



# MASTER OF ARTS IN SOCIOLOGY

SEMESTER-II

## SOC-2.4: SOCIOLOGY OF GLOBALISATION

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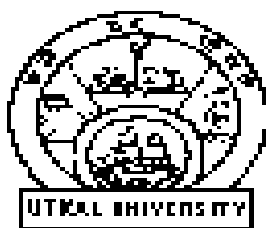
BLOCK: 1, 2, 3 & 4

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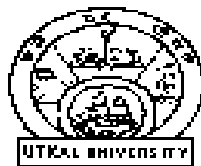
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We wish you happy reading.

**DIRECTOR**

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**CENTRE FOR DISTANCE AND ONLINE EDUCATION, UTKAL UNIVERSITY,**  
**BHUBANESWAR**

**Program Name: Master in Sociology**

**Program Code: 010316**

**Course Name: Sociology of Globalization**

**Course Code: SOC-2.4**

**Semester: II Credit: 4**

**Block No. 1 to 4 Units No. 1 to 16**

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**PUBLISHED BY**

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**CDOE, UTKAL UNIVERSITY**

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## **Block-01 Globalization**

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**Unit-02 Distinctive Characteristics of Globalisation**

**Unit-03 Dimensions of Globalisation: Economic,  
Technological, Social, Cultural and Environmental**

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## **Unit-01 The Historical and Social Context**

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## 1.1 Learning Objectives

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After studying this unit the learner will be able to:

- Conceptualize what is globalisation and justify it as a social process
- Understand the meaning and definition of globalization
- Trace the historical emergence of globalization process

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## 1.2 Introduction/ Assessment of Prior Knowledge

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Globalisation is a distinguishing trend and feature of the modern society. As a term it had its origin in French and American writings in the 1960s. But, it came into popular usage in the 1980s. Since then it has become a debatable topic among the academia, policy planners and practitioners. It is a social process that has resulted in greater interconnectedness and integration of people and nations across the borders. The process has stirred greater movement of individuals, ideas, knowledge, capital and goods across the national borders. Simply it can be described as a social process that has resulted in the dissemination of information, dispersion of ideas, diffusion of knowledge and technological knowhow, distribution of resources leading to the transformation of societies. It is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. Globalization is the worldwide process of homogenizing prices, products, wages, rates of interest and profits. It is a process by which the people of the world are unified into a single society and it leads to the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and spread of technology. Thus, globalization is a single word describing multiplicity of phenomena. It is omnipresent, ubiquitous and multidimensional.

Today globalization is a common usage, but invites controversial interpretations. As a term it is poorly defined. There are some commonalities in the interpretation of the term in different disciplines. The commonalities include terms like uniformity, standardisation through a technological, commercial and cultural synchronisation coming from the west. Today, every discipline has developed its own way of defining globalisation. Thus, economists define globalisation as economic internationalisation and spread of capitalist market relations through trade liberalization and technology transfer, economic growth, increase in employment and income distribution. The political scientists visualise globalisation as increasing density of

interstate relations and development world power institutions determining global politics. To the sociologists globalisation is the development of uniform global institutions expediting the process of social change and leading to the emergence of a “world society”. In culture studies, the emphasis is on the development of cultural communication influencing the culture and identity of the groups across the nations.

Globalization can be conceived as a process (or a set of processes) which embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or interregional flows and networks of activity, interaction and power. It is characterized by four types of change:

- First, it involves a stretching of social, political and economic activities across political frontiers, regions and continents.
- Second, it suggests the intensification, or the growing magnitude, of interconnectedness and flows of trade, investment, finance, migration, culture, etc.
- Third, the growing extensity and intensity of global interconnectedness can be linked to a speeding up of global interactions and processes. Due to globalisation, the evolution of world-wide systems of transport and communication increases speeding up the velocity of the diffusion of ideas, goods, information, capital, and people.
- Fourth, the growing extensity, intensity and velocity of global interactions can be associated with their deepening impact. This implies that the effects of distant events can be highly significant on a local community far away and even the most local developments may come to have enormous global consequences. In this sense, the boundaries between domestic matters and global affairs can become increasingly blurred.

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### **1.2.1 Origin of the Concept of Globalisation**

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Tracing back the etymology of the word “globalisation”, it can be pointed out that the term was coined as early as 1959, although it gained momentum only after 1980. In 1961, the Webster dictionary for the first time introduced the definitions of the words “Globalism” and “Globalisation” as observed by Malcom Waters. As the very name globalisation suggests, it has emerged from the adjective “global” meaning worldwide. Peter Kools states the adjective “global” dates back to the 16th century England and came into world attention during the period of expansion. The word global attained a greater attention in the writings of McLuhan who referred the world to a “Global Village” in 1961. To McLuhan the metaphor global village refers to

the more united world community.

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### **1.2.2 Sociological Interpretation of the Term Globalisation**

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Coming to the domain of Sociology, it can be noted that the term “Globalization” has got extensive treatment in the hands of many sociologists. The sociologists perceive that though economic in origin, the term has enormous social implications. To cite some examples, to George Ritzer globalization refers to the rapidly increasing worldwide integration and interdependence of societies and cultures. Scholte defines globalization as deterritorialization or the growth of ‘supraterritorial’ relations between people. Globalization refers to a far-reaching change in the nature of “social space”. To quote Albrow globalisation includes “all those processes by which the peoples of the world are incorporated into a single society, global society”. In the languages of Ronald Robertson “Globalization as a concept refers both to the compression of the world and the intensification of consciousness of the world as a whole.” To Anthony Giddens, “Globalization can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” . Water defines globalization as “a social process in which the constraints of geography on economic, political, social and cultural arrangements recede, in which people become increasingly aware that they are receding and in which people act accordingly”. To quote Held et al, “Globalization can be thought of a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power”.

U. Beck has underlined the differences among ‘globality,’ ‘globalism’ and ‘globalization.’ According to him, “‘globality’ refers to the fact that individuals are increasingly living in a ‘world society’ in the sense that ‘the notion of closed spaces has become illusory. Meanwhile, ‘globalism’ is the view that the ‘world market’ is now powerful enough to supplant (local and national) political action;” and “‘globalization’ is the blanket term to describe ‘the processes through which sovereign national states are criss-crossed and undermined by transnational actors and varying prospects of power, orientation, identities and networks’.

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### **1.2.3 Theories of Globalisation**

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According to Held and McGrew there are three main schools of thought relating to globalization. The versions of these three schools about globalisation dominate the entire discourses on globalisation. These three schools are: the Hyperglobalites School, the Skeptics School, the Transformationalists School.

**The Hyperglobalites School:** The Hyperglobalites focus on economic globalization which argues to denationalize economies and thereby creating global markets which would transcend state control, resulting in a loss of autonomy and sovereignty for the state.

The second school of thought, that is the **Skeptics School** argues that globalization is a myth. Skeptics also question what exactly is global about globalization. To them, it is not a universal phenomenon. On this ground, the concept itself loses validity and is not specific.

The third school of thought i.e. the **Transformationalists School** argues that globalization has structural consequences and is a driving force in society which influences political, social and economic change. Globalisation is responsible for social transformation. Due to globalisation, there is structural change in the society and a global shift with respect to power and authority takes place following the process.

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### 1.3 The Historical and Social Context of Globalisation

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Globalisation is not a revolutionary outcome, but an evolutionary development. Even if, it is often termed as a contemporary or modern phenomenon, it can be studied from a historical perspective. As a process it is noted by sociologists to be antique spanning many centuries or millennia. Herman van der Wee, one of the world's famous economic historians of Belgium commented globalisation is a new word for an old process that has been taking place for centuries. This clearly indicates globalisation is a historical process. It is sometimes identified by scholars that there are three tipping points that have led to global convergence of today under the banner of globalisation. These are: the consolidation of Asian and Indian ocean net works having its root one millennium before, the discovery of sea routes five centuries before with European expansionism and the Industrial revolution galvanising the European economy two centuries ago. However, most of these attempts were country or continent specific and more or less regional rather than worldwide in nature. Though some scholars have tried to designate these processes as "Proto globalisation" or "Archaic globalisation", the currencies have not achieved much intellectual acceptance.

Thus, globalisation is a historical process. It has witnessed many preceding stages in human

history which can be identified as the prelude to today's globalisation. There is no consensus on the initiation period of the process of globalisation among the scholars. However, all agree upon the point globalisation is a social reality that the world has experienced due to the interaction of complex economic, political, socio-cultural and biological factors. Economic crises leading to political disruptions have led the foundation of global convergence. Further, social and cultural changes have changed human vision, prompted them to explore the world around them, led to economic expansion and changes and changed the political boundaries. Biological factors like the break of epidemics have propelled human migration which have contributed significantly for cultural diversities, social change and crossing the borders leading to flow of individuals, ideas leading to cross border integration, the basic foundations of globalisation. The economist vision of the initiation of the process of globalisation is shorter than that proposed by the historians. The historians trace back the history of globalisation to the Industrial revolution of the west. To them the three landmarks that symbolise the beginning of global interaction and integration include the Industrial Revolution of the west which took place 1800 years ago, the maritime expansion which had its origin around 1500 years ago and the integration of Asia which took place 1000 years before. However, polarised is the views of Friedman who in his famous statement The World is Flat proposed that globalisation is of recent origin. Though it was mooring from 1945 after the end of the great depression and the world wars, it had a rapid development towards the end of the twentieth century.

To some historians, maritime revolution was initiated by Europe by 1500s. This became a turning point in the human history as this led to establish interconnectivity between Europe with Asia, Sub Saharan Africa and the American continent. Maritime revolution was initiated through the development of maritime technology and resulted in maritime exploration. This contributed for mercantile expansion. By this revolution, humanity could triumph over geographical barriers and the geographical segregation the nations were experiencing hitherto. This led to the influx of new culture, knowledge, wealth into a nation. The Italian Renaissance effects, the ideals of French and American Revolution were diffused across the European borders and this was the beginning point of globalisation. Most historical evidence, refer 1500s as a watershed in the evolution of the process of globalisation.

Industrial revolution was an accelerant of global integration. It opened a new era in the human history by increasing production and the GDP in the western countries. This led to the foundation

for market expansion which is a precursor to globalisation. This is often termed as the second phase of globalisation. During this phase, there was vast transformation in the production technology and the demand of the consumers. Mass scale machine based production increased the quantum of production which forced for expansion of the market beyond the national borders. This resulted in colonial plunder, investments outside the national borders, colonial expansion. This was the prelude to global integration.

Geoffrey Gunn an authority on Asian history and International Relations identifies the period spanning from 1500 to 1800 as the era of first phase of globalisation. To him the first confluence between the east and the west took place during this period. Global capitalism was in its wake and there was the ascendancy of the west. This was percolating to the colonies and cultural and material exchanges were fast taking momentum. However, globalisation halted due to the two world wars that took place in the first half of the twentieth century.

Globalisation was again spearheaded during the 1970s when the East Asia miracle took place. This was led by the key role played by the transnational companies. Finally, in the beginning of the twenty first century, with the awakening of the sleeping giants like China and India, globalisation started taking a new face. During this time, all countries started rowing in the globalisation boat. All became equal partners and participants in the process. The income inequality started declining. The national sovereignty started eroding and the world organisations and corporate giants began directing and dictating state power.

Thus, the historical context of globalisation can be summarised under five different phases which can be described as the five waves of globalisation. These waves have touched the world in different periods which are as follows.

- First wave of globalisation taking place between Third to Tenth centuries.
- Second wave of globalisation taking place between Eleventh to the end of the Fourteenth century.
- Third wave of globalisation between Fifteenth to Nineteenth centuries.
- Fourth wave between the beginnings of twentieth century to the first half of twentieth century.
- Fifth wave from the last two decades of twentieth century and continuing till date.

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### **1.3.1 The First Wave of Globalisation**

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The first wave of globalisation refers to the period between third to tenth century B.C. This is the

period which marks the beginning of cross national connectivity. Andre Gunder Frank an economist associated with dependency theory of development proposes attempts for globalisation has been in existence since the rise of trade links between Sumer and Indus valley civilization in the third century B.C. Thus, the rise of river valley civilizations and their contribution for surplus production and facilitation of navigation facilities contributed significantly for the establishment of contacts between hitherto unrelated space and people.

The Hellenistic age also noted some developments in global integration. The Hellenistic Period is a part of the ancient period. It is associated with the eastern Mediterranean and Middle East region. It covers the period between the death of Alexander the Great in 323 B.C and the conquest of Egypt by Rome in 30 B.C. This period led to Greek colonisation and spread of Greek culture. It started spreading to Asia after Alexander's conquest of Asia. In consequence, the Hellenistic Period is usually accepted to begin in 323 BC with Alexander's death and ends in 31 BC with the conquest of the last Hellenistic kingdom by Rome, the Lagid kingdom of Egypt. For the Asian part, it can be lengthen to 10 BC, when the last Indo-Greek kingdom was conquered by Indo-Sakas. Due to the Greek political presence, during this period, commercialized urban centers were spreading from India to Spain. The Grecian cities of Alexandria, Athens and Antioch remained at its centre.

Further, the trade links between Roman Empire and Parthian empire symbolised the establishment of global link. During this said period, silk routes were established which added to the process of accelerating global connectivity. The Silk Road is a historically important international trade route between China and the Mediterranean. As China silk comprised a large proportion of the trade along this ancient road, in 1877, it was named the 'Silk Road' by Ferdinand von Richthofen, an eminent German geographer. The Silk Road was a network of commercial trade routes, formally established during the Han Dynasty of China, which linked the regions of the ancient world. It is noted that the development of the Silk Road from China to Rome allowed 300 ships in a year sailing between Greco Roman world and India. This overcame the geographical barriers that prevented flow of people, wealth, goods for years together.

The Islamic Golden Age was a watershed in the evolution of the process of globalisation. The Islamic Golden Age traditionally dated from the mid-7th century to the mid-13th century at which Muslim rulers established one of the largest empires in history. During this period, artists, engineers, scholars, poets, philosophers, geographers and traders in the Islamic world contributed

to agriculture, arts, economics, industry, law, literature, navigation, philosophy, sciences, sociology, and technology, both by preserving earlier traditions and by adding inventions and innovations of their own. Also at that time the Muslim world became a major intellectual centre for science, philosophy, medicine and education. In Baghdad they established the “House of Wisdom”, where scholars, both Muslim and non-Muslim, sought to gather and translate the world’s knowledge into Arabic in the Translation Movement. During this period, the Jewish and Muslim traders and explorers established sustained economy across the Old world resulting in the establishment of trade of sugar and cotton, diffusion of knowledge and technology.

The advent of the Mongol empire with Genghis Khan’s imperialist spirit too paved the way for globalisation. Between 1206 and his death in 1227, the Mongol leader Genghis Khan conquered nearly 12 million square miles of territory. Along the way, he cut a ruthless path through Asia and Europe. Thus he helped to open contact between East and West. He wanted trade and goods, including new weapons, for his nation. A Mongol caravan of several hundred merchants approached a recently formed Khwarezmian Empire in Persia and Central Asia. Thus, cross border exploration and migration initiated by the great imperialist was a step forward for globalisation.

Thus, in the first phase of globalisation factors like rise of civilizations, maritime revolution, establishment of trade links, knowledge generation and diffusion and imperialism contributed for the establishment of cross nation connectivity and exchange of goods, ideas, knowledge and wealth. However, this wave of globalisation came to an end with the Germanic invasion of the Roman Empire.

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### **1.3.2 The Second Wave of Globalisation**

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The second wave of globalisation spans from eleventh to the end of the fourteenth century. Though the duration of this phase is very limited and short, yet from the outcome point of view it is quite significant. During this phase the repercussions were quite spectacular. During this period, large estate owners in Europe introduced technological revolution in production which resulted in the commercialisation of agriculture. Productivity had a sharp rise due to the process of mechanisation and it led to the generation of surplus. When subsistence agriculture was replaced by surplus production, a need arose to expand the market to exhaust the surplus and the profit making from production became the target. This compelled the producers to hunt for outside markets where their products will be demanded and they started expanding the market by



establishing regular trade relations outside their own countries.

Another historical event of this phase was the hundred years of war fought between England and France. This war gave a substantive boost to the process of globalisation. The Hundred Years' War was a long struggle between England and France over succession to the French throne. It lasted from 1337 to 1453. So it was in reality a war for '116 Years'. The war started off with several stunning successes on Britain's part, and the English forces dominated France for decades. Then, the struggle witnessed see-saws, moving back and forth and the success shuttling between Britain and France. This war had a disastrous consequence on the entire European continent. This halted trade momentum temporarily due to terror and turmoil. But it brought new apprehensions to the people. Plagued by the fear of war, diseases and to have a sustainable livelihood, people started out migrating from these war affected countries. This was undertaken in groups. This cross border migration became a starting point of globalisation.

During this period of history, maritime commerce gained prominence in the port cities of Europe. Particularly, the port cities like Venice in Italy and Bruges in Belgium played a significant role in linking countries and transferring goods and people to outside lands. Bruges had a strategic location at the crossroads of the northern Hanseatic League trade and the southern trade routes. The traders of Bruges developed, or borrowed from Italy, new forms of merchant capitalism, whereby several merchants would share the risks and profits and pool their knowledge to markets. They employed new forms of economic exchange, including bills of exchange (i.e. promissory notes) and letters of credit. The city eagerly welcomed foreign traders, most notably the Portuguese pepper and spice traders. This massive trade linkage laid the foundation of globalisation. More significant was the port city of Venice. Venice became well known throughout the world for its flourishing trade centres and textile industry, which connected the Western world with the East. Their location gave them an advantage over other Italian cities to connect with other trading ports from across the world. Even before the Renaissance, Venice had already been trading with the Islamic world as early as the ninth century, and continued it up to the sixteenth century. During the 1200s, trade between Egypt, Syria, Southeast Asia, Iran and China was present, especially with their trade of spices, grain, wine, and salt. The spice trade with the east was the reason for Venice's expansion of their high quality textile manufacturing. The high quality woollen textiles, for example, that were put on the market were in exchange for supply of spices from the east. Venice's ability to find excellent

labour, raw materials, and capital contributed to their success in trading desirable woollen textiles in exchange for eastern goods. The city's "textile trade was the single most important achievement of the Italian city state economy" during the 14th century. These trade advantages of the city increased global interaction, exchange and integration which can be treated as rudiments for initiating the process of globalisation.

The mid-to-late 15th century has quite rightly been called the age of Exploration and Discovery. It was an age in which European sailors and ships left the coastal waters of the Old World and embarked on their adventure on the vast "green sea of darkness." First, Portuguese ships, then Spanish and finally, in the late 15th and early 16th centuries, British, French and Dutch ships set out to discover a world, a world they originally called the Other World, but eventually called the Mundus Novus -- the New World. This was a significant milestone in the process of global integration and connectivity.

However, this phase came to an end because of rising competition resulting in war, plunder and exploitation which impoverished the people to an infinite extent. There was a reaction against the outside intrusion. No doubt this phase was significant in the process of globalisation. Market expansion, forced migration, maritime commerce, trade and turbulence contributed significantly to globalisation during this period.

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### **1.3.3 The Third Wave of Globalisation**

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The third wave of globalisation swept the world between fifteenth to nineteenth centuries. After 1453, warfare in Eastern Europe and Asia and the fall of Constantinople to the Ottoman Turks made overland trade difficult. So, Europeans began looking for a sea route to India and East Asia. By this time, there were technological innovations. Navigational instruments and sails were developing which enabled Europeans to undertake global exploration. It can be noted that the Portuguese sailors ventured further and further southward along the Atlantic coast of Africa, searching for a new route to Asia. The Portuguese did ultimately reach India in 1498. This made European colonisation hassle free.

During this phase, the exploratory voyage of Columbus across the Atlantic Ocean in 1492 discovered the trade routes to the new world. He made four trips to the Caribbean and South America during the years 1492-1504. This established a link between Europe and the new world. During the period from the late fifteenth through the seventeenth century, the Spanish empire expanded the extent of its power, influence, and wealth throughout the world. In particular the

Spanish were responsible for exploring, conquering, and colonizing significant portions of Central America, South America, and the Caribbean. The Spanish Empire, along with neighbouring Portugal, initiated the Age of Discovery or the Age of Exploration. Compared to Portugal, Spain succeeded in establishing more permanent and complex settlements in the New World, largely through centralized colonial governments. During the Age of Discovery, several other burgeoning European empires such as England and France followed the lead of the Spanish Crown and increasingly extended their power and influence throughout the New World. Starting in 1492, Queen Isabella of Castile and King Ferdinand of Aragon largely spearheaded the Age of Exploration under the newly unified kingdom of Spain. Overseas expeditions and voyages were typically sponsored by the monarchy or by members of the nobility. Spreading Catholicism and converting indigenous people acted as a major impetus for colonization and Spanish imperial expansion. Christopher Columbus was responsible for putting Spain into its golden age of imperialism and colonialism. The colonial territories founded by Columbus throughout the Americas yielded enormous wealth for the Spanish Empire and established the European supremacy overseas until the late sixteenth century. Columbus's discoveries also introduced the existence of the Americas, or the New World, to European society. The world started getting integrated.

The Age of Discovery brought a broad change in globalization, being the first period in which Eurasia and Africa engaged in substantial cultural, material and biologic exchange with the New World. Shortly before the turn of the 16th century, Portuguese started establishing trading posts (factories) from Africa to Asia and Brazil, to deal with the trade of local product like gold, spices and timber.

Global integration continued with the European colonization of the Americas initiating widespread exchange of plants, animals, foods, human populations (including slaves), communicable diseases, and culture between the Eastern and Western hemispheres.

The next phase is known as proto-globalization. It was characterized by the rise of maritime European empires, in the 16th and 17th centuries, first the Portuguese and Spanish Empires, and later the Dutch and British Empires. In the 17th century, globalization became also a private business phenomenon when chartered companies like British East India Company (founded in 1600), often described as the first Multinational Corporation, as well as the Dutch East India Company (founded in 1602) were established.

Keith Griffins writes that eighteenth century presented humankind two visions. They are: economic prosperity based on free markets and a vision of liberty, equality and fraternity championing the cause of democracy. A watershed event in modern European history, the French Revolution began in 1789 and ended in the late 1790s with the ascent of Napoleon Bonaparte. During this period, French citizens redesigned their country's political landscape, uprooting centuries-old institutions such as absolute monarchy and the feudal system. The French Revolution was influenced by Enlightenment ideals, particularly the concepts of popular sovereignty and inalienable rights. This brought rapid political transformation. Soon these ideas had a dispersion effect across the borders of France and led to a process of homogenisation of these ideas which is a symbol of globalisation. Prototype political institutions were in demand by the people in many parts of the world.

The idea of economic prosperity germinated from the Industrial revolution. The Industrial Revolution took place from the 18th to 19th centuries. It was a period during which predominantly agrarian, rural societies in Europe and America became industrial and urban. Industrialization marked a shift to powered, machinery, factories and mass production. The iron and textile industries, along with the development of the steam engine, played central roles in the Industrial Revolution. It introduced improved systems of transportation, communication and banking. While industrialization brought about an increased volume and variety of manufactured goods and an improved standard of living for some, it also resulted in often grim employment and living conditions for the poor and working classes. So as an aftermath effect of Industrial revolution, the process of migration intensified. There was phenomenal increase in production, product diversities, and transport revolution and cash economy which were well suited to establish and expand markets across the national borders. This became an adequate germinating factor for globalisation. The ideals of nationalism stressing on protectionism prevented cross border transfer of goods and people. This eroded alien contacts for a period. The period between 1870-1914, was the peak of traditional globalisation when trade, capital were moving at their peak speed. This period was said to be the beginning of or the first phase of modern globalisation.

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#### **1.3.4 The Fourth Wave of Globalisation**

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The Fourth wave of globalisation swept the world from the beginning of twentieth century to the first half of twentieth century. The rapid innovations and technological progress during this

phase contributed significantly for a paradigm shift from local to global. No longer did the producers or the people see things in local perspective, but in a global context. The focus became concentrated on interdependence; inter connectivity instead on national development and self interest. Up to the outbreak of the First World War, this trend continued to exist.

The first phase of "modern globalization" began to break down at the beginning of the 20th century, with World War I. During the First World War there was large scale devastation of the countries involved. Their economy was shattered. Global inequalities in the distribution of wealth were escalating. Political instabilities had shaken up the backbone of the nations. To cite an example, France faced with an acute crisis of food supply. This came as an aftermath effect of the outbreak of the war which had left France without the ability to support itself agriculturally since France had a shortage of fertilizers and machinery in 1917.

During this period, two ideologies emerged which refrained the countries to get assimilated in the global integration process. These two were: isolation and protectionism. Strong sentiment of nationalism promoted these two ideologies. Global inequalities in income and wealth distribution generated a new awareness and gave birth to global recession and depression. Protectionism and isolation agenda restricted international or cross national trade and raised trade barriers. These led to the decline of globalisation for the next two decades. The Great Depression in the late 1920s and early 1930s, the Wall Street crashes in 1929 brought a serious rupture in the globalisation curve. This marked the end of the fourth wave of globalisation. The Treaty of Versailles 1919 and the Treaty of ST. Germain 1919 which were signed during the period following the World War had contrasting bearings on international trade. Treaty of Versailles was supportive for international trade while Treaty of St. Germain was preventive to international trade.

By 1918, Germany was being defeated in most areas of the war. German people were hungry, war weary and demanded peace. The German government eventually asked for an armistice, and at the eleventh day of the eleventh month, 1918, cease-fire began. The problem of peace continued to exist. Many people hoped that a peace settlement would prevent war from repeating itself. On January 8th, 1918, The American President Woodrow Wilson outlined his peace proposals to the American Congress. These became known as the 'Fourteen Points' and 'Four principles'. On November 5th, 1918, Wilson sent a note to the Germans. The Germans agreed to an armistice and expected a peace settlement to be based upon the fourteen points.

Of the fourteen points the most important relating to international trade were: Seas should be free in peace and in war to ships of all nations (Freedom of Navigation). The barriers to trade between countries such as custom duties should be removed (free trade).

Treaty of Saint-Germaine, (1919), was signed by the representatives of Austrian one side and the Allied Powers on the other. It was signed at Saint-Germain-en-Laye, near Paris, on Sept. 10, 1919, and came into force on July 16, 1920. It stressed on two points. Those were: self determination of the countries from the political angle and economic self sufficiency from the economic angle. Thus, it was not very much conducive to globalisation through international trade. It tried to reduce interdependence of nations in terms of governance and economic dependence.

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### **1.3.5 The Fifth Wave of Globalisation**

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The Fifth wave of globalisation was founded towards the end of the World War II. This wave of globalisation appeared with the coming up of world organisations to erode trade barriers and facilitate cross border trade. Particularly this wave of globalisation succeeded in making globalisation sustainable in nature.

Globalization, since World War II, is partly the result of planning by politicians to break down borders which prevent free trade and market expansion. Their work led to the Bretton Woods conference. The very aim of the Bretton Woods conference was to arrive on an agreement by the world's leading politicians to lay down the framework for international commerce and finance and to create international institutions intended to facilitate oversee trade. The Bretton Woods Convention officially known as the United Nations Monetary and Financial Conference was a gathering of delegates from 44 nations that met from July 1 to 22, 1944 in Bretton Woods, New Hampshire. It agreed upon a series of new rules for the post-Second World War international monetary system. The two major accomplishments of the conference were the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). It also adopted the GATT. It prescribed that restrictions on trade should be ended by the signatory nations as soon as possible. Under the auspices of the General Agreement on Tariffs and Trade (GATT), a series of agreements were made to remove restrictions on trade. In 1948, the International Trade Organisation was established as an agency of the United Nations. It was a precursor to the establishment of the World Trade Organisation. The GATT started a number of multilateral rounds of trade negotiations to reduce trade barriers

and facilitate International trade. The most remarkable of them are the Kennedy round in 1964, The Tokyo round in 1973, the Uruguay in 1986 round and the Doha round in 2001.

Globalization was also driven by the global expansion of multinational corporations based in the United States and Europe, and worldwide exchange of new developments in science, technology and products, with most significant inventions of this time having their origins in the Western world. Development and growth of international transport and telecommunication played a decisive role in modern globalization.

The post 1980 period can be designated as the contemporary globalisation period. It is characterised by acceleration and intensification of economic, political and cultural integration. In the economic front, a major development was the enactment of The Single European Act of 1986 which created the European Common Market. The increased growth of trade, market expansion and foreign investment gave birth to the concept of “Casino Capitalism” implying the lack of guarantee for gain. In the political domain there started a process of “Destatization” leading to the sinking in the sovereign power of the states. The world organisations and some INGOS executed some functions formerly performed by the state. In the cultural field, globalisation has resulted in the creation of a cognitive society, a leading feature of a post industrialised society often popularly called as a “Knowledge Society”, “Information Society” and “Programmed Society”.

The end of the cold war has given sufficient stimulus to the process of globalisation to flourish. It has proved many theories as realities. In this context reference can be made to Francis Fukuyama’s theory of end of history. In this theory, the theorist forecasted that liberal democracy will triumph all throughout the world. It has come true due to the process of globalisation. Zbigniew Brzezinski’s realistic theory imagines that all states will be acting in the world scene with the break of the geopolitical regions with a struggle for global supremacy. It has come true with the contemporary globalisation. Further, Huntington’s civilisation theory proclaiming that difference between the nations in the new world order will not be of political or economic nature, but of cultural nature has become a reality with the process of modern globalisation.

Thus, globalisation has been shaped by many social factors from time to time and through various historical developments. However, the pace of globalisation has sometimes taken a swift pace and sometimes is found to be retarded. The first three waves can be described as traditional globalisation. During these phases globalisation though was taking momentum was not visible

on the surface. During the fourth phase, globalisation got a setback due to the war and great depression. This was a period of decline in the process of globalisation and during the fifth stage; globalisation started taking an added momentum. There was the resurgence of globalisation.

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#### 1.4 Summary

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Globalisation is a term that has been used to explain the integration of the world, in multiple ways – economic, political, cultural, technological and geographic. Globalisation includes “all those processes by which the peoples of the world are incorporated into a single society, global society”. Globalisation is manifest in the rapid flow of information, capital and goods. They result in networks and interactions that transcend any effective monitoring and control by the nation-states. The General Agreement on Trade in Services (1995), of the World Trade Organisation counts education as a commercial service that can be exported, thereby expanding its global outreach. The process of Globalisation has hitherto been accompanied by a strong dose of Americanisation manifest in such symbols as 'Coca-Cola' and 'Macdonald' and has reinforced its influence over the other regions of the world.

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#### 1.5 Self Assessment Questions

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1. What is globalization?
2. How globalization emerged through historical period?
3. What are various waves of globalization?

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#### 1.6 Key Words

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**Globalisation:** Globalization means the speedup of movements and exchanges (of human beings, goods, and services, capital, technologies or cultural practices) all over the planet. One of the effects of globalization is that it promotes and increases interactions between different regions and populations around the globe.

**Core:** the core includes major world powers and the country that contain much of the wealth of the planet

**Periphery:** it has those countries that are not reaping the benefit of global wealth and globalization.

**Semi Periphery:** semi-periphery countries are the industrializing, mostly capitalist countries which are positioned between the periphery and core countries. Semiperipheral countries contribute to the manufacturing and exportation of a variety of goods.



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## 1.7 Study Guide

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## **Unit-02 Distinctive Characteristics of Globalisation**

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### **Structure**

#### **2.1 Learning Objectives**

#### **2.2 Introduction/ Assessment of Prior Knowledge**

#### **2.3 Distinctive Characteristics of Globalisation**

##### **2.3.1 Borderless world**

##### **2.3.2 Liberalization**

##### **2.3.3 Free Trade**

##### **2.3.4 Extended Economic Activities**

##### **2.3.5 Globalization is universal, but not a uniform process**

##### **2.3.6 Globalisation is a historical process**

##### **2.3.7 Globalisation is both developmental and detrimental for the society**

##### **2.3.8 Globalisation is a long term process**

##### **2.3.9 Globalisation is an irreversible process**

##### **2.3.10 Globalisation leads to hybridisation, homogenisation and harmonization**

##### **2.3.11 Globalisation leads to dispersion and diffusion**

##### **2.3.12 Globalisation is a multidimensional process**

##### **2.3.13 Globalisation is a top down process**

##### **2.3.14 Globalisation results in deterritorialisation**

#### **2.4 Summary**

#### **2.5 Self Assessment Questions**

#### **2.6 Key Words**

#### **2.7 Study Guide**

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## **2.1 Learning Objectives**

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After studying this unit the learner will be able to:

- Explain the various characteristics of Globalisation
- Analyse the Approaches of Globalisation

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## **2.2 Introduction/ Assessment of Prior Knowledge**

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This unit discusses about the major characteristic features of globalisation. It treats globalisation as a social process and how it was brought into intellectual discourses and the domain of sociological inquiry. Globalisation is a term that has been used to explain the integration of the world, in multiple ways – economic, political, cultural, technological and geographic. Though globalisation cannot and must not be limited to mean economic integration of the world, the term globalisation has been, over the years, seen to be synonymous with economic globalisation.

The hallmark of contemporary society is the trend and feature of globalization. The phrase first appeared in American and French literature in the 1960s. However, it gained popularity in the 1980s. It has now developed into a contentious issue among practitioners, policy planners, and academics. Due to a societal dynamic, there is now more interconnection and cross-border integration of people and nations. The method has encouraged increased movement of people, concepts, information, money, and products between national borders. It might be summed up as a social procedure that has caused information to be dispersed, dispersion of concepts, dissemination of information and technical expertise, and distribution of resources resulting in societal transformation.

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## **2.3 Distinctive Characteristics of Globalisation**

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Globalisation is a social and historical reality. It is an ongoing process of social change that links people, neighbourhoods, cities, regions and countries much more closely together than they have ever been before. This has resulted in increasing people's access to diversified commodities, communities, ideas and information and thereby ensuring rapid transformations in societies. In the initial years, globalisation was viewed essentially as an economic process. Accordingly, the characteristics assigned to it were more economic in nature. These characteristics bagged more economic essence and some political values. These were:

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### **2.3.1 Borderless world**

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The most outstanding economic characteristic of globalization is the introduction and practice of a borderless world. Notions of a “borderless world” simply mean political “deterritorialization”. “Deterritorialization” concept implies territorial component in world affairs is of much reduced significance. The territorial structures and compartments which have, for the past few hundred years, formed a basic component of the state system experience structural change under the process of globalisation. It evokes images of a world in which goods, services, capital, and information flow across national borders. In this world, the choices over where to produce, where to establish shop, invest, and save are no longer confined within national borders. They have taken on a decidedly global orientation. Some analysts speculate that globalization has blurred the economic distinctions between countries, creating a “borderless world” in which economic decisions are made without reference to national boundaries. Thus, globalisation collapses geopolitical boundaries and compresses distance between nations. This is the most significant characteristic of globalisation.

