised as follows: the next section (II) reviews Polanyi's two stage transformations in Europe; Section III 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, (section IV) we analyse first the desirability and then the likelihood of a new Great Transformation. Section V 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 19and 20th century Europe, or have changes in the nature of capitalism in general, and constraints imposed by globalisation on developing countries, in particular, made an effective reaction (or a new Great Transformation) impossible?

II. *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.' (45) In a fully fledged, self-regulating market system 'the control of the economic system by the market is of overwhelming consequence to the whole organisation 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.' (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 maximised. Polanyi argues that neither of these conditions obtained either historically or in pre-modernised societies,[1] 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' (45).

Drawing on the famous anthropological works available to him (Mead, Lewis, Malinowski, Thurnwald.) he claims that all anthropological research shows that economic (or maximising) 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' (p 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 other societies. 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 16th and 17th 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 (p 73). Labour was subject to numerous regulations and controls, including those governing the relations of master, journeyman 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'. (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.[2] Restrictions on land transfers were likewise abolished.[3] With the repeal of the Corn Laws in 1846, England 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

[1] 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.

[2] Workers combinations developed, nonetheless, and the Act was repealed in 1824 in the belief that if legalised 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).

[3] 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.

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.[4] Yet, according to Bentham, 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 P. p189).

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. [5] 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. Three types of reaction occurred: piecemeal reform in Britain and some other countries in Western Europe; and massive changes in the whole organisation 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 cooperative 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 1867and 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 acts improving 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 twenties and thirties. 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 formed an important part of 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 (gradually reduced with a succession of trade rounds) and limitations on currency convertibility (also gradually removed). 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 nationalisation, 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.

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[4] '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, p187).

[5] Engels (1920) was among the first to record the conditions of the English working class in detail. Later in the century Rowntree started his pioneering investigation into poverty. More recent accounts include..

> 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, disorganised industrial life, and thus endangered society in yet another way. Polanyi, 1944, 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 recognised, 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 liberalisation, 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, perhaps, partially due to the way the previous interventionist system had, as noted by Polanyi in the above quotation, 'disorganised 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 privatising previously nationalised 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 are maintained.

II. 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.[6] 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 centralised modes. Since the developing countries provided just a backdrop and counterpart to Polanyi's book – a model with which to contrast European developments, what follows is my attempts to describe developments in Polanyist terms.

To summarise 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 (which occurred for most developing countries 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.

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

For most post-colonial countries at the beginning of the 1950s the overriding reality was underdevelopment, characterised by low incomes, a predominantly agrarian structure with a large subsistence subsector, and heavy dependence on the industrialised 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. Developed countries, too, recognised the need for a new approach to the former colonial territories. Indeed, already in 1937, the governor of Nigeria announced that "The exploitation theory is dead ..and the development theory has come to take its place" (quoted in (Cowen & Shenton, 1996:7). 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. (Inaugural address, January 20th, 1949).

The desirability of development planning was widely accepted - by developed country observers[7] 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 industrialisation. Formal sector labour markets were subject to regulations, including minimum wages. And Trade Unions were initiated and recognised 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.

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. But other developments were less welcome. Population growth accelerated, and growth in employment lagged behind output. Un and underemployment emerged as a serious problem; 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. The ILO summarised 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). Moreover, the economic independence sought was elusive, as dependence on developed countries for capital and technology increased.

In the late 1960s and 1970s, there were a succession of efforts – mainly from the international community – to steer development in a more human-friendly equitable mode, including the employment missions of the ILO, Redistribution with Growth of the World Bank and IDS, Sussex, and the Basic Needs Approach to development of the ILO and World Bank but none of these greatly

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[7] For example, although the policy prescriptions advocated by Fei and Ranis were not as strongly interventionist as many of the writings of the time, they accepted that 'The need for development planning is well recognised' ((Fei & Ranis, 1964)199).)

affected developing country policies which – with few exceptions - retained a broadly interventionist stance and focussed mainly on extending such interventionism to the international sphere via the demands of the G77 for the New International Economic Order, intended to improve the terms on which developing countries entered the global market.

One aspect of the efforts to gain improved terms of trade was successful – the oil producers joined OPEC and secured substantially higher oil prices. But this had unexpected knock on consequences which eventually led to the unravelling of the market regulations. The rise in oil prices raised the import bills of oil-importing countries substantially, and many of them financed this by heavy borrowing. This worked well for nearly a decade, as international interests rates were low (reflecting the Keynesian monetary policy then adopted by developed countries), and the international banks had plentiful resources to lend on the basis of the deposits of the revenues of the oil-producers. Moreover, commodity terms of trade were generally favourable. But the early 1980s saw an abrupt switch to monetarism in Britain and the US, a world recession, and sharp worsening in commodity prices. Consequently, the majority of countries found themselves in an unsustainable financial position and were forced to request assistance from the International Financial Institutions (IFIs). This gave these institutions 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'), which 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[8] :

- Conversion of quotas into tariffs and reduction of tariffs
- Abolition of industrial licensing
- Privatisation
- 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.

In many countries, in addition, there was:

- Moves towards convertibility of currencies
- Capital account liberalisation
- 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 but far exceeded changes introduced in developed countries, roughly at the same time. For developed countries confronted much less harsh economic conditions and were not dependent on the IFIs and could therefore follow much more independent policies; moreover, as democracies they were unable to sustain policies against the interests of the majority and secure continued political support, while some of the established interest groups in developed countries, particularly farmers, were extremely powerful. Thus the US and EU retained agricultural subsidies that would not be permitted by the IFIs in developing countries; the US has periodically run huge

[8] See e.g. Williamson, 1990; World Bank and UNDP 1989; Dean et al. 1994, for evidence of the advance of these policies in Latin America and Africa.

budget deficits, which, similarly would not be accepted by the IFIs; in continental Europe the labour movement retains more of its power to regulate the labour market, resisting efforts to make it 'more flexible' although here too labour market 'reforms' are progressing; and, despite privatisation, the state continues to account for 40% or more of most European economies; most importantly, in Europe, the state continues to guarantee a reasonable minimum standard of living and of public services for all citizens.

However, 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 – have been able to choose the pace and degree of liberalisation, 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 privatised 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 countries were in unregulated or weakly regulated sectors, including much of those working in agriculture and all those in the non-agricultural informal sector. Social security systems, such as they were, and trade unions, also mostly only related to this relatively privileged minority. So the unravelling of interventions and reduced social security that went with the reforms mainly only affected this minority directly, albeit the others were affected via knock-on affects, as e.g. 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, the changes might be best interpreted as being parallel to the move to the market in Europe in the 19th century, with the abolition of regulations being akin to the unravelling of the various guild and statutory regulations of pre- 19th 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 19th 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 20th century, where existing protective mechanisms – although they have not prevented 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 19th century Europe. First, in Europe the changes reflected the thought 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 comes from outside: including Milton Friedman (US), Ian Little (English), Maurice Scott (English), 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. And while it was the emerging industrial classes who forced the pace of reform in England in the 19th 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 19th 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 20th century) did occur in democracies, but this time, as noted, it was surrounded by regulations and social protection mechanisms. The majority of developing countries which adopted pro-market changes were not democratic, as the extensive democratisation mainly followed the reforms (and in part may have been a reaction to them). In any case, it was the IFIs rather than local political actors who initiated the changes, although some of the local elite undoubtedly benefited from some reforms, such as privatisation. Few countries had any sort of democratic debate on the measures. Where there was a debate (as in Nigeria in 1986), the proposed reforms were roundly rejected.

Another big difference from 19th century Europe was the importance of globalisation in the late twentieth century, and particularly global corporations. England at least, 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.[9] 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 on trade and capital flows of their policies. 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 19th and 20th centuries, in forming constraints on 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; Bangura 2004 and papers prepared for UNRISD, Riga Conference, March 2004).

Consequences of the switch to the market for developing countries

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

The pro-side argues, in brief, that growth has accelerated, poverty declined, and inequality has been falling during the era of pro-market reforms and enhanced global integration. The anti-side argues that while growth has accelerated in the two Asian giants (China and India) it has slowed down in Africa and Latin America; poverty numbers have shown little fall and the MDGs will not be met in large numbers of countries. 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 Nine; (Cornia & World Institute for Development Economics Research, 2004)). In addition, insecurity has risen with higher fluctuations in national incomes as capital swings in and out; this is reflected in rising personal insecurity as social security systems are cutback and employment becomes less stable.

[9] It is often pointed out the globalisation 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% in 1900 falling to 4.9% in 1945 and rising to 17.7% in 1980. However, in 1870 it was only 6.9% and by 1995, the ratio had risen to 56.8%, which supports the view that global forces were much more important towards the end of the twentieth century than in the mid-19th century. (Data from Crafts, 2000).

There has been 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, countries, the majority (64) had per capita growth rates of less than 1% per capita from 1975- 2002 and 41 had falling per capita incomes. (Data from HDRO, UNDP). For the most part, the performance in Africa has been extremely weak on all fronts. In Latin America, growth has been virtually non-existent over a twenty year period and inequality and poverty have been rising. Yet in most of Asia, and notably India and China, there has been a marked acceleration in growth, and, despite rising inequality, poverty ratios and (more controversially) numbers have been falling. But the anti-globalisation team would argue that India and China have controlled the market and not accepted 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, p 320) echoing the arguments of some observers of 19th century Europe.[10]

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 One). 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.[11] This, as well as local environmental problems, is another consequence of an unregulated market world economy. Even the most enthusiastic globalisers argue that 'the management of the environment requires well targeted measures (Wolf, 2004, p 194).

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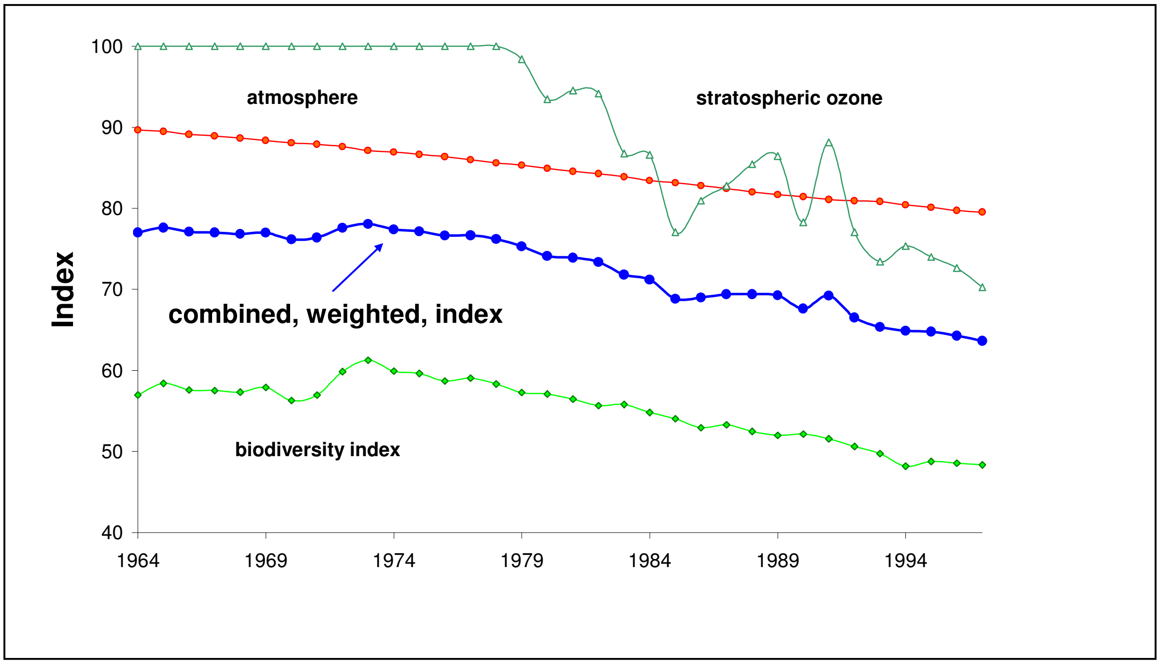
[10] 'Liberal writers like Spencer and Sumner, Mises and Lippmann. offer an account of the double movement substantially similar to our own, but they put an entirely different interpretation on it….in their view all protectionism was a mistake due to impatience, greed and shortsightedness, *but for which the market would have resolve its difficulties*' (Polanyi, p148, my italics)

[11] These too were predicted by Polanyi 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' (p 193).

Figure One. Trends in environmental variables



Source: Butler, 2000
100% represents level before any significant human impact

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Apart from the magnitude of the environmental threat, the balance is not dissimilar from assessments of the market in the 19th century. There too a comparison with the previous situation was by no means ambiguously negative: growth had occurred at an unprecedented rate; and 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?

IV. 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 organisational changes were necessary – basically an organised working class and democratic reforms. The measures taken included those directed at improving working conditions, regulating firms, assuming power over macro-economic 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 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 p225). 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 19th 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

Is a new Great Transformation under way?

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

> Since the workings of the market threatens to destroy society, the self-preserving action of the community was meant to prevent their establishment or interfere with their free functioning, once established' (p210)
>
> 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. (p225)

Among the forces supporting interventions of this kind, in England the most important 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 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' (de Tocqueville, 1966, p 666).

While he was commenting on democratic USA, his words apply equally to non-democratic societies although the potential for influence there may be more circumscribed.

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 severe constraints on their potential effectiveness.

Democratisation has made considerable progress among developing countries over recent decades. Between 1974 and 1999 multiparty electoral systems were introduced in 113 countries (UNDP, 2000, p 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 organised 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 Lula da Silva in Brazil and Nelson Mandela in South Africa. 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 (Leander 2005). But there are some important constraints on governments in developing countries, including democratic ones, which will be discussed later.

A second force making for transformation is the growth of NGOs and community organisations, both international and national. There has been a rapid growth in their numbers over recent decades (Salamon & Anheier, 1999). In India, at least one million non-profit organisations 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 organisation. Many are 'efficiency' type groups[12], 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, workers 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. A survey of local organisations (now rather dated) found about two-thirds of the organisations were primarily devoted to production/efficiency issues, and one third to advancing group interests (Esman & Uphoff, 1984, 1984). (Pro-bono type organisations were not included). NGOs receiving government or international support tend to be entirely in the first two categories (production and/or pro bono). (see eg the activities recorded in a survey of NGOs in Uganda – Barr, Fafchamps and Owens (2005)). Where formed among or for the deprived, all three types of group are intended to improve the social 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.

NGOs undoubtedly do contribute to a transformation, but generally their impact is limited for various reasons. First, although large in number they are often very small and their total coverage is mostly quite limited. There are a few well known exceptions - e.g. total micro credit provision by 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, and the Self-Employed

[12] This is the categorisation adopted by Heyer, Stewart, & Thorp, 2002.

Women's Association (SEWA) in India (membership of 320,000 in 2000) - but even these apparently have a rather small impact on poverty. This is indicated by the macro/micro paradox of Bangladesh: that despite such extensive and effective NGOs, poverty remains high (White 1992) One reason is that the groups simply substitute for government services. Another is that they 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 embedded problems of the poor and exploited in society', (Abdelrahman, 2004, p 196-197.)

In general, the poor are particularly handicapped in forming such groups- because of lack of education, finance and networks (Thorp et al., 2005). Moreover, 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). Michael attributes this lack of power to competition from international NGOs (INGOs) and the government in the case of Zimbabwe, to competition from INGOs and community organisations in the case of Tanzania, and to their dependence on donors in the case of Senegal. New ideas about organisation (the 'New Public Administration'[13]) have been imposed on many local NGOs organisation (in the name of transparency, accountability and efficiency) which have tended to undermine their effectiveness in reaching the poor. (Lorgen, 2001; 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 organisations 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, p 161).'In this paradigm, civil society is understood as the arena in which the state perpetuates its power through hegemonic rather than coercive means' (Graham, 2004, p20; see also Femia (2001)) Yet Gramsci also recognises that civil society is 'the space where the subaltern classes can challenge the power of the state'(Abdelrahman, , 2004, p 22)

The growth of INGOs, sometimes known as 'global civil society' (GSC) has also been spectacular (evidence from Kaldor, Anheier, Glasius, 2004). At a world level, the membership of such associations is estimated to have increased by almost 70% from 1990-2000. This reflects a huge growth in members in INGOs in Central and Eastern Europe and a growth of around 50% in most regions of the developing world. A breakdown according to function, 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. INGOs, like NGOs are clearly a mixed group. Some support fair trade which is of growing importance, but still accounts for only a very small fraction of total trade. For example, it is estimated that it accounts for just 2% of the coffee market (and this is an industry where it has probably made most progress). The total value of fair trade is estimated at £500m. only 0.03% of 2002 value of developing country merchandise exports.[14]

[13] See Greenwood; Frederickson (1980); (2002).
[14] Estimate from D. Carvajal 'Third world gets help to help itself' *International Herald Tribune*, 7/12/2005.

INGO advocacy is directed at global rules and may contribute to a transformation at this level.[15] But their local effects can be negative by undermining local NGOs, and by substituting for and weakening government service provision.

Another international source of transformation has been 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 responsible from an environmental perspective.[16] Schemes include Company codes of conduct, multistakeholder initiatives, and public-private partnerships. These schemes have undoubtedly affected particular companies, but the impact is spotty, often confined to particular companies operations and not to the economy at large. They often side-line trade unions and almost never extend to the informal sector. Some companies clearly use SCR for public relations, while continuing with deleterious activities (e.g. British American Tobacco – see ASH(2002)). As Utting 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' (Utting, 2004, p1). Nevertheless, among foreign companies, some participation in SCR has become fairly extensive. Multistakeholder initiatives of various kinds were estimated to cover about 53,000 companies in 2004, of which over 90% most 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 (IDI 21, 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, p2). 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 for appropriate standards for the whole economy and mechanisms for monitoring and complaints and penalties, SRC could make a contribution to a new transformation.

All in all these non-governmental organisations, national and international, do make a contribution, but a limited one, largely because that is the nature of voluntary non-governmental activity. They 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 cooperative 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.

[15] E.g. Oxfam's trade reports. Jubilee 2000's campaign for debt relief.
[16] 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, p 1). See also ID21, 2005.

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 organised 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 globalisation 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 all promote pro-market policies. Their influence over developing country policy is extensive. Policy-based lending represents 10-20% of total World Bank lending and one third of commitments. There was a strong growth in the proportion of adjustment lending in the 1980s, and after some drop, it showed a sharp (temporary) rise in the late 1990s. In one way or other adjustment conditions affect virtually every borrowing country – i.e. virtually 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%).(Data from World Bank, 2005).

The IMF's traditional focus is on macro-economic stabilisation, 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..' (Decision of the Executive Board in 1974 when establishing the Extended Fund facility (EFF) quoted by IMF, 2001, p 3). Structural policies cover a wide range of reforms relating to tariffs and pricing policy, subsidies, privatisation, 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). Structural reforms have grown since the 1974 decision. By the mid-1990s almost all arrangements had some structural arrangements, while the number of structural conditions per arrangement also grew (IMF, 2001, p9). Conditions relate predominantly to the exchange system, the trade regime, pricing and marketing, public enterprise reform, privatisation (accounting for the largest proportion of conditions), and the financial sector. (IMF, 2001, p24). 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, the E.Asian financial crisis of 1997 led to the introduction of structural conditionality in the 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, reforms extended to privatisation, 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 organisation of their economies – indeed, quite the reverse 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, the IMF and the donor community have been promoting poverty reduction: they all accept orthodox pro-market macro and meso policies, and only make minor changes in resource allocation at the local level see Table 1. (Stewart and Wang, 2003).

Table 1: Policy reforms contained in PRSPs

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 & 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
Public Sector Governance and Management													
Budget Management	x	x	x	x	x	x	x	x	x	x		x	x
MTEF	x	x	x	x		x	x		x	x			
Decentralization	x		x	x	x	x		x	x	x	x	x	x
Public Administration Reform	x		x	x	x	x	x	x	x	x	x	x	x
Anti-curroption	x		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
Social Sector Reforms													
Education		x	x	x			x	x	x	x		x	x
Health		x	x	x		x	x	x	x	x		x	x
Social Protection/Employment Promotion	x	x	x	x	x	x	x	x			x	x	x
Rural Livelihoods	x												
Food security			x	x	x	x		x	x			x	x
Environmental Protection	x		x	x		x	x	x			x	x	x
Ethnic Minority Protection				x		x					x	x	
Gender Equity		x	x	x	x	x	x		x	x		x	x
Children/Disabled		x	x	x			x			x		x	x
Vulnerable Groups										x		x	x
Macro and Poverty sections separate?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ex ante assessment of impact?	N	N	N	N	N	N	N	N	N	N	N	N	N

Table 1 continued

	MALAWI	MALI	MAURITANI	MOZAMBIQ	NICARAGU	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 & 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
Public Sector Governance and Management														
Budget Management	x	x	x	x	x	x	x	x	x	x	x	x	x	x
MTEF	x	x		x		x	x		x	x	x	x		
Decentralization	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Public Administration Reform	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Anti-corruption	x	x	x	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
Social Sector Reforms														
Education	x	x		x	x	x	x	x	x	x	x	x	x	x
Health	x	x		x	x	x	x	x	x	x	x	x	x	x
Social Protection/Employment Promotion	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Rural Livelihoods		x			x	x	x				x		x	
Food security	x	x	x	x	x	x	x	x	x		x	x		x
Environmental Protection	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Ethnic Minority Protection					x				x					
Gender Equity	x	x		x	x	x	x	x	x	x		x	x	x
Children/Disabled	x	x	x	x	x			x	x	x	x	x		
Vulnerable Groups	x	x	x	x	x	x	x	x	x	x	x	x		
Macro and Poverty sections separate?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ex ante assessment of impact?	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Source Stewart and Wang (2003)

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 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 might be costly for them.

Crouch has analysed what he terms 'post-democracy' in developed countries, which is the outcome of 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, p 2)

He argues that the globalisation 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' (Crouch, 2000, p 15). [17] 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.. (p 16).

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.[18] Such fragmentation is also in evidence in developing

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[17] 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' (p428). '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' (p429). See also Brittan (1975), who identified a clash between market capitalism and liberal democracy and predicted the victory of the former over the latter .

[18] '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.

countries – the interests 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 has argued that in the many ethnically (or religiously) divided societies, political parties tend to mobilise along ethnic rather than class lines (Horowitz, 1985). Our own research has confirmed the strong ethnic/religious dimensions to politics in the countries we are studying and the weak element of ideological class-based politics. (e.g. Akindes, 2005; Brown, 2005; Caumartin, 2005)

Yet, as industrialisation proceeds, we may expect a more homogeneous working class population 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 emerge, if institutions develop that represent, argue for and unite such interests. Such institutions would not emerge from NGOs, nor INGOs, even of an advocacy variety, nor social movements, because these tend to be single issue organisations and tend to divide rather than unite. In developed countries, the development 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, coopted by governments and covering only a minority of workers, undermined wherever possible by the IFIs, MNCs and the elite[19], and lacking leadership because the most intelligent and entrepreneurial people tend to move up the educational ladder and away from working class occupations. 21st 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. S. Korea and Brazil are examples. But where governments broadly representing alternative perspectives do emerge, their achievements are heavily circumscribed by the international context, as we can see in the developments in these two countries, and also in India, S.Africa, and Venezuela. Like developed countries today, their achievements 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 may eventually force a pullback, or financial and economic catastrophes. The environmental shortcomings of the unregulated market –

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, 168, p212-3).

[19] For example, in the early 1990s the \Malaysian government indicated that it wouldn't allow the unionisation 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*, 4th September 1992 'Some investors against nationwide union')

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), be a trigger for major transformatory action.

V. Conclusion

This paper 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 humanise the market, so that society controlled the market rather than vice-versa. This control over the market lasted about forty years, but then a counterrevolution set in, once more giving a central role to the market throughout the world and leading to inequality and insecurity, along with accelerated growth in some places but stagnation in others. 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 paper 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 TUs 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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