

Have market societies always triggered demands for social protection?

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Social protection is designed to reduce levels of poverty and inequality and provide households and families with access to insurances among others to ensure optimal life conditions (OECD, 2019a). The recent World Social Protection Report from 2021 by the International Labour Organization shows that 46.9 percent of the world population experience coverage by at least one social protection benefit (ILO, 2021). The demand for social protection is impacted by economic systems, and especially market economies involve processes and consequences that can affect both living conditions and individuals' social and economic situations. Hence, it is relevant to examine to what extent social protection is demanded due to consequences of market societies. *This assignment will argue that market societies have always triggered demands for social protection because disembodiedness of the economy causes deprivation of social and economic stability, which provoke opposition and necessitates government involvement.* First, Karl Polanyi's main ideas on double movements and embeddedness of economies will be introduced. Afterwards, seven arguments will be presented, highlighting processes and consequences of market societies that trigger demands for social protection and necessitates government involvement. Finally, three approaches clarifying other viewpoints on market societies triggering demands for social protection will be represented and fended off, and a conclusion will be drawn.

This assignment is informed by the theory of double movements and ideas of market economies associated with economic historian Karl Polanyi. The theory introduced in *The Great Transformation* from 1944 presents the idea that the free self-regulated market mechanisms tend to subvert and disregard fundamental human values, which will provoke opposition (Stiglitz, 2001). The term double movement describes the process of marketization leading to disembodiedness of the economy assuring "destruction of both society and the natural environment" (Stiglitz, 2001), and this leads to the emergence of countermovements that effort to re-embed economy in society (Block, 2001). Economies are embedded in and subordinate to social relations and politics, and the process of marketization will result in deficiencies of social capital and human health, wherefore social protection will be demanded (Block, 2001; Stiglitz, 2001). Polanyi does not refute that unconstrained market economies can entail growth that creates wealth in society, but he dissociates himself from the idea of trickle-down economies that everyone will benefit from this growth as the most vulnerable in society, e.g. the poor, will be negatively affected, experiencing increase in social and economic risk (Stiglitz, 2001). According to Stiglitz (2001), Polanyi's ideas were precursor of the systematic

approach used today. Thus, his ideas are relevant in describing situations of demands for social protection triggered by market societies as examined in this assignment.

Recession due to unconstrained market mechanisms trigger demands for social protection and necessitates government involvement. Typical consequences of recession are increase in unemployment and poverty, reduced wages and other variables that impact human life and social conditions (Pettinger, 2020). These were just a few consequences of The Great Depression that affected the whole world population. In May 1933, the American unemployment rates peaked 25.6% (Iacurci, 2020), and between 1929 to 1933, annual average wages asked dropped by almost 58 percent (Simon, 2001). In August 1935, former president of the US, Franklin D. Roosevelt, signed the Social Security Act, establishing programs for economic safety and safety nets to secure the Americans' well-being (FDR Four Freedoms, n.d). By these regulations, he efforted to re-embed the economy in society by providing social protection. He claimed to try to end the depression, which appealed to the American population. Also, demand for social protection appeared after the financial crisis of 2007-2009. Statistics by OECD (2019b) show that countries' social spending, measured in percentage of GDP, increased in response to the crisis. Latvia is a great example with social spending of 11.08% of GDP in 2007, which increased to 19.47% of GDP in 2010 – an increase of 8.39 percentage points (OECD, 2019b). Thus, social protection provision gains more relevance in periods of economic crisis.

Market societies triggering demands for social protection is due to economic inequality as a consequence of developing policies to increase growth and make an economy more competitive. Economic inequality, including income inequality, tend to increase along with economic growth, and this inequality often affects minorities of a society (Majumdar & Partridge, 2009). In 2012, prime minister of Japan Shinzo Abe put forward a set of economic policies, so-called Abenomics, in effort to make the economy more competitive and enhance money supply. The result was increased wealth, but also an increase in inequality. Statistics show that national wealth of Japan has increased from 3,297.9 trillion yen in 2012 to 3,689.3 trillion yen in 2019 – an 11.87 percent increase since the policies were put forward (Statista, 2021). However, the obtained wealth has failed to being distributed in broader society, resulting in a decrease of 3.5 percent in average wealth of Japanese households in the years 2014 to 2019 (Aljazeera, 2021). Besides, the Japanese poverty rate has shown to be second highest of G7 countries in 2020, and the country rank number nine of OECD countries in the same year (Aljazeera, 2021). Hence, policies to develop a competitive economy lead to a lower

level of embeddedness of the economy in society, increasing economic inequality and the risk of individuals experiencing social deprivation. In addition, this can cause opposition and countermovements in effort to re-embed the economy, and this has also been the case for the Japanese example as anti-Abenomics protests have emerged (Schlesinger, 2014).

Due to insufficient regulation with bad working conditions and lack of safety on the labor market, market societies trigger demands for social protection displayed through opposition and countermovements. In 1834, the Poor Laws Amendment Act was passed by the British Parliament, putting the poor into workhouses in the desire of reducing costs of attending the poor and encourage them to work (Crowther, 1981). This, however, involved bad working conditions. The Anti-Poor Law Movement emerged in opposition to the adoption of the law as they regarded the system useless and inhuman (Rose, 1966). This is what Polanyi called “the self-protection of society” (1944, p. 87) – the natural emergence of a countermovement in effort to re-embed the economy in society. The Rana Plaza accident in Bangladesh in 2013 is an example of lack of safety. A factory building was constructed illegally without proper building material, and due to both administrative and engineering failures, the building collapsed and killed more than 1,100 people. The management of the garment factory was aware of the failures but ignored the risks and failed to react (Goodwin, 2021). Citizens responded with protests, demanding regulations to improve conditions within the industry, and speculations of who is responsible of reform gained relevance (Siddiqi, 2015). Thus, bad working conditions trigger demands for social protection and improvement of government regulation.

Market societies triggering demands for social protection is due to the process of trade liberalization as it causes social deprivation. Trade liberalization is the process of moving back from protectionism towards free trade, involving loosening of government control of the free market (Hillman, 2004). The Philippine Trade Programme from 1981 is an example of the process of trade liberalization with goals of reducing tariffs and import regulations in effort act more efficient on the global market (Clarete, 1989). According to a report by Hasan and Jandoc (2010), wage inequality in the period 1994 to 2000 has increased due to this trade liberalization. Because of annual GDP growth of 3.2% on average - lagging behind of its neighbors – and a rate of poor families of 34.2% in 2000 due to the Asian financial crisis in the 1990s, the government efforts to provide greater social protection in the informal sector with elements of more price subsidy and social assistance among other things (Gonzalez and Manasan, n.d). Among East Asian middle-income countries, the Philippines holds the

less equal income distribution (ILO, 2015), which once again explains demands for greater social protection provision and government involvement in the Philippines. Hence, trade liberalization can cause inequality and social deprivation, which provoke demands for social protection.

Demand for social protection can be triggered by market societies due to the process of privatization. Privatization describes the transferring of ownership within the private sector and the private sector's involvement in managing activities of the public sector. Governments use privatization to reduce costs and increase efficiency, because actors of the private sector often act more efficiently (Hargrave, 2021). A current example has occurred in India. The Indian government considers privatizing its 12 banks that are managed by the public sector, and these control more than 80% of financial transactions within the country. This has led to protests, including strikes organized by The United Forum of Bank Unions as they believe privatization of the banks will impair the Indian economy, and jobs will be put at risk (Kumar, 2021). Another example is Australian bus drivers striking by staying away from the roads for 24 hours after Government of New South Wales expressed its desire to privatize these services (AAP, 2017). Accordingly, this exemplifies opposition and countermovements emerging in response to privatization as a process of expansion of the private sector. Thus, market societies triggering demands for social protection is due to the process of privatization.

Movement of labor and competition on the labor market are factors of market societies that trigger demands for social protection. According to Al-Eryani (2010), movements of low and medium skilled labor from developing countries to developed countries can lead to increase in world welfare, but it does not benefit the developing countries themselves as the need for workers will increase due to rise in age of population and number of jobs that require human capital. Also, social protection will be demanded by these imported workers. In France, political challenges in shape of integration issues are due to lack of social rights of imported labor from North Africa, causing demonstrations of demands for social protection (Al-Eryani, 2010). Hence, this element of the free global market society causes a degree of disembeddedness of the economy from society, resulting in oppression and countermovements trying to re-embed the economy. Also, competition by low-cost labor can cause insecurity and unemployment of native workers, causing demands for social protection (Al-Eryani, 2010). Italy is an example of this competition with 67.9 percent of Italians aged 20 to 64 having a job compared to foreign workers' rate of 74.3 percent - these include foreign workers within and outside

EU (Merelli, 2015). Thus, demands for social protection is due to economic and social costs caused by movement of labor and competition.

The free global market has triggered demand for social protection, resulting in the establishment of The European Single Market. Besides economic influence, globalization and international trade has appeared to impact human living conditions negatively, including increase in air pollution and other health costs (Matsuoka et al, 2011). In response, The European Single Market was launched in 1993, eliminating the barriers within countries of EU and EFTA in effort to improving living conditions among other things (Ratcliff & Martinello, 2021). This can be identified as a countermovement against the consequences of global trade, emerging in trying to re-embed economy in society by providing benefits to secure social and economic stability for citizens of the member states. According to Schultz (2018), the establishment of The European Single Market has led to growth in all EU member states, including generation of new jobs, improvement in productivity and labor mobility. Denmark has experienced increase in GDP of 5 percent higher than what was expected if not being a member of the market, and living standards of Danish households and families have appeared to being enhanced (Shultz, 2018). Thus, The European Single Market was launched in response against the free global market to ensure social protection for citizens of the member states.

An opposing viewpoint is that market societies trigger demands for social protection because market economies fail to provide social and economic benefits for the exploited labor class. According to Karl Marx, the foundation of capitalist production is exploitation of the working class, taking advantage of their proficiencies (Lapon, 2011). The Marx' critique of capitalist economies includes that market economies are irreconcilable with welfare provided by the state, and while higher class individuals can enjoy provision of welfare, market economies fail to provide social protection benefits for the exploited labor class (Pierson, 1999). However, the Marxist theory fails to explain the occurrence of demands for social protection in other layers of society. Social protection does not just provide benefits for poor and vulnerable people, but it ensures social and economic stability in all layers of society – to prevent poverty among others. It secures the access to healthcare, disability benefits, childcare and others that are useful for everyone, who needs it (European Commission, n. d.). Besides, who will get impacted by climate changes and natural disasters do not depend on individuals' wealth and income, for which reason social protection is provided to help people manage these risks (IFRC, n.d.). These provisions would not exist without people needing them, and therefore,

demands for these social protection benefits do exist. Thus, demands for social protection occurs in all layers of society and does not only depend on social class.

Another scholar argues that market societies influence individuals' behaviors and vision of exchange, and this has an impact on demands for social protection. According to Michael Sandel (2013) money play a yet more relevant role in individuals' actions and decision makings, and economics fails to recognize the impact of market values on human behavior. These market values influence our lives controlled by social norms, which is why the impact of market societies on human relationships and goods in life – that get treated as commodities – cannot be ignored. Sandel (2013) argues that these commodities can be transferred into transactions so that if you are willing to pay – and can afford it – you can buy yourself from anything, which gives all individuals an opportunity of access of some source of income (Sandel, 2013). However, as this approach stresses upon the morality of involving non-material values in market societies and the opportunity of buying and selling of for example human beings' physical nature as commodities, it ignores the consideration of and individual's economic situation and access to buy oneself out of poverty. Even though individuals can obtain income by selling commodities that involve human relationships and other goods of life, this is not sufficient to demonstrate vulnerability and whether people demand more social protection.

A critique of the Polanyian approach argues that market mechanisms are regulated by institutions, which dissociates from the idea of disembeddedness. Hence, some scholars argue that market societies triggering demands for social protection is a question of the intertwinement between market and government. It is contended that people identify government as having a crucial role in controlling and regulating the actions of businesses and markets (Hall, 2021), whereas before, for instance paternalistic employers would reject any form of labor regulation by the state (ILO, 2018). In cases of external shocks, political incentives and state capacity are stated to be relevant factors, and it is argued that consequences of global crisis – and therefore demands for social protection due to risk of social and economic instability impacted by crisis – depend on economic structures, policy responses by the state and the relationship between these (Foresti et al., 2011). However, this approach does little in demonstrating the consequences of the intertwinement of government and markets. This is exactly what Karl Polanyi offers in his obstinacy that the regulated market system is impossible as limitations of the market will make it lose its power and functioning (Matêj, 2011).

Furthermore, it does not involve deliberations about how processes of market societies and self-regulating market mechanisms impact demands for social protection.

In conclusion, market societies have always triggered demands for social protection because disembeddedness of the economy causes deprivation of social and economic stability, which provoke opposition and necessitates government involvement. The assignment follows the approach of Karl Polanyi's theory on double movements and ideas of embeddedness of the economy in society. The factors of market societies that are argued to trigger demands for social protection are; (1) Recession and economic decline, (2) economic inequality due to growth in wealth, (3) bad working conditions due to lack of government regulation, (4) trade liberalization, (5) privatization, (6) free movement of labor and labor competition, (7) the free global market. Besides, this assignment has presented and defended alternative theories and approaches to the question of market economies triggering demands for social protection. The argument of this assignment has stressed upon how market societies and consequences of self-regulating markets impact households and individuals negatively, causing demands in social protection demonstrated through protests and countermovements. Therefore, relevant research for the future could be whether demands for social protection induce shifts in economic systems, and in a time of pandemic as a global challenge – what impact do demands for social protection have at global level, and how can countries cooperate to provide this?

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