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### **2.3.2 Liberalization**

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Globalization and liberalization are concepts closely related to one another. Globalisation can occur only under the situation of liberalisation. Liberalization refers to the relaxing social and economic policies which results in better integration of an economy with the global economy. Globalization and liberalization both occur as a result of modernization. Liberalisation is a process of liberalising the economic, industrial, investment, financial and business policies to enhance the business, export, per capita of a particular region. In general, it refers to the removal of restrictions; usually government rules and regulations imposed on social, economic, or political matters. Liberalization maybe trade, economic, or capital market related. Trade liberalization may be with regard to reducing restrictions on imports or exports and facilitating free trade. Economic liberalization generally refers to allowing more private entities participate in economic activity, and capital market liberalization refers to reducing restrictions imposed on debt and equity markets. Thus, liberalisation provides ample freedom to the industrialist/ businessman to establish industry, trade or commerce either in his country or abroad; free exchange of capital, goods, service and technologies between countries. Globalisation cannot take place without liberalisation.

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### **2.3.3 Free Trade**

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Free trade symbolises a liberal economic order that prevents protectionism and isolation. Simply speaking, globalization is the process of changing the world into an integrated world from an isolated one. Globalization is a long-term process of change towards greater international cooperation in economics, politics, idea, cultural values, and the exchange of knowledge. The core features of globalization are increased free trade between nations, easier movement of capital between borders, and a massive increase in foreign investment. This results in growth for both small businesses and multinational companies, which can access new markets across the world. It also results in increased transport and communication between countries and continents.

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### **2.3.4 Extended Economic Activities**

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Globalization as a process widens, intensifies speeds up, and increases world-wide interconnectedness. It is characterized by four types of change. First, it involves a stretching of social, political and economic activities across frontiers, regions and continents. Second, it is marked by the intensification, or the growing magnitude, of interconnectedness and flows of trade, investment, finance, migration, culture, etc. Third, it can be linked to a speeding up of global interactions and processes, as the development of world-wide systems of transport and communication increases the velocity of the diffusion of ideas, goods, information, capital and people. And, fourth, it results in the growing extensity, intensity and velocity of global interactions. In this sense, the boundaries between domestic matters and global affairs become increasingly fluid. Globalization refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium.

The general characteristics of globalisation go beyond their economic characteristics and include the following.

1. Globalisation is a universal process, but not uniform in its result.
2. Globalisation is a historical process.
3. Globalisation is both developmental and detrimental for the society.
4. Globalisation is a long term process.

5. Globalisation is an irreversible process.
6. Globalisation leads to hybridisation, homogenisation and harmonisation.
7. Globalisation leads to dispersion and diffusion.
8. Globalisation is a multidimensional process.
9. Globalisation is a top down process.
10. Globalisation results in deterritorialisation

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#### **2.3.5 Globalization is universal, but not a uniform process**

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Globalisation takes place in every society irrespective of time and space. In every age and every space globalisation has taken place in exclusion to the pre modern state. Today every society developed or developing, western or oriental, big or small, conservative or liberal experience the process of globalisation. The geographical barriers resulting in the location, isolation of a space has not insulated it from the process of globalisation. Even the inaccessible areas of Alps or the disconnected islands are getting the steady effects of globalisation. Further, in terms of time globalisation has been initiated since third century B.C. Man's craze for knowledge, exploration and craze for resource have paved the ways for establishing interconnectivity.

Though universal as a phenomenon, no uniformity is marked in its expression. The depth and the pace of globalisation have its longitudinal and spatial variations. At certain point of time the depth and pace of globalisation is faster while it is retarded at certain other period of time. For example, during the periods of peace and scientific prosperity, it has taken a swift pace while during wars, depressions, the pace of globalisation has gone down. The rate of globalisation is spectacularly higher in the developed areas in comparison to the pre modern and under developed areas.

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#### **2.3.6 Globalisation is a historical process**

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Globalisation is a historical reality. Its intellectual ancestry can be traced back in the writings of Adam Smith, Marx, J.S.Mill, Hecksher and Ohlin, J.M.Keynes and Lenin who long back predicted that economic activities have a tendency to expand beyond its national setting. No doubt globalisation is antique. Its historical roots date back to early ages.

Andre Gunder Frank argues that a form of globalization has been in existence since the rise of trade links between Sumer and the Indus Valley civilization in the third millennium B.C .Thomas Loren Friedman classifies the period of globalisation into three spells. They are: First phase of

Globalization touching the world between 1492–1800, Second phase coming in between 1800–2000 and the third phase being witnessed after 2000 and continuing till present. He states that the first phase of Globalization involves the globalization of countries, the second phase involves the globalization of companies and the third and final phase of globalization involves the globalization of individuals. Globalization is an historical process that began with the first movement of people out of Africa into other parts of the world. Travelling short, then longer distances, migrants, merchants, and others have always taken their ideas, customs, and products into new lands. The borrowing and adaptation of outside influences can be found in many areas of human life. The age of discovery sweeping the world between 15th to 16th Century strengthened the process of globalisation. The discovery of America and the opening up of new trade routes to Africa and Asia brought the world closer together. It was followed by a process of increasing colonization and industrialization in the 18th century. This gave rise to a division of labour. Colonies provided the raw materials and agrarian products, the industrial nations provided the manufactured products. The flow of men, money, raw materials and outputs were established which were strong prelude to modern globalisation. During the 19th Century the emerging nation states increasingly cut back trade restrictions (customs duties, bureaucratic regulations) and put the economy on the gold standard, thus providing a basis for international monetary and financial politics. In the closing years of 20th and the beginning years of 21st century technological progress (steamships, railroads, telegraph), internet and media revolution, accelerated transportation and communication and established global linkage. Thus human history bears the instances of globalisation taking place in some form or the other.

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### **2.3.7 Globalisation is both developmental and detrimental for the society**

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Globalisation is the ongoing process that is linking people, neighbourhoods, cities, regions and countries much more closely together than they have ever been before. This has resulted in intertwining people in all parts of the world via the food they eat, the cloth they wear, the music they listen to, the information that they get and the ideas they hold.

This interconnectedness amongst humans on the planet is sometimes also referred to as the ‘global village’ where the barriers of national and international boundaries become less relevant and the world figuratively becomes a smaller place. The process is driven economically by international financial flows and trade, technologically by information technology and mass media entertainment, and very significantly, also by human means such as cultural exchanges,

migration and international tourism. Due to globalisation, there are signs of solidarity across societies in support of progressive ideals such as social justice, environmental sustainability and health as basic human right.

Supporters of economic globalization over emphasise the developmental effects of globalisation which include, flows of trade and finance. Trade increases growth, especially in poorer countries. Growth increases incomes, especially for the poor, so eventually there is a convergence of wealth and higher incomes for the poor. Higher income brings better living conditions. Globalisation makes the market highly competitive. This makes the goods inexpensive, affordable, available and accessible. Knowledge is spread quickly and efficiently.

However, globalisation has also got its detrimental effect on the society. In course of time, the detrimental effects are noted which are as follows. Globalization uses up finite resources more quickly. It is a threat to sustainable development. Due to rapid spread of industrialisation following globalisation, the world carbon dioxide emissions increase speedily. This affects the environment. Climate change follows globalisation. Globalization transfers jobs from developed countries to less developed countries. This creates a system of unemployment in the developed countries. Globalization transfers investment spending from developed countries to less developed countries. Globalization tends to move taxation burdens away from corporations onto individual citizens. Corporations have the ability to move to locations where the tax rate is lowest. The tax burdens are ultimately shouldered by individual citizens. Globalization encourages dependence on other countries for essential goods and services. It halts the self sufficiency of the nations which becomes hazardous for a country's economy. With globalization, goods can often be obtained cheaply from elsewhere. A country may come to believe that there is no point in producing its own food or clothing. It becomes easy to depend on imports. But in abnormal situations, this overdependency creates problems of starvation and procuring basic needs for the nation. Globalization ties countries together, so that if one country collapses, the collapse is likely to ripple through the system, pulling many other countries with it. The detrimental effects of globalisation can be located on the industries of developing countries which still rely on primitive and obsolete technologies. They fail to satisfy the customer's demand and compete in the global market. So they are pushed into sinking states. Women in developing countries become the worst victims of the process of globalisation. Women with the lack of skill, training become devalued and undermined in the new process of production. They



are pushed out of the employment market and are impoverished. Job insecurities increase with the process of globalisation. Cross border terrorism becomes an upcoming phenomenon with the process of globalisation. Cultural degradation and erosion of local culture are also the outcome of globalisation. Thus, globalisation brings economic, environmental and cultural misery which have stirred “Anti- globalisation” movement in many parts of the world. UN Secretary General Kofi Annan describes globalization as a positive force, but it is also blind and therefore needs to be carefully harnessed.

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### **2.3.8 Globalisation is a long term process**

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Many commentators take the view that globalisation probably started some way back in the nineteenth century. From this perspective, it is possible to identify four phases of modern globalisation. The first phase, which peaked in about 1880, was mainly due to improvements in transportation and automation that enabled long-distance trade. Telegraph and telephone communication in the late 1800s facilitated information transfer, which enabled firms to manage their supply chains.

Phase two reached its height in the first decades of the twentieth century, when territories under the control of European colonial powers were seen as sites to establish multinational subsidiaries. This period also saw some overseas expansion by American corporations into profitable European markets. This phase is perceived to have ended with the economic crash in 1929, which caused a global depression and a move to inward-looking policies by many governments and.

The third phase was based on the lowering of tariff barriers and the resultant increase in international trade after the end of World War II. As individuals, particularly in the richer economies, became wealthier and the austerity of the war years faded, there was massive increase in the demand for consumer goods.

The fourth (and final) phase of the process has depended largely on two processes of changes. These are, first, changes in technology, such as the widespread availability of the personal computer (PC) linked to the internet/world wide web, the increasing use of mobile communications and the development of robotics. The second factor is the change in political attitudes and economic policies that have allowed companies (and consumers) to take advantage of these technological advances. It is apparent that there has been much convergence of global economic thinking, with many more countries moving towards an acceptance of liberal, free

market ideas. As consumers apparently became less concerned with products' national identities, social trends started changing.

Theodore Levitt (1983) was one of the first academics to write about globalisation. In 1983 he said that technology is the driving force behind the globalisation of markets and, thus, bringing a 'converging commonality' in countries around the planet. He suggested that communications (e.g. TV); transport; travel; products; and processes were responsible to bring these rapid worldwide changes.

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### **2.3.9 Globalisation is an irreversible process**

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UN Secretary General Kofi Annan describes globalization as "an irreversible process, not an option". It does not have any swing back or look back. It is always forward looking in nature. Technology has made globalisation faster, profitable and irreversible. An irreversible process is a process in a system that changes from a state to another without getting back to the former. Globalization is the next step in the progressive evolution of human societies. As such, this development cannot and should not be stopped as it would violate the 'natural' laws of societal progress. There is no turning back of the clock. This argument is reminiscent of Comte and Spencer and it was summarized by British Prime Minister Margaret Thatcher when she declared "there is no alternative", referring to the global capitalist economy.

Globalization refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium.

Globalization is an irreversible process. Its momentum comes from the advance of technology, communications, information, as well as from the international flow of goods and finance. To stop this autonomous process or to slow it down is almost impossible - even if we would restore high protectionist walls around each nation or each group of trading nations. It would be in any case a tragedy not just for economic progress but also for security and peace. Globalization is an irreversible process. Globalization comprises many processes that simultaneously affect different areas: economy, media, politics and identities, migration and the environment. Globalization is a complex process that is not yet complete; it continuously evolves and at a fast pace than before.

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### **2.3.10 Globalisation leads to hybridisation, homogenisation and harmonization**

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Hybridisation implies mixing. Homogenisation denotes bringing symmetry or similarity. Harmonisation means bringing synthesis by removing discrepancies. Globalisation brings in its wake all these three processes and these are intrinsically connected to culture. Cultural homogenisation appears through the bringing of some parity in lifestyles and core values of the people across countries and cultures around the world. The cultural heterogeneity and variance starts evaporating due to increased contact. The cultural barriers start collapsing with the collapse of borders. Increasing international movements of goods, people, services, information and funds had been highly experienced in the last quarter of twentieth century as the visible effect of globalisation. They have led to the cross-fertilisation of cultures. The culture of every society has tried to adopt the elements of the other culture which has resulted in homogenisation of beliefs, values, norm etc. Shrinking of distances and media systems due to globalisation have affected social values, dress, diet, dance, practices and pattern of consumptions of the people. Cultural diversities have been substituted by cultural homogeneity. The interaction of culture results in mutual acceptance of elements leading to hybridisation. There is the growth of 'cultural supermarket' effect that is responsible for bringing homogeneous lifestyles among the people. Today cultural commonalities are replacing distinct national cultures. They are getting detached from their traditional ways of life and adhering to the way of life commonly adopted by the partner countries. Little traditions are getting submerged in the great tradition that is symbolised as not national, but international or global culture. The advent of 'global village' is the outcome of this process of homogenisation and harmonisation. However, a counter group of sociologists suggest globalisation promotes multiculturalism. Globalization goes hand in hand with localization, regionalization of culture.

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### **2.3.11 Globalisation leads to dispersion and diffusion**

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Diffusion implies spread. Globalization involves the diffusion of ideas, practices and technologies. There is a broadening, deepening and speeding up of world-wide interconnectedness in all aspects of life due to the process of globalisation. A global shift takes place due to the rapid innovations. These innovations not only change the landscape of the locality where it has its origin, but soon gets dispersed and diffused all throughout the world due to the collapse of borders and due to the effects of satellite connections, digitalisation process

and media effects.

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### **2.3.12 Globalisation is a multidimensional process**

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The concept of globalisation in its initial stage was thought to be an exclusively economic process. Later on it was noted that it has got political, cultural, ideological and social implications. Today globalisation is conceived as a multidimensional process because of its connection with society, economy, polity, ideology and culture.

Socially it implies intensification, extension of social relations affecting individual's interaction, institutions, social processes etc. Economically, it means opening up of national market, free trade and commerce among nations, and integration of national economies with the world economy. Politically, it means limited powers and functions of state, more rights and freedoms granted to the individual and empowerment of private sector. Culturally, it means exchange of cultural values between societies and between nations; submergence of local culture by a global culture through a process of cultural homogenisation and ideologically, it means the spread of new ideas like liberalism and capitalism.

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### **2.3.13 Globalisation is a top down process**

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Globalisation has a trickling down effect. In the modern era, it is western origin in character. It emanated from the developed countries and the western based MNCs (multinational corporations) spearheaded them. Technologies, capital, products and services were transferred from the developed to the developing countries. The developing countries are at the receiving end. The developing countries accept the western values, practices, adapt to them and get influenced by the impacts of globalisation.

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### **2.3.14 Globalisation results in deterritorialisation**

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According to Malcolm Waters (2001), there are three types of human exchanges that can be more easily globalized and get deterritorialized. They are: material exchanges, power exchanges and symbolic exchanges.

**Material exchanges** refer to any interaction involving the transmission of material items, such as factory work, trade in goods, tenancy. Material exchanges tend to be localized in spaces. Raw materials – agricultural goods, petroleum – are extracted from specific locations. Factories are located where labor is available and cheap. Manufactured goods are transported to western

markets for sale and consumption.

**Power exchanges** refer to the exercise of leadership through coercion or legislation. For instance, by definition, the exercise of power applies not only to territories but also to international relations, that is, relations between nation-states, such as war, diplomacy or alliances. Power exchanges therefore extend internationally and go beyond national territories.

**Symbolic exchanges** refer to any form of communication, exchange of information or data. This includes the mass media, the entertainment industry, advertisement and propaganda, etc. Symbolic exchanges involve the transmission of signs and symbols. Because technology makes it possible to disseminate symbols rapidly and widely, symbolic exchanges can be easily detached from territories and therefore, globalized.

Based on these forms of exchange, Waters proposes a globalization theorem (a proposition that can be demonstrated as true). The theorem is “**Material exchanges localize, political exchanges internationalize and symbolic exchanges globalize.**” Thus, these are some of the visible characteristics of globalisation. All these characteristics are intrinsically associated with the process. They go together to characterize the process.

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## 2.4 Summary

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Globalisation is a term that has been used to explain the integration of the world, in multiple ways – economic, political, cultural, technological and geographic. Globalisation includes “all those processes by which the peoples of the world are incorporated into a single society, global society”. Globalisation is manifest in the rapid flow of information, capital and goods. They result in networks and interactions that transcend any effective monitoring and control by the nation-states. The General Agreement on Trade in Services (1995), of the World Trade Organisation counts education as a commercial service that can be exported, thereby expanding its global outreach. The process of Globalisation has hitherto been accompanied by a strong dose of Americanisation manifest in such symbols as 'Coca-Cola' and 'Macdonald' and has reinforced its influence over the other regions of the world.

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## 2.5 Self Assessment Questions

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1. What is globalization?
2. How globalization can be understood through different characteristics?
3. What borderless world.

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## 2.6 Key Words

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**Borderless world:** it explains about the societies where border can't restrict interchange.

**Deteritorialisation:** it means the idea, culture, technology and knowledge go beyond the fixed territory.

**Multidimensional:** it means something having various angle and direction.

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## 2.7 Study Guide

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## **Unit-03 Dimensions of Globalization: Economic, Technological, Social, Cultural and Environmental**

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### **Structure**

#### **3.1 Learning Objectives**

#### **3.2 Introduction/ Assessment of Prior Knowledge**

#### **3.3 Dimensions of Globalisation**

##### **3.3.1 The Economic Dimensions of Globalisation**

##### **3.3.2 The Cultural Dimensions of Globalisation**

##### **3.3.3 The Social Dimensions of Globalisation**

##### **3.3.4 The Technological dimensions of Globalisation**

##### **3.3.5 The Environmental Dimensions of Globalisation**

#### **3.4 Summary**

#### **3.5 Self Assessment Questions**

#### **3.6 Key Words**

#### **3.7 Study Guide**

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### **3.1 Learning Objectives**

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After studying this unit the learner will be able to:

- Explain the various dimensions of Globalisation
- Analyse the purview of Globalisation within society

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### **3.2 Introduction/ Assessment of Prior Knowledge**

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One of the prominent characteristics of globalisation is that it is multi dimensional. Dimensions refer to the areas on which globalisation casts its impact. No longer, the effects of globalisation are confined to the economy alone. They move far beyond the economy and affect other sectors of the society. According to Anthony Giddens there are essentially four dimensions of globalisation. They are: the world capitalist economy, the nation-state system, the world military order and the global (international) division of labour. However, today looking at the all pervasive character of globalisation, the influences of globalisation can be discussed from different perspectives. They are: economic, social, political, technological, cultural, and environmental. The following sketch can best describe the perceived dimensions of globalisation.

However, it should be borne in mind that globalisation does not always yield a positive impact, but many times, it has its negative impacts too. All these dimensions are discussed from both positive and negative aspects.

### **3.3 Dimensions of Globalisation**

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#### **3.3.1 The Economic Dimensions of Globalisation**

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Right from the detection and conceptualisation, the term globalisation was essentially thought to have economic dimension. According to Deepak Nayyar, the most notable and discernible economic impact of globalisation is noted through the expansion of economic activities across the boundaries of nation states. It is marked with increasing economic integration and growing economic interdependence between countries of the world. There is an increased cross border movement of goods, technology, people, information etc. The internationalization of economic activities however is not of recent origin. It began with the voyages and with the rise of the European maritime powers. This process was further accelerated by the spread of



industrialization in the nineteenth century. The key period in the process of Internationalization occurred between 1870 and 1914 when transport and communication networks expanded rapidly around the world which led to the significant growth with a considerable increase in the level of interdependence between rich and poor nations. There were very large flows of capital from European to other parts of the world. The foreign direct investments made by the rich nations in the developing world not only heightened the degree of interconnectedness, but tried to bring a considerable degree of development in the poor nations. This led to the growth of resources, export, import potentials, standard of living of the people of the developing world. The new economy is truly global because it is non-territorial. Investors can choose where and when to invest or withdraw capital from any part of the world. In terms of financial investment and trade, the world is now a single place.

A second economic dimension of globalisation relates to the growth of the world economic organisations. In 1944, about 44 nations signed the Bretton Woods Conference which was held in order to stabilize the world economy in the post World War II era. Bretton Woods is a small New Hampshire town where the victors met in 1944 to establish the basis of a worldwide economic order that would prevent such devastating economic crises as the Great Depression. In order to monitor the world economy, three economic institutions were created. They were the International Monetary Fund (IMF) ,The International Bank for Reconstruction and Development (IBRD later renamed the World Bank) ,The General Agreement on Tariffs and Trade (GATT, renamed the World Trade Organization in 1992) .For about thirty years, this system remained in place and provided economic stability and prosperity to Western nations.

The third economic dimension of globalisation was the off shoot of the neoliberal economy. Since 1970s, the world economy took a drastic turn from managed economy to a neoliberal economy under the pressure of conservative governments such as the Reagan administration in the United States and the Thatcher government in the United Kingdom. With respect to this, Chinese economic reforms began in 1980's which opened China to globalization. China's experience prompted many other countries like India to open the economy in 1990' to globalization which was institutionalized with privatization and liberalization.

Globalization opened new potentials for development and creation of wealth. But there are divergent views on the economic impact of globalization. Few argue that the present model of globalization has increased the problems of unemployment, inequality and poverty, while others

contend that globalization helped to reduce these aspects by preventing concentration of resources.

Markets have expanded and have been diversified due to globalisation. Competitive role players have appeared in the markets. Prices of the products are determined by the competing groups and monopolistic markets are getting extinguished due to the impact of globalization.

Globalisation has encouraged commercialisation, collaborations and corporatisation. It has created a consumerist culture. Economically, globalization has increased the standard of living of the people and thereby ensuring prosperity to the nations.

The rise of MNCS and TNCS are the most visible economic impacts of globalisation. Transnational corporations (TNCs) are different from multinational corporations (MNCs). A MNC is a corporation with outlets in different countries. For instance, McDonalds has outlets in many different countries. A TNC treats the world as a single space and distribute its networks of production, distribution and consumption where conditions are the most favourable. For instance, Disney has several amusement parks in different Western countries. In such parks, visitors buy merchandise made in countries such as Bangladesh. As a result, local economies become integrated into global economic networks. Local economies also have to adapt constantly to global competitions.

One of the most perceptible economic impacts of globalisation is the satellite revolution, media boom, advent of the knowledge economy. It is described as the second industrial revolution. Outsourcing and in sourcing of services have created job opportunities for the world population. There is a deterritorialisation of business operations and distribution of goods and services.

Economic dimension of globalisation finds manifestation through the process of rapid urbanisation. Quality of production improves in terms of process adopted, product designing and product delivery, time consumed for production and market penetration.

Globalisation has created new economic powers like Japan, Taiwan and Korea. Skill, education and training are fast developing among the human resource of all the countries. There is the East Asian Economic Miracle due to rapid industrialization and economic growth in Japan, Taiwan, Korea and China.

There is the growth of international financial markets, equities and other forms of international investments as the economic outcomes of the process of globalisation.

Capitalism as an economic order has dominated all the national economies. Capitalism, also

known as the free-enterprise or free-market system, is the economic structure that permits people to use their private property with minimal interference from the government. Under capitalism, people are free to work at jobs of their own choice, sell their products or services at whatever prices they wish, and to select from among various product- and service-providers for the best value. Manuel Castells (1996) has argued persuasively that in the last twenty years or in the twentieth century, a new economy emerged around the world. He characterizes it as a new brand of capitalism.

However, the economic dimensions of globalisation have both pros and cons. On its negative side, critics comment that globalisation is salvation for the rich and curse for the poor. It has led to the uneven distribution of global resources. Due to the liberalised economies, resources are carried from the poor to the rich nations who can afford to pay for the resources. There is no restriction on this one way transfer of resources. This impoverishes the source nation and enriched the destination nation. Thus, there becomes the concentration of resources in the rich nations. This brings gross discrepancy in the distribution of resources. Globalisation brings resource imbalance between countries.

Globalisation heightens the rate of international migration leading to a deficit of trained, skilled workforce in the poor nations. There is a commoditisation of labour force in the labour market which is said to be dirty, dangerous and difficult. Sometimes it results in human trafficking and presents the world a new form of bonded labour. For e.g. the Middle East economy rests upon the labour flow from South Asian countries. Many times it results in the exploitation of the poor labourers.

But today, globalization has increased the gap between rich and poor and has led to the marginalization of certain sections of the society. The developed countries are the one much benefited out of the entire process. There is neither employment creation nor the decreases in inequality. Unemployment and inequality automatically arise by increasing trade and FDI. The developing countries on the other side, injecting the western idea of capitalism into their own economy without considering the basic foundations are bearing a sordid consequence. The changed strategy of economic transaction and trade with the rest of the world has led to the concentration of wealth and the demise of the socialist principle leading to the creation of poverty amidst plenty.

The environmental costs of economic globalisation are far reaching. The MNC's are blindly

concerned only with profit making ignoring the cost that society has to pay for it. The global climate change along with extinction of many species is the resultants of the globalization to a great extent. Though the international organizations have fixed the limits of carbon emission and other pollutants, it is still pro developed countries that hamper the growth of developing countries.

Thus the economic impacts of globalization can be very diverse in different areas of the world giving rise to concentration and marginalization phenomena. As there is a skill biased technological change, the increased import of capital goods will lead to increased inequality. Increased trade was meant to foster economic growth but it's one sided dividend deliveries are benefitting the rich nations and establishing world divides.

So, the critics describe the new economic order arising from globalisation as “disorganized capitalism”, “manic capitalism”, “casino capitalism” or “hypercapitalism”. Capitalists, investors and TNCs are among the winners of the global casino, whereas workers and developing countries are generally on the losing side. For instance, if the government of a developing country wants to attract corporate investment, it has to make itself attractive, that is, remove restrictions such as labor laws, health and environmental regulations and impose minimal taxation. Such policies further deteriorate the living conditions of the majority of the population and limit the government's ability to provide social services and may potentially destabilize the country.

Globalisation leads to economic seclusion. The global poor are left behind the slipstream. There is huge wealth gain for the industrialised countries, but the sub Saharan countries live in extreme poverty.

There are no guarantees that the wealth from inward investment will benefit the local community. Often, profits are sent back to the country where TNC is based. Transnational companies, with their massive economies of scale, may drive local companies out of business. If it becomes cheaper to operate in another country, the TNC might close down the factory and make local people redundant.

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### **3.3.2 The Cultural Dimensions of Globalisation**

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The cultural dimensions of globalisation are far reaching in character. Culture refers to the learned and shared human patterns or models for living. It consists of the symbolic, ideational,

and intangible aspects of human societies. All these get heavily influenced due to the process of globalisation. Cultural globalization simply means the extensiveness, intensiveness, velocity and impact of cultural flows – transmission of symbols, ideas, artistic and consumption products – on a global scale. Technologies of transport and communication facilitate cultural diffusion and an emerging global consciousness. And as our globalization theorem shows, symbolic exchanges are the ones most easily globalized, cultural dimension is therefore essential to the understanding of globalization.

The cultural dimensions of globalisation are noted through the process of homogenisation, harmonisation and hybridisation. With the process of globalisation, comes the process of cultural globalisation. The most distinct process of cultural globalisation is the process of cultural homogenisation. Homogenisation simply implies sameness. Due to globalisation most cultures progressively become the same mostly through the spread of western and American culture whose main characteristic is to emphasize consumption and monetary gains. The spread of a consumerist and pecuniary culture is the outcome of the process of globalisation. These are the twins of capitalism. Such cultures are spread through the mass media. As a greater share of the world's population become able to receive electronically and digitally transmitted information, they become integrated into a world culture dominated by western and especially American cultural products, such as movies, music, and television programs that promote the hyper capitalist way of life.

Thus, cultural homogenisation is a necessary off shoot of the process of globalisation. The world is becoming smaller due to this process of cultural homogenisation. The cultural barriers that segregated the nationals of different nations is collapsing. People throughout the world are all becoming more alike. “Globalism” is the culture of the new world created after globalisation. Keeping this in mind Friedman comments that “The World is becoming flat”. To quote Barber we are into a “McWorld” which is dominated by the spread of the Mc Donald Culture. There is a westoxication of cultures. This process is facilitated by the creation of media empires, such as AT&T, Sony, CNN, Walt Disney, and News Corporation. These transnational media conglomerates control about 2/3 of the revenues of the industry. The massive expenditure on advertisement by these industries and generation of revenues from the corporate has heavily influenced the local cultures. Today pop and fusion music, discotheques, rock and roll, baileys, western sports like cricket, car racing, horse races, scuba drives are becoming common to the

cultures of all societies. Dresses like denim, shoes like Louis Phillip and drinks like Coca Cola, Limca, and Pepsi have dominated the daily lives of the remotest groups of people.

Thus, the cultural distinction is soon fading away due to globalisation and there is cultural homogenisation through the emergence of what can be called a common global culture. This is a major shift in the cultural pattern arising out of globalisation.

Cultural globalisation manifests itself through cultural hybridisation. It means the merging and blending of different cultures to create new and original cultural products that then spread globally. This phenomenon is visible in the thriving business of world music or ethnic cuisine available in most parts of the world. Globalisation spearheads the process of migration and tourism due to the opening of the borders. To quote Waters, migration brings the periphery to the centre whereby previously ethnically homogeneous nations turn to multiculturalism. Tourism brings the centre to the periphery. As a result of global tourism, western countries have created what Turner and Ash called 'pleasure peripheries', that is, areas where specific populations from western countries spend their leisure time, displacing local cultures for luxury hotels staffed with English-speaking natives. To cite some examples: they are the Asian countries of Bangkok, Thailand, Malaysia and Singapore, The European countries like Switzerland, Austria, Vatican City etc. Global tourism is an integral part of cultural globalization as it does treat the world as a single place but also gives legitimacy to local or hybrid cultures that can be consumed as commodities by western tourists.

Thus, due to globalisation, the local context is shaped more by global issues.

Experience "here" is tied more to events "there". Today global events are felt like local occurrences and local occurrences get a global manifestation. This creates new sensations in culture. People and culture become less confined to specific places. Culture, identity, and tradition are disrupted and reworked.

As a result of these global flows, new ways of living and new forms of culture are created. Culture no longer remains confined to the national borders. People soon adopt transnational culture due to continuous cross border interactions and intrusions. This brings cosmopolitanism to a culture resulting in— hybrid cultural forms.

Globalisation results in cultural harmonisation. When there is a confluence of global and local culture, there is cultural harmonisation. The term used for this is glocalisation. Glocalisation is a blending of "global" and "local." The term first appeared in a late 1980s publication of the

Harvard Business Review .According to sociologist Roland Robertson, who is credited with popularizing the term, glocalization primarily encompasses how regional tendencies intersect with the proliferation of global corporations. At a 1997 conference on "Globalization and Indigenous Culture," Robertson stated that glocalization "means the simultaneity --- the co-presence --- of both universalizing and particularizing tendencies."Glocalization involves the managed meeting of the growing global arena with localized, everyday life. Glocalization's goal is to ensure a globalized world in a stable and integrated place, while also protecting the cultural heritage of local areas. Simply speaking glocalisation is to trace global elements in local way of life and to detect local elements in global forum. This prompts regular interaction between the world and the local culture and impacts the lives of the people who adhere to a particular culture. Arjun Appadorai in his book “Modernity at large: Cultural Dimensions of Globalisation” talks about five dimensions of globalisation which have tremendously influenced the culture of societies. They are:

- Ethnoscapes
- Mediascapes
- Ideascapes
- Financescapes
- Technoscapes

To Appadurai, ethnoscape includes the ever shifting “landscape of persons who constitute the shifting world in which we live: tourists, immigrants, refugees, exiles, guest workers, and other moving groups and persons”. They not only change their habitations but carry with them the culture of their place of origin to the place of destination, thereby influencing the culture of that place to a great extent. Mediascapes “refer both to the distribution of electronic capabilities to produce and disseminate information (newspapers, magazines, television stations and film production studios) which are now available to a growing number of private and public interests throughout the world and to the images of the world created by these media”. Media reflections tend to be image centered, narrative-based accounts of strips of reality and heavily influencing the culture of the people who are exposed to it. Technoscapes describe situations where “the global configuration both mechanical and informational, now moves at high speeds across various kinds of previously impervious boundaries” driven by “increasingly complex relationships between money flows, political possibilities, and the availability of both unskilled

and highly skilled labour . It has a great propensity to influence culture and bring changes in it. Finanscapes refer to the flow of capital. It gives coverage to “currency markets, national stock exchanges, and commodity speculations which bring phenomenal change not only in the standard of living but with the culture associated with it. Ideoscapes refer to concatenations of images, which have directly political bearings and frequently have to do with the ideologies of states. Ideological changes pervasively affect and alter culture, particularly, political culture.

Thus simply speaking, Ethnoscape refer to flows of people such as tourists and immigrants. Technoscape include technology that crosses boundaries. Financescapes refer to flows of currency markets. Mediascapes refer to mass media technology and images. Ideoscapes also refer to images but specifically to the political and ideological aspects.

The cultural dimensions of globalisation have their detrimental effect on society. Globalisation promotes cultural particularism. It refers to the process of defining one’s culture, identity and solidarity in a very narrow and local way. By undermining the cultural monopoly of the nation-state, globalization has fostered the emergence or re-emergence of local and tribal culture as well as transnational cultural products. This phenomenon has occurred in many places such as Mexico, where the indigenous populations of the Chiapas state, started a revolutionary movement in 1993 to gain their cultural, political and economic autonomy from the Mexican state. This is also the case in some European countries where minority cultures such as the Britons or the Basques find more support for their local traditions with the European Union than with their national governments (France and Spain, respectively).

Particularism has also taken the form of religious fundamentalism, a trend observed in most world religions, such as Christianity and Islam. Fundamentalism has always been at odds with modernity and the spread of modern western consumer culture. Members of fundamentalist movements find their identity not in the nation or the local community, but in the world community of believers who share their views, as in the case of Al Qaeda.

Globalisation also has generated heterogeneity in a rigid form. The world is fragmenting, and people are emphasizing our difference more. “Tribalism”, “Jihad” are soon taking shape leading to a “ Clash of Civilizations”.

Globalisation often increases risk behaviours such as smoking and alcohol consumption, increasing social conflict, loss of identity, dislocation and dissatisfaction. Others argue that greater cultural exchange is likely to increase tolerance and understanding, while more access to



information can create lifestyle and social changes with health benefits, such as gender equality, greater respect for human rights, less stigmatization of people living with HIV/AIDS, on the basis of class, caste, ethnicity and gender.

For many, the result of global communications is the global village, a term referring to the increased contact between cultures, identities and views across national boundaries those result from the application of modern communications. This represents a positive view of globalization in which societies come closer together and develop shared values and interests.

Global communications play an extremely important role in the cultural dimensions of globalization. The term refers to the use of new information communication technologies such as the Internet, mobile phones, e-mail, and satellite TV. These technologies are becoming cheaper and more widely available. The increasing ease and speed of global communication has both direct and indirect influences on health. For example, global advertising campaigns may increase levels of tobacco use but, on the positive side, the Internet democratizes access to information, making it easier for health professionals to access and share knowledge, information, and ideas on health.

Despite advances in global communications, a massive “information gap” remains between developed and developing countries. Ownership and influence over the content of communications is important. All that can be said with certainty is that the integration of global markets and communication channels leads to a much higher level of interaction which has a necessary bearing on cultures.

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### **3.3.3 The Social Dimensions of Globalisation**

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Globalisation today is least seen as having economic bearing, but more as having social bearing. Its social repercussions are far reaching in character. As a process it touches every fringe of the society, thus bring changes in the individuals, institutions, social values, issues, nature of social movements, social organisations, social policies. The social dimensions of globalization relate to the impact of globalization on the life and work of people, their families, and their societies. Concern is often raised about the impact of globalization on employment, working conditions, income and social protection. Beyond the world of work, the social dimension includes security, culture and identity, inclusion or exclusion from society and the cohesiveness of families and communities. Added to this, its influence on the ideological currents that sustain society, polity needs a mention.

With the wake of globalisation, individuals all throughout the world have witnessed a change in their identity. Narrow local community identities are replaced by a broad global identity. There is the inclusion of the hitherto excluded groups in the society through movements, activism, development of new consciousness and policies. In the period following globalisation, the society has witnessed many progressive laws which recognise the human rights of the stigmatized groups like the lesbians, gays, transgender etc. In 2011, the United Nations Human Rights Council passed its first resolution recognizing LGBT rights. As of July 2015, eighteen countries, most of them located in the Americas and Western Europe, recognize same-sex marriage and grant most of the rights to its LGBT citizens. The same is with regard to gender and ethnicity. Increased communication, media reflections, networking among groups of activists has played a significant role in materialising this identity issues.

Gill criticizes globalization for the “Intensification of alienation, exploitation and commodification of human life and nature” There is a growing insecurity for human existence in the period following globalisation. Globalisation has promoted tour, travel and trade. By this women as a group become the worst victims of exploitation, desertion and trafficking. Single headed households are on rise. Cross border terrorism threatens the security of millions of people.

Globalization has reorganized global class relations in the world-system. No longer classes are of local origin or confined to localities. Waves of economic and political integration through increasing trade and investment have been accompanied by a process in which both elites and masses have oscillated from predominantly local and national consciousness and organization toward increasingly transnational and global identities and interconnections. A transnational capitalist class has now emerged whose field of social reproduction is the globe itself, since it easily bypasses national workers organisations. The multinational companies are the main institutional form of this transnational capitalist class and the magnitude of the transformations which they are creating in the world economy. In fact, more than a third of the world’s industrial product is produced by them, and an even higher percentage traded amongst them. There is a “triple alliance” between the multinational companies, the local capitalist elite and the “state bourgeoisie” which has led to the emergence of the new class structure.

Globalisation affects different groups of women in different places in different ways. On the one hand, it may create new opportunities for women to be forerunners in economic and social progress. With the advent of global communication networks and cross-cultural exchange, there

seems to be a change in the status of women. However, globalisation has indeed promoted ideas and norms of equality for women that have brought about awareness and acted as a catalyst in their struggle for equitable rights and opportunities. On the other hand, it has exacerbated gender inequality in a patriarchal society, especially in the developing world. In many cases, it has led to further marginalisation and impoverishment of women in the informal labour sector by labour displacement.

According to a United Nations Development Fund for Women reports, over the past two decades the process of globalisation has contributed to widening inequality within and among countries, coupled with economic and social collapse in parts of Sub-Saharan Africa and countries in transition like in Eastern Europe and the former Soviet Union and financial crises in Asia and Latin America. The process of globalisation is least people-centred and more profit-centred and is least accountable to women. This brings massive gender inequality in society. The world lives in a contrast. It goes on formulating gender responsive policies and in reality, it witness gender insensitive practices.

As another report on ‘The Realisation of Economic, Social and Cultural Rights: Globalisation and its Impact on the Full Enjoyment of Human Rights’, presented to the United Nations Economic and Social Council’s Sub-Commission on the Promotion and Protection of Human Rights in its fifty second session, highlights:

Among the distinct groups of society upon whom globalisation’s impact has been most telling, women clearly stand out. Women have entered the workforce in large numbers in states that have embraced liberal economic policies. Critics of liberalisation argue that following the World Trade Organisation regulations the states have brought about a change in national policies so as to allow the free entry of foreign corporations, to give more incentives to big businesses rather than to small firms, and to lift import controls on agricultural products. This has resulted in further marginalisation of rural and indigenous women.

Globalisation has also increased women’s unpaid work as social services are privatised. As producers also women have to suffer exploitation in terms of low wages, poor working environment, instability of employment, and denial of right to representation. The neoliberal ideology resulting in the recession of the state from welfare activities have brought gross problems for women. This has limited the access of the women to development benefits like education, health, food security.

The impact of globalisation on various ethnic groups of the societies is also quite spectacular. Alison observes with the advent of globalisation, there is a breakdown of people's localised ethnic identities and it is replaced by loyalties to larger communities. Ethnic conflicts have ceaselessly troubled the world in the Balkans, Rwanda, Burundi, Sudan, Indonesia, the Middle East, Afghanistan, Northern Ireland, and countless other locations.

Globalisation seriously affects social institutions. Institutions like marriage, family, polity, economy, education, religion have been influenced by the process of globalisation. Today, no longer marriages are confined to the boundaries of community, class and groups. The borderless world has enabled people to opt for cross community, cross culture and cross boundary marriages. Parental roles in marriage negotiations are taken up by institutions like alliance centres and internets. The longevity of marriages is also getting reduced due to migration of people. Live in relationships are substituting the institution of marriage which is neither healthy nor desirable for a stable and sustainable society. So far as the families are concerned, mobility increasing in a phenomenal way has reduced the family bonding and ties and has made the family relations very thin. Members of a family remain widely dispersed. The role of the family as the principal care unit of the society for the young and the aged is declining, shifting the burden to emerging institutions of crèches and old age homes. Single headed households are on rise.

Similarly, political institutions are undergoing changes due to the process of globalisation. Two fundamental transformations have affected the shape and form of modern politics. The first of these involved the development of territorially based political communities. The second has led to an era of emerging multilayered regional and global governance. The second however is progressively increasing with the process of globalisation. One of the major impacts of political globalization is that it reduces the importance of nation states. Many nations have organized themselves into trade blocs. Emergence of supra national institutions such as the European Union, the WTO, the G8, and The International Criminal Court etc replaced or extended the national functions to facilitate international agreement. This has reduced the sovereignty of nation states in taking important decisions with respect to their country where we see massive intervention of these organizations in all fields. Another major impact of globalization is the increased influence of Non Governmental Organizations in public policy like humanitarian aid, developmental efforts etc.

The religious institutions are not free from the influence of globalisation. The process of secularisation has been strengthened due to globalisation. The major consequences of globalization have been the transformation of traditional religions and belief systems, religious values subdued by consumerist values, cyber culture, social fads, and changing work ethics and work rhythms, the rise of religious fundamentalism. On the other hand, pluralism and tolerance are promoted due to the trans border migration of the people.

Education as an institution is also thoroughly influenced by globalisation. There is the internationalisation and standardisation of higher education. Education is becoming privatized and there is a qualitative leap in the content, pedagogy and coverage of education. Vocational, technical and professional education is taking momentum to cater the demands of the competitive global market.

Education as an institution is also thoroughly influenced by globalisation. There is the internationalisation and standardisation of higher education. Education is becoming privatized and there is a qualitative leap in the content, pedagogy and coverage of education. Vocational, technical and professional education is taking momentum to cater the demands of the competitive global market.

Globalisation has presented new social issues. Trafficking, terrorism, ecological degradations, poverty and unemployment grapple the world today. Ethnic conflict plagues the globe. With the process of globalisation social disparities both within and between countries have increased. Both physical and human resource move from the poor to the rich nations. The world is divided into two halves. The smaller half comprises of the economically affluent nations while the bigger half consists of the economically poor nations. Some regions of the world increasingly become drifted from economic and social progress, while in others economic advance is accompanied by precarious employment and social crisis. Cross-border economic transactions put national social systems and social norms under pressure. The emergence of a global labour market intensifies competition and there is a surplus of labour which put the local labour force at threat. Further, to maximize profit the rich nations outsource their jobs to other countries where they gat cheap labour force. This brings unemployment of a high magnitude in the rich nations.

Globalisation has given birth to new social movements. The world has witnessed new human rights movements among the gays, lesbians, transgender and homosexuals. Social movements are no longer localised rather they are globalised.

Globalization has impacted ideological changes. Globalisation has strengthened the ideology of popular participation, social inclusion, humanitarianism, human rights, social justice, capitalism, democracy. Added to all these, it insists upon and results in the development of the ideology of globalism, environmentalism. All these ideological currents are generating a new wave of consciousness and are now guiding and governing the world population.

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### **3.3.4 The Technological dimensions of Globalisation**

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The technological dimension of globalization refers primarily to the advancements of ICT. ICT has fuelled the communication and information revolution of recent years. Globalisation has introduced innovations in production technologies. New production technologies, have produced efficiencies in production and created the so-called "postFordist" era of manufacturing. The technological dynamic of globalization includes everything from the internet and mobile phones, which have done much to create the "interconnectedness" of the world, to improved logistics systems, which have enabled industries worldwide to function more efficiently and profitably, to modern agronomic practices, which are restoring infertile lands and opening up new opportunities in agriculture.

‘Globalization’ has presented to the world many new inventions, innovations and interventions. Strictly speaking, the economic application of new ideas and knowledge is not only ‘technical’, insofar as it can also be organizational, managerial, and institutional. The new technologies such as ICTs, biotechnology, new materials, etc., have been found to intensify the science–technology interface. Together they have impacted the complex processes of organizational, institutional and infrastructural change .

Technology has contributed for the fertile meeting of different societies. If the assimilation and transfer of technology required lengthy time spans in the past, today it takes place with a much higher intensity and speed. New technologies play a fundamental part in making globalization possible. Without aeroplanes, telephones, satellites, computers and televisions it would not be possible to transfer information from one place to another, thus allowing for the speed and the intensity which characterize the modern world. These give rise to a rate of diffusion and transfer of knowledge which is greatly superior to that of the past. In other words, it was the new technologies that allowed the emergence of the ‘global village’. Technology has broken the barriers of time and distance.

The coming of a society based on knowledge has proceeded hand in hand with the proliferation

of technological inventions. International trade and direct investments abroad have substantially increased, thus rendering the national economic systems increasingly integrated with each other. The pace of globalization and that of technological change have in fact been strictly interrelated and, from a long-term perspective, it appears less important to establish which one should be considered responsible for triggering the other rather than to establish that they mutually enforce each other. Generation, transfer and diffusion of innovations are possible due to globalisation and in turn, these make globalisation feasible in the inaccessible areas of the planet.

The presumption here is that for many years there has been a circular process in which new technologies act as a ‘lubricant’ for economic and social globalization. In turn, globalization, while facilitating the circulation of people, goods, capital and above all, ideas and knowledge, allows for the sustenance of a historically unprecedented rate of technological change. The concept of globalization of innovation thus comes to be the zip between the two fundamental phenomena of modern economies: the increased international integration of economic activities and the raising importance of knowledge in economic processes.

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### **3.3.5 The Environmental Dimensions of Globalisation**

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There are environmental dimensions of globalization that are equally important both for the future of the life support system of the planet and for their impacts on human society.

The present rapid rate of globalization, driven by economic forces and materialistic aims, is creating many environmental problems. Our explosive population growth, accelerated consumption and technological innovations have increased the scale of human impacts so that they are pushing planetary limits. Climate change, stratospheric ozone depletion, biodiversity loss, is the planetary problems that require global cooperation and management. The increasing movement of goods around the world has produced problems of invasive species, the spread of toxic chemicals and hazardous wastes, and growing quantities of wastes that are ever more expensive to dispose of safely. Global trade puts the same pressures on natural resources everywhere. A tree is a potential source of wood chips whether it is growing in Siberia, Canada or Papua New Guinea. Since the non-market values of trees and forests, such as for watershed management or biodiversity conservation, are not presently factored into the global trading system, unregulated trade has been very damaging to the natural capital of many countries.

Despite the widespread insistence on national sovereignty over natural resources, the only solution is to manage such resources at the global level for the benefit of the whole planet. This

is leading to the steady expansion of mechanisms for global environmental governance, with institutions for decision-making, regulation and harmonization that essentially are extending the federal concept to the global level. However, our present ad hoc methods of global legislation, negotiating and adopting a new convention for each environmental problem, will eventually bring us to a global legal gridlock. It will become essential to find a more coherent way to regulate and adjust the behaviour of states and companies in the common interest.

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### **3.4 Summary**

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The widespread movement of capital, labour, goods, and services across national borders contributes to the definition of economic globalisation. Growing interconnection and economic integration between national and regional economies is a key feature. There's much more to economic globalisation than the flow of commodities and services, even though this type of globalisation is frequently examined through the examination of bilateral and multilateral trade flows and the agreements that oversee them. Globalised capital markets have existed for a while. Transferring technology is undoubtedly a worldwide problem. In addition, labour markets have become more regionalized in recent years.

Technological globalisation is the one that affects all eight types of globalisation. For example, technology accelerates the globalisation of the economy and culture. Thus, the many "types" of globalisation are not distinct ideas; rather, they are all influenced by one another.

The political dimension stands as a foundational pillar in shaping societies, governance systems, and international relations. It embodies both advantages and disadvantages that significantly impact the functioning of nations and the global community. While the political dimension serves as a platform for democratic governance, policy formulation, and conflict resolution, it also grapples with challenges such as inefficiency, polarization, and corruption.

In conclusion, the double impact that the global network has on national cultures positive and negative is how the cultural aspects of globalization are typically discussed. The adoption of foreign cultures to enhance local ones is linked to the expected benefits of wealth and cultural development for developing nations. However, national cultural identities face additional difficulties due to the fact of cultural globalization, which is sparked by information technologies, perpetuated by them, and embodied through Americanization. Traditional values are undermined and disregarded, inequality and social unrest increase, and ethnic groups all over the world are invaded by a uniform, US-led global culture.



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### 3.5 Self Assessment Questions

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1. What is economic dimension of globalization?
  2. What is political dimension of globalization?
  3. How culture is changed due to globalization?
  4. What do you experience in environmental condition due to globalization?
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### 3.6 Key Words

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**Dimension:** The word "dimension" can be used to describe a variety of features, viewpoints, or criteria that help in comprehending or assessing a specific topic, event, or idea. It suggests that there are several aspects or components to a bigger picture.

**Economy:** The system and structure of producing, distributing, and consuming products and services inside a nation, a region, or the entire planet is referred to as the economy. It includes all of the actions and relationships that people, organisations, governments, and other organisations have while producing and trading products and services to meet the needs and desires of people.

**Liberalisation:** In general, liberalisation refers to a relaxation of restrictions, usually in areas of social or economic policy. Most often, the term is used to refer to economic liberalisation, especially trade liberalisation or capital market liberalisation; the policies often referred to as neo-liberalism.

**Technology:** The use of scientific information, abilities, techniques, and instruments to produce goods, address issues, and enhance workflows across a range of industries is referred to as technology. It includes a broad range of material and immaterial components that are employed to successfully complete particular activities or goals.

**Politics:** The methods, behaviors, and activities that people and groups use to decide, exert authority, and rule over a community or an organization are collectively referred to as politics. It includes a broad range of tasks pertaining to power and resource allocation, policymaking, and governance.

**Free Trade:** A system or policy that permits the interchange of products and services between nations without enacting substantial obstacles or limitations, like tariffs, quotas, or onerous regulations, is known as free trade. It encourages cross-border movement of products and services, which advances global trade and economic collaboration.

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### 3.7 Study Guide

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- Stiglitz, Joseph E. Making Globalisation Work, Penguin, U.K.
- Stiglitz, Joseph E. Globalization and its Discontents, W.W. Norton & Company.
- Bhagwati, Jagdish, In Defense of Globalisation, Oxford University Press.
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## **Unit-04 Arguments in Favour and Against Globalisation**

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### **Structure**

- 4.1 Learning Objectives**
- 4.2 Introduction/ Assessment of Prior Knowledge**
- 4.3 Arguments in favour of globalization**
- 4.4 Arguments against Globalisation**
- 4.5 Summary**
- 4.6 Self Assessment Questions**
- 4.7 Key Words**
- 4.8 Study Guide**

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## 4.1 Learning Objectives

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After going through this unit the learner will be able-

1. To analyse the arguments in favour and against globalization.

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## 4.2 Introduction/ Assessment of Prior Knowledge

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Increased foreign direct investment in countries due to the reduction in investment barriers has also fuelled growth, development and progress. Globalisation has resulted in improved environmental awareness as the internet has increased access to information and helped for diffusion of safe environment related knowledge. Increased trade integration has brought integrity, interdependence among nations. It has reduced hegemonic attitude of the supposed rich nations and has reduced the threat of war and promoted peace.

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## 4.3 Arguments in favour of globalization

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- The economies of countries that are more engaged with the global economy have consistently grown much faster than those that have maintained closed economies – on average by about 2.5 percent.
- Faster economic growth resulting from globalisation, usually leads to increases in peoples' living standards.
- Improved wealth leads to better health care and cleaner water, increasing peoples' life expectancy under globalisation.
- Increased foreign direct investment in countries due to the reduction in investment barriers has also fuelled growth, development and progress.
- Globalisation has resulted in improved environmental awareness as the internet has increased access to information and helped for diffusion of safe environment related knowledge.
- Increased trade integration has brought integrity, interdependence among nations. It has reduced hegemonic attitude of the supposed rich nations and has reduced the threat of war and promoted peace.
- Improved technology has reduced costs and changed the way the world communicates. It has connected the people and parts of the planet.
- Adult illiteracy rates are falling in developing countries.

- Democracy is making headway. Modern communications and the global spread of information have led to the toppling of undemocratic regimes.
- Multinational companies have adopted improved standards for workplaces and wages – usually paying more than local companies in developing countries.
- International migration has led to greater recognition of diversity and respect for cultural identities, which is improving democracy and access to human rights.

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#### **4.4 Arguments against Globalisation**

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- The social and economic costs of globalisation are very high. This causes people to suffer hardship.
- Countries unable to take advantage of globalisation fall further behind. Global rich poor divide grows.
- Increased trade and travel have increased the spread of human, animal and plant diseases, like AIDS.
- Increased interdependence of countries has greater vulnerability to economic problems – like the recent global recession. It also reduces the self sufficiency of the nations.
- The environmental costs of globalisation are very high. Multinational companies defeat the environmental codes in developing countries. The hitherto safe planet becomes an unsafe habitation for humanity.
- Major economic powers control the international economic bodies which become hegemonic over the developing world. This leads to economic colonisation. They treat the developing countries not as their partners, but parasites.
- Trade liberalisation and technological improvements change economies and can lead to unemployment.
- Modern communications have spread an awareness of the differences between countries and increased demand for migration to richer countries. Barriers to migration have been increased in richer countries leading to more people smuggling.
- Globalisation has caused a brain drain to richer countries making the poor countries drained off their talents.
- Indigenous and national culture and languages are eroded by the modern globalised culture.

- Globalisation has heightened cross border terrorism, trafficking— which are putting the lives of millions in misery.

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#### 4.5 Summary

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Though globalization has many advantages but it also creates many difficulties for the people. The social and economic costs of globalisation are very high. This causes people to suffer hardship. Countries unable to take advantage of globalisation fall further behind. Global rich poor divide grows. Increased trade and travel have increased the spread of human, animal and plant diseases, like AIDS. Increased interdependence of countries has greater vulnerability to economic problems – like the recent global recession. It also reduces the self sufficiency of the nations.

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#### 4.6 Self Assessment Questions

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1. In what context globalization is helpful for the society?
2. How globalization brings difficulties to human life?

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#### 4.7 Key Words

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**Hardship-** implies difficulties to the life of common people.

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#### 4.8 Study Guide

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- Bhagwati, Jagdish, In Defense of Globalisation, Oxford University Press.
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- Avasthi, D.M., Fundamentals Of Globalization And Indian Economy, Duke University Press

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## **Block-02 Globalisation and Global Processes**

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**Unit- 05 Modernization and Globalization**

**Unit- 06 Neo-Liberalism and Global Capitalism**

**Unit- 07 Globalization and Nation State**

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## **Unit-05 Modernization and Globalization**

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### **Structure**

- 5.1 Learning Objectives**
- 5.2 Introduction/ Assessment of Prior Knowledge**
- 5.3 Modernization and Globalization**
- 5.4 Defining Modernisation**
- 5.5 Modernisation: A Single Word with Many Implications**
- 5.6 Modernisation and Westernisation**
- 5.7 Modernisation and Tradition**
- 5.8 Characteristics/Attributes of Modernisation**
- 5.9 Defining Globalisation**
- 5.10 Globalisation and Modernisation**
- 5.11 Summary**
- 5.12 Self Assessment Questions**
- 5.13 Key Words**
- 5.14 Study Guide**



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## **5.1 Learning Objectives**

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**After going through this unit the learner will be able-**

1. To discuss the meaning of modernization.
2. To understand the features of modernization.

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## **5.2 Introduction/ Assessment of Prior Knowledge**

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Globalisation is a powerful social force emerging in full strength in the turn of the twentieth century which has been carried on to the present century. It is a social process that has affected the existing institutions of the society and the continuing social processes. Debates hover around the positive and negative repercussions of globalisation on the social processes and economic and political institutions. The optimists believe that to some extent, globalisation has strengthened these institutions and processes by giving them a momentum and adding vigour to them. But there are the sceptics who believe that globalisation has brought renovations in the structure and functions of these institutions. To them, globalisation has led to the demise of the institution of the nation state and has established global capitalism which may in the long run prove to be detrimental for the society. Similarly globalisation has stimulated the process of vigorous modernisation due to the compression of distance. Geopolitical boundaries are in a process of collapse and the western influence on the non western societies is on rise. But still debates have not been resolved. It has become difficult to establish whether globalisation is a forerunner of modernisation or it is spearheaded by the process of modernisation. Similarly, the role of globalisation in establishing global capitalism is a point of debate and the future of the nation states in the era of globalisation is a point of hot discussion. All these can be resolved by discussing them in detail.

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## **5.3 Modernization and Globalization**

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Modernisation and globalisation are the phrases that have dominated development literature in different periods of history. While modernisation dominated the world as a process during the colonial and the post colonial era, globalisation became the buzz word in the 1970s. Both have development connotations and associations exemplifying changes in the structure, functions, culture, human relations and practices of the people of the societies. Modernisation as a terminology seems to be a precursor to globalisation, making an early appearance in the

development literature. As processes, both are spontaneous and are beyond the control of human beings. Both have a catalyst role in transforming the world. No doubt, both modernisation and globalisation are means to provide a change face to the world.

Simply speaking, modernisation as a concept refers to the process in which society undergoes industrialisation, urbanisation and other social changes that completely transform the lives of individuals. Modernisation is a historically inescapable process of social change. As a process it had its origin with the Industrial Revolution in England and the Political Revolution in France. Modernisation first occurred in the West through the twin processes of commercialization and industrialisation.

Globalisation on the other hand, is a consequence of the expansion of the American and European culture across the planet via settlements, colonisations and cultural replications and has a direct impact on the capitalist development across the nations. Sociologists like Robertson comment globalisation has been there since the dawn of human civilization, but it is modernisation that has given it an accelerated pace. Thinkers like Turner suggest globalisation served as a carrier and courier of the process of modernisation. These ideas strengthen the thesis that globalisation and modernisation are supplementary and complementary to each other.

- The following propositions run as corollaries from the broad statement given above.
- Globalisation and modernisation are different names signaling the same process of development.
- They are contemporal.
- They are inseparable from each other, one triggering the other.
- Both are causal and consequential to each other.
- Modernisation is unavoidable and capitalism following globalisation is compelling.
- Modernisation is cutting across traditions and globalisation is cutting across nations.

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## **5.4 Defining Modernisation**

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Modernisation as a term gained currency in the 1950s and 1960s and was popularised by American scholars. The term is a derivation from the Latin root “modo” meaning contemporary or just now or the latest. ‘Modernising’ means simply giving, up old ways and traditions to recent or most recent ones. The general features of a developed society are abstracted as an ideal type and so a society is called ‘Modern’ to the extent it exhibits modern attributes. Indicators like

development of nationalist ideology, democratic associations, increasing literacy, high level to industrialisation, urbanisation and spread of mass media of communication, social mobility symbolise modernisation.

The term modernisation is defined from three different perspectives. They are:

- A historical perspective
- Realistic perspective and
- An analytical perspective

The historical perspective is subscribed by Eisenstadt and Moore who proclaim the society takes a changed shape on time scale. The realistic perspective focuses on the expressive aspects which symbolise modernisation. The breakthrough with the traditional arrangements reveals that the society is in the process of modernisation. The analytical perspective is emphasised by Smelser who says modernisation can be estimated from the development of science and technology, movement of the society from subsistence to surplus economy, machine power replacing human power, rapid urbanisation, representative government, adult suffrage, competing political parties, democratic decentralisation in the political field and in the social sector though the spread of literacy, development of specialisation, spread of secularisation, increase in social mobility.

There is general agreement that, modernisation is a type of social change which is both transformational and progressive in its effects. It is also as extensive in its scope. As a multifaceted process, it touches virtually every institution of society. According to Huntington, modernisation is a multifaceted process involving changes in all areas of human thought and activity. After, Black, Smelser are the notable theorists who carefully distinguish the task of definition from that of description. Wilbert E. Moore defines modernisation as “the ‘total’ transformation of a traditional or pre-modern society into the types of technology and associated social organisation that characterise the ‘advanced’, economically prosperous, and relatively politically stable nations of the Western World”. According to Neil J. Smelser, the term modernisation “refers to the fact that technical, economic and ecological change ramify through the whole social and cultural fabric”.

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### **5.5 Modernisation: A Single Word with Many Implications**

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In the process of the conceptualisation, different scholars have adopted different approaches to

comprehend the nature and dimension of modernisation. The heterogeneous meanings which have been attached to the concept of modernisation have been due to a wide range of interests, level of abstraction and degrees of attentiveness to definitional problems. Careful examination of the concept reveals that the attributes and indicators of modernisation as have been conceived are the products of diverse influence and are interdisciplinary in nature.

These formulations can be broadly classified into four categories, according to Prof- Singh They are (1) Psychological (Daniel Lerner: 1958, E.C. Banfield: 1958 and David McClelland: 1961), (2) Normative (G.A. Almond and S. Verba: 1965, Lucian Pye and S. Verba: 1965, E. Shills: 1961, R.N. Bellah: 1964, C. Greetz: 1963), (3) Structural (T. Parsons: 1964, K.W. Deutsch: 1961, D. Apter: 1965 R. Bendix. 1964 S N Eisenstadt: 1966, F.W. Riggs: 1964, M. Weiner: 1962) and (4) Technological (M.J. Levy: 1966, E.F. Hagen: 1962, W.W. Rustow: 1960).

The psychological formulations link this process with a set of motivational attributes or orientations of individuals. Daniel Lerner calls it “Psychic mobility”, McClelland characterises it as “Achievement orientation”, whereas Banfield calls it “Commitment to consensual ethos.”

The normative formulation of modernisation consists of such values as rationalism, individualism, humanism and commitment to liberal tradition, civic culture and secular values. It differs from the psychological, especially to the extent to which primacy is laid down on a set of norms or values which form a pattern and enjoy relative autonomy over individual motivations and consciousness.

The structural formulation of modernisation links this process with ingredients such as rational administration, democratic power systems, more integrating and consensual basis of economic and cultural organisation, attachment to universalistic norms in social roles and democratic associations. These, according to Talcott Parsons, are the structural prerequisites of a modern society. Deutsch uses an inclusive phrase -social mobilisation to connote some important structural adaptations in society which form parts of the process of modernisation. Modernisation as a complex process of “systematic transformation manifests itself in certain socio-demographic features termed as social mobilisation’ and structural changes”, says Eisenstadt.

Scholars like M.J. Levy, E.E. Hagen and W.W. Rostow have emphasised on the technological concept of modernisation where it is described in terms of economic resources and the use of inanimate power. In such formulations modernisation is associated with material inputs and developmental infrastructures, which bring about qualitative and progressive mobilisation in the

total resources of the society.

Thus, it can be concluded that the term modernisation has its disciplinary interpretation. Economists visualise it in terms of growth and development, sociologists in terms of differentiation, psychologists in terms of greater motivation and achievement instincts among the population and political scientists in terms of political innovations like the development of new political culture, institutions etc.

There are social scientists who have equated modernisation with single type of social change whereby traditional societies acquire the attributes of modernity. Banjamin Schwartz draws upon Max Weber to define modernisation in terms of the expansion of man's rational control over his physical and social environment.

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## **5.6 Modernisation and Westernisation**

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Modernisation and westernisation are often used interchangeably. But, the terms are diametrically different from each other. Modernisation has wider implications than westernisation. Modernisation refers to the overall changes in the structure and functioning of individuals and institutions of the society, but westernisation refers to the changes that occur due to western contact. To quote Daniel Lerner in the process of modernisation even though the third world countries emulate the western traditions and practices, modernisation is not westernisation. Yogesh Atal observes modernisation is more effective than westernisation as some indigenous models are emphasised and it gives a wide coverage.

Smelser and Lerner clarify that economic development is a precondition to modernisation, but it is not the end in itself. Modernisation covers a wide array of phenomena to be effective in nature. To Bendix industrialisation is a prelude to modernisation. Irrespective of these fundamental differences between the two terms, in many instances they are used in close association to each other.

Modernisation theories were originally formulated in response to the new world leadership role that the United States took on after World War II. As such they had important policy implications. Second, modernisation theories suggest the replacement of traditional values, and the institutionalisation of democratic procedures.

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## **5.7 Modernisation and Tradition**

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The concept of modernisation comes from Wilbert Moore who argues that for most purposes

modernisation may be equated with industrialisation. According to this approach, modernity does not necessarily weaken the tradition. The relations between the traditional and the modern do not necessarily involve displacement, conflict or exclusiveness. Modernisation then, becomes a transition, or rather a series of transitions from primitive, subsistence economies to technology intensive, industrialised economies, from subject to participant political cultures, from closed ascriptive status systems to open achievement oriented systems and so on (Lerner, Black, Eisenstadt, Smelser and Huntington). Modernisation is generally viewed as extensive in scope, as a 'multifaceted process' which not only touches at one time or another virtually every institution of society, but does so in a manner such that transformations in one institutional sphere tend to produce complementary transformations in the other.

Modernity and tradition are mutually exclusive. They are essentially asymmetrical concepts. The modern ideal is set forth and then everything which is not modern is labelled traditional (Rustow).

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## **5.8 Characteristics/Attributes of Modernisation**

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The modern society is characterised by 'differentiation' and 'social mobilisation'. Eisenstadt calls them as the pre-requisites of modernisation. As social systems modernise, new agencies of social structures emerge to fulfil the functions of those defunct agencies and institutions of the society.

When different agencies of the social structure specialise in performing some specific tasks, it is called differentiation. To put it in another way, differentiation refers to the development of functionally specialised societal structures. According to Smelser, modernisation generally involves structural differentiation. Through the process of modernisation, a complicated structure that performed multiple functions is divided into many specialised structures that perform just one specialised function each.

To Eisenstadt social mobilisation implies the process in which major clusters of old social, economic and psychological commitments are eroded and broken and people become available for new patterns of socialisation and behaviour. It is a process by which the old social, economic and psychological elements are transformed and new social values of human conduct develop and get accepted in the society. The various components of modernisation include: industrialisation, urbanisation, secularisation, media and communication revolution, increasing literacy and spread of education, information boom, technological up gradation and development

of a scientific spirit.

Thus modern society is characterised by a rapid development of mass communications, spread of literacy and education. In contrast to traditional society, modern society also evolves much better health care services resulting in longer life expectancy among the population and higher rate of occupational and geographical mobility. Socially, the family and other primary groups having diffused roles tend to have specialised roles. Modernisation provokes technological leverage. There is a shift from the use of human and animal power to inanimate power, from tool to machine. Machine based production replace human based production. There is qualitative and quantitative growth in production. There is of growth of wealth, technical diversification, differentiation and specialization leading to a novel type of division of labour, industrialisation and urbanisation. Thus, modernisation touches different spheres of society like economic, political, educational and sociocultural.

In economic sphere some scholars have analysed the characteristics of modernisation. Robert Ward highlights ten characteristics of economic modernisation. These characteristics include the intense application of scientific technology and inanimate sources of energy, high specialization of labour and interdependence of impersonal market, large- scale financing and concentration of economic decision-making and rising levels of material well-being etc. Self-sustaining economic growth and an endeavour to institutionalise the control of economic growth through planning have been emphasized by Cornell. To sociologist like Marion Levy, a society is 'more or less' modernized to the extent that its members use inanimate sources of power or use tools to multiply the effects to their efforts.

Eisenstadt talks about some of the key characteristics of economic modernisation. They are:

- Substitution of inanimate power like steam, electricity or atomic— for human and animal power as the basis of production, distribution; transport and communication,
- Separation of economic activities from the traditional settings, increasing replacement of it by machine and technology
- Growth of the secondary (industrial, commercial) sector and tertiary sector (service) occupations.
- Growing specialization of economic roles and units of economic activity, production.
- Rapid and visible industrialisation is the hall marks of economic modernisation.

Political scientists like R.E. Ward and Rustow have attempted to provide certain characteristics of political modernisation. A modern polity, they argue, is highly differentiated and functionally specific system of Government organization. There is a high degree of integration within this Government structure. The political decisions are driven by rational and secular principles and are highly efficient. Achievements in the place of ascription become the basis of the allocation of political roles. The judicial and regulatory techniques are based upon a predominantly secular and impersonal system of law.

Education system in a modernised society promotes various professional and vocational skills, the imparting of scientific education. The supply side of educational services also becomes greatly diversified and differentiated.

There are two crucial aspects of modernisation: One is the institutional or organizational aspect and the other is the cultural aspect. Whereas the first aspect of approach stresses ways of organizing and doing, the second assigns primacy to ways of thinking and feeling. Manning Nash presents the definition in the following way: Modernity is the social psychological framework, which facilitates the application of science to the process of production and modernisation is the process of making societies, cultures, and individuals receptive to the growth of tested knowledge and its employment in the ordering business of daily living.

The socio-psychological approach considers modernisation mainly as a process of change in ways of perceiving, expressing and valuing. The psychological formulations of modernisation link this process with a set of motivational attributes or orientation of individuals which are said to be mobile, activist and innovative in nature. Daniel Lerner calls it “psychic mobility”, an adaptive characteristic in man to respond to his environment with a sense of empathy, rationality and constricted participant style.

Modernisation involves not only changes in the institutional level but also fundamental changes at the personal level, a change in modes of thinking, beliefs. Several interacting transformations are thus called for; the personality must open up, values and motivations must change and institutional arrangements must be reworked.

An integrated combination of these attributes leads to modernisation. The changes occur both at the individual (micro) and social systems (macro) levels and these two levels are not mutually exclusive. In consonance with the structural changes towards modernisation of societies, changes in the attitudes, beliefs and behaviour of the people also come about. From the above discussion



it is evident that modernisation involves structural changes and that bring changes in the attitudes and belief of the people.

There is general agreement that, modernisation is a type of social change which is both transformational in its impact and progressive in its effects. It is also extensive in its scope. As a multifaceted process, it touches virtually every institution of society.

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## **5.9 Defining Globalisation**

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Globalization is the ongoing social process of greater interdependence among countries and their citizens. It is a complex and multifaceted phenomenon. It is the process of international integration as a product of exchange of world views, products, ideas and other aspects of culture in which worldwide exchange of national and cultural resources occurs. Globalization broadly refers to the expansion of global linkages, the organization of social life on a global scale, and the growth of a global consciousness, hence to the consolidation of world society. According to the sociologist, Roland Robertson, "globalization as a concept refers both to the compression of the world and the intensification of consciousness of the world as a whole." Globalisation describes a process by which national and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration and transportation. It is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical wellbeing in societies around the world. The WHO defines globalisation as "Globalization, or the increased interconnectedness and interdependence of people and countries, is generally understood to include two interrelated elements: the opening of borders to increasingly fast flows of goods, services, finance, people and ideas across international borders; and the changes in institutional and policy regimes at the international and national levels that facilitate or promote such flows. It is recognized that globalization has both positive and negative impacts on development."

Globalization is characterized by four types of change:

- First, it involves a stretching of social, political and economic activities across political frontiers, regions and continents.
- Second, it suggests the intensification, or the growing magnitude, of interconnectedness and flows of trade, investment, finance, migration, culture, etc.

- Third, the growing extensity and intensity of global interconnectedness can be linked to a speeding up of global interactions and processes. The evolution of world-wide systems of transport and communication increases the velocity of the diffusion of ideas, goods, information, capital, and people.

Fourth, the growing extensity, intensity and velocity of global interactions can be associated with their deepening impact such that the effects of distant events can be highly significant elsewhere and even the most local developments may come to have enormous global consequences. In this sense, the boundaries between domestic matters and global affairs can become increasingly blurred. In sum, globalization can be thought of as the widening, intensifying, speeding up, and growing impact of world-wide interconnectedness.

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### **5.10 Globalisation and Modernisation**

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The interrelationship between globalisation and modernisation is quite intricate. They are intertwined with each other and are inalienable in nature. Though sociologists agree upon the fact that both are inter related, there is often an argument about which processes is a predecessor and which is a successor. However, it is established that there cannot be any modernisation without globalisation and it is modernisation which stimulates and expedites and speeds up the process of globalisation. So, both are causal and consequential for each other.

Globalisation is interconnectivity or interlinking of culture, economy, polity and society across the national borders. It symbolises a process by which national borders collapse and flow or exchange of individuals, ideas, finance become easier and smoother. All these elements contribute for modernising a society. If we define modernisation as referring to the process in which society undergoes industrialisation, urbanisation and other social changes that completely transform the lives of individuals, globalisation becomes the catalyst in ensuring all these features of modernisation. Globalisation is progressive as it diffuses ideas, innovations, practices which make a pre modern society shed its old ideas and practices and adopt new ways of thinking and working to become modern.

Social science history clearly project globalisation and modernisation are complementary to each other. The writings of Karl Marx to Daniel Bell and Max Weber to Samuel Huntington have projected cultural changes have come over the societies due to the impact of alien invasions, infiltrations and penetrations. All these have not only facilitated cultural change but are responsible for cultural modernisation of traditional societies. Globalisation has a strong

correlation with modernisation. From the early modernisation (i.e. when Columbus discovers America in 1492) to today's modernisation, there has been a rapid acceleration on globalisation. The development of globalisation has been escalated to the maximum level especially after the 20th century. This period is also the third phase in modernisation, which is signified by the globalisation of modernisation. The globalisation of modernisation emerges through industrialisation, urbanisation, capitalism, modern nation states, and mass social movement. In other words, globalisation has been accelerated by these five processes.

Globalisation promotes efficient use of resources. This leads to better economic development. There comes a change in the work environment, work culture, diversification of the employment market, creation of new job opportunities, and development of the contents of education, pedagogy which bring more egalitarian, humanistic, secular, non feudalistic and democratic values which symbolise modernisation of a society.

Wilbert E. Moore defines modernisation as "the total transformation of a traditional or pre-modern society into the types of technology and associated social organisation that characterise the 'advanced', economically prosperous, and relatively politically stable nations of the Western World." Globalisation is responsible for rapid technological transfer. Technology no longer remains the monopoly of the country of origin, but soon spreads to other nations where production goes on. Thus, the technologically impoverished nations gain the new technological supports and knowhow which ease their burdens of production and bring them economic prosperity which symbolise modernisation. Further, due to globalisation and the spread of technology, media revolution takes a concrete shape. There is the spread of communication and communication technology develops at a greater speed. News and information services develop. The ITC play a significant role in bringing attitudinal changes, increasing the awareness of the people, in changing their perception which culminate in increasing participation in public affairs. This is a visible characteristic of modernisation. Conscious political participation, public opinion become the foundations of stable and lasting democracies and is the emblem of political modernisation.

The two crucial aspects of modernisation; the institutional or organizational aspect and the other are the cultural aspects are enormously driven by the process of globalisation. The institutions of marriage, family, kinship, caste, education, religion, education, property and legal system undergo drastic and dramatic changes due to the impact of globalisation. Emerging international

laws of human rights, social justice, equality, distributive justice have come to prevail over the national laws due to the homogenisation effects of globalisation. So the traditional institutions have shed with their rigidities and have acquired new characteristics over the years following globalisation. The weakening of sectoral laws has brought transitions in these institutions giving them a modernised orientation in their structures and functioning.

No less significant is the influence of globalisation in modernising the culture of a society. Mass tourism has been an ongoing feature of the world due to globalisation. This has stimulated the cross fertilisation of ideas, practices through cultural exchange. Now the global features are identified in the local institutions, individual ways of life and the local features are carried over to the global level. Dress, diet, drink, dance are undergoing tremendous changes due to cultural hybridisation, harmonisation and homogenisation effects. All these have brought tremendous cultural modernisation in the Asian and African countries. Without globalisation modernisation remains a myth. History clearly projects globalisation and modernisation have gone hand in hand and have served complementary to each other. The writings of Karl Marx to Daniel bell and Max Weber to Samuel Huntington have projected that cultural values have definite and determined effects on society and cultural changes and cultural changes have come over due to the impact of alien invasion, infiltration and penetration which have enormous impact on cultural change and affected modernisation.

Modernisation has been an impact of global conquest originating in Europe. It led to the spread of European culture and rationality in the Asian and African countries. Thus, conquests not only led to political expansion, but the intensification of cultural contact and adoption of new cultural values leading to modernisation. Globalisation was spearheaded during the period of colonial expansion. Jameson and Miyoshi proposed that intellectual, cultural and technological advance in the colonised countries was the product of Europeanization as Europe was emulated by poor, less civilized people of the world.

World historians comment that shrinking of the world started as early 1492. Mass migration, cross cultural and cross country trade, warfare and colonisation have changed the course of the nations politically, economically and socially. Characters like Madona, Michael Jackson, Corporate logos like Mc Donald, Nike have brought modernisation in the culture of traditional countries. It is not only, globalisation that brings modernisation, but modernisation to a great extent influences the process of globalisation. Modernisation in many instances is a precursor to

globalisation. Modernisation is accepting the most recent one. When a society is prepared and practises to transit to the emerging trends, then modernisation takes place. It is transformative and progressive which help to accept and adopt globalisation.

Political modernisation brings changes in the political ideologies, norms and functions of the political institutions making them adopt the global standard practices like democracy, focusing on human rights and ideological shifts from parochialism to universalism. Structural adjustments became possible in India due to the modern outlook of the system of governance which could venture out to bring changes in the system to make it conducive for accepting globalisation. Progressive political ideologies signalling modernisation enabled the governments to open their borders and market of the nations to mainstream the nation with the process of globalisation and to smoothen the process of globalisation. Economic modernisation resulting in the optimum use of resources no doubt gave a boost to the economies to move from subsistence to a surplus state. This increased productivity. Modernisation of the labour force helped to add quality to production, modernisation of technologies increased the quantum of production to enable the nations to join the competitive global market with the introduction of product diversities. This made the local connected with the global and facilitated the process of globalisation.

Psychological modernisation resulting in greater motivation for achievement was also pro globalisation. It increased the needs of the people and propelled them to move out of their national boundaries which helped for increasing global connectivity. Structural modernisation resulted in changing institutions like the institution of education, religion and media. The introduction of modern education, secular outlook and media revolution helped to galvanise the process of globalisation. They became highly yielding for spreading the process of globalisation by changing the attitude of the people, making them more advanced to go for innovations, technological inventions, spurring of new ideas. Media could connect people of far flung places and the interconnectedness started increasing. All these became a prelude to and mechanisms for spearheading globalisation.

Thus, modernisation is both an input and output of the process of globalisation. So also globalisation is an outcome and a stimulant to the process of modernisation. So, modernisation is unthinkable without the process of globalisation and globalisation is inconceivable without the process of modernisation.

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### 5.11 Summary

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Mass migration, cross cultural and cross country trade, warfare and colonisation have changed the course of the nations politically, economically and socially. Characters like Madona, Michael Jackson, Corporate logos like Mc Donald, Nike have brought modernisation in the culture of traditional countries. It is not only, globalisation that brings modernisation, but modernisation to a great extent influences the process of globalisation. Modernisation in many instances is a precursor to globalisation. Modernisation is accepting the most recent one. When a society is prepared and practises to transit to the emerging trends, then modernisation takes place. It is transformative and progressive which help to accept and adopt globalisation.

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### 5.12 Self Assessment Questions

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1. What is modernization?
  2. Discuss the characteristics of modernization.
  3. What is interrelation between globalization and modernization?
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### 5.13 Key Words

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**Modernization:** modernisation as a concept refers to the process in which society undergoes industrialisation, urbanisation and other social changes that completely transform the lives of individuals.

**Globalisation:** is a consequence of the expansion of the American and European culture across the planet via settlements, colonisations and cultural replications and has a direct impact on the capitalist development across the nations.

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## **Unit-06 Neo-Liberalism and Global Capitalism**

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### **Structure**

- 6.1 Learning Objectives**
- 6.2 Introduction/ Assessment of Prior Knowledge**
- 6.3 What is Neo Liberalism?**
- 6.4 The history of neo-liberalism**
- 6.5 Principles of Neo liberalism**
- 6.6 Features of neo-liberalism**
- 6.7 The Rise of Neo liberalism**
- 6.8 Neo liberalism in Practice**
- 6.9 What is Global Capitalism?**
- 6.10 Neo liberalism and Global Capitalism**
- 6.11 Summary**
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- 6.13 Key Words**
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## 6.1 Learning Objectives

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After going through this unit the learner will be able-

1. To discuss the meaning of neo-liberalism.
2. Analyse the features of neo-liberalism

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## 6.2 Introduction/ Assessment of Prior Knowledge

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Neo liberalism is a political and economic ideology based on specific principles while globalisation refers to the worldwide process in sway. The relationship between the two is quite intricate, one serving to stimulate the other and finally each serving as an input for the other. Both are complementary and supplementary to each other. This relationship between the ideological base and the process can be analysed and proved by highlighting the discussion on the following three points.

- What is neo liberalism?
- What is global capitalism?
- How one stimulates the other?

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## 6.3 What is Neo Liberalism?

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Neo liberalism is a market driven approach to economic and social policy based on neo classical theories of Economics. It makes an advocacy for maximising the role of private business sector in determining the political and economic priorities of the state. The term “neo liberalism” became an ideological paradigm that fixed priorities on markets, productivity, efficiency, consumer choice, transactional behaviour. According to the Collins dictionary, neo liberalism is a modern politicoeconomic theory favouring free trade, privatization, and minimal government intervention in business, reduced public expenditure on social services, etc.

Neo liberalism is the dominant and pervasive economic policy agenda of the present world. It is a powerful and expansive political agenda of class domination and exploitation. Perry Anderson describes it as ‘the most successful ideology in world history’.

Thus, neo liberalism as an approach to economic and social studies refers to the process in which control of economic factors is shifted from the public sector to the private sector. Drawing upon principles of neoclassical economics, neo liberalism suggests that governments are to reduce

deficit spending, limit subsidies, reform tax law to broaden the tax base, remove fixed exchange rates, and open up markets to invite external trading parties. It also proposes the government to limit the practice of protectionism, privatize state-run businesses, allow private property and back deregulation to give way to a free market economy.

As the very name “Neo liberalism” indicates, it is a revival of “liberalism”. In other words, this is the ideology of liberalism reincarnated. Liberalism, as a political ideology, was eclipsed for a period of time from political discussions, policy-making and in political prophecy and practice. This has emerged in more recent times in the period following globalisation. To be more specific, liberalism has undergone a process of initial growth, intermediary decline, and finally a recent rejuvenation. Neo liberalism is a collection of economic policies support by an ideological commitment. It argues for the reduction of state-intervention in the economy and a promotion of laissez-faire capitalism in order to promote human well being, economic efficiency and personal freedom.

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#### **6.4 The history of neo-liberalism**

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Alternatively, neo liberalism might be perceived of as a distinct ideology. It has its intellectual ancestry in the philosophy of liberalism. In this context, it can be asserted here that neo liberalism shares some historical roots and some of the basic vocabulary with liberalism in general. Elizabeth Martinez and Arnoldo García define neo liberalism as a set of economic policies that have become widespread during the last 25 years or so. Under this ideology, the rich grow richer and the poor grow poorer. Around the world, neo-liberalism has been imposed by powerful financial institutions like the International Monetary Fund (IMF), the World Bank and the Inter- American Development Bank. The capitalist crisis over the last 25 years, with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it 'neo' or new. This sense of the word 'neo liberalism' is widely used in Latin America. However, neo liberalism is more a phenomenon of the rich western market democracies, than of poor regions.

Liberalism in economics had its roots in the writings of a Scottish economist, Adam Smith. Smith published a book in 1776 called *The Wealth of Nations*. In this book, Smith advocated the abolition of government intervention in economic matters. To him there should be no restrictions on manufacturing, no barriers to commerce, and no tariffs imposed by the government. On the other hand; he argued free trade was the best way for a nation's economy to develop. Such ideas

were "liberal" in the sense of no controls. This encouraged the capitalists to make huge profits as they wished.

"Liberalism" reflects itself in political, economic, or even religious ideas. Political liberalism has been a strategy to prevent social conflict. It is treated as a progressive ideology pro poor in character. Economic liberalism prevailed in the United States through the 1800s and early 1900s. Then, the Great Depression of the 1930s led economist John Maynard Keynes to propagate a theory that challenged liberalism as the policy suiting to the dreams and desire of the capitalists. To Keynes without government intervention, economic prosperity is a myth and people friendly economy will never appear. Non intervention of the government simply results in the misery of the people. These ideas had much influence on President Roosevelt's New Deal programme. The belief that government should advance the common good became widely accepted and defeated the non interference of government ideology promoted by the liberals.

Over the years, it was noted government intervention resulted in economic slackness rather than motivating generation of profit. This was against the norms of capitalism and negated economic prosperity to the nations. Finally, it resulted in capitalist crisis over the last 25 years, with its shrinking profit rates. This inspired the corporate elite to revive economic liberalism. Keeping the revival of the ideology of liberalism once again in a new form, the prefix "neo" or new is added. Now, with the rapid globalization of the capitalist economy, neo-liberalism has surfaced on a global scale. Starting in the second half of the 20th century, neoliberalism became increasingly prominent as a form of governance in countries around the world. The term "neoliberalism" is used to describe a variety of movements away from state control or protection of the economy towards corporate control of the market, particularly beginning in the 1970s.

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## **6.5 Principles of Neo liberalism**

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Neoliberalism, in theory, is essentially about making trade between nations easier. It is about freer movement of goods and resources. It encourages enterprises to find cheaper resources, to maximize profits and efficiency. The goal is to be able to allow the free market to grow. To accomplish this, neoliberalism requires the removal of various controls deemed as barriers to free trade, such as:

- Tariffs
- Regulations

- Certain standards, laws, legislation and regulatory measures
- Restrictions on capital flows and investment

According to Elizabeth Martinez and Arnolfo Garcia the focal points of neo liberalism include:

- Freedom for the movement of capital, goods and services. It also includes the de unionization of labor forces and removals of any impediments to capital mobility, such as regulations. The freedom is from the state, or government.
- Reducing public expenditure for social services, such as health and education, by the government.
- Deregulation and to allow market forces to act as a self-regulating mechanism.
- Privatization of public enterprise (things from water to even the internet).

Richard Robbins, in his book, Global Problems and the Culture of Capitalism summarizes some of the guiding principles behind this ideology of neo liberalism. These principles are:

- Sustained economic growth is the way to human progress.
- Free markets without government “interference” would be the most efficient.
- Economic globalization would be beneficial to everyone.
- Privatization removes inefficiencies of public sector.
- Governments should mainly function to provide the infrastructure to advance.

The rule of law would respect to property rights and contracts.

The additional boosting activities for neo liberalism are:

- Freedom of trade in goods and services.
- Freer circulation of capital.
- Freer ability to invest.

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## 6.6 Features of neo-liberalism

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Neo liberalism has its distinct features. The features of neo-liberalism include:

1. **The Rule of the market:** Neo-liberalism propagates to promote "free" enterprise or private enterprises. It makes an advocacy to liberate enterprises from any bonds imposed by the government (the state). On the other hand, the hidden agenda are to reduce wages by de-unionizing workers and eliminating workers' rights that had been won over by

them after many years of struggle. It proposes to remove price controls by the government. It is vocal about total freedom of movement for capital, goods and services. To the neo liberalists "an unregulated market is the best way to increase economic growth, which will ultimately benefit everyone." A general characteristic of neo liberalism is the desire to intensify and expand the market, by increasing the number, frequency, repeatability, and formalisation of transactions. The ultimate (unreachable) goal of neo liberalism is to create a universe where every action of every being is a market transaction, conducted in competition. It's like Reagan's "supplyside" and "trickle-down" economics .But in reality, experience shows wealth has not trickled down very much and the social costs have proved to be damaging.

2. **Cutting Public Expenditure on Social Services:** The neoliberal ideology is against the notion of state welfare. To the propagators of this ideology, the state is a mere facilitator, not a key role player to cater services like education and health care. The state needs to withdraw itself from implementing safety nets and protective measures for the poor which involves a bulk of expenditure from the state exchequer. They also propose a limited role of the state in the maintenance of roads, bridges, water supply hither to taken as the essential services coming within the mandates for a state.
3. **Deregulation:** The neo liberalists are for the notion of deregulation. To them, state regulation is anti market and defeats the profit motive. So, they propose to reduce government regulation of everything that diminishes profits. Their philosophy allows the state to be just a spectator not the umpire.
4. **Privatisation:** The neo liberal ideology believes that state is the best which governs the least. They are against the notion of public sector and government control and government management. They propose to transfer state-owned enterprises, goods and services to the hands of private investors. This includes banks, key industries, railroads, toll highways, electricity, schools, hospitals and even fresh water. To them it will bring efficiency, increase productivity and bring better economic prosperity and development to nations.
5. **Elimination of the Concept Public Good or Community Ownership:** To the advocates of neo liberal ideology, "Every one's responsibility is no one's responsibility." So, they want to insist on "Individual responsibility." To them it should not be the state

responsibility to ensure essential services to all. Property and profit need not have a shared character. Those who have the power to generate them should have a greater share of it. Individual ownership brings accountability and this accountability enables wealth to grow in society.

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## **6.7 The Rise of Neo liberalism**

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The nineteen seventies was a decade witnessing increased accumulation of capital, unemployment, inflation and a variety of fiscal crises. It was realised that excessive government intervention was responsible for bringing economic and social catastrophes. At this juncture, two counter debates dominated the world. They were: “Social democracy with central planning” and ‘liberating corporate and business power and establishing market freedom”. It was advocated that the second debate if put into practice can be the panacea to overcome the crises. As the first option was already tried with and was not yielding in character, the shift was to the second option. By, 1980, the second group triumphed over the first and got established under the banner of neo liberalism. Thus, neo liberalism was prompted as a mechanism for global trade and investment for all nations to prosper and develop fairly and equitably. It intended to make trade easier between nations. It is about the free movement of good, resources, enterprises to maximise profit and efficiency. Around the world, neo-liberalism has been imposed by powerful financial institutions like the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank. It is reigning all over Latin America.

The first clear example of neo-liberalism at work came in Chile. The Chicago economist Milton Friedman is the father of this neo liberal ideology. In 1973, the neoliberal philosophy was put into practice in Chile. Other countries followed it. However, the worst effects of neo liberalism were experienced by Mexico where wages declined 40 to 50% while the cost of living rose by 80%. Over 20,000 small and medium businesses failed and more than 1,000 state-owned enterprises were privatized in Mexico. Critics comment "Neo liberalism means the neo- colonization of Latin America." Latin America was put into a new form of colonisation bringing drastic disaster to the milieu.

In the United States, neo-liberalism destroyed the welfare programs. The rights of labor (including all immigrant workers) were withdrawn. There was a cut backing of social programs. Thus, neo liberalism has its inherent draw backs. The beneficiaries of neo-liberalism are a minority of the world's people. Arnold Gracier criticises neo liberalism as benefitting a minority

but plaguing a majority. Neo liberalism is criticised for contributing to global poverty. Innovation and growth seldom contribute to serve the immediate needs of the world's common milieu. This practice has given rise to world inequalities.

Neo liberalism is not simply an economic structure, it is a philosophy. This is most visible in attitudes to society, the individual and employment. Neo-liberals tend to see the world in term of market metaphors. The market metaphor is not only applied among nations, but among cities and regions as well. In neoliberal regional policy, cities are selling themselves in a national and global marketplace of cities. They are considered equivalent to an entrepreneur selling a product, but the product is the city (or region) as a location for entrepreneurs.

Today, neoliberal policies are seeing positives and negatives. Under free enterprise, there have been many innovative products. Growth and development for some have been immense. Unfortunately, for most people in the world there has been an increase in poverty and the innovation and growth has not been designed to meet immediate needs for many of the world's people. Global inequalities on various indicators are sharp. For example:

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## **6.8 Neo liberalism in Practice**

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Neo liberalism arose out of Chicago School Economics. It was spearheaded by the economist Milton Friedman. Critical writers often trace the ideological lineage of neo liberalism back to the Chicago School, the Austrian School and the writings of Milton Friedman, Fredrich von Hayek, and James Buchanan. In governments around the world, the neoliberal revolution has been underway for thirty years. Ronald Reagan in the United States of America and Margaret Thatcher in United Kingdom became the pioneers in putting neo liberal premises and prophecy into practice. Reagan's famous formulation "Government is not the solution to our problems; government is the problem" gave a boost to popularise the U.S. commitment to adhere to the neoliberal philosophy. The Reaganian administration tried to percolate the idea among the public that-

- Economy is a self-regulating entity that always balances out.
- Government is inefficient and costly.
- Private business is efficient and therefore the best way to solve our problems.
- Wealth trickles down from the wealthiest to the middle class and the poor.

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## 6.9 What is Global Capitalism?

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World capitalism has experienced a profound restructuring through globalisation over the past few decades. Existing forms of capitalism has been transformed to make it fundamentally distinct from its earlier incarnations. Globalisation constitutes a qualitatively new epoch in the ongoing and open-ended evolution of world capitalism. Global capitalism is the fourth and current epoch of capitalism. It is different from earlier epochs of mercantile capitalism, classical capitalism, and national corporate capitalism. All these forms were the systems, which were previously administered by and within nations. But capitalist activities now transcend nations, and thus are transnational, or global, in scope. In its global form, all aspects of the system, including production, accumulation, class relations, and governance, have been disjoined from the nation and reorganized in a globally integrated way that increases the freedom and flexibility with which corporations and financial institutions operate.

Four types of capitalism have dominated the world in different times. They are: market-led, state-led, corporate led and social democratic capitalism. But global capitalism today is market-led capitalism along with corporate led capitalism. In his book *Latin America and Global Capitalism*, sociologist William I. Robinson explains that today's global capitalist economy is the result of "...worldwide market liberalization and the construction of a new legal and regulatory superstructure for the global economy... and the internal restructuring and global integration of each national economy. The combination of the two is intended to create a 'liberal world order,' an open global economy, and a global policy regime that breaks down all national barriers to allow the free movement of transnational capital between borders and the free operation of capital within borders in the search for new productive outlets for excess accumulated capital." The process of globalizing the economy began in the mid-twentieth century. It marks a number of qualitative shifts in the capitalist system. These are discussed below.

1. **The production of goods is global in nature.** First is the rise of truly transnational capital and a new global production and financial system. Today all nations have been integrated, either directly or indirectly to this new global financial and production system. Today, we have a global economy, in which nations are linked to each more organically through the trans nationalisation of the production process, of finance, and of the circuits of capital accumulation. No single nation-state can remain insulated from the global



economy or prevent the penetration of the social, political, and cultural superstructure of global capitalism. Corporations can now disperse the production process around the world, so that components of products may be produced in a variety of places, final assembly done in another, none of which may be the country in which the business is incorporated. In fact, global corporations, like Apple, Walmart, and Nike, for example, act as megabuyers of goods from globally dispersed suppliers, instead of as producers of goods.

2. **The relationship between capital and labour is global in scope, highly flexible, and thus is very different from the past epochs.** Because corporations are no longer limited to producing within their home countries, they now, whether directly or indirectly through contractors, employ people around the world in all aspects of production and distribution. In this context, labour is flexible. It implies that a corporation can draw worthy workers from any part of the globe and can relocate production to areas where labour is cheaper or more highly skilled.
3. **The financial system and circuits of accumulation operate on a global level.** Wealth held and traded by corporations and individuals is scattered around the world in a variety of places. This has made taxing wealth very difficult. Individuals and corporations from all over the world now invest in businesses, financial instruments like stocks or mortgages, and real estate, among other things, wherever they please, giving them opportunity to establish influence in communities far and wide.
4. **There is now a transnational class of capitalists (owners of the means of production and high level financiers and investors).** The shared interests of these capitalists shape the policies and practices of global production, trade, and finance. Relations of power are now global in scope, and relations of power affect social life within nations and local communities. There is the rise of a Transnational Capitalist Class (TCC), a class group that has drawn in contingents from most countries around the world, North and South, and has attempted to position itself as a global ruling class.
5. **The policies of global production, trade, and finance are created and administered by a variety of institutions that, together, compose a transnational state.** There is the rise of Transnational State (TNS) apparatuses. The epoch of global capitalism has ushered in a new global system of governance and authority that impacts what happens

within nations and communities around the world. The TNS is constituted as a loose network made up of trans and supranational organisations together with national states. It functions to organise the conditions for transnational accumulation. The core institutions of the transnational state are the United Nations, the World Trade Organization, the Group of 20, the World Economic Forum, the International Monetary Fund, and the World Bank. Together, these organizations make and enforce the rules of global capitalism. They set an agenda for global production and trade.

6. **Global capitalism has led to the growth of transnational exploitation and inequalities:** Due to global capitalism, novel relations of inequality, domination and exploitation on a global scale are on rise. No longer class exploitation is industry specific or within local, regional or national boundaries. But, it cuts across all these limits. Inequalities are now transnational. They relate to North-South inequalities.

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#### **6.10 Neo liberalism and Global Capitalism**

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Often the terms 'global capitalism' and 'neo liberalism' are used interchangeably. Authors like Boans and Gans-Morese ; Thorsten argue that neo liberalism is the main driver of global capitalism and that global capitalism itself can be seen as both the effect of, and the move towards, neo liberalism. Neo liberalism is an economic theory and an ideological conviction that supports maximizing the economic freedom for individuals and thus reducing the amount of state intervention to the bare minimum. In this regards, it does advocate the elimination of government-imposed restrictions on transnational movements of goods, capital and people. All these support the process of the rapid development of global capitalism. This implies that the state should assume a highly minimal and purely regulatory form and should refrain from most forms of economic intervention. This will promote market expansion and market diversity. An expanded market mechanism is expected to bring economic efficiency, enlarge the choices of the people, bring competitive pricing and thus, increase the economic transactions and bring prosperity to the investing nations. As Litonjua argues, deregulated market proposed by neo liberal theorists promotes global capitalism. Through the adherence to neo liberal ideology, international players get an easy get through into the national markets of different nations. Further, when the state recedes, the transnational class of capitalists (owners of the means of production and high level financiers and investors) shape the policies and practices of global production, trade, and finance. This establishes and flourishes global capitalism. Consequently,

although global capitalism cannot in anyway be seen as synonymous with neo liberalism, it could in fact be a product of neo liberalism.

The ‘Neoliberal’ revolution led to a wave of privatization of State Owned Enterprises (SOE) starting in the 1970s. SOEs are companies where the state owns or controls a substantial part of the enterprise. Indeed, according to neoliberal theory, SOEs ought to be dismantled due to the constraining effects it would have on individuals’ freedoms to conduct business. This is needed to float the idea that market mechanisms are a better way to ensure correct pricing and economic efficiency due to competition. The market under such situations is driven by global financiers and global production units who control production and finance which were erstwhile controlled by states. This global production and financing mark the establishment of global capitalism.

Neo liberalism not only opens avenues for global finance and production, but allows labour to operate in a cross national level which is a major premise of global capitalism. When labour functions on trans national basis, exploitation of labour also takes place on a global scale which symbolises global capitalism. The predominant account of the emergence of neoliberal policies argues that a series of economic crises during the 1960s and 1970s led to the denouncement of more interventionist state policies such as ‘Keynesianism’ or ‘embedded liberalism’. This shift was notably instigated by the Thatcher and Reagan administrations, in the U.K. and the U.S. respectively. The policies by these governments were transported globally. They were forcefully imposed and implemented by the International Monetary Fund’s (IMF) ‘structural adjustment programs’ and the formulation of a list of economic policy propositions known as the ‘Washington Consensus’.

Starting in the late 70s and early 80s, the Thatcher government instigated large-scale privatization programs and that, since then, the world has seen an increased amount of privatization. The implementation of privatization policies is considered to have followed as a pragmatic response to the economic difficulties of the 70s and the need to reduce government expenditure. The Thatcher government became a model for the U.S. Reagan administration, which, during the late 1980s, initiated a similar privatization program. This was termed as Reaganomics. However, unlike the Thatcher government; Reagan seemed more inspired by laissez-faire, neoliberal doctrine, and antigovernment themes. This is evident from his platform, which, according to Henig (1989/90:661) advocated “the need to restrain meddlesome bureaucrats, reduce taxes, unleash the entrepreneurial spirit, [and] provide help to those who help

themselves”. It was not until the late 80s that privatization became a worldwide phenomenon with the bulk of the privatization programs occurring in Latin America, and to a lesser extent in Asia and sub-Saharan Africa before peaking up in the 90s with the liberalisation of the former Soviet-bloc European countries. Thus, privatization which is a principle of neo liberalism promoted global capitalism. According to neoliberal theory, taxation and redistributive policies are seen as an infringement on personal freedom and government interference with private property. Although the welfare state is considered to be positively associated with other forms of freedom, such as opportunities arising from the availability to health and educational provisions (Lindbeck 1987:4), the mechanisms to sustain the welfare-state are thought to constitute ‘theft’. Neoliberal theory, if realized, would thus require the abolition of the welfare state.

Thus, global capitalism has led to the privatization and the abolition of the welfare state which are incorporated in the neo liberal prophecy. On the other hand, the importance that International Financial Institutions (IFIs) and the Washington Consensus have placed on the removal of trade barriers and capital controls in an attempt to liberalize the global economy and have proved to be influential for the process of global capitalism. Further, the neoliberal argument to increase consumer choices, freedom to conduct business has been spear headed by the growth of global capitalism.

Thus, the 1980s witnessed chronic economic crisis in Europe and Asia. The collapse of the Communist block at the end of the 1980s led to generate strong opposition against state intervention. There started a campaign for market reform policies. The sad demise of communism led communist countries to initiate various market reforms. The lead role was noted with the Socialist Federal Republic of Yugoslavia under the stewardship of Ante Markovic and the People’s Republic of China under the leadership of Deng Xiaoping. The democratic governments in different parts of the world started an advocacy for individual economic rights, subsidising and withdrawing control and to minimise the role of the government to just a facilitator to promote free trade. Stress was shifted to market centric economy and to spread industries through multinational and transnational corporations. Certain key schools emerged as the promoters of neo liberal theory and as such gave a stimulus to the growth of global capitalism. To cite some examples, the Chicago school vehemently criticised the Keynesianism which was a dominant doctrine of the world till 1980s. It substituted the theory of efficient market to have better economic growth and promote the plights of the people. Countries

gradually started getting wedded to neo liberal theories and significantly opted for the capitalist mode of production.

Both the Liberal and the Labour party in Australia started adopting neo liberal ideologies since 1980s. Introducing micro economic reforms, the reigning party from 1983-1996 pursued economic liberalisations. The reforms were marked through privatization of government corporations, deregulation of markets, and reduction of tax protections. Superannuation Guarantee system was implemented in 1992 to increase national saving and reduce future government liability for old age pensions. Privatization of education was introduced by Higher Education Contribution Scheme. VAT was introduced on goods and services. Canada too adopted the neoliberal ideology and went for more corporatisation. The country soon witnessed a growth in production by 133% and reduction in government investment by 30 %.

In Chile, the prototype adherence to the neoliberal ideology was noted. Milton Friedman in his commentary on Miracle of Chile noted three principal strategies followed by the country following the adoption of the neo liberal strategy which finally gave birth to capitalism. These were:

- Economic liberalization
- Privatisation of state owned companies
- Stabilisation of inflation

Since 1995, China has the distinction of having the world's most liberal capital markets as observed by the Heritage Foundations and the Wall Street Journal. By 1990 China's per capita income surpassed that of U.K. Thus, global capitalism is both a product of and is a stimulant to the establishment of the neoliberal ideology. On the other hand, neo liberalism boosts the development and establishment of global capitalism and is sustained by global capitalism. This is evident from the market and government practices of the countries cited above. So, it can be concluded that though neoliberal ideology is treated as the emanating point of global capitalism, it is global capitalism that enables neoliberal ideology to get institutionalised and sustained.

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## **6.11 Summary**

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Global capitalism has led to the privatization and the abolition of the welfare state which are incorporated in the neo liberal prophecy. On the other hand, the importance that International Financial Institutions (IFIs) and the Washington Consensus have placed on the removal of trade

barriers and capital controls in an attempt to liberalize the global economy and have proved to be influential for the process of global capitalism. Further, the neoliberal argument to increase consumer choices, freedom to conduct business has been spear headed by the growth of global capitalism.

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#### **6.12 Self Assessment Questions**

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1. What is global capitalism?
  2. Discuss the meaning of neo-liberalism.
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#### **6.13 Key Words**

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- **Neoliberalism:** A political approach that favours free-market capitalism, deregulation, and reduction in government spending.
  - **Privatisation:** The transfer of ownership, property or business from the government to the private sector is termed privatization.
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#### **6.14 Study Guide**

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## **Unit-07 Globalization and Nation State**

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### **Structure**

- 7.1 Learning Objectives**
- 7.2 Introduction/ Assessment of Prior Knowledge**
- 7.3 What is the nature of Globalisation?**
- 7.4 What is the Nation-State?**
- 7.5 Globalization and Nation State Debates**
- 7.6 What Impact Has Globalization Had on the Nation-State?**
- 7.7 Future of the Nation States**
- 7.8 Summary**
- 7.9 Self Assessment Questions**
- 7.10 Key Words**
- 7.11 Study Guide**

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## 7.1 Learning Objectives

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After going through this unit one will be able-

1. To discuss the relation between globalization and nation state.

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## 7.2 Introduction/Assessment of Prior Knowledge

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- The role of the nation-state in globalization is a complex one. Globalization is generally recognized as the fading or complete disappearance of economic, social and cultural borders between nationstates. It raises a twofold argument relating to the nation state. The first argument hovers around the proposition that globalisation is a threat to the continuation of the nation state. The second argument focuses on the idea that globalisation strengthens the nation states by reducing their burdens and adding economic prosperity. Some scholars have theorized that nation-states, which are inherently divided by physical and economic boundaries, will be less relevant in a globalized world. So, to these scholars globalisation is a challenge to the concept of nation states. But, there is a counter group who advance the argument that globalisation strengthens the nation states. To them, the modern form of globalization will not spell the end of the modern nation-state. Globalisation results due to expanded trade and communication and results in strengthening the nation states in pulling more capital, investment and strengthening the market base which determine and drive economic development. Governments' ability to tax and redistribute incomes, regulate the economy, and monitor the activity of their citizens has increased beyond all recognition. In no way the national sovereignty is at a loss, but it is at a gain. So to bring a conclusive balance between the two contrary arguments, the discussion can be carried forward by Examining the basic nature of globalisation.
- By defining the basic features of the nation state.
- By brining the existing theses relating to them into the fold of discussion.
- By analysing the impact globalisation has on the nation states in reality.
- Centring the discussion on the future of the nation states.
- Drawing a conclusion.

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## 7.3 What is the nature of Globalisation?

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When we analyse the basic nature of globalisation, Scholte wrote that globalization is a



distinctive and significant feature of recent world history. It has got social, economic and political dimensions. All these aspects are interrelated and overlapping. The political aspect of globalisation influences the acquisition and distribution of power and the economic aspect relates to resource distribution, production, market. All these affect the existing social institutions, relations. Thus, each aspect shapes the other.

Giddens mentioned that globalization generally includes four elements namely extensity, intensification, velocity and deepening impact. Extensity refers to social, political and the economic activities stretching across national frontiers. This is possible due to the greater rapidity ensued from the advance in technology and communication. The flow of ideas and goods over the globe leads to greater interdependence i.e. intensification. At this point the local issues reflect itself in the global scene and the global issues percolate to the local level. Thus, there is the process of extension of boundaries of occurring. The velocity of the flows is quite high. All together every issue transgresses the regional boundaries and reach every corner of the globe. This has a deepening impact on the issue and the milieu. Thus, they have their political repercussions. Political decision making involves diverse population and groups from local to global and the state boundary becomes meaningless.

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#### **7.4 What is the Nation-State?**

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A nation state is generally defined as a country which is ruled under one government. Specifically, the nation state is constituted by the government assuming a legal and moral right to exercise sole jurisdiction, supported by force in the last resort, over a particular territory and its citizens. This involves institutions for managing domestic and foreign affairs. As it is defined in Elmer Social Science Dictionary that nation-state is Modern state in which a government has sovereign power within a defined territorial area, and the mass of the population are citizens. In addition, 'Sovereignty' in its modern form is a highly distinctive political claim which means to have exclusive control on a definite territory. It includes control over political and economic activities within their border to articulate and achieve policy goals independently. To conclude, it can be said that a nation state is marked with the characteristics of having a population, territory, a government and sovereignty.

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#### **7.5 Globalization and Nation State Debates**

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Overall, there are five theses that must be discussed to carry on the debate on the impact of

globalization on the nation-state. These are the Hyperglobalist Thesis; the Sceptical Thesis; the Complex Globalization thesis; the New Institutionalist thesis; and the Ideational Globalization thesis. Each of these theses project and portray the impact of globalisation on nation states from its own angle.

The hyperglobalist perspective as an approach sees globalization as a new epoch in human history. This new epoch is characterized by the declining relevance and authority of nation-states, brought about largely through the economic logic of a global market. Economies are becoming “denationalized.” This thesis, argues that the world we live in today is different from the world we were living in the yesterdays. It is now borderless in nature, particularly in economic terms. The world is undergoing tremendous transformations. The depth and dimensions of these transformations are far reaching. They visualise with increasing economic globalization, transnational governance organizations are becoming increasingly important. The result is that national governments are losing influence and are forced to operate increasingly according to rules they do not create.

Hyperglobalists view globalization as something that is a real force, aiming to produce a global social culture which are exemplified by sipping coke, watching Disney, waiting at McDonalds, and resulting in a single global economy. Thus, they ensure that the effects of globalization reach the remotest societies and in its progress diminish the constraints inflicted by nation-states. They view this as a good thing, where possibilities and opportunities arise enabling societies to be 'enriched' by the phenomena of globalization.

The Sceptical thesis criticizes this thesis by suggesting that contemporary world is not really different from before. Hirst and Thompson, argued that the world economy is actually less open and integrated than it was before the First World War, and rather than a ‘globalized economy’, it is an ‘internationalized economy’. Thus, they acknowledge that globalization is a myth; that it is not a ‘globalized’ world but an ‘internationalized’ one. The sceptical perspective on globalization views current international processes as more by fragmented and regionalized than globalized. In fact, according to sceptical authors, the “golden age” of globalization occurred at the end of the 19th century. Current processes show, at best, a regionalization. It conceals the reality of an international economy segmented into three major regional blocs in which national governments remain very powerful. They conceive it as one in which the principal entities are economies. The flow of trade and investments are far from being global, and despite there is

increasing activities of Multinational Companies (MNCs) across borders, most firms remain to operate from their distinctive home country. Scholars in the sceptical perspective view global capitalism as a myth. The growth of multinational corporations does not mean that nation-states are no longer relevant for governing the flows of economic benefits. Sceptical authors point to the fact that multinational corporations are still tied primarily to their home states or regions, and these ties produce benefits for these states or regions. Authors with a sceptical perspective reject the notions of the development of a global culture or a global governance structure. They choose to define economic globalization as internationalized economy, within which nation states are still the central actor.

On the other hand, the Complex Globalization theorists, such as Held and Dicken, view the globalization is complex. It is beyond economic aspect and touches every other aspects of a society. To them, globalisation is not only about economic, but also covers other aspects: political, social, and cultural. According to Held and McGrew, globalization refers to a shift or transformation in the scale of human organization that links distant communities and expands the reach of power relations across the world's regions and continents. Held et. al .suggest that, in fact, the nation-state remains an important actor in global political economy. Its role is, indeed, experiencing a reconfiguration. They are in the same opinion with sceptics on the argument: nation-state's government is not the passive victims of internationalization but, on the contrary, its primary architects. At the core of this thesis, is a belief that contemporary globalization is reconstituting or 're-engineering' the power, functions and authority of national governments.

The New Institutional thesis, brings out a difference between market liberal and social democratic regimes. To them, this difference guides modern nation states. They contrast liberal market economies (LMEs) such as the US and UK, with coordinated market economies (CMEs) such as Germany and Scandinavia. To them in the liberal market led economies, state is governed by market forces without its autonomy. On the contrast in the coordinated market economy, the state brings coordination among markets. The state intervention is reduced in liberal market led economies. But the state competency remains intact in a coordinated market economy.

Another prominent thesis is the Ideational Globalization. In this context, Hay and Marsh, in their idea of Demystifying Globalization suggest that the idea of globalisation should be the focus of discussion. It is our ideas that shape our behaviour. Thus, the role of ideas is important in

shaping the world today. For instance, the United States (U.S.) adopted the idea advocated by Neoliberal thinking that it favours the opening of foreign markets by political mean and state always seeks to maximize its interests in all issue-areas. Institutionalists note the proliferation of private and often oligopolistic networks of transgovernmental and non-governmental organizations under globalisation. They argue that globalization, rather than obstructing the nation-state, actually provides an enabling character to it. They state that nation-state indeed may undergo common pressures, yet the existence of domestic institutions can obstruct or enable states in facing the pressures of globalization.

Hay, while approving the sceptics that there is not enough evidence that the world is globalized, suggests that globalization may play a powerful role in ideational terms, and might weaken the nation-state. This thesis emphasizes the demystifying globalization in a way what globalization had had impact on the nation-state depends on the way nation-state sees the globalization itself. The idea shapes the way nation-state responds and reforms its decision-making process. In conclusion it can be stated that today's world politics is part of the process of globalisation and a product of globalisation. The 'stretching', 'deepening', and 'broadening' processes involved in globalisation have their influence on world politics and the nation states coming within them. It is noted by the increasing of international organizations, NGOS, the mobility of MNCs across borders, international regional integrations, and international and regional trade activities alongside the trade institutions have modified the functions of nation states. The reconfiguring shape of contemporary world politics has challenged and impacted the nation-states.

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## **7.6 What Impact Has Globalization Had on the Nation-State?**

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Three distinct aspects of globalisation have posed challenges for the nation states. The first is the reduced ability of the nation state to exert influence on its economy when economic transactions take place increasingly at the global level. The second is the rise of the transnational bodies. The transnational bodies may be the political bodies like the U.N., it may be political bodies like the NAFTA, a combination of the two like the European Union, or some form of the NGO (ranging from business to civilian pressure groups). The third aspect is the emergence of super national and sub national centers of power.

### **A Reduced Ability of the Nation State to Regulate the Economy:**

With the wake of globalisation, the nation states find themselves with a reduce ability to control their capital, to legislate and to influence or regulate their domestic markets. All these three

functions were the hall mark of the nation state and made it supreme within its territorial boundary. Holton (1998) observes "Flows of investment, technology, communications and profits across national boundaries are the most striking challenges of globalisation to nation states." The regulatory ability of the nation state is reduced to a great extent as most of the transactions take place outside its sovereign borders where it has no control. To quote Hirst and Thompson (1996) the nation state is side lined by the world market forces which prove to be stronger than the most powerful states. The nation state therefore has a reduced control over economic transactions and loses control over capital which it needs to sustain itself. The nation state is subsumed under the global economic system and is dropped down to the level of a local authority of the global system. Instead of becoming a policy maker; a unit of international relations, it becomes a mere provider of public goods and infrastructure to global system of production and global business.

Over the last few decades, national boundaries have broken down. In today's truly global society, men, money, materials and ideas travel across borders in huge numbers and quantities and at high speed. Many corporations build parts in a variety of countries. Manufacturing takes place across countries and is no longer monopolised by a particular nation. The rapid growth of international investing has further globalized the economy. Globalization often leads to trans nationalism. Trans nationalism is supposed to overshadow nationalism, which is considered to be the foundation of a nation state.

A "globalized" economy can be defined as one which compresses time and distance that were impeding economic transactions. In a globalised world, the costs of transport and communications are zero and the barriers created by national jurisdictions and boundaries have vanished. But these national boundaries were demarcating the areas where the nations were exercising their sovereign power, the hall mark of the nation states. Over the past five centuries, technological change has progressively reduced the barriers to international integration. Transatlantic communication has evolved from sail power. It has witnessed many developments like the invention of steam power, the telegraph, the telephone, commercial aircraft, and now to the satellite communications and internet. Yet states have become neither weaker nor less important during this odyssey. On the contrary, in the countries with the most advanced and internationally integrated economies, governments' ability to tax and redistribute incomes, regulate the economy, and monitor the activity of their citizens has increased beyond all

recognition. This has been especially true over the past century. It is assumed that globalization is embedded in Neoliberal theory. Neoliberal theory is built on the conviction of classical liberalism and proposes that market forces will bring prosperity, liberty, democracy, and peace to the whole of humankind. These theorists advocate the removal of state controls on prices, wages, and foreign exchange rates. Such activities have challenged the political structure. They put restrictions on both the sovereignty and autonomy of states. As such the dominance of the political structure is at stake and there is the depletion of state authority.

Globalisation also puts the nations into greater competitions from the western countries. A potential effect is that nation-states are forced to examine their economic policies in light of the many challenges and opportunities that multinational corporations and other entities of international commerce present. Multinational corporations challenge nation-states on the unique issue of foreign direct investments. The prerogative of the nation states in the field of production, pricing and marketing become quite shrinking. Globalization also creates a sense of interdependence among nations, which diminish the self sufficiency of nations and make them weak.

The role of the nation-state in a global world is largely a regulatory one. Global interdependence has put restrictions on national independence. While the domestic role of the nation-state remains largely unchanged, states that were previously isolated are now forced to engage with one another to set common international commerce policies. These interactions lead to diminished roles for some states and exalted roles for others.

**Transnationalism** has also occurred at the political level. International organizations, such as the United Nations and the World Trade Organization, play an ever-increasing role on the political stage. Nations are becoming over dependent on them for military protection and economic security. To cite an example, in the case of the European Union, national boundaries have very little meaning. All citizens can travel, live, and work freely throughout the European Union, and all internal tariffs and trade restrictions have been abolished. Some residents see themselves as citizens of a new European Union nation, not of their smaller countries. Transnational governments and groups literally transcend geographical and political boundaries which were a formidable part of the nation states.

Thus, the World Organisations are increasingly taking the place of the nation states. World Trade Organization, the United Nations, and the World Bank are just a few examples of international

organizations that sometimes act like governments or play a substantial role in international relations. Other examples include the Organization of American States, the North Atlantic Treaty Organization, the Organization for Economic Cooperation and Development, and the Organization of Petroleum Exporting Countries.

A "globalized" economy can be defined as one in which neither distance nor national borders impede economic transactions. This is a world where the costs of transport and communications are zero and the barriers created by differing national jurisdictions have vanished. Over the past five centuries, technological change has progressively reduced the barriers to international integration.

Globalization is often perceived as destroying governments' capacities to do what they want or need, particularly in the key areas of taxation, public spending for income redistribution, and macroeconomic policy.

Finally, as the world economy continues to integrate and cross-border flows become more important, global governance needs to be improved. Global governance will come not at the expense of the nation states, but empowering the nation states.

Thus, the economic challenges of globalisation to nation states are one of the decreased legislative ability. The nation state's sovereign power remains dwarfed under the market forces. Market forces guide and govern the state policies. On the one hand the state loses control over the economy and on the other; it becomes controlled by the emerging world economy and transnational system of production.

### **The Rise of the Transnational Bodies:**

The outstanding characters of nation states lie in its sovereign power and autonomous status. For these two features the nation state, enjoys legitimacy of the citizens within its specified boundary. But in the era of globalisation, the transnational bodies are emerging and are affecting the sovereignty and autonomy of the nation states. Today governance is not confined to national governments and national boundaries but to global institutions and have a global reach. This challenges the legitimacy commanded by the nation states. Under the impact of liberalization, privatization and globalization, the hold of the governments on economies is slackening. The influence of international bodies, multinational corporations and external agencies is on the ascendance. The developing countries invite and accept foreign funds to develop their infrastructure and thereby the control of local resources is taken over by multinational corporate

houses that acquire uncontrolled access to local economic resources. The ill-effects of globalization on economic systems and on domestic policies are evident. The policies of LPG curtail the state's welfare activities by reducing expenditure in populist spheres. This leads not only to the reduction of a major function of the state, but decline in the self sufficiency, efficiency of the nation states. The states no longer remain to be the owner of strategic industries, but are the mere managers of their activities.

Transnational bodies include the IGOS, INGOS, big corporate houses. IGOs such as the European Union, The International Monetary Fund and the World Trade Organisation/ GATT have accumulated international legislative and coercive power and have posed a threat to national sovereignty of the traditional nation states. The INGOS like Green Peace International, Amnesty International have connected themselves to diverse people from far flung areas of the globe and have undermined the importance of the nation states which fail to connect to the people so directly. INGOS having the ability to unite and mobilise people for common cause, collective interests are having global financial and political influence and creating powerful lobby groups which affect the autonomy and mobilisation capacity of the nation states. Finally, transnational corporations in the process of pursuing their own interests and targets pressurise the nation states for tax and trade relaxations and the nation states become timid before them for creating their production base through these TNCs.

### **Super national and Sub National Centers of Power**

Globalisation distributes power between sub national and super national bodies. A limitation is marked on the part of the nation states to manage regional issues having global ramifications. Sometimes regional issues like governance, health social problems spread to global level. This becomes difficult for the traditional nation state to handle. For this there is a polarisation of power distribution between super and sub national centers. The super national power centres are the UN, WTO, GATT, EU, IMF etc. Those bodies do not seem to have supreme legislative power, yet their influence in influencing national policies, international trade, taxations and relations speak of their supreme role in international and national system of governance. These are threats to national sovereignty and these organisations denounce the supreme authority of the nation states. Any decision of the UN today becomes a national mandate and the signatory state becomes a mere implementer of this decision. Regional and local governments are getting eclipsed under such super national power centres.



Similarly, sub national power centers are also developing with the wake of globalisation and are substituting the functions and powers of the traditional nation states. Many of the problems afflicting the world today -such as poverty, environmental pollution, economic crises, organized crime and terrorism –are increasingly becoming transnational in nature, and cannot be dealt with only at the national level, or by state to state negotiations. Greater economic and social interdependence seems to affect national decision-making processes in two fundamental ways. It calls for a transfer of decisions to the international level. Due to an increase in the demand for participation it also requires many decisions to be transferred to local levels of government. This implies that “public policies are undertaken at different levels”. Thereby, globalization entails complex decision-making processes, which take place at different levels, namely sub-national, national and global level, paving the way to a growing multilayered system of governance. Global cities as sub-national places are developing with the process of globalisation. In such sub national places, multiple global circuits intersect. In such cities it is noted that several cross border actors inter play and their practices intersect. For instance, at least some of the circuits connecting are noted in the cities of Sao Paulo, Miami, New York, and Shanghai.

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## **7.7 Future of the Nation States**

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Thus today nation states face multiple challenges due to the process of globalisation. But theorists conceptualise as to how nation states will respond to these challenges. To them there are three ways of responding to such emerging challenges. They are rather three views. They are:

- Nation states are dissolving and have become obsolete.
- Nation states find themselves in new roles and are in need of more organisational ability for stabilising the trends of globalisation.
- Nation states face restructuring and it will not disappear, but will be transformed into an altered nation state different from the traditional welfare state.

### **Dissolving of the Nation States**

It is noted that the nation states are becoming dysfunctional and losing their sovereign power and autonomy due to the growth of super national agencies like the WTO, IMF, TNCs etc and local actors in the era of globalisation. The territorial sovereignty is getting dwarfed under the influence of many new role players like the UN and the INGOS. In economic decision making they are finding themselves to be handicapped. Today economic decisions are guided and

governed by international developments. In politics, citizen's loyalty is declining for their nation states and this affects the sovereign capacity of the nations. So, when the economic decision making power and the political power of a nation state are sinking, it becomes obvious that the nation states are getting dissolved in the era of globalisation.

### **Resilient Nation State**

The second view is about a resilient nation state. Few authors like Gilpin suggest the nation state is still becoming stronger as the purview of its activities is increasing with the process of globalisation. Globalisation has presented a new role to the nation state and as such it has to appear with a new face. Today's nation state is not merely a welfare state. It has to be a competitive nation state to maintain its international identity and sustainability. For this, it has to step into new roles like framing policies supporting research and development, technological innovation, dispersion and dissemination, making market expansion policies, increasing the quality and quantity of production, introducing product diversification, encouraging and attracting foreign investment to increase GDP. These were never the concern of the nation states in the yesterdays. Globalisation has opened new roles for the states. States stepping into these roles can flourish and the states receding from such responsibilities are apt to perish. So, authors like Mc Grew suggest the state autonomy are not actually getting curbed. But it depends upon the adaptive character of the nation states and the smartness of the nation states to enlarge its activities and thereby autonomy. Till the date nation states are the important institutions to decide the rule of law. They have not dissolved or are not going to be dissolved.

### **The Altered Nation State**

It is often debated that the nation states had existed in one form, have taken another form and are to change into a third form in the wake of the process of globalisation. Till the date, there is actually no denationalisation, or the death of the nation state. Only the role has undergone changes. With the erosion of the concept of public services, and rise of private services, the state is transformed from a welfare state to a competitive state. Till the date, some key Constitutional functions continue to exist with the state, civic functions are declining and thereby reducing the burdens of the state. But, the state is given the new responsibility of generating effective investments, productive returns which were never its concern days back. This has no doubt increased the struggle for survival of the states. It seems that there is a change in the power structure and power relations within the state. But it cannot be equated with the demise of the

state. Few stereotype functions giving authority to the state like collection of taxes, providing security and controlling law and order have remained unaltered till the date. There is a paradigm shift in the state ideology, activities relating to economy. But this symbolises the nature of an altered nation state in the place of a dying nation state.

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## 7.8 Summary

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Thus, it can be concluded the future of the nation state in the era of globalisation is clearly contested. The three views pertaining to death of the nation state, resilience of the nation state and the alteration of the nation state provide different impression about its future. But, everything depends on the efficiency and the efficacy of the state itself. Whether it will perish or flourish depends on how it adopts itself and alters its role with the demands of globalisation. The rigidity of the state will negate its existence, but its flexibility will take it a way ahead. From an altered state it will become a resilient state even with the counter effects of globalisation.

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## 7.9 Self Assessment Questions

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1. What is the interrelation between globalization and nation state?
2. Discuss what is nation state.

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## 7.10 Key Words

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**Nation-state-** A nation state is generally defined as a country which is ruled under one government

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## 7.11 Study Guide

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## **BLOCK-03 GLOBAL INSTITUTIONS AND ACTORS**

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**Unit- 08 World Bank**

**Unit- 09 MNCs**

**Unit- 10 WTO**

**Unit- 11 IMF**

**Unit- 12 NGOs**

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## **Unit-08 World Bank**

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### **Structure**

- 8.1 Learning Objectives**
- 8.2 Introduction/ Assessment of Prior Knowledge**
- 8.3 The World Bank**
- 8.4 Origin of the World Bank**
- 8.5 Structure of the World Bank**
- 8.6 Agencies of the World Bank**
- 8.7 Objectives of the World Bank**
- 8.8 Functions of the World Bank**
- 8.9 Criticisms against the World Bank**
- 8.10 Summary**
- 8.11 Self Assessment Questions**
- 8.12 Key Words**
- 8.13 Study Guide**

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## **8.1 Learning Objectives**

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**After going through this unit one will be able-**

1. To discuss the origin of World Bank.
2. To understand the structure and functions of World Bank.

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## **8.2 Introduction/ Assessment of Prior Knowledge**

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The World Bank functions as an international organization that fights poverty by offering developmental assistance to middle-income and low-income countries. By giving loans and offering advice and training in both the private and public sectors, the World Bank aims to eliminate poverty by helping people help themselves. Under the World Bank Group, there are complimentary institutions that provide assistance. The World Bank is based in Washington. The World Bank is not actually a bank in the common sense. Instead, it consists of two development institutions - the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

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## **8.3 Origin of the World Bank**

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The World Bank was created at an international conference convened in Bretton Woods, New Hampshire, United States in July 1944. It was established in 1944 to rebuild post-World War II Europe under the International Bank for Reconstruction and Development (IBRD). The goal of the conference was to establish a framework for economic cooperation and development that would lead to a more stable and prosperous global economy. John Maynard Keynes and Harry Dexter White were the intellectual founding fathers of the World Bank. White was the chief international economist at the U.S. Treasury. Under Keynes' able leadership, the Bank articles were drafted successfully. The organization procedure of the World Bank was suggested in the draft made by Keynes. The World Bank was the world's first multilateral development bank, and was funded through the sale of World Bonds. Its first loans were sanctioned to France and other European countries, but soon it lent money to Chile, Mexico and India to build power plants and railways. By 1975, the Bank also lent money to countries to help with family planning, pollution control and environmentalism.

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## **8.4 Structure of the World Bank**

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The bank consists of the Board of Governors, the Board of Executive Directors and the Advisory

Committee, the Loan Committee and the president and other staff members. All the powers of the bank are vested in the Board of Governors which is the supreme policy making body of the bank. The board consists of one Governor and one Alternative Governor appointed for five years by each member country. Each Governor has the voting power which is related to the financial contribution of the Government which he represents.

The Board of Executive Directors consists of 21 members, 6 of them are appointed by the six largest shareholders, namely the USA, the UK, West Germany, France, Japan and India. The rest of the 15 members are elected by the remaining countries. Each Executive Director holds voting power in proportion to the shares held by his Government. The board of Executive Directors meets regularly once a month to carry on the routine working of the bank. The president of the bank is appointed by the Board of Executive Directors. He is the Chief Executive of the Bank and he is responsible for the conduct of the day-to-day business of the bank. The Advisory committees are appointed by the Board of Directors. There is also another body known as the Loan Committee. This committee is consulted by the bank before any loan is extended to a member country.

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## **8.5 Membership and Agencies of the World Bank**

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There are 186 member countries that are shareholders in the IBRD, which is the primary arm of the WBG (World Bank Group). To become a member, however, a country must first join the International Monetary Fund (IMF). The size of the World Bank's shareholders, like that of the IMF's shareholders, depends on the size of a country's economy. There is an obligatory subscription fee, which is equivalent to 88.29% of the quota that a country has to pay to the IMF. In addition, a country is obligated to buy 195 World Bank shares (US\$120,635 per share, reflecting a capital increase made in 1988). Of these 195 shares, 0.60% must be paid in cash in U.S. dollars while 5.40% can be paid in a country's local currency. The president of the World Bank happens to be the largest shareholder. The largest stakeholder is the United States of America. There is a Board of Governors. Throughout the year, however, powers are delegated to a board of 24 executive directors (EDs). The five largest shareholders - the U.S., U.K., France, Germany and Japan - each have an individual Executive Director. The additional 19 executive directors represent the rest of the member states as groups of constituencies. Of these 19, however, China, Russia and Saudi Arabia have opted to be single country constituencies, which mean that they each have one representative within the 19 executive directors. This decision is

based on the fact that these countries have large, influential economies, which requires that their interests be voiced individually rather than diluted within a group. The World Bank gets its funding from rich countries as well as from the issuance of bonds on the world's capital markets. The term “World Bank” generally refers to the IBRD and IDA, whereas the World Bank Group is used to refer to five institutions collectively. These five institutions are:

- i. The International Bank of Reconstruction and Development (IBRD), established in 1945, which provides debt financing on the basis of sovereign guarantees.
- ii. The International Financial Corporation (IFC), established in 1956, which provides various forms of financing of without sovereign guarantees, primarily to the private sector;
- iii. The International Development Association (IDA), established in 1960, which provides concessional financing (interest-free loans or grants), usually with sovereign guarantees;
- iv. The Multilateral Investment Guarantee Agency (MIGA), established in 1988, which provides insurance against certain types of risks, including political risk, primarily to the private sector; and
- v. The International Centre for Settlement of Investment Disputes (ICSID), established in 1966, which works with governments to reduce investment risk.

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## **8.6 Objectives of the World Bank**

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The objectives of the World Bank are as follows:

1. To provide long-run capital to member countries for economic reconstruction and development.
2. To induce long-run capital investment for assuring Balance of Payments (BoP) equilibrium and balanced development of international trade.
3. To provide guarantee for loans granted to small and large units and other projects of member countries.
4. To ensure the implementation of development projects in post war reconstruction period.
5. To promote capital investment in member countries by the following ways;
  - (a) Providing guarantee on private loans or capital investment.
  - (b) Providing loans for productive activities on considerate conditions.



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## **8.7 Functions of the World Bank**

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The World Bank strives to bridge the economic divide between poor and rich countries. To accomplish this objective it tries to divert the resources of the rich countries into poor countries and accelerate their growth. It does this to achieve sustainable poverty reduction. Thus, the main function of the WBG is to eliminate poverty and to provide assistance to the poor by offering loans, policy advice and technical assistance. The World Bank helps the poor countries to reduce their debt burden and enable them for their debt service payments while encouraging social expenditure.

The World Bank is playing a main role in providing loans for development works to member countries, especially to underdeveloped countries. The World Bank provides long-term loans for various development projects of 5 to 20 years duration. Bank can grant loans to a member country up to 20% of its share in the paid-up capital. The quantities of loans, interest rate and terms and conditions are determined by the Bank itself. Generally, Bank grants loans for a particular project duly submitted to the Bank by the member country. The debtor nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned. Bank also provides loan to private investors belonging to member countries on its own guarantee, but for this loan private investors have to seek prior permission from those counties where this amount will be collected.

The World Bank provides various technical services to the member countries. For this purpose, the Bank has established “The Economic Development Institute” and a Staff College in Washington. Another issue on which the Bank has recently been focusing is supporting programs for HIV/AIDS. The WBG has also been focusing on reducing the risk of projects by means of better appraisal and supervision mechanisms as well as a multidimensional approach to overall development. It also takes up activities like support for legal reform, educational programs, environmental safety, anti-corruption measures and other types of social development. The Bank encourages all of its clients to implement policies that promote sustainable growth, health, education, social development programs focusing on governance and poverty reduction mechanisms, the environment, private business and macroeconomic reform.

For more than twenty years, the Bank has imposed stringent conditions, known as "Structural Adjustment Programs," on recipient countries. It has forced the recipient countries to adopt reforms such as deregulation of capital markets, privatization of state companies, and downsizing

of public programs for social welfare. Privatization of water supplies, fees for public schools and hospitals, and privatization of public pensions are among the most controversial Bank reforms.

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## **8.8 Criticisms against the World Bank**

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Criticism of the World Bank encompasses a whole range of issues. They generally centre on concern about the approaches adopted by the World Bank in formulating its policies, and the way they are governed. While the WBG strives to create a poverty-free world, there are groups that are passionately opposed to this type of international patron. The opponents believe that, due to the fundamental structure of the Bank, the already existing imbalance between the world's rich and poor is only exacerbated. The system allows the largest shareholders to dominate the vote, resulting in WBG policies being decided by the rich but implemented for and by the poor. This can result in policies that are not in the best interests of the developing country in question. Many times the political, social and economic policies of the developing nations are have to moulded around WBG resolutions which is a reflection of western hegemony. While the Bank insists that "fighting poverty" is its first priority, many critics believe, instead of that it is responsible for rising poverty. Many also criticize its cosy relationship with Wall Street and the United States Treasury Department. So, critics comment through the World Bank there is the Americanisation of the developing countries which is not a healthy sign. This leads to a system of neo colonisation or financial colonisation.

The World Bank provides training, assistance, information and other means that lead to sustainable development of the developing nations. For this, the bank provides huge loans. Opponents have observed that developing countries often have to put health, education and other social programs on hold in order to pay back their loans. The social sector development becomes retarded thereby. Opposition groups have protested by boycotting World Bank bonds. These are the bonds that the WBG sells on global capital markets to raise money for some of its activities. These opposition groups also call for an end to all practices that require a country to implement structural adjustment programs - including privatization and government austerity measures - an end to debt owed by the poorest of the poor, and an end to environmentally damaging projects such as mining or the building of dams.

Critics of the World Bank are concerned about the 'conditionality' imposed on borrower countries. The World Bank often attaches loan conditionality based on what is termed the 'Washington Consensus', focusing on liberalisation—of trade, investment and the financial

sector, deregulation and privatisation of nationalised industries. Often the conditionality is attached without due regard for the borrower countries' individual circumstances and the prescriptive recommendations by the World Bank fails to resolve the economic problems within the countries. On the other hand, it aggravates the domestic challenges faced by the nations.

With the World Bank, there are concerns about the types of development projects funded. Many infrastructure projects financed by the World Bank Group have social and environmental implications for the populations in the affected areas and criticism has centred on the ethical issues of funding such projects. For example, World Bank-funded construction of hydroelectric dams in various countries has resulted in the displacement of indigenous peoples of the area. This brings new protests and requires attention of the government. The World Bank's role in the global climate change finance has also caused much controversy. Civil society groups see the Bank as unfit for a role in climate finance because of the conditionality and advisory services usually attached to its loans. The Bank's undemocratic governance structure – which is dominated by industrialised countries – its privileging of the private sector and the controversy over the performance of World Bank-housed Climate Investment Funds have also been subject to criticism in debates around this issue. Moreover, the Bank's role as a central player in climate change mitigation and adaptation efforts is in direct conflict with its carbon-intensive lending portfolio and continuing financial support for heavily polluting industries, which includes coal power.

There are also concerns that the World Bank working in partnership with the private sector may undermine the role of the state as the primary provider of essential goods and services, such as healthcare and education, resulting in the shortfall of such services in countries badly in need of them. As an increasing shift from public to private funding in development finance has been observed recently, the Bank's private sector lending arm – the International Finance Corporation (IFC) – has also been criticised for its business model and encouraging the increasing use of financial intermediaries such as private equity funds.

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## **8.9 Summary**

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Irrespective of the criticisms and concerns, the World Bank has become a dominant international institution of the globalised world. Without its role the development of the developing world is unimaginable today.

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### 8.10 Self Assessment Questions

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1. What is World Bank?
  2. What is the function of World Bank?
  3. What is the structure of World Bank?
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### 8.11 Key Words

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**World Bank-** it was established in 1944 to rebuild post-World War II Europe under the International Bank for Reconstruction and Development.

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### 8.12 Study Guide

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## **Unit-09 MNCs**

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### **Structure**

- 9.1 Learning Objectives**
- 9.2 Introduction/ Assessment of Prior Knowledge**
- 9.3 Defining MNCS**
- 9.4 Characteristics of Multi National Corporations (MNCs)**
- 9.5 Types of MNCs**
- 9.6 Lead MNCs of the World**
- 9.7 The Reasons behind the Growth of MNCS**
- 9.8 Significance of Multi National Corporations (MNCs)**
- 9.9 The Challenges posed by MNCs**
- 9.10 Summary**
- 9.11 Self Assessment Questions**
- 9.12 Key Words**
- 9.13 Study Guide**

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## 9.1 Learning Objectives

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**After going through this unit the learner will be able-**

1. To discuss the characteristics of MNCs.
2. To understand the types of MNCs.

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## 9.2 Introduction/ Assessment of Prior Knowledge

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MNCs stand for Multi National Companies. A multinational company is an enterprise operating in several countries but managed from one (home) country. Technically speaking, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation. A multinational corporation is a corporation or an enterprise that manages production or delivers services in more than one country. Two important concepts relate to the multinational corporations. These are: home country and host country. Normally, the management headquarters of the MNC in one country known as the home country and its operation in several other countries known as host countries. A multinational corporation (MNC) is an enterprise that engages in foreign direct investment (FDI). A firm is not really multinational if it just engages in overseas trade or serves as a contractor to foreign firms.

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## 9.3 Defining MNCs

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The term ‘Multinational’ is widely used all over the world to denote large companies having vast financial, managerial and marketing resources. MNCs are like holding companies having its head office in one country and business activities spread within the country of origin and other countries. Multinational firms arise because cheap labour and raw material inputs are located in other countries. Multinational corporations (MNCs in short) are also known as Transnational Corporations (TNCs), Super National Enterprises, Global companies and so on.

According to Prof. John H. Dunning, “A multinational enterprise is one which undertakes foreign direct investment, i.e., which owns or controls income gathering assets in more than one country; and in so doing produces goods or services outside its country of origin, i.e., engages in international production.” A multinational corporation has also been defined as “an enterprise: which owns and/or controls producing facilities such as factories, mines, oil refineries, distribution channels, offices, etc in more than one country.” According to another definition, “Any business corporation in which ownership, management, production and marketing extend

over several national jurisdictions is called a multinational corporation.”

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#### 9.4 Characteristics of Multi National Corporations (MNCs)

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The following characteristics can be attributed to the MNCs.

**Giant Size:** The most important feature of the MNCs is their gigantic size. Their assets and sales run into billions of dollars and they also make supernormal profits. On a global basis, MNCs generate about half of the world’s industrial output and account for about two-thirds of world trade.

**International Operation:** Multinational companies operate in the whole world. It extends its business worldwide. In such a corporation, control resides in the hands of a single institution. But its interests and operations sprawl across national boundaries. The Pepsi Cola Company of the U.S operates in 114 countries. An MNC operates through a parent corporation in the home country. It may assume the form of a subsidiary company in the host country. The foreign control may range anywhere between the minimum of 51 per cent to the full, 100 per cent. A MNC thus combines ownership with control. The branches and subsidiaries of MNCs operate under the unified control of the parent company. Mostly MNCs from developed countries dominate in the world markets.

**Oligopolistic Structure:** Through the process of merger and takeover, etc., in course of time a MNC comes to assume awesome power. This coupled with its giant size makes it oligopolistic in character. So it enjoys a huge amount of profit. This oligopolistic structure makes the multinational corporations the hot bed of conflicts and evils.

**Spontaneous Evolution:** MNCs is usually grow in a spontaneous and unconscious manner. “Creeping incrementalism” sometimes provides a company its multinational character. Both choice and accident make a corporation multinational. Many firms become multinationals by accident. Cheap labour, cheap resources available and easy accessibility in the host country make the multinationals move towards them.

**Collective Transfer of Resources:** A MNC facilitates multilateral transfer of resources. Usually this transfer takes place in the form of a “package” which includes technical know-how, equipment’s and machinery, materials, finished products, managerial services, and soon. “MNCs are composed of a complex of widely varied modern technology ranging from production and marketing to management and financing. All these get dispersed throughout the host countries where the MNC roots its company.

**American dominance:** Another important feature of the multinationals is the American dominance. In 1971, out of the top 25 MNCs, as many as 18 were of U.S. origin. Today to the same scenario persists. This makes the U.S.A the business tycoon of the world and the Americanisation of the globe takes place.

**High efficiency:** The MNCs operate their business with efficiency. They use advanced technology. They also involve keenly in research works. They used many trained person that helps in the production of quality goods.

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## 9.5 Types of MNCs

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There are four categories of multinational corporations:

A multinational, decentralized corporation with strong home country presence,

A global, centralized corporation that acquires cost advantage through centralized production wherever cheaper resources are available,

An international company that builds on the Parent corporation's technology and R&D, or

A transnational enterprise that combines the previous three approaches. According to UN data, some 35,000 companies have direct investment in foreign countries, and the largest 100 of them control about 40 percent of world trade.

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## 9.6 Lead MNCs of the World

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The following are some of the lead MNCs of the world known to every household.

### **Microsoft Corporation**

Microsoft Corporation was founded in Albuquerque, New Mexico, on 4th April 1975 by Bill Gates and Paul Allen. Its head offices are in Redmond, Washington. Bill Gates currently operates as its Technology Adviser, John W. Thompson is the Chairman and Satya Nadella is its CEO.

### **Nokia Corporation**

Nokia is one of the leading names in the world of network infrastructure and technologies based on locations. It deals in advanced technologies as well. Its head offices are in Espoo, Finland and it operates around the world including India. The prime area of focus for Nokia is to create technologies that will lead the way to the future.

### **Nestle**

Nestle is one of the top names in the world of food and beverages across the world. It has been in



existence for more than 140 years and operates in at least 197 countries. It employed 3,39,000 people in various capacities in 2014. Its objective is to be the top name in the world of nutrition, wellness and health.

### **Coca Cola**

One of the leading global brands in beverages, Coca Cola offers its complete portfolio of products in India with drinks, energy drinks, juices, tea, packaged water and coffee. Coca Cola offers more than 3,500 beverages around the world. It employs 25,000 people for system-related operations in India. It also has 1,50,000 indirect employees. Together with its franchisees, Coca Cola has 56 bottling plants in India. In its 35 years of existence in India, Coca Cola has done well financially and played a major role in the economic growth of India. It has also played a major role in the innovation that has taken place in the country's beverage sector.

### **Procter and Gamble**

Procter and Gamble is one of the top names as far as consumer goods are concerned. It was founded in Cincinnati, Ohio, on 31st October 1837 by William Procter and James Gamble. Its head offices are located in Cincinnati. It operates all over the world with the exception of Cuba. Alan George Lafley is its Chairman, CEO and President.

### **IBM**

IBM or International Business Machines Corporation is a leading name in the world of computer hardware, software and IT consulting. It was founded by Charles Ranlett Flint in Endicott, New York. At present, its head offices are in Armonk, New York. It operates across 170 countries. Ginni Rometty serves as its Chairman, CEO and President. It has 3,79,592 employees.

### **PepsiCo**

One of the top names in the world of beverages, PepsiCo is headquartered in Purchase, New York. It was founded in 1896 at New Bern, North Carolina by Donald Kendall and Herman Lay. At present, its products, including its most famous brand Pepsi and its chips, can be found all over the world including India. Its present CEO and Chairman is Indra Nooyi.

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## **9.7 The Reasons behind the Growth of MNCS**

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The growth of MNCs can be ascribed to a combination of two main factors. They are: the uneven geographical distribution of factor endowments and market failure. Regional disparities in resource concentration provide opportunity to some firms to have assets that are superior to those in many other countries. These firms conclude that they can only successfully exploit these

assets by transferring them across national boundaries within their own organizations rather than by selling their right of use to foreign-based enterprises. Secondly, when they observe market saturation in their home country, they make a move towards the host country to keep their production and profit intact.

The development of MNCs dates back to several centuries, but their real growth started after the Second World War. Majority of the MNCs are from developed countries like U.S.A, Japan, UK, Germany and European countries. In recent years MNCs from countries like Korea, Taiwan, India, China, etc. are operating in the world markets.

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## 9.8 Significance of Multi National Corporations (MNCs)

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The multinational corporations today have a revolutionary effect on the international economic system and the national economies. The growth of international transactions of the multinationals has affected the more traditional forms of capital flows and international trade for many economies. Today they constitute a powerful force in the world economy.

**Financial and Technological Resources and Expertise:** MNCs provide immense resources and investments, technology, innovation and expertise to the host societies. A culture of research and development is encouraged and human resources are developed, at least within the organization. MNCs also contribute significantly to the national exchequer by paying taxes.

**Good Business Practices:** Good governance, organizational transparency, clear command structures, and performance-based evaluation and incentives programs for employees encourage the merit system. MNCs introduce a professional working environment and culture for local organizations to emulate, thereby promoting sound management and business education.

**Comforts of Life:** In some cases, large-scale economies, quality control and a healthy competition lead to price cuts and other benefits for the end-user. People have more access to the comforts of life with a large variety of choices.

**Infrastructure Improvement:** Many MNCs help in improving the infrastructure and provision of basic needs in their specific areas of operation. They either do so directly or provide funds for this purpose to civil society organizations. This also improves business conditions within and in the vicinity of the areas where they are operating.

**Pluralism:** MNCs help boosting cross-boundary interaction among people. Even education, particularly, business education, has taken on a global perspective. The global perspectives and opportunities for crosscultural understanding increase the adaptability of students to alien

environments. This leads to the mixing of cultures and practices and encourages pluralism as well as competition.

**Economic development:** The MNCs play an important role in the economic development of underdeveloped countries. They have been the agents of modernization, movers of economic growth and economic integration in the period following globalization.

**Gap filling:** The first important contribution of MNCs is its role in filling the resource gap between targeted or desired investment and domestically mobilized savings. The country can fill this gap with foreign direct investments from the MNCs. It is put into a better position to achieve its target rate of economic growth.

The second contribution relates to filling the foreign exchange or trade gap. An inflow of foreign capital can reduce or even remove the deficit in the balance of payments if the MNCs can generate a net positive flow of export earnings.

The third important role of MNCs is filling the gap between targeted governmental tax revenues and locally raised taxes. By taxing MNC profits, governments are able to mobilize public financial resources for development projects.

Fourthly, Multinationals not only provide financial resources but they also supply a “package” of needed resources including management experience, entrepreneurial abilities, and technological skills. These can be transferred to their local counterparts by means of training programs and the process of ‘learning by doing’.

Moreover, MNCs bring with them the most sophisticated technological knowledge about production processes while transferring modern machinery and equipment to capital poor countries. Such transfers of knowledge, skills, and technology are assumed to be both desirable and productive for the recipient country. The MNCs also bring several other benefits to the host country.

**The MNCs create job opportunities** in the host countries. The employment market diversifies and proliferates. The domestic labour benefits in the form of higher real wages. The local markets of the host countries are fed by the product diversification introduced by the MNCs. Prices are lowered due to greater competition. The consumer benefits by way of lower prices and better quality products. **Investments by MNCs also induce more domestic investment.** Ancillary units are set up to ‘feed’ the main industries of the MNCs. This creates more employment possibilities.

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## 9.9 The Challenges posed by MNCs

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Nevertheless, MNCs can also pose problems for host societies in the spheres of social and economic development and cultural diversity. These are discussed below.

**Conflicts of Interest:** MNCs are commercial organizations and their only interest is to gain maximum return on their invested capital, occupy market shares and ensure their long-term competitiveness. This leads to conflict of interests between the MNCs and host societies. Host countries expect MNCs to work in harmony with the social and political needs of their societies and communities, whereas the MNCs make their choices based purely on economic criteria. This conflict of interests leads to conflict within societies.

**Increasing Materialism and Consumerism:** MNCs promote a culture of conspicuous consumption. For this, they change the design of the products very fast and the older ones lose relevance in a short span of time. This triggers consumerism among the people. Consumerism has an overwhelming impact on people. Changing dress, diet, drink, use of consumable goods propels them for lavish spending. This they take as a status symbol. Sometimes people go for exhibiting a life style which does not commensurate with their income. They get into debt traps. Many times people swayed away by extreme forms of consumerism ignore the essential needs which deteriorate their quality of life. This makes the society sick too.

**Corruption and Crime:** Extreme materialism promoted by MNCs corrupt people. Material and moral instinct seldom go hand in hand. Crime rates escalate due to the consumerist attitude fostered by the MNCs. People try to strengthen their buying power by short cut and easy means. For this they use violence and adhere to corrupt practices. But at the end of the day there is moral degradation of the people, but material prosperity of the MNCs.

**Healthcare Attitudes:** MNCs have given birth to a new set of health problems among its employees. Lifestyle-related ailments are on the rise. Hectic routines, targets and deadlines are resulting in stresses and pressures. A destructive lifestyle has led to a host of medical crises like stress, mid-life crisis, ulcers, nervous disorders, hypertension, obesity, cardiac disease, diabetes etc.

**Brain Drain:** The lucrative salaries of the MNCs attract talent from the host countries. Cross national employment is becoming common due to the rise of the MNCs. The term “brain drain” is commonly used for the situation when talent goes out to other countries. The MNCs thus promote brain drain. The host country fails to get the services of talented people whom it had

nurtured so far.

**Cultural Changes:** MNCs use, develop and continually refine their marketing tactics to create consumers' need for their products. They use social marketing and rigorous advertisements with the celebrities to project their products, especially affecting the youth, women and children as they are generally attracted to glamour. Special events, festivals and campaigns are organized to create hype. This changes the dress, diet, dance, drinks traditionally used by a culture. With the spread of MNCs' operations in a society, the importance of foreign languages increases. All these bring cultural changes.

**Negative marketing:** When introducing their products, MNCs exaggerate the qualities to the level of cheating and lying. Aggressive campaigns with false claims are launched. Local products are ridiculed. Children and youth are special targets, while women are treated as commodities to project the products, affecting the existing value framework of the societies.

**Business promotion through charity:** Some MNCs are involved in charitable and welfare work in the host societies as well. However, the amount given by them in charity is not comparable to their profits. Charity is used as a means to make profit.

**Violation of human rights:** Exploitation of workers by large business corporations is a common phenomenon. Most workers are exposed to hazardous and inhuman conditions, overexertion and financial abuse. The labour legislations are rarely adhered to. This affects labour interest and social security are minimal under the MNCs.

**Stresses on the Family:** MNCs affect the host society's family fabric in many ways. The new cultures and lifestyles introduced by MNCs prove to be harmful to the family fabric in host societies. Overspending and living beyond means eventually creates economic pressures and develops tensions and stresses within families. Women working in MNCs encounter severe role conflicts. Parents have little time for their families, particularly children. The caring role of the family declines.

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## 9.10 Summary

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MNCs have both a positive and a negative impact on host societies, even in the developed world. MNCs have contributed a lot in the growth of developed countries and both have progressed side by side. The negative impacts of MNCs have given birth to a strong and vibrant global justice movement. The negative impacts of MNCs need to be addressed through some positive interventions. MNCs need to conduct social research related to the host societies' problems and

to contribute certain portions of their profits to social sector development, particularly education and human resource development in the host societies. Host countries should pressurise MNCs to look into the local needs, ensuring that benefits and burdens of MNCs are evenly distributed and favour lower-income groups, protect culture. Fair trade, environmental protection should be imposed on the MNCs to make them not only economy friendly, but eco supportive in character. Under such situations the MNCs can achieve their desired purpose.

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### **9.11 Self Assessment Questions**

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1. Discuss the role of MNCs.
  2. Explain the function of MNCs.
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### **9.12 Key Words**

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**MNCs-** large companies having vast financial, managerial and marketing resources.

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### **9.13 Study Guide**

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## **Unit-10 WTO**

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### **Structure**

- 10.1 Learning Objectives**
- 10.2 Introduction/ Assessment of Prior Knowledge**
- 10.3 Origin of the W.T.O.**
- 10.4 Difference between the W.T.O and the GATT**
- 10.5 Structure of the W.T.O**
- 10.6 Membership of the W.T.O**
- 10.7 Objectives of the W.T.O**
- 10.8 Source of Funds of the W.T.O and Management of Fund**
- 10.9 Functions of the W.T.O**
- 10.10 The Role Played by the WTO**
- 10.11 Criticisms against the W.T.O**
- 10.12 Summary**
- 10.13 Self Assessment Questions**
- 10.14 Key Words**
- 10.15 Study Guide**

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## **10.1 Learning Objectives**

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After going through this unit the learner will be able-

1. To discuss what is WTO.
2. To know how WTO functions.
3. To know the structure of WTO.

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## **10.2 Introduction/ Assessment of Prior Knowledge**

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WTO stands for the World Trade Organisation. As the very name suggests, the World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible between nations. The national government apply to join the WTO and if accepted as members, the member nations commit to abide by the rules and settle disputes in an agreed upon way.

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## **10.3 Origin of the W.T.O.**

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The WTO came into being in 1995. But its evolution spreads over a period of the past 50 years. It came as a successor to the General Agreement on Tariffs and Trade (GATT). At the end of the Second World War, it was decided that international institutions were needed to assist in the process of economic recovery. Negotiators at that time were conditioned by the experience of the 1930s worldwide depression and the extreme measures of trade protectionism that were formulated to recover from the situation. At a 1947 United Nations Conference on Trade and Employment in Havana, Cuba, a proposal was discussed to create an International Trade Organization (ITO). At that time, the International Monetary Fund and the World Bank were at their germinating point. The ITO became the third pillar and was equipped with strong decision-making and dispute settlement powers to oversee the multilateral trading system.

The origin of the WTO can be traced back to the creation of the International Trade Organization at the 1944 Bretton Woods' Conference. The terms of the ITO charter were being drafted and debated. The process began in February of 1946 and lasted until a final draft was produced in March 1948. Representatives from a group of 17 nations assembled in Geneva and concluded an



interim agreement (GATT) to lower trade barriers and tariffs among themselves. While the GATT functioned well enough, the leading members wished to replace it with a world-wide trade-regulating body like the WTO for a number of reasons. First, the GATT rules applied to trade only in merchandise goods. In addition to goods, the WTO covers trade in services and trade-related aspects of intellectual property (through the agreement on Trade-related Aspects of Intellectual Property Rights— TRIPs). Second, while GATT was selective in application. The agreements which constitute the WTO are almost all multilateral and, thus, involve commitments for the entire membership. Third, the WTO dispute settlement system is faster, more automatic, and thus much less susceptible to blockages, than the old GATT system.

The GATT was a set of rules, a multilateral agreement, with no institutional foundation, only a small associated secretariat which had its origins in the attempt to establish an International Trade Organization in the 1940s. By contrast, the WTO is a permanent institution with its own secretariat. Moreover, the GATT was applied on a "provisional basis" while the WTO commitments are fully and functionally permanent. For the above reasons, the creation of a new, permanent trade body became one of the principal objectives through the GATT's Uruguay round, which ran from 1986 to 1994. A draft for the new international trade body, the WTO, was drafted and formally approved at the Ministerial Conference held in the ancient trade center of Marrakesh in July of 1994. Under the terms of the so-called "Final Act" signed there, the GATT was replaced by the WTO on 1 January 1995. The bulk of the WTO's current work comes from the 1986-94 negotiations called the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade (GATT). The WTO is currently the host to new negotiations, under the "Doha Development Agenda" launched in 2001.

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#### **10.4 Difference between the W.T.O and the GATT**

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The main differences between the GATT and the WTO can be described by the as follows:

- The GATT was provisional. Its contracting parties never ratified the General Agreement, and it contained no provisions for the creation of an organization. The WTO and its agreements are permanent. As an international organization, the WTO has a sound legal basis because all members have ratified the WTO Agreements, and the agreement themselves describe how the WTO is to function.
- The WTO has "members." GATT had "contracting parties".
- The GATT dealt with trade in goods.

- The WTO deals with trade in services and intellectual property as well.
- The WTO dispute settlement system is faster and more automatic— than the old GATT system. Its rulings cannot be blocked.

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## 10.5 Structure of the W.T.O

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The main WTO Body responsible for decision-making is the Ministerial Conference which is expected to meet every two years. The first of such meetings was held in December, 1996 in Singapore. During the two years between the meetings, the functions of the conference are performed by the General Council, which meets as a dispute settlement body when it considers complaints and takes necessary steps to settle disputes between member countries. It is also responsible for carrying out reviews of the trade policies of individual countries, on the basis of the reports prepared by the WTO Secretariat.

The General Council is assisted in its work by the:

- i. Council for trade in goods, which oversees the implementation and operation of GATT 1994, and its associate agreements;
- ii. Council for trade in service, which oversees the implementation of GATTs.
- iii. Council for trade-related aspects of Intellectual Property Rights (TRIPS) which oversees the operation of the Agreement on TRIPS.

The WTO Councils:

The WTO covers goods, service and trade-related intellectual property rights. A description of these three groups follows below. These, councils came into existence in their current shape only in 1995, after the official establishment of the WTO (a result of the Uruguay Round).

The structure of the WTO is dominated by its highest authority, the Ministerial Conference, composed of representatives of all WTO members, which is required to meet at least every two years and which can take decisions on all matters under any of the multilateral trade agreements. The day-to-day work of the WTO, however, falls to a number of subsidiary bodies; principally the General Council, also composed of all WTO members, which is required to report to the Ministerial Conference. As well as conducting its regular work on behalf of the Ministerial Conference, the General Council convenes in two particular forms - as the Dispute Settlement Body, to oversee the dispute settlement procedures and as the Trade Policy Review Body to conduct regular reviews of the trade policies of individual WTO members. The General Council

delegates responsibility to three other major bodies - namely the Councils for Trade in Goods, Trade in Services and Trade-Related Aspects of Intellectual Property. The Council for Goods oversees the implementation and functioning of all the agreements covering trade in goods, though many such agreements have their own specific overseeing bodies. The latter two Councils have responsibility for their respective WTO agreements and may establish their own subsidiary bodies as and when necessary.

Three other bodies are established by the Ministerial Conference and report to the General Council. The Committee on Trade and Development is concerned with issues relating to the developing countries and, especially, to the “least-developed” among them. The Committee on Balance of Payments is responsible for consultations between WTO members and countries which take trade-restrictive measures, under Articles XII and XVIII of GATT, in order to cope with balance-of-payments difficulties. Finally, issues relating to WTO’s financing and budget are dealt with by a Committee on Budget.

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## **10.6 Membership of the W.T.O**

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The WTO has nearly 153 members accounting for over 97% of world trade. Decisions are made by the entire membership. This is typically by consensus. A majority vote is also possible but it has never been used in the WTO. The WTO’s agreements have been ratified in all members’ parliaments. The WTO’s top level decision-making body is the Ministerial Conferences which meets at least once in every two years. Below this is the General Council (normally ambassadors and heads of delegation in Geneva, but sometimes officials sent from members’ capitals) which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Disputes Settlement Body.

At the next level, the Goods Council, Services Council and Intellectual Property (TRIPs) Council report to the General Council. Numerous specialized committees, working groups and working parties deal with the individual agreements and other areas such as, the environment, development, membership applications and regional trade agreements.

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## **10.7 Objectives of the W.T.O**

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The important objectives of WTO are:

1. To improve the standard of living of people in the member countries.
2. To ensure full employment and broad increase in effective demand.

3. To enlarge production and trade of goods.
4. To increase the trade of services.
5. To ensure optimum utilization of world resources.
6. To protect the environment.
7. To accept the concept of sustainable development.

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## **10.8 Source of Funds of the W.T.O and Management of Fund**

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The WTO secretariat, based in Geneva, has around 600 staff and is headed by a Director-General. Its annual budget is roughly 160 million Swiss Francs. It does not have branch offices outside Geneva. Since decisions are taken by the members themselves, the secretariat does not have the decision making the role that other international bureaucracies are given.

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## **10.9 Functions of the W.T.O**

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Among all the WTO functions, there are two functions that are the most important. Those are:

- Settling trade related dispute and making trade negotiations in a common forum.
- Ensuring the operation, administration and implementation of the agreements signed.

In addition, it is the duty of the World Trade Organization to propagate and review the national policies of trade around the globe. Another of the WTO's priorities is assisting developing low-income, least developed and transitioning countries in adjusting to disciplines and rules of WTO through technical training and cooperation.

Additional Functions of the WTO.

The WTO is the international organisation to manage trading system in a globalised world. As there is an increase in trade volume, issues such as violation of intellectual property, subsidies, trade barriers and protectionism come up. This happens due to the special laws formulated by each nation state relating to trading. The WTO serves as the nation's mediator when problems arise. The World Trade Organization is an economic analysis and research centre. It makes regular global research on the state of international trade and produces reports. The WTO also closely cooperates with the other two system components, the World Bank and the IMF.

It is the duty of the World Trade Organization to go about facilitating operation, administration and implementation and further the objectives of the Multilateral Trade Agreements and this Agreement and shall also provide the operation, administration and implementation framework

of the multilateral Trade Agreements.

- With a view to achieve coherence in global economic policy making, the World Trade Organization cooperates with the affiliated agencies of the International Bank for Reconstruction and Development and with the International Monetary Fund.
- Among its members, the WTO provides the negotiations forum concerning their trade multilateral relations in matters that enshrined in the Agreement.
- The WTO is in charge of administering the trading policy review mechanism.
- The World Trade Organization plays a vital role in settling the disputes arising out of international trade.
- The Trade Policy Review Mechanism is administered by the WTO.

The secretariat's main duties pertain to supply technical support for the various councils and committees and the ministerial conferences, to provide technical assistance for developing countries, to analyze world trade and to explain WTO affairs to the public and media. The secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO. GATT is now the WTO's principal rule-book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement and trade policy reviews.

Through these agreements, WTO members operate a non-discriminatory trading system that spells out their rights and their obligations. Each country receives guarantees that its exports will be treated fairly and consistently in other countries' markets. Each country promises to do the same for imports into its own market. The system also gives developing countries some flexibility in implementing their commitments.

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#### **10.10 The Role Played by the WTO**

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Till the date the WTO has been a facilitator in promoting hassle free international trade. Its role can be assessed from the way it has made movement of goods, services across the borders possible, protected the intellectual property rights, settled the disputes and reviewed the trade policies from time to time. **Goods:**

It all began with trade in goods. From 1947 to 1994, GATT was the forum for negotiating lower customs duty rates and other trade barriers. The text of the General Agreement spelt out

important, rules, particularly non-discriminations since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods. It has annexes dealing with specific sectors such as, agriculture and textiles and with specific issues such as, state trading, product standards, subsidies and action taken against dumping.

**Services:**

Banks, insurance firms, telecommunication companies, tour operators, hotel chains and transport companies looking to do business abroad can now enjoy the same principles of free and fair that originally only applied to trade in goods. These principles appear in the new General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under GATS stating which of their services sectors, they are willing to open for foreign competition and how open those markets are.

**Intellectual Property Rights:**

The WTO's intellectual property agreement amounts to rules for trade and investment in ideas and creativity. The rules state how copyrights, patents, trademarks, geographical names used to identify products, industrial designs, integrated circuit layout designs and undisclosed information such as trade secrets "intellectual property" should be protected when trade is involved. The WTO has taken enormous efforts to protect them for the nations.

**Dispute Settlement:**

The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore, for ensuring that trade flows smoothly. Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgments by specially appointed independent experts are based on interpretations of the agreements and individual countries' commitments.

The system encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, stage-by-stage procedure that includes the possibility of the ruling by a panel of experts and the chance to appeal the ruling on legal grounds. Confidence in the system is established by the observing the number of cases brought to the WTO and getting resolved by the WTO.

**Policy Review:**

The WTO has its Trade Policy Review Mechanism. Its purpose is to improve transparency, to create a greater understanding of the policies that countries are adopting and to assess their

impact. Many members also see the reviews as constructive feedback on their policies. All WTO members undergo periodic scrutiny, each review containing reports by the country concerned and the WTO Secretariat. Where countries have faced trade barriers and wanted them lowered, the negotiations have helped to liberalize trade. But the WTO is not just about liberalizing trade, and in some circumstances its rules support maintaining trade barriers — for example to protect consumers or prevent the spread of disease.

**WTO helps to settle disputes:** This is a third important side to the WTO's work. Trade relations often involve conflicting interests. Agreements often need interpreting. The most harmonious way to settle these differences is through some neutral procedure based on an agreed legal foundation.

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### 10.11 Criticisms against the W.T.O

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The functions and role of the WTO have encountered heavy criticism. The following criticisms are being labelled against the WTO.

- **The WTO is fundamentally undemocratic.** The policies of the WTO impact all aspects of society and the planet, but it is not a democratic, transparent institution. The WTO rules are written by and for corporations which have a greater access to the negotiations. Citizens' input by consumer, environmental, human rights and labour organizations is consistently ignored. This indicates the heavy bent of the WTO to corporate discretion and dominance and make it a corporate forum than a people's forum.
- The WTO does not create a fair and just society. The WTO believes that creating a world of "free trade" will promote global understanding and peace. On the contrary, the domination of international trade by rich countries for the benefit of their individual interests fuels anger and resentment among the poor nations. To build real global security, international agreements are needed that respect people's rights to democracy and trade systems that promote a free just society. But till the date WTO has failed to ensure this.
- The WTO tramples labour and human rights. WTO rules prioritise the "rights" of corporations to profit. They overlook human and labour rights. The WTO has failed in promoting internationally recognized labour standards. Human values and social

protection are getting buried under the commercial values promoted by the WTO. In the name of profit child labour, inhuman conditions of labour are increasing.

- **The WTO lays stress on privatizing essential services:** The WTO seeks to privatize essential public services such as education, health care, energy and water. Privatization means the selling off of public assets to run for profit rather than the public good. The WTO's General Agreement on Trade in Services, or GATS, includes a list of about 160 threatened services including elder and child care, sewage, garbage, park maintenance, telecommunications, construction, banking, insurance, transportation, shipping, postal services, and tourism. In some countries, privatization is already occurring. This affects the poor to a great extent and makes them more deprived and disadvantaged.
- **The WTO destroys the environment.** The WTO attempts to deregulate industries including logging, fishing, water utilities, and energy distribution, which will lead to further exploitation of these natural resources. This affects the environment. In many instances the WTO disregards the national environment protection laws on the ground of creating barriers to trade. This has a heavy cost on the environment and as such on lives.
- The WTO policies kill people. The WTO's fierce defence of 'Trade Related Intellectual Property' rights (TRIPs)—patents, copyrights and trademarks comes at the expense of health and human lives. The WTO has protected for pharmaceutical companies' 'right to profit' against governments seeking to protect their people's health by providing lifesaving medicines in countries in areas like sub-Saharan Africa, where thousands die every day from HIV/AIDS. By this, the WTO demonstrates that it favours corporate profit over saving human lives.
- The WTO worsens inequality. Inequality has worsened both internationally and nationally. The UN Development Program reports that the richest 20 percent of the world's population consume 86 percent of the world's resources while the poorest 80 percent consume just 14 percent. WTO rules have hastened these trends by opening up countries to foreign investment and thereby making it easier for production to go where the labour is cheapest and most easily exploited and environmental costs are low.
- The WTO policies increase hunger. The corporate control of food distribution has put 800 million people worldwide into chronic malnutrition. According to the Universal Declaration of Human Rights, food is a human right. In developing countries, as many as



four out of every five people make their living from the land. But the leading principle in the WTO's Agreement on Agriculture is that market forces should control agricultural policies has affected food security. WTO policies have allowed dumping of heavily subsidized industrially produced food into poor countries, undermining local production and increasing hunger.

- The WTO undermines local level decision-making and national sovereignty. Local policies aimed at rewarding companies who hire local residents, use domestic materials, or adopt environmentally sound practices are essentially illegal under the WTO. Many countries are even changing their laws and constitutions in anticipation of potential future WTO rulings and negotiations. Keeping these negative consequences in view, international opposition to the WTO is growing. Massive protests in Seattle in 1999 brought over 50,000 people together to oppose the WTO. In Cancún, Mexico and Hong Kong, China, the WTO met thousands of activists in protest, scoring a major victory for democracy. Developing countries refused to give in to the rich countries' agenda of WTO expansion and caused the talks to collapse. Thus, it is high time now that the WTO needs to revisit its policies to create an equalising world to give equal space to the poor nations, marginalised population.

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### **10.12 Summary**

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The WTO worsens inequality. Inequality has worsened both internationally and nationally. The UN Development Program reports that the richest 20 percent of the world's population consume 86 percent of the world's resources while the poorest 80 percent consume just 14 percent. WTO rules have hastened these trends by opening up countries to foreign investment and thereby making it easier for production to go where the labour is cheapest and most easily exploited and environmental costs are low.

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### **10.13 Self Assessment Questions**

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1. Discuss the function of WTO.
2. Discuss the structure of WTO.

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### 10.14 Key Words

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**WTO-** World Trade Organisation is an autonomous institution who regulates international trade activities.

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### 10.15 Study Guide

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1. World Bank Group (2011) A Guide to the World Bank.
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9. Crotty, Epstein and Kelly (1998). Multinational Corps in Neo-liberal Regime. Cambridge University Press.

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## **Unit-11 IMF**

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### **Structure**

- 11.1 Learning Objectives**
- 11.2 Introduction/ Assessment of Prior Knowledge**
- 11.3 Origin of the IMF**
- 11.4 Structure of the IMF**
- 11.5 Membership of the IMF**
- 11.6 Objectives of the IMF**
- 11.7 Source of Funds of the IMF**
- 11.8 Management of Funds**
- 11.9 Functions of the IMF**
- 11.10 Criticisms against the IMF**
- 11.11 Comparison between the IMF and the World Bank**
- 11.12 Summary**
- 11.13 Self Assessment Questions**
- 11.14 Key Words**
- 11.15 Study Guide**

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### **11.1 Learning Objectives**

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After going through this unit you will be able-

1. To discuss the role of IMF.
2. To understand the structure and functions of IMF.

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### **11.2 Introduction/ Assessment of Prior Knowledge**

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The IMF stands for the International Monetary Fund. It is located in Washington D.C. The International Monetary Fund (IMF) is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF is responsible for the creation and maintenance of the international monetary system, the system by which international payments among countries take place. It thus, strives to provide a systematic mechanism for foreign exchange transactions in order to foster investment and promote balanced global economic trade.

The IMF was originally designed to promote international economic cooperation and provide its member countries with short term loans so they could trade with other countries (achieve balance of payments). Since the debt crisis of the 1980's, the IMF has assumed the role of bailing out countries during financial crises (caused in large part by currency speculation in the global casino economy) with emergency loan packages tied to certain conditions, often referred to as structural adjustment policies (SAPs). The IMF now acts like a global loan shark, exerting enormous leverage over the economies of more than 60 countries. These countries have to follow the IMF's policies to get loans, international assistance, and even debt relief. Thus, the IMF decides how much debtor countries can spend on education, health care, and environmental protection. The IMF is one of the most powerful institutions of the globalised world today.

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### **11.3 Origin of the IMF**

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The IMF was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944. The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s. White was the chief international economist at the U.S. Treasury. In 1944, he drafted the American plan for the IMF that competed with the British Treasury

blueprint drafted by Keynes. Created in 1945, the IMF is governed by and accountable to the 188 countries that make up its near-global membership.

The International Monetary Fund was founded on 27th December, 1945. A treaty called the Articles of Agreement was signed by 29 member countries. The next year, the first meeting was convened by the Board of Governors in Savannah, State of Georgia, United States. The purpose of the meeting was to elect the executive directors, draft the bylaws, and decide the permanent location of the IMF's headquarters. The Board of Directors selected Washington D.C as the headquarters of the International Monetary Fund. The financial operations of the IMF started on 1st March, 1947.

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#### **11.4 Structure of the IMF**

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The IMF has a hierarchical structure.

##### **Board of Governors**

The Board of Governors is the highest decision-making body of the IMF. It consists of one governor and one alternate governor for each member country. The governor is appointed by the member country and is usually the minister of finance or the head of the central bank.

##### **Ministerial Committees**

The IMF Board of Governors is advised by two ministerial committees, the International Monetary and Financial Committee (IMFC) and the Development Committee. The IMFC has 24 members, drawn from the pool of 188 governors. Its structure mirrors the Executive Board and its 24 constituencies. As such, the IMFC represents all the member countries of the Fund.

##### **The Executive Board**

The IMF's 24-member Executive Board takes care of the daily business of the IMF. Together, these 24 board members represent all 188 countries. Large economies, such as the United States and China, have their own seat at the table but most countries are grouped in constituencies representing 4 or more countries. The largest constituency includes 24 countries

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#### **11.5 Membership of the IMF**

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The Fund is an autonomous organisation affiliated to the UNO. It is financed by the participating countries, with each country's contribution fixed in terms of quotas according to the relative importance of its prevailing national income and international trade. Thus, the quota assigned to a country is determined by its contribution to the capital of the Fund. The quotas of all the

countries taken together constitute the total financial resources of the Fund. Moreover, the contributed quota of a country determines its borrowing rights and voting strength. India being one of the largest quota-holders (600 million dollars) has the honour of having a permanent seat on the Board of Executive Directors. Each member nation of the IMF is required to subscribe its quota partly in gold and partly in its own currency. Specifically, a member nation must contribute gold equal to 25 per cent of its quota or 10 per cent of its gold stock and U.S. dollar holdings, whichever is less. The portion of subscription paid in a nation's own currency is generally paid in the form of deposit balance in favour of the IMF held in the nation's central bank. Thus, the Fund gets a pool of foreign currencies to lend, together with gold enables it to acquire additional amounts of currencies whenever its initial supply of some currencies becomes depleted.

The original members of the IMF were the 29 nations whose governments had ratified the Articles of Agreement by 27 December 1945. Any state, whether a member of the UN or not, have a chance to become a member of the IMF in accordance with terms prescribed by the Board of Governors. The IMF had 184 members as on 12 December 2002. By 2015, it has grown to 188. Membership in the IMF is a prerequisite to membership in the IBRD. A member may withdraw from the IMF at any time, and its withdrawal becomes effective on the day that a written notice to that effect is received by the Fund.

If a member state fails to fulfil its obligations under the IMF Articles of Agreement, the Fund may declare that country ineligible to use its resources. If, after a reasonable period has elapsed, the member state persists in its failure to live up to its obligations, the Board of Governors may require it to withdraw from membership. The Third Amendment of the IMF's Articles of Agreement came into force on 11 November 1992. It allows for the suspension of voting and related rights of a member that persists in its failure to fulfil its obligations under the Articles.

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## **11.6 Objectives of the IMF**

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**Basically the followings are the general objectives of the IMF:**

- To promote exchange rate stability among the different countries.
- To make an arrangement of goods exchange between the countries.
- To promote short term credit facilities to the member countries.
- To assist in the establishment of International Payment System.

- To make the member countries balance of payment favourable.
- To facilitate the foreign trade.
- To promote international monetary corporation.

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### **11.7 Source of Funds of the IMF**

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The initial capital of IMF was 8.5 billion dollar which was contributed by the 49 members. The quota of each member country was fixed in proportion to the national income and volume of foreign trade. Every country was required to pay in the form of gold and domestic currency.

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### **11.8 Management of Funds**

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The twelve member executive committee manages the affairs of IMF. Five members are the representatives of U.K, U.S.A, China, France and India. The remaining is elected by the other member countries.

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### **11.9 Functions of the IMF**

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**The following are the major functions of the IMF:**

1. It functions as a short-term credit institution.
2. It provides machinery for the orderly adjustments of exchange rates.
3. It is a reservoir of the currencies of all the member countries from which a borrower nation can borrow the currency of other nations.
4. It is a sort of lending institution in foreign exchange. However, it grants loans for financing current transactions only and not capital transactions.
5. It also provides machinery for altering sometimes the par value of the currency of a member country. In this way, it tries to provide for an orderly adjustment of exchange rates, which will improve the long-term balance of payments position of member countries.
6. It also provides machinery for international consultations.

In fine, the Fund contributes to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all member nations. The lending operations of the Fund technically take the form of sale of currency. Any member nation running short of foreign currency may buy the required currency from the Fund, paying for it in its own currency. Since each member contributes gold to the extent of

25 per cent of its quota, the Fund freely permits a member to draw up to the amount of its gold contribution. Additional drawings are permitted only after certain careful and strict scrutinies. Since the purpose of the Fund is to ensure temporary and long-term loans, it expects repayment of loans within 3 to 5 years. The Fund has also laid down provisions relating to exchange stability. Members are required to declare the par values of their currencies in terms of gold as a common denominator or in terms of U.S. dollar. Thus, under IMF arrangements, gold retains its role in determining the relative values of currencies of different nations. And once the par values of different currencies are fixed, it is quite easy to determine the exchange rate between any two member nations.

However, if at any time a member country feels there is a fundamental disequilibrium in its balance of payments position, it may propose a change in the par value of its currency, i.e., its devaluation. But devaluation is allowed or even advised by the IMF for the purpose of correcting a fundamental disequilibrium and not for undue competition or for other advantages. Thus, the decision to devalue should not be taken unilaterally by the member concerned, but only after consultation with the Fund. The Fund has laid down that member countries should not adopt a system of multiple exchange rates. That is to say, there should not be two or more rates between the currency of one member country and that of any other member country. This was necessary to prevent countries deviating from the principle of fixed exchange rates. Secondly, it was laid down that a member country should not purchase or sell gold internationally at prices other than those indicated by the par values. In essence, these provisions were laid down in order to secure exchange stability. At the same time, exchange depreciation or devaluation is permissible only for correcting a fundamental disequilibrium in the balance of payments of a country. Similarly, the Fund may ask a member enjoying a persistent surplus position to revalue its currency and set things right.

With a view to eliminate or minimise exchange control tactics, the Fund laid down that there should be no restrictions in ordinary trade and other current transactions. Although the Fund laid down that exchange controls and other restrictions should not be used for normal current transactions, it allows their use at all times to control international capital movements, especially capital flights. Moreover, exchange controls are expressly permitted in the case of currencies which may be declared “scarce” by the Fund. It is also permitted during the “transition period.” Thus, the elements of exchange control have been incorporated in the



provision of the Fund. In short, the IMF may be described as a bank of central banks of different countries, because it collects the resource of the various central banks in the same way in which a country's central bank collects cash reserves of all the commercial banks, assists them in times of emergency.

However, while a central bank can control the credit policy of its member banks, the Fund cannot control the domestic economic and monetary policies of member nations. It only seeks to maintain a multiple payments system through an orderly adjustment of the exchange rates.

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#### **11.10 Criticisms against the IMF**

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The following are some of the important criticisms against the IMF.

- The IMF has created an immoral system of modern day colonialism. It's insistence to opt for structural adjustment programmes has put its negative impacts on the poor countries. The IMF has put the global economy on a path of greater inequality and environmental destruction. The IMF's structural adjustment policies (SAPs) ensure debt repayment by requiring countries to cut spending on education and health; eliminating basic food and transportation subsidies; devaluing national currencies to make exports cheaper; privatize national assets; and freeze wages. Such belt-tightening measures increase poverty, reduce countries' ability to develop strong domestic economies and allow multinational corporations to exploit workers and the environment. The IMF has heightened the wealth and knowledge divide among the nations creating an economic colonisation in the place of political colonisation.
- The IMF is accused for serving the interests of the wealthy countries and Wall Street. Rich countries dominate decisionmaking in the IMF because voting power is determined by the amount of money that each country pays into the IMF's quota system. So, it creates an undemocratic situation. It's a system of one dollar, one vote. The U.S. is the largest shareholder with a quota of 18 percent. Germany, Japan, France, Great Britain, and the US combined control about 38 percent.
- The IMF is alleged to be imposing fundamentally flawed development model. The IMF forces countries from the Global South to prioritize export production over the development of diversified domestic economies. Nearly 80 percent of all malnourished

children in the developing world live in countries where farmers have been forced to shift from food production for local consumption to the production of export crops destined for wealthy countries. The IMF also requires countries to eliminate assistance to domestic industries while providing benefits for multinational corporations -- such as forcibly lowering labour costs. Small businesses and farmers can't compete. Wage earners fail to earn a stable and sizable wage to support their families and live in deplorable conditions. The cycle of poverty is perpetuated, not eliminated, as governments' debt to the IMF grows.

- The IMF is criticised as a secretive institution with no accountability. The IMF is funded with taxpayer money, yet it operates behind a veil of secrecy. Members of affected communities do not participate in designing loan packages. The IMF works with a select group of central bankers and finance ministers to make policies without input from other government agencies such as health, education and environment departments.
- IMF policies promote corporate welfare. The IMF always encourages corporate to grow. To increase exports, countries are encouraged to give tax breaks and subsidies to export industries. Public assets such as forestland and government utilities (phone, water and electricity companies) are sold off to foreign investors at rock bottom prices. This creates problems for the indigenous industries and people. People fail to get the welfare and subsidy services of the national governments. This creates poverty amidst plenty.
- The IMF hurts workers. The IMF frequently advises countries to attract foreign investors by weakening their labour laws. It insists to eliminate collective bargaining laws and suppressing wages. The IMF's mantra of "labour flexibility" permits corporations to fire at whim and move where wages are cheapest. According to the 1995 UN Trade and Development Report, employers are using this extra "flexibility" in labour laws to shed workers rather than create jobs. As a result of this workers are affected in both the developed and developing countries and unable to arrange their livelihood. Workers in the U.S. are also hurt by IMF policies because they have to compete with cheap, exploited labour. The IMF's mismanagement of the Asian financial crisis plunged South Korea, Indonesia, Thailand and other countries into deep depression that created 200 million "newly poor."

- Women become the worst victims of The IMF's policies. Structural Adjustment Programmes create labour displacement. The burdens of labour displacement fall disproportionately on women. The withdrawal of basic services like free education, health by the government makes it difficult for women to meet their families' basic needs. When education costs rise due to IMF-imposed fees for the use of public services (socalled "user fees") girls are the first to be withdrawn from schools. User fees at public clinics and hospitals make healthcare unaffordable to those who need it most. The shift to export agriculture also makes it harder for women to feed their families. Women have become more exploited as government workplace regulations have become more stringent due to economic reforms.
- IMF Policies are noted to be affecting the environment in a negative way. IMF loans and bailout packages are paving the way for natural resource exploitation on a staggering scale. The IMF does not consider the environmental impacts of lending policies, and environmental ministries and groups are not included in policy making. The focus on export growth to earn hard currency to pay back loans has led to an unsustainable liquidation of natural resources.
- The IMF is labelled with the criticism of bailing out rich bankers, creating a moral hazard and greater instability in the global economy. The IMF routinely pushes countries to deregulate financial systems. The removal of regulations that might limit speculation has greatly increased capital investment in developing country financial markets. Most of this capital is invested shortterm, putting countries at the whim of financial speculators. Such bailouts encourage investors to continue making risky, speculative bets, thereby increasing the instability of national economies. During the bailout of Asian countries, the IMF required governments to assume the bad debts of private banks, thus making the public pay the costs and draining more resources away from social programs.
- It is observed that IMF bailouts deepen, rather than solves economic crisis. During financial crises -- such as with Mexico in 1995 and South Korea, Indonesia, Thailand, Brazil, and Russia in 1997 -- the IMF stepped in as the lender of last resort. Yet the IMF bailouts in the Asian financial crisis did not stop the financial panic -- rather, the crisis deepened and spread to more countries. In South Korea, the IMF sparked a recession by raising interest rates, which led to more bankruptcies and unemployment. Under the IMF

imposed economic reforms in 1995, the number of Mexicans living in extreme poverty increased more than 50 percent and the national average minimum wage fell 20 percent. Thus, The IMF instead of giving solutions heightens economic crises.

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### **11.11 Comparison between the IMF and the World Bank**

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There are many commonalities between the IMF and the World Bank.

- Both the International Monetary Fund and the World Bank were formed together at Bretton Woods, New Hampshire, in July 1944.
- Both of them were created to support the world economy. The IMF exists to preserve an orderly monetary system; the World Bank performs an economic development role.
- Both organizations have their headquarters in Washington, D.C.
- The IMF supervises the economic policies of its members and expects them to allow free exchange of national currencies. To keep this financial order, the IMF also acts as a provider of emergency loans to members who run into difficulties, in exchange for a promise from the member to reform its economic policies.
- The World Bank finances economic development among poorer nations by funding specific and targeted projects, aimed at helping to raise productivity. The World Bank consists of two organizations: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD lends to developing nations at preferential interest rates, while the IDA only lends to the poorest nations, on an interest-free basis.
- Although the IMF is an agency of the United Nations, it has its own charter, structure and financing arrangements. The IMF not only works with its 188 members, it also collaborates with the World Bank, World Trade Organization and agencies of the United Nations. To become a member of the IMF, countries must apply and be accepted by the other members. Because membership of the World Bank is conditional on being a member of the IMF, the World Bank also has 188 members. These members govern the World Bank through a Board of Governors.
- The IMF raises its money through membership fees, known as quotas. Each member country pays a quota based on its relative economic size so that the larger economies pay more. The World Bank raises most of its money through borrowing, by issuing bonds to

investors; it also receives grants from donors. Irrespective of such commonalities, there are many differences between the two organisations. The differences are as follows.

- The IMF looks after the international monetary system while the World Bank seeks to promote the economic development of the world's poorer countries. The IMF promotes exchange stability and orderly exchange relations among its member countries while the World Bank assists developing countries through long-term financing of development projects and programs.
- The IMF assists all members--both industrial and developing countries--that find themselves in temporary balance of payments difficulties by providing short- to medium-term credits while the World Bank provides to the poorest developing countries whose per capita GNP is less than \$865 a year special financial assistance through the International Development Association (IDA).
- The IMF supplements the currency reserves of its members through the allocation of SDRs (special drawing rights); to date SDR 21.4 billion has been issued to member countries in proportion to their quotas while the World Bank encourages private enterprises in developing countries through its affiliate, the International Finance Corporation (IFC).
- The IMF draws its financial resources principally from the quota subscriptions of its member countries while the World Bank acquires most of its financial resources by borrowing on the international bond market. The IMF has at its disposal fully paid-in quotas now totalling SDR 145 billion (about \$215 billion) has an authorized capital of \$184 billion, of which members pay in about 10 percent while the World Bank has an authorized capital of \$184 billion, of which members pay in about 10 percent The IMF has a staff of 2,300 while the World Bank has a staff of 7,000.

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### **11.12 Summary**

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After seventy years of existence there are strongly conflicting views on the importance and role of the IMF for today's international economy, and on its effectiveness. On the one hand there are those who see the Fund as having adapted well to the changing world environment on the other hand, there are still a group who perceive it as a devastating organization producing undesirable consequences like neocolonisation, economic colonization and environmental catastrophes etc.

All said and done, the IMF can be said to be a proactive international organization of the post globalised world and of the present millennium.

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### **11.13 Self Assessment Questions**

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1. What is IMF?
  2. What is the function of IMF?
  3. What is the structure of IMF?
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### **11.14 Key Words**

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**IMF-** is a internationally recognized monetary institution

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### **11.15 Study Guide**

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## **Unit-12 NGOs**

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### **Structure**

- 12.1 Learning Objectives**
- 12.2 Introduction/ Assessment of Prior Knowledge**
- 12.3 Defining NGOs**
- 12.4 Genesis and Growth of NGOs**
- 12.5 Characteristics of NGOs**
- 12.6 Types of NGOs**
- 12.7 Significance of NGOs**
- 12.8 The Challenges posed by NGOs**
- 12.9 Summary**
- 12.10 Self Assessment Questions**
- 12.11 Key Words**
- 12.12 Study Guide**

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## **12.1 Learning Objectives**

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**After going through this unit you will be able-**

1. To discuss about the origin of NGOs.
2. To understand types of NGOs.

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## **12.2 Introduction/ Assessment of Prior Knowledge**

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NGOs stand for Non Governmental Organisations. Since the 1980s, nongovernmental organizations (NGOs) have emerged as an important force working to democratize decision-making processes, protect human rights and provide essential services to the most needy. They have become (NGOs) quite prominent in the field of international development in recent decades. They are now recognized as key third sector actors on the landscapes of development, human rights, humanitarian action, environment, and many other areas of public action. In recent years, the arena of NGO action has expanded rapidly from local and national settings and the international level. The institutional transformations that are occurring in the context of globalization have seen international actors such as United Nations agencies, regional organizations, finance and trade institutions and transnational corporations — as well as NGOs. NGOs have been late-comers to this evolving system of global governance but are now finding ways to influence the international decision-making process associated with development issues.

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## **12.3 Defining NGOs**

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Non-governmental organizations, or NGOs, were first called such in Article 71 in the Charter of the newly formed United Nations in 1945. While NGOs have no fixed or formal definition, they are generally defined as nonprofit entities independent of governmental influence.

A non-governmental organization (NGO, also often referred to as "civil society organization" or CSO) is a nonprofit group, principally independent from government control, which is organized on a local, national or international level to address issues in support of the public good. Task-oriented and made up of people with a common interest, NGOs perform a variety of services and humanitarian functions, bring public concerns to governments, monitor policy and programme implementation, and encourage participation of civil society stakeholders at the community level. Some are organized around specific issues, such as human rights.

The World Bank defines NGOs as “private organizations that pursue activities to relieve



suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development.”

A non-governmental organization (NGO) is a non-profit, citizen-based group that functions independently of government. NGOs, sometimes called civil societies, are organized on community, national and international levels to serve specific social or political purposes, and are cooperative, rather than commercial, in nature.

A non-governmental organization (NGO) is any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to Governments, advocate and monitor policies and encourage political participation through provision of information dissemination. Some are organized around specific issues, such as human rights, environment or health. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements.

In practice, the term “NGOs” is used to describe non-profit making which seek to influence the policy of governments and international organizations and/or to complement government services (such as health and education). They usually have a formal structure, offer services to people and are, in most cases, registered with national authorities. NGOs vary huge in their size, scope of activity and goals.

NGOS are civil society organisations. Civil society is seen as a social sphere separate from both the state and the market. Civil society organizations (CSOs) are non-state, not-for-profit, voluntary organizations formed by people in the social sphere. This term is used to describe a wide range of organizations, networks, associations, groups and movements that are independent from government and that sometimes come together to advance their common interests through collective action. Traditionally, civil society includes all organizations that occupy the 'social space' between the family and the state, excluding political parties and firms.

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## **12.4 Genesis and Growth of NGOs**

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The term, "non-governmental organization" or NGO, came into currency in 1945 because of the need for the UN to differentiate in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations. The term thus has its roots in the history of the United Nations. When the UN Charter was drawn up in 1945, the designation ‘non-governmental organization’ was awarded to international non-state

organizations which gained consultative status in UN activities. Professor of anthropology, Richard Robbins, in his book, *Global Problems and the Culture of Capitalism* suggests a few reasons why NGOs have become increasingly important in the past decade or so. Amongst them, the important are:

- The end of the Cold War made it easier for NGOs to operate.
- Communications advances, especially the internet, have helped— create new global communities and bonds between like-minded people across state boundaries and this laid the foundation of International NGOs.
- Increased resources, growing professionalism and more employment opportunities in NGOs also strengthened the NGO movement.
- Perhaps most important, Robbins suggests that NGOs have developed as part of a larger, neoliberal economic and political agenda. Shifts in economic and political ideology have lent to increasing support of NGOs from governments and official aid agencies in response.

From the late 1980s, NGOs assumed a far greater role in development than previously. NGOs were first discovered and then celebrated by the international donor community as bringing fresh solutions to longstanding development problems characterized by inefficient government to government aid and ineffective development projects. Within the subsequent effort to liberalize economies and “roll back” the state as part of structural adjustment policies, NGOs came to be seen as a cost-effective alternative to public sector service delivery. In the post-Cold War era the international donor community began to advocate a new policy agenda of “good governance” which saw development outcomes as emerging from a balanced relationship between government, market, and third sector. Within this paradigm, NGOs also came to be seen as part of an emerging “civil society.”

Important changes in mainstream development thinking and practice, including new ideas about participation, empowerment, gender, and a range of people- centered approaches to poverty reduction work gave a boost to the worldwide mushrooming of NGOs. NGOs embodied “a philosophy that recognizes the centrality of people in development policies,” and that this along with some other factors gave them “comparative advantages” over government. NGOs have their distinct advantages over government organisations. The following among them need a

mention:

- NGOs have the competency of achieving the correct relationship between development processes and outcomes;
- NGOs have a wider reach to the poor and the target groups.
- NGOs can stir better participation among the people and thereby can create a participatory development process.
- NGOs can make the bottom- up approach of policy possible.
- NGOs are more flexible and responsive to their works;
- NGOs are able to work with and strengthen local institutions;
- NGOs have the ability to achieve outcomes at less cost.

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## **12.5 Characteristics of NGOs**

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Fowler (1988) has identified two key distinctive characteristics of NGOs. Firstly, the relationship of the NGO with intended beneficiaries is based upon principles of voluntarism rather than those of control which is typical of a government. This means that intended beneficiaries are involved in program design and management and if this happens, the programs stand a better chance of success as they are more likely to be relevant and attractive. Secondly, it is argued that NGOs have a task oriented approach that permits them to achieve appropriate organizational development, which encourages change and diversity rather than control and uniformity, which may hamper progress. The followings are some of the characteristics of the NGOs which make it different from Government organisations.

### **Voluntary:**

NGOs are formed voluntarily by citizens with an element of voluntary participation in the organization, whether in the form of small numbers of board members or large numbers of members or time given by volunteers.

### **Independent:**

NGOs are independent within the laws of society, and controlled by those who have formed them or by elected or appointed boards. The legal status of NGOs is based on freedom of association—one of the most basic human rights.

### **Not-for-profit:**

NGOs are not for private personal profit or gain. NGOs may, in many countries, engage in

revenue-generating activities, but must use the revenue solely in pursuit of the organization's mission. Like other enterprises, NGOs have employees who are paid for what they do. Boards are not usually paid for the work they perform, but may be reimbursed for expenses they incur in the course of performing their board duties.

**Not self-serving in aims and related values:**

The aims of NGOs are to improve the circumstances and prospects of people and to act on concerns and issues detrimental to the well-being, circumstances, or prospects of people or society as a whole.

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## **12.6 Types of NGOs**

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NGOs can be classified on various criteria and accordingly, different types of NGOs emerge.

**On the Basis of Orientation:** Basing on orientation NGOs can be

**Charitable NGOs:** Doing charity for the needy, poor, providing disaster relief .For e.g. Red Cross

**Service NGOs:** Making provision of health, family planning or— education. For e.g. CARE

**Participatory NGOs:** Accelerating self-help projects with local people involvement .For e.g. Habitat for Humanity

**Empowering NGOs:** Helping poor people develop a clearer understanding of social, political, and economic factors. For e.g. Amnesty International

**On the basis of operation:** Basing on the level of operation, NGOs can be-

- **Community-based Organizations (CBOs)** arise out of people's own initiatives. These can include sports clubs, women's organizations, and neighbourhood organizations, religious or educational organizations. There are a large variety of these, some supported by NGOs, national or international NGOs, or bilateral or international agencies, and others independent of outside help. Some are devoted to raising the consciousness of the urban poor or helping them to understand their rights in gaining access to needed services while others are involved in providing such services.
- **Citywide Organizations** include organizations such as the Rotary or lion's Club, chambers of commerce and industry, coalitions of business, ethnic or educational groups and associations of community organizations. Some exist for other purposes, and become

involved in helping the poor as one of many activities, while others are created for the specific purpose of helping the poor.

- National NGOs include organizations such as the Red Cross, YMCAs/YWCAs, professional organizations etc. Some of these have state and city branches and assist local NGOs.
- International NGOs range from secular agencies such as Save the Children organizations, OXFAM, CARE, Ford and Rockefeller Foundations to religiously motivated groups. Their activities vary from mainly funding local NGOs, institutions and projects, to implementing the projects themselves.

**On the basis of Acronyms:** Basing on acronyms, NGOs can be

#### **INGO**

INGO means international non govt. organisation. For example UNO and ILO are INGO.

#### **BINGO**

BINGO means business oriented international NGO. CARE, Red Cross and Green peace are the examples of BINGO.

#### **ENGO**

ENGO means environmental NGO. World Nature Organisation.

#### **GONGO**

GONGO means govt. operated NGO.

#### **QUANGO**

QUANGO means quasi autonomous NGO. National Institute for Clinical Excellence (NICE)

#### **TANGO**

TANGO means Technical assistance NGO

#### **CSO**

CSO means civil society organisation. Action Aid Types of NGO on the basis of World Bank's classification.

1. Operational Operational NGO is that type of NGO which are created for development projects.
2. Advocacy Advocacy NGO is that type of NGO which are created for awareness generation projects. Broadly, four basic types NGOs can be noted. They are:

**Humanitarian aid groups:** The primary objective of humanitarian aid is to save lives, alleviate suffering, and maintain human dignity both in emergency response and developmental projects. Examples are: Norwegian Refugee Council, American Refugee Committee, Doctors of the World, Direct Relief International, Mercy Corps International (MCI), International Medical Corps, CARE Volunteers in Technical Assistance, Save the Children etc.

**Advocacy groups:** Such INGOs do not supply aid per se, instead focus on advocacy of specific issues to draw public, national, international attention with the aim of making a difference immediately and changing policy. Examples: Human Rights Watch, Amnesty International, International Rescue Committee, Refugees International, Physicians for Human/Health Rights.

**Faith-based groups:** These are humanitarian aid groups originally founded on faith principles but do not use religion as a part of the aid given. Examples are Mercy Corps or International Rescue Committee, Shelter Now, Habitat International, Cure International, World Vision, Catholic Relief Services, Church World Service, Norwegian Church Aid.

**Missionary aid groups:** These NGOs seek to “spread the word” using humanitarian aid to access to those who need conversion, more or less conditional aid. Examples: of such INGOs are Samaritan’s Purse, Hope Ships.

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## 12.7 Significance of NGOs

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The end of the Cold War had brought a ‘power shift’ in which national governments increasingly found that they now had to share their authority within the globalizing economy, with a growing number of international organizations and NGOs. Globalization meant that states were gradually being confronted with the weakening or even undermining of their power and authority, and now faced the challenge of governing through the management of relationships with NGOs. The emergence of NGOs as increasingly high-profile players in the new processes of global governance is itself an outcome of liberal globalization. Increasingly, the existence of NGOs is proving to be a necessity rather than a luxury in societies throughout the modern world. Prompted by the inadequacies of the state and the market, citizens across the globe have developed organizations of civil society – NGOs – to help address a wide variety of social needs. The rapid growth and expansion of NGOs worldwide attest to their growing critical role in the development process. At the international level, NGOs are perceived as vehicles for providing

democratization and economic growth in Third World countries. Within Third World countries, NGOs are increasingly considered good substitutes for weak states and markets in the promotion of economic development and the provision of basic services to people. NGOs are seen as a catalyst for societal change. They realise people's need at the local or ground level and become responsive to the needs and problems of their clients. NGOs are sensitive to the needs of the marginalised population usually the poor, women and children. By targeting and reaching to the marginalized and disadvantaged groups in society, NGOs are being heralded as "important vehicles for empowerment, democratization and economic development."

In the era of globalisation stressing on a neo liberal economy where market dominates and state gradually disappears on the development front, some NGOs are "driven by strong values and interests, geared toward empowering communities that have been traditionally disempowered." International donor agencies see NGOs as "having the capacity and commitment to make up for the shortcomings of the state and market in reducing poverty." NGOs come to the rescue of the powerless, poverty stricken people. Their greatest potential lies in generating self-help solutions to problems of poverty and powerlessness in society. NGOs being independent, efficient, less bureaucratic, grassroots oriented, participatory in character contribute tremendously to sustainable development in the grassroots. But for NGOs to remain independent of donor or elite control and achieve their social and economic goals, they have to work diligently toward capacity building and financial sustainability. In this context, it can be noted that NGOs have come not only as supplements to state efforts but sometimes they act as substitutes for state endeavour. Particularly, when state funding is being withdrawn and state is in a receding state, NGOs are gaining prominence as vehicles of welfare, development progress and change.

NGOs are increasingly playing an important role in the development process of most Third World countries. The growing importance of NGOs in the development process is attributed to the fact that they are considered suitable for promoting participatory grassroots development and self-reliance, especially among marginalized segments of society namely, the poor, women and children. In fact, some NGOs seek to organize and involve the marginalized groups in their own development. And sometimes, they try to link their clients to the powerful segments of society by providing access to resources that are normally out of reach to the poor. For example, within development-oriented NGOs, microfinance institutions (MFIs) try to contribute to the economic improvement of the poor by bringing in new income from outside the community, preventing

income from leaving the community, providing new self employment opportunities and stimulating backward and forward linkages to other community enterprises.

Most development-oriented NGOs in the Third World use innovative development strategies and interventions such as the "minimalist cost effective approach (favored by microfinance institutions/poverty lending programs), "assisted self-reliance" or "participatory development." Overall, NGOs appear well suited to adapt the use of such innovative strategies because of their small-scale of operations, flexibility and great capacity to mobilize resources and to organize people to solve their own problems. The new development strategies perceive people as active participants of their own development. These "bottom-up" development strategies stand in sharp contrast to the "top down" capitalist and state socialist models of development. Both the capitalist model based on "trickle-down" and the state socialist model of "egalitarian development" based on central/state planning of economic activity have failed to meet basic needs of the poor, women and children and have not helped these marginalized groups to solve their own problems. Both models offer no real choice to the poor about immediate local problems faced or needs. Both forms of institutionalized "top-down" directed development discourage popular citizen participation and de-emphasize people-centered development activity. And finally, both models stress large-scale, capital intensive projects that are susceptible to elite control, corruption, and inefficiency.

NGOs deliver small miracles every day, miracles that governments and United Nations agencies fail to deliver. In the developing world, the role of NGOs is often critical. In years of drought or famine, the non governmental organisations have been pivotal in providing food to those most marginalised. NGOs often provide essential services in the developing world that in developed countries governmental agencies or institutions would provide. Normally, NGOs provide services that are in line with current incumbent governmental policy, acting as a contributor to economic development, essential services, employment. In a wider approach, NGOs are also the source and centre of social justice to the marginalised members of society in developing countries or failed states. NGOs are often left as the only ones that defend or promote the economic needs and requirements for developing states.

Thus, NGOs have three primary roles in advancing modern societies. First, NGOs provide opportunity for the self-organization of society. NGOs enable citizens to work together voluntarily to promote social values and civic goals which are important to them. They promote



local initiative and problem-solving. Through their work in a broad array of fields – environment, health, poverty alleviation, culture & the arts, education, etc. – NGOs reflect the diversity of society itself. They are established and sustained by individuals working collectively in their communities. By empowering citizens and promoting change at the “grass roots”, NGOs both represent and advance the pluralism and diversity that are characteristic of vibrant and successful modern societies.

Second, NGOs preserve a unique and essential space between the forprofit sector and government. Clearly private enterprise is efficient at producing goods and private wealth. Government is best when it focuses on providing and managing public goods. The nonprofits, nongovernmental sector helps fulfil the common good. A vibrant third sector provides a fulcrum for balancing the state and the free market. This middle ground is an essential arena for promoting additional checks and balances in society. Only independent organizations can serve as watchdogs of both government and business. At the same time, NGOs can build creative and productive partnerships across and among the three sectors – partnerships that draw on the unique strengths of each to advance the common good.

Finally, NGOs enable experimentation and social change by taking on challenges that the public and private sectors simply can’t or won’t. Civil society organizations are able to take risks that are economically unacceptable to business and politically unacceptable to government. In modern societies across the globe, countless innovations pioneered by NGOs have subsequently been adopted as government policy. Numerous models of service delivery that are considered “best practice” today were devised, tested, and improved over many years of experimentation by NGOs. In addition, NGO advocacy campaigns induce reluctant governments to adopt policy reforms and force improvements in business practices.

As modernizing economies increasingly shift to free markets and private enterprise, they often experience a decline in social cohesion and an increase in economic and social inequity. In these circumstances the nongovernmental sector has proven to be an essential mitigating force that helps create a healthier balance between the potential excesses of capitalism and the inefficiencies and limited resources of the state. This has certainly been the case in my own country.

The United Nations has recognised the special role that NGOs hold. The Millennium Development Goals, as well as the United Nations Development Programme have recognised the work put in by NGOs in developing countries.

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## 12.8 The Challenges posed by NGOs

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The following are the challenges faced by NGOs.

**Lack of Funds:** NGOs face difficulty in finding sufficient, appropriate and continuous funding for their work. They have limited resource mobilization skills. They heavily depend on donors for getting funds. There is a lack of financial, project and organizational sustainability.

**Poor Governance:** NGOs suffer from poor governance. Many NGOs mismanage their resources. This defames them and puts an end to their lives.

**Absence of Strategic Planning:** Few NGOs have strategic plans which would enable them to have ownership over their mission, values and activities. This leaves them vulnerable to the whims of donors and makes it difficult to measure their impact over time.

**Poor Networking:** It is a major challenge. It is the cause of duplication of efforts, conflicting strategies at community level, a lack of learning from experience and an inability of NGOs to address local structural causes of poverty, deprivation and under-development. Negative competition for resources also undermines the reputation of the sector and the effectiveness of NGO activities at community level. As a result there is a great deal of suspicion among NGOs. Many NGOs, large and small, intervene at community level without any community mapping and implement projects without due regard to ongoing community initiatives.

**NGO politics:** NGOs compete with one another for funds. This not only brings conflict among them, but they indulge into politics and sometimes take recourse to unethical means to arrange funds for their sustainability. This impairs their vision, mission and action.

**Poor Communications:** Many NGOs have little or no access to reliable email and internet connections. They receive almost no literature on development issues and are generally out of touch with issues of global, regional and national importance. This keeps them away from delivering the need based development services.

**Limited Capacity:** NGOs have limited technical and organizational capacity. Few NGOs undertake capacity building programmes for them. Weak capacity in fund raising, governance, technical areas of development, and leadership and management paralyse their functions.

**Development Approaches:** Many NGOs still focus upon a “welfare” approach rather than “right’s based” approach. They fail to create awareness for sustainability and ownership of development interventions by communities. This fails to make the people the real participants and keep them at the recipient level. This is not encouraged by the donor agencies and creates problems in NGO funding.

**Relationships with INGOs:** Local NGOs fail to compete with the INGOs. INGOs often intervene without any concern for the building of sustainable local communities. They pay government and community members to participate in their projects while local NGOs have no facility for doing so. INGOs pay high salaries and attract personnel which keep the local NGOs at loss.

**Political Interference:** NGO leaders encounter the interference of local politicians and civic leaders as a major hindrance to their work. Where NGOs are involved in sensitive issues, such as land disputes, local leaders can threaten NGOs with de-registration. This political interference mars their autonomy in functioning.

**Regional NGO Networks:** Regional and thematic networks are often absent for NGOs. For this the NGOs fail to share research, approaches, resources, capacity to work. They stick to their traditional vision, mission and action which do not prove to be delivering for development.

**New NGO Act:** The NGO Bill and Acts, provides both opportunities and threats to the NGO community. Restriction on NGO operations, accountability fixing makes them operate under stringent controls. On the one hand their area of operation is expanded, on the other hand the financial liberty is withdrawn which puts a restriction on the mode of their functioning.

**Selected INGOs provide potential partnerships:** Progressive INGOs look for partner with local institutions and have the ability to provide financial, technical and institution building support. Some also support thematic and issue-based advocacy initiatives that enhance local networking and address the structural causes of poverty, inequity and injustice. Many NGOs are devoid of these specialities needed. This creates identity crisis for them and sustainability problems.

Thus, with the wake of the 21st century, when globalisation is in full sway, NGOs hold a great promise to provide self-help solutions to problems of poverty and powerlessness in many Third World societies. They are increasingly making up for the shortcomings of the state and market in reducing poverty in Third World countries. Furthermore, their future role in development is expected to increase precisely because of favourable international donor support. Their growing role and expected contribution to Third World development, NGOs are considered to be panacea and the "magic bullet" for solving the problems of development. Development landscape of the globalised world cannot become visible without the substantive role of the NGOs.

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## 12.9 Summary

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As modernizing economies increasingly shift to free markets and private enterprise, they often experience a decline in social cohesion and an increase in economic and social inequity. In these circumstances the nongovernmental sector has proven to be an essential mitigating force that helps create a healthier balance between the potential excesses of capitalism and the inefficiencies and limited resources of the state. This has certainly been the case in my own country. The United Nations has recognised the special role that NGOs hold. The Millennium Development Goals, as well as the United Nations Development Programme have recognised the work put in by NGOs in developing countries.

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## 12.10 Self Assessment Questions

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1. Discuss the structure of NGOs.
2. Discuss the importance of NGOs.
3. Describe the challenges faced by NGOs.

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## 12.11 Key Words

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**NGOs-** is a non-profit organization works in different sectors of society.

**INGO-** it is the International Non-Government Organisation.

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## 12.12 Study Guide

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## **BLOCK-04 IMPACTS OF GLOBALISATION**

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**Unit-13 Impacts of Globalization on Culture**

**Unit-14 The Ethos of Globalisation (Individualism, Freedom and Consumerism)**

**Unit-15 Impacts of Globalization on Women**

**Unit-16 Impacts of Globalization on Poor**

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## **UNIT-13 IMPACTS OF GLOBALIZATION ON CULTURE**

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### **Structure**

**13.1 Learning Objectives**

**13.2 Introduction/ Assessment of Prior Knowledge**

**13.3 Discourses relating to The Impact of Globalisation on Culture**

**13.4 The Three H syndrome**

**13.5 The Particular Impacts of Globalisation on Culture**

**13.6 Summary**

**13.7 Self Assessment Questions**

**13.8 Key Words**

**13.9 Study Guide**

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### **13.1 Learning Objectives**

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**After going through this unit you will be able-**

1. To discuss the impact of globalization.
2. To understand the Three H syndrome.

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### **13.2 Introduction/ Assessment of Prior Knowledge**

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Globalization has put its footprints on every sphere of life. Globalization is the resultant of the interchange of worldly views, opinions and the various aspects of the culture everywhere around the world. The interchange of world views, information and ideas has resulted in a major transformation of the lifestyle and living standard of people globally. Culture is no bar to this transformation process. The deep rooted traditions and customs have loosened up their hold with the emergence of globalization. Integration has changed the cultural identity of many communities by introducing modernity. It has created an international platform for maintaining evenness in the living mode of the people all over the world. Globalization was initiated with the masses travelling to other geographic areas for exploration. This brought inter exchange of ideas and cultures. Cultural practices of the exploring community and the explored community were equally changed by such meeting and exchange. This took an added momentum in the period following globalisation. In the era of globalisation, the various means of telecommunication, social media, and most importantly the internet have played a big role in the intermingling of cultures culminating in transplantations, transitions and ultimate transformations of culture.

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### **13.3 Discourses relating to The Impact of Globalisation on Culture**

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Two powerful scenarios dominates the public discourse about the cultural consequences of globalization. The one very common scenario represents globalization as cultural homogenization (for example Benjamin Barbers McWorld). In this scenario the culturally distinct societies of the world are being overrun by globally available goods, media, ideas and institutions. In a world where people from Vienna to Sidney eat Big Macs, wear Benetton clothes, watch MTV or CNN, talk about human rights and work on their IBM computers culture tend to become alike and the distinct identities tend to get eroded. This endangers local cultures. As these commodities and ideas are mostly of western origin, globalization is perceived as westernization in disguise. The other scenario is that of cultural fragmentation and intercultural

conflict (encapsulated in Huntingtons Clash of civilizations and most recently "confirmed" by the ethnocides in Jugoslavia). Here the contrast occurs. The local cultures fail to encounter the tides of global culture. Resistance and revolts take place to save the local culture and creates the ugly scenario of cultural clash.

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### **13.4 The Three H syndrome**

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There are three viewpoints on the impact of globalization of Western culture: (a) it is having a homogenizing effect, (b) it is leading to the development of new hybrid cultural forms, and (c) it results in both homogeneity and hybridization. This is popularly known as the three H syndrome relating to cultural globalisation. Globalisation results in cultural harmonisation. The compression of time and space, development of technologies, mass migration resulting from globalisation poses a threat to cultural diversity. They bring the cultures of different communities hither to segregated and isolated in proximity to each other. As cultures are ever evolving; changing and developing, they are open enough to receive the influence of the alien cultures when they come across each other. The close interaction of groups has its utmost influence on each other's culture. This results in cultural harmonisation or what is termed as cultural integration.

Cultural harmonisation results in cultural hybridisation and homogenisation. Contact with a culture valued better and higher gives birth to cultural hybridisation. Cultural hybridisation and homogenisation are the terms that describe negative cultural change through loss of diversity. Homogenisation is a clear consequence of globalisation. It describes the tendency of cultures to tend towards a uniformed way of life by adopting sameness. It reduces culture divides. According to Richard Barnett and John Cavanagh, "the impact of this homogenisation on the rich cultural diversity of communities all around the world is immense". Homogenisation reduces diversity in general. The differences in culture are over shadowed by cultural uniformity. When the dominant culture prevails over the non dominant weak culture, the scenario gives birth to what is called cultural hegemonisation. In the era of globalisation, the culture of the west is gripping the cultures of the entire world. This process of westernisation which is occurring in the world today is hegemonisation. The cultural trend is towards homogenising with Western culture. The western, capitalist way of life imposes itself upon cultures the world over. The supporters of the cultural homogenization thesis maintain that the spread of globalization through global media, information systems and multinational dispensations has led to the erosion of local



cultures and traditions. According to Beck, “In the villages of Lower Bavaria, just as in Calcutta, Singapore or the ‘favelas’ of Rio de Janeiro, people watch Dallas on TV, wear blue jeans and smoke Marlboro.” Since the images of American popular culture are everywhere, it may not be wrong to claim that ultimately all cultural differences will vanish and some sort of cultural sameness, promoted by immensely powerful, transnational media establishments, will get superimposed.

Cultural homogenisation is noted through westernisation. Westernisation is a danger to cultural diversity. Professor Ali Mazrui of Binghampton University uses the term "hegemonisation" to describe the same phenomenon; the meaning is the same, as it is the Western world that has become the powerful influence: By the twenty-first century people dress more alike all over the world than they did at the end of the nineteenth century. This will lead to cultural homogenization. But the dress code which is getting globalized is overwhelmingly the western dress code giving birth to the process of hegemonization.

Fukuyama rejects the view that globalization is leading to cultural homogeneity. There may be homogenization of certain aspects of the economy and the society, but, at the same time, there will be an affirmation of distinctive cultural identities. If the process of cultural homogenization takes place, it will be too slow to discern. “Many people think that because we have advanced communications technology, and are able to project global television culture worldwide, this will lead to homogenization on a deeper cultural level. I think that, in a way, it’s done just the opposite. “For example, there is probably less mutual liking, more distrust and greater emphasis on the difference between the cultures of the United States and Asia today than there was 40 years ago. In the 1950s and ’60s, Asia looked up to the United States as a model of modernization. Now, Asians look at American urban decay and the decline of the family and they feel that America is not a very attractive model. Communications technology has allowed both Asians and Americans to see each other more clearly, and it turns out they have very different value systems.”

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### **13.5 The Particular Impacts of Globalisation on Culture**

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David Held and Anthony McGrew’s definition of globalization denotes “the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns on social interactions”. It clearly testifies the depth, dimensions and speed of the process of globalisation. Arjun Appadurai argued that globalization has produced complex interactions

between different cultures. He discusses about five 'scapes' resulting out of globalisation which influence culture and argued that these factors ensure cultural diversity and not cultural homogeneity or domination. The five scapes are about the types of movements in the form of ethnoscape, mediascape, technoscape, financescape and ideoscape. Ethnoscape refers to flows of people such as tourists and immigrants. Technoscape includes technology that crosses boundaries. Financescapes refer to flows of currency markets. Mediascapes refer to mass media technology and images reaching different countries and culture. Ideoscapes also refer to images but specifically to the political and ideological aspects changing due to the impact of globalisation. These are the five important dimensions of culture of a society including material and non material culture.

Appadurai argues that the act of consumption style and content is an important part of the culture of a society. Today consumption pattern represents a convergence of global cultural processes. To him, globalisation has introduced the world with a consumer revolution. The late industrial society has joined this consumer revolution to maximise its profit. Today almost all kinds of goods and services are available in any part of the world with respect to literature, cinema, music, food, clothing, accessories etc. Western culture has diffused to all parts of the world to a considerable degree. Anyhow the cultural transmission is not a one way process. The popularity of Islam and cuisines of Asian, Latin American and African in western countries is an example of two way process. Today the global culture is brought to the local level and the local culture is carried to the global level. Globalisation is the common outcome of the process of globalisation. Cultural dimensions of globalisation results in clash of civilizations arising out of cultural struggle. The political scientist Samuel P Huntington in his book 'The Clash of Civilizations and Remaking of the World Order' suggests that soon the world is going to witness a cultural struggle. According to him, the fundamental conflict in the world will not be ideological or political. But the great divisions among humankind will be cultural. He also argued that nation states will remain the most powerful actors in world affairs. The principal conflicts of global politics will occur not between nations and groups, but between different civilizations. The clash of civilizations will dominate global politics. This is again a corollary from the cultural impact and hegemonisation of certain cultures pushing the weaker culture to its doom.

Cultural globalization is closely associated with the role of media and communication. Media and communication are the vehicles of cultural dissemination. Globalization and communication

are deeply tangled. There is a common agreement among the scholars that practically, there would be no globalization without media and communication. Media have a central place in globalization for the following reasons.

- Media corporations have increasingly globalized their operations.
- Global communication infrastructure facilitates global information flows.

Global media play a key role in providing a view of events occurring across the world and in developing shared system of meaning among the people of the planet. The breaking up of space and time as a result of electronic media has heightened the global interaction regardless of the disparities. The contemporary method of communication was altered by the new phenomena such as participatory journalism, online communities and transnational activism organized through online networks. Globalization has resulted in a rapid growth of social relations and social organizations on the internet. The emergence of new communication through online has been influencing the minds and brains of people through social networks, movies, blogs, online open debate forum etc. Thus mass media plays a larger role in cultural diversity than in cultural standardization. This is no doubt an important dimension of cultural globalisation. The emergence of an Americanized World is the outcome of the growth of globalization. A converging consumer behaviour and tastes with the American model is not only a blueprint for global culture, but also a major impact of globalization on culture. The emergence of English as the dominant language in business and academic works is another example of how culture gets drifted towards the homogenising influence of globalisation.

Ulf Hannerz used the term ‘creolization’ to symbolize the process of western cultures being transformed and reconceptualised outside the Western world. There are positive aspects for cultural globalization. It fosters diversity. When there is an interaction between boundaries, mixing of culture takes place. This results in pluralisation. There is condensation and differentiation on ideas which brought many unique aspects of certain culture into lime light. The concept of glocalization has gained popularity which would help in improving standards of life, without hampering the local tradition. Diversity itself has become a global value now. It is promoted by international organizations and movements. Thus, Globalization has got huge impacts on cultural sphere. There is no question on the forms of ubiquitous, homogenous and hegemonic forms that spread through everyday life. However, there are also important forms of reproduction, interconnection and time-space aspect of these cultures and associated cultural

practices. Arnett suggests in his article “The psychology of globalization”, people have to face the challenge of adapting not only to their local culture but also to the global society. He argued that, as a consequence of globalization, most people in the world, and adolescents in particular, now develop a bicultural identity: one rooted in their local culture, and another part is attributed to the global situation.

Globalization is thus an ongoing syndrome. Globalization is not only about interplays between local, regional, national and global scales, but also about the interconnectedness, flows and uneven development in the world. The strategic keys that accelerated the growth of globalization were transnational corporations, technical change, governments etc. Globalization has brought not only advantages to the globe by providing large range of imported products or by raising the basic standard of living of people, but also has major impacts on the socio-politicoeconomic and cultural realms of life by diminishing the role of state, challenging the unique culture of every society, attacking the social structures, diversity in the global society etc. Thus the cultural impacts of globalisation have both risks and opportunities.

During the on-going globalization two processes are seen at work. They are migration and cosmopolitanism. There is a big rush of both skilled and unskilled people from less developed countries to more developed ones in search of employment opportunities. On the other hand, the cosmopolitans trot the globe in search of more profitable conditions and opportunities for locating their production facilities and marketing their wares. Both are homeless. “The migrant cannot go home, whereas the cosmopolitan has no home to go.” Globalisation thus gives birth to multiculturalism and cosmopolitanism.

The impact of globalization on the culture is immense and diverse. It has affected the cultural aspect of people in different ways. For instance, the loud echoing advertisement rhythms of the famous Coca-Cola drinks can be heard across the boundaries in towns, cities and even in remote rural areas. With globalisation, people have changed their living ways. Since globalization involves the opening up, the economies and knowledge moves freely and widely to every corner of the globe. A common set of culture is on rise. Language is considered to be endangered under globalisation. When some local languages are no longer spoken by children, they are left to extinct. Half of the world languages are struggling to survive. Particularly, local languages are in a state of erosion. The importance of English as global language has been rapidly increasing, as it has become the most important medium of telecommunication. All over the world, people will

have to learn English to use computer software. It is not British but American English that is in the ascendancy. Many computers have only American English software and it is the main transnational language used in various fields of scientific, cultural, economic and business activities.

Globalization has made English language a predator language. English language is a “killer” language. It has become certainly the most successful lingua franca throughout the world. Today, the world is moving towards the extinction of a rich and varied cultural and symbolic life and emerging in the global language. Preference for western hair style, shoes and dressing are on rise. Young people of the Third World countries are the largest consumers of global culture. With MTV, Eurostar global entertainment is signalling absolute dominance of the music of western culture.

Television has become the agent of the new global corporate vision. All over the world, people of all ages are exposed to the same music, the same sporting events, the same news, soap-opera and the same glamorous life style. 'It is observed that the culture of U.S. is available everywhere satellite T.V. has made T.V. programmes to be available for 24 hours. Most of the T.V. screens are dominated by U.S. films, music and life style. The struggle now is for survival. Globalisation has created a culture of poverty. This has contributed towards cultural degeneration. Culturally tabooed activities like robbery, violence and female prostitution are on rise. Extreme monetisation, consumerism are the outcomes of globalisation. Globalization has made the working class run into the habit of borrowing their salaries even before they receive them. Bribery and corruption are encouraged so as to make ends meet.

Global culture promotes competition, but not cooperation. Most of the traditional cultures taught the value of cooperation which is fast getting converted to fossil. Cultural imperialism emanates from the cultural impacts of globalisation. Weckert and Adeney have defined it as “the use of political and economic power to exalt and spread the values and habits of a foreign culture at the expense of native culture” Herbert I. Schiller thinks cultural imperialism arises in the world economic system, with the terms and nature of production settled at one location and nurtured elsewhere. “Cultural imperialism is used to (1) increase demand for foreign goods; (2) depress growth within local industry; and, (3) foster a consumerist mentality where the need to save is overcome by the desire to emulate the foreign rich. Once such a desire is instilled in this market, corporations (4) widen and consolidate their market by investing in merchandising facilities and

sales promotion. Their goal of establishing of preference for their goods in the local economy means that they are involved in the international transmission of values.”

The new global culture signifies deterritorialisation and the emergence of a borderless world. Globalization has greatly increased the means through which nationals of one country actively take part in another country’s cultural life. With increasing mobility, the consumption habits have undergone a process of change. There is no unanimity on the emergence of a homogeneous global culture; only of the fusion of global and local cultures as the main outcome of globalization. John Tomlinson has approached the relationship between globalization and culture from a different angle. To him, the relationship between the two is not unilinear. Both of them influence each other. According to him, “Globalization lies at the heart of modern culture; culture practices lie at the heart of globalization. This is the reciprocal relationship.” We must remember that globalization alone does not determine the shape and character of culture nor is culture the only influence on globalization.

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### **13.6 Summary**

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The impact of globalization on the culture is immense and diverse. It has affected the cultural aspect of people in different ways. For instance, the loud echoing advertisement rhythms of the famous Coca-Cola drinks can be heard across the boundaries in towns, cities and even in remote rural areas. With globalisation, people have changed their living ways. Since globalization involves the opening up, the economies and knowledge moves freely and widely to every corner of the globe. A common set of culture is on rise. Language is considered to be endangered under globalisation. When some local languages are no longer spoken by children, they are left to extinct.

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### **13.7 Self Assessment Questions**

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1. What is the impact of globalization?
  2. Discuss how globalization affects indigenous culture.
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### **13.8 Key Words**

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**Homogenisation-** It describes the tendency of cultures to tend towards a uniformed way of life by adopting sameness.

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### 13.9 Study Guide

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## **UNIT-14 THE ETHOS OF GLOBALISATION (INDIVIDUALISM, FREEDOM AND CONSUMERISM)**

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### **Structure**

- 14.1 Learning Objectives**
- 14.2 Introduction/ Assessment of Prior Knowledge**
- 14.3 Increasing Individualism**
- 14.4 Growing Sense of Freedom**
- 14.5 Rising Consumerism**
- 14.6 Summary**
- 14.7 Self Assessment Questions**
- 14.8 Key Words**
- 14.9 Study Guide**



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## **14.1 Learning Objectives**

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**After going through this unit you will be able-**

1. To understand individualism.
2. To describe sense of freedom in the era of globalization.

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## **14.2 Introduction/ Assessment of Prior Knowledge**

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Globalisation as a social process has altered the environment of the societies and communities across cultures and countries. Particularly, the cultural impacts of globalisation has created new ethos. Increasing individualism, growing sense of freedom and rising consumerism signalise the new ethos generated by the cultural transformation initiated by globalisation.

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## **14.3 Increasing Individualism**

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Increasing individualism is a facet of the ethos created by cultural globalisation. Individualism is a social value. It is a sense of feeling as well as a practice. When the cultural values change due to globalisation, the sense of individualism rises and dominates. It is opposed to the concept of collectivism which the sociologists like Durkheim describe as the foundation of a society. There are sizable cross-cultural differences between personal and interpersonal social values such as individualism/collectivism among the people. Independence brings a sense of individualism while interdependence brings a sense of collectivism. With the wake of cultural globalisation collectivism is giving way to individualism. Theories and evidence have repeatedly suggested that individualism or independence is more frequently observed in European American cultural contexts whereas collectivism or interdependence is more frequently observed in East Asian cultural contexts. However, globalization is a powerful and unstoppable force in recent decades. It is a process by which cultures influence one another. Due to the cultural influence of this process cross-national or cross-cultural distinctions are getting smaller. Globalization enables greater mobility of people, objects, money, and information across countries. Especially since the 1980s, international trade by transnational companies and enterprises has been expanding, and the ongoing developments in improved transportation and information technologies have created a globalized world.

Globalization is not only making societies more international, but also more Westernized or European-Americanized. Indeed, globalization is sometimes called Americanization or

Westernization as people perceive globalization to be related to the Western cultural values. This means that European American culture is one of the most potent cultures in the world that has a strong influence on other cultures. There have been many cultural changes due to globalisation, especially in East Asian cultures, that have been affected by the spread of westernized cultural values, ideas, practices, and systems. The spread of individualism is a visible emblem of this process of change.

According to Triandis individualism is “a social pattern that consists of loosely linked individuals who view themselves as independent of collectives”. It is one of the most influential “global values”. Importantly, individualism has long been fostered by the European American cultural contexts. For instance, Weber noted individualism ingrained in the Protestant ethics. The decreased control of the social norms and collective spirit give rise to individualism. Individualism has its positive influences on individuals as well as on the society. Individualistic systems enable individuals to act autonomously and choose freely, with high social mobility such as being able to choose desirable persons to interact with, which tends to increase happiness. Furthermore, people in individualistic cultures can have strong sense of self-efficacy. They feel themselves not only self reliant, but empowered too.

However, such individualistic systems or environments can also have potentially negative effects. In particular, individualistic systems urge people to pursue personal achievement, which creates competition between individuals. These systems can also result in high social mobility, self dependence which sometimes leads to high social anxiety. In addition, the focused attention on personal achievements can bear a significant cost on interpersonal relationships. Globalisation of culture is rooting this individualism in the culture heavily affecting collectivism. Sociologists sometimes visualise that this has the propensity for economic progress on the one hand and on the other for social destruction. Man becomes self cantered and the altruistic feeling soon declines which leads the society to decline. This weakens social relationship which Mc Iver describes as the binding character of a society. Due to rising individualism, individual choice ascends over collective interest. This leads to the collapse of the social bonding. Individualism becomes detrimental for social solidarity and integration. The control of the society over the individuals starts losing its force.

Individualism gives birth to a new identity. In many situations, globalization and modernity means the collapse of a sense of belongingness to a certain community. The loss of the secure

feeling of belongingness leads to a fear from which is born the new identity. The emphasis on individualism, on self-development and self-choice in the globalized society has resulted in a transformation of individual identity. It makes it more difficult for individuals to consolidate and construct their identity and to find their place in society. Unlike traditional societies where identity formation was given, now the identity is a process which depends mostly on the individual only. To cite some glaring cases a reference can be made to the Japanese culture. Through globalization, Japanese society has been influenced by European American cultures. This is especially true for the aspects of Japanese society that are adopting the individualistic systems imported from European American cultures. For example, the number of companies introducing pay-per-performance systems in Japan has increased. Moreover, it has been argued that education that fosters children's autonomy has recently been emphasized in schools. With the increase of individualistic environments in Japan, people have also become more individualistic in certain respects. For instance, the average family size has decreased, the divorce rate has increased, and independence in child socialization has been increasingly prioritized. This affects the traditional social processes like accommodation, cooperation, social institutions like marriage, family, education, religion, social values of cooperation, tolerance, sympathy, empathy etc.

All over the world, due to the cultural influence of globalisation, this rising individualism is distancing people from interdependent relationships. Interpersonal relations are an important source of happiness in many pre globalised societies. Selfishness is growing with the rise of individualism and feeling of isolation and loneliness is on rise. Families are shedding their care giving roles and so also the men and women. Social interaction is declining in depth and dimensions. Alienation is a growing societal syndrome. Thus becoming more individualistic decreases happiness in the traditional cultural set ups. Thus growing individualism has a negative effect in many East Asian cultural contexts like Japan, China and South Korea. A number of studies on culture have established that East Asian countries have traditionally interdependent or collectivistic cultural norms. Individualism creates a new cultural environment for the people. This affects their psychological tendencies and values. This reduces what Parson calls as value consensus or shared values. In this context, it becomes worth mentioning here that due to individualism when self efficacy of the individuals grow, religious ideas lose their control over humanity. Therefore, it remains difficult for the non western cultures to buffer the negative

effects of individualism on environment.

Individualism no doubt has its positive consequences. It makes individuals self reliant, enterprising and risk taking. It makes them innovative and progressive. But because it is alien to the non western cultures, sometimes it creates mal adaptation. The symbiosis between man and his environment is lost. This leads to social deviations. So, many countries and cultures have started fighting against this cultural impact in the form of growing individualism in the age of globalisation. To them, development should be less market centric, but more human oriented. For this, they have started valuing interpersonal relationship, collective sentiments and institutions like families, neighbourhood, communities, schools and religious organisations are tuned and strengthened to develop the collective feelings to subside the rising effects of individualism. Human happiness is made the national targets to provide a better quality of life to the people through self fulfilment and close social integration. Globalisation is a necessary evil today. The cultural impacts cannot be avoided. But alternatives are to be discovered to balance rising individualism with a high degree of interconnectedness and altruism to reduce the ill impacts.

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#### **14.4 Growing Sense of Freedom**

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Globalisation creates a new cultural environment where individual freedom is not only protected, but is being promoted. Globalisation improves the markets and opens it for competition from different competitors. This expands the range of choice, improves product quality, and reduces the prices. It delivers an immediate gain to workers by raising the real value of their wages. It transfers wealth from formerly protected producers to newly liberated consumers. Domestic producers gain access to a wider range and better quality of intermediate inputs at lower prices. On the export side, domestic industries can enjoy a quantum leap in economies of scale by serving global markets rather than only a confined and underdeveloped domestic market.

Corporations restrict consumers' choices and freedoms. As people become acclimatized to television, they are gripped by media-produced images and symbols and they start hankering after brand names. Consumerism establishes a hold over them and they do not bother to verify the properties of goods demanded. They do not care to see whether the goods they are going to buy really satisfy a genuine need. People tend to believe that their being is shaped by what they consume. An important feature of present-day globalization is the advent of consumer credit society. Till the arrival of credit cards, the cash at his disposal or his ability to raise loans limited

a person's consumption.

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## **14.5 Rising Consumerism**

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The ongoing globalization aims at bringing in cultural uniformity throughout the world without leaving any scope for diversities. It wants to impose American culture and way of life everywhere. The American culture which is out and out consumerist is fast spreading to the other nations and there is the scenario of rising consumerism as an aftermath effect of globalisation. Globalisation promotes a capitalist culture. Capitalism thrives under extreme commercialisation. Under capitalism, the aim is to sell as much as possible to maximize profit. Availability and quality of products increase the consumer's choice. In order to do this, advertisement becomes necessary not in order to disseminate knowledge about the produce but to create a demand by underlying the fact that its consumption will enhance the status of the consumer in the eyes of the society. An attempt is made to create product differentiation, in many cases, imaginary. Fashion shows, selection of beauty queens, employment of well-known models, sportsmen, actors and actresses etc. are the ways to attract potential consumers. With the increasing reach of newspapers, films, radios and cable television, the power of advertisement to lure the potential consumers has increased manifold. The easy availability of loans, attractive hire-purchase schemes, and credit card facilities enable people to translate their desires into demand.

Under consumer culture, consumption is regarded as the principal form of self-expression and the major source of demonstrating one's identity. When consumerism dominates as the expression of a culture, both material and non-material items, including kinship, affection, art, and intellect become commodified. Everything is measured in terms of exchange value. Minute differences between products or minute improvements in them can determine variations in demand. Under the influence of globalisation 'brand names' determine the consumption and the class differentiation is made on the basis of the pattern of consumption. In simple language, 'taste', 'fashion' and 'lifestyle' become key sources of social differentiation, displacing class.

There are, broadly speaking, two views about the way consumer culture goes global and is able to influence and dominate an individual. First, individual identity is linked to culture. Capitalism transforms people into consumers by altering their self-images, their structure of wants so that they serve capitalist accumulation. Second, the phenomenon, known as 'McDonaldization', constitutes the other view. This is the process by which the principles of fast food restaurant chain McDonald's are fast bringing the entire world into their fold. They include efficiency

(expressed in the declining gap between placing the order and its execution); calculability (indicated by the calculation by a consumer of costs in terms of money, time and effort rather than quality of the product); predictability (standardizing the products so that the trust of the consumer is won); and control of human beings through the application of material technology. This results in the growing tendency towards the unification of lifestyles, cultural symbols and the modes of behaviour.

However, it should be kept in mind that even if consumerism is on rise, the sovereign powers of the consumers are withdrawn and they are made docile conformists. Standardization in dress, diet is responsible for this. The fixed menu at Mc Donalds and Pizza huts and the standardised production and sell at Adidas, Puma often disregard the choices of the consumers and put them at fixed menus and fixed styles.

In the sphere of consumption, two developments stand out. They are, namely, the mobilization of fashion in mass (as opposed to elite) markets, which helps to accelerate the pace of consumption not only in dress, adornment, and decoration but also across a wide spectrum of life-styles and recreational activities (leisure and sporting habits, pop music styles, video and children's games, and the like). And secondly, in the consumption basket of an individual the importance of services vis-à-vis goods continuously increases. These services have a wide variety, ranging from personal, business, educational, and health services to entertainment. The life span of goods and services is shortened so that the volume of demand does not fall much below that of production. The use and throw culture dominates over life time purchase culture.

Under a globalised world, the producer of goods or services tends to master the art and science of manipulating the tastes, fashions and attitudes of the potential consumers of his wares. An important feature of present-day globalization is the advent of consumer credit society. Till the arrival of credit cards, the cash at his disposal or his ability to raise loans limited a person's consumption. Credit cards have played a very vital role in tremendously extending this limit. A person can now buy goods and services even if he does not have cash at his disposal or the prospect of immediately securing a loan. Credit cards have given a tremendous boost to consumerism and pushed households into debt.

The new era of globalisation is variously referred to as 'information society', 'consumer society', 'post-modernity', 'post-modernism', 'postindustrial society', 'post-capitalism', and so on. All these types of societies are dominated by American culture, namely, music, film, fashion, food,

and life styles have been establishing their sway all over the globe and are responsible for germinating rigorous consumerism. They have been promoted with the help of high voltage advertisements. Now goods are not produced to cater to needs. But, needs are created to sell goods. This symbolises the high degree of consumerism. Technology and goods and services, promoted by the present era of globalization, have deep consumerist implications. Beverages like Coke or Pepsi become a substitute for tea or coffee. Religion has taken recourse to Consumerism. The vendors of spiritualism in India have conceded its power and sweep by seeking new followers and keeping the old ones together through television channels.

Consumerism has entered into the agenda of socialization. A number of channels, most prominent among them Cartoon Network, are devoted to attracting children and grooming them as devoted consumers of the products regularly advertised every fifteen minutes or so during “short commercial breaks”. Habits formed early in life are difficult to shed later on.

Tele-marketing or tele-shopping, e marketing is being vigorously promoted. Buyers can place orders for desired goods, after looking at the relevant details, via telephone or Internet and have them delivered. This sustains the practice of consumerism. Post globalisation world is a high consumption world. Consumerism has become a part of individual’s life and an integral part of world culture today. But, this has aggravated poverty. The poverty is not only material, but emotional, relational poverty. Commercialization, corporatization, technological innovations have given a boost to consumerism at the cost of cooperation and collectivism. The world is getting impoverished spiritually. Consumerism provokes sensual pleasure. People also indulge in violence, corruption to fulfil their consumerist instinct.

Human tastes and fashions are made conducive to the consumption of the western products. By this the western countries capture and expand the market for them. Consumerism is an important feature of ongoing globalization. “Lifestyle choices lie at the heart of consumerism as dreams are marketed over genuine needs. The potency of Reebok or Nike, Camel or Marlboro, McDonald’s or Kentucky Fried Chicken, Coca Cola or Sprite, Levi-Strauss Or Wrangler’s advertising imagery has made it easy to sell these products everywhere on the planet. These products use the global media that play a central economic role. Today, the products of everyday needs and the global media are working together to occupy or to colonize new consumers.

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## **14.6 Summary**

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Post globalisation world is a high consumption world. Consumerism has become a part of

individual's life and an integral part of world culture today. But, this has aggravated poverty. The poverty is not only material, but emotional, relational poverty. Commercialization, corporatization, technological innovations have given a boost to consumerism at the cost of cooperation and collectivism. The world is getting impoverished spiritually. Consumerism provokes sensual pleasure. People also indulge in violence, corruption to fulfil their consumerist instinct.

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#### 14.7 Self Assessment Questions

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1. What is individualism?
  2. What is the sense of freedom?
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#### 14.8 Key Words

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**Individualism** : Individualism is the moral stance, political philosophy, ideology and social outlook that emphasizes the intrinsic worth of the individual.

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#### 14.9 Study Guide

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## **UNIT-15 IMPACTS OF GLOBALIZATION ON WOMEN**

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### **Structure**

- 15.1 Learning Objectives**
- 15.2 Introduction/ Assessment of Prior Knowledge**
- 15.3 Globalization and Women**
- 15.4 Summary**
- 15.5 Self Assessment Questions**
- 15.6 Key Words**
- 15.7 Study Guide**

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## **15.1 Learning Objectives**

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**After going through this unit you will be able-**

1. To discuss the impact of globalization on the life of women.

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## **15.2 Introduction/ Assessment of Prior Knowledge**

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Globalisation has brought about numerous changes that dramatically affect the lives of women. It has proved to be a double edged process for the women. On the one hand, it has heightened the risks and insecurities for women and on the other it has created avenues for greater autonomy and opportunities for women. Globalisation affects different groups of women in different places in different ways. Particularly, within the past two decades, globalization has created a tremendous impact on the lives of women in developing nations. It has created new standards for the treatment of women, and helps women's groups to mobilize. In situations where women have been historically repressed or discriminated under a patriarchal division of labour, some features of globalization have proved to be having liberating consequences.

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## **15.3 Globalization and Women**

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Globalisation has indeed promoted ideas and norms of equality for women that have brought about awareness and acted as a catalyst in their struggle for equitable rights and opportunities. On the other hand it has exacerbated gender inequality in a patriarchal society, especially in the developing world. In the economic realm it has led to further marginalisation of women in the informal labour sector or impoverishment through loss of traditional sources of income.

The positive effect of globalization is that it has opened up broader communication lines and attracted more companies as well as different organizations into the developing countries. This provides opportunities for not only working men, but also women, who are becoming a larger part of the workforce. With new jobs for women, there are opportunities for higher pay, which raises self-confidence and brings about independence. This, in turn, promotes equality between the sexes. Globalization has the power to uproot the traditional treatment towards women.

Despite the positive effects of globalization through increased employment opportunities for women, globalization has a darker, more sinister side. It has pushed female into the unorganized sector. Accordingly, although more women are now seeking paid employment, a vast majority of them obtain only poorly paid, unskilled jobs in the informal sector, without any job security or

social security.

Within the past two decades, due to globalization gender differentiation has assumed new dimensions in the economic arena. Multinational Corporations have realised that the cheap labour of Asian women is the most lucrative way to enhance profits. Women in developing countries are a 'flexible' labour force. The shift from a stable/organised labour force to a flexible workforce has been a feature of globalisation. Sub-contracting, home-based production, the family labour system, all have become the emerging norms to get cheap labour force. But, they prove to be detrimental to the position of women in work. They devalue, undervalue women's capacity and reduce their job certainty and security. For the same amount of work women are underpaid, deferred paid and sometimes unpaid. There is no doubt that the economic empowerment of women due to globalization. This feminization of work brings about an array of opportunities and a sense of independence for educated and tech savvy women who are increasingly taking on more responsibilities in the corporate scenario. However, the glass ceiling continues to exist for a sizeable majority of women in both the formal and informal sector.

According to Vandana Shivea, and Indian economist and scholar, globalization along with the support of organizations such as the World Bank and the International Monetary Fund, have created slave wages. These wages are not necessarily the result of "unjust" societies, but of the fact that global trade devalues the worth of people's lives and work. While globalization has brought jobs to rural, developing areas such as India where there was previously no employment, these jobs seem to be wolves in sheep's clothing. The work available to women is almost always poorly paid, mentally and physically unhealthy, demeaning, or insecure.

The number of girls working in the informal/unorganised sector for precarious wages has also increased. National and multinational corporations operating in Free Trade Zones, Special Economic Zones and Export Processing Zones in developing countries employ girls in production units or hire them on a piece-rate basis for home-based work. Using girl-child labourers is the cheapest way to increase the profit margin. Globalisation has introduced changes in agricultural technology. This has led to marginalization of women. Women become the worst victims of labour displacement due to the lack of training, technological knowledge and skill. The free entry of foreign corporations, and the lift of import controls on agricultural products have resulted in further marginalisation of rural and indigenous women. Globalisation has also increased women's unpaid work as social services are privatised.

Women are increasingly facing a consumer culture due to globalisation. This reduces them to commodities and women are exposed to work exploitation and occupational hazards. As producers also women have to suffer exploitation in terms of low wages, poor working environment, instability of employment, and denial of right to representation.

The United Nations Educational Scientific and Cultural Organisation underscores, globalisation has a mixed impact on women's rights. On the one hand, due to the withering away of the welfare state, feminisation of poverty is taking an ugly turn. Gender inequality is on rise due to the rising gender gap created in work. Globalisation also means that a new international division of labour has emerged. Economic globalisation, deep economic restructuring across countries and neo-liberal economic policies have led to informalised and decentralised processes of production that have transformed labour markets and the world of work in industrialised and developing countries. In the process, social security and statutory protection to workers have been dismantled. The women workers have become the worst victim of this. For example in India the SAP has forced working women into the unorganised sector and deprived them of their rights. The women fall outside protective labour laws such as the Maternity Benefits Act (1961), Employees State Insurance Scheme, Factories Act (1948), Equal Remuneration Act (1976), Bombay Shops and Establishment Act (1984), Plantation Labour Act, and Child Labour (Prohibition and Regulation) Act, 1976.

Globalisation has resulted in the retreat of the state from social responsibility and it impacts women's health and livelihood. Under the neoliberal philosophy, the burden of childcare and housework falls on the individual woman. The long-standing demand for family work to be supported by the State is also negated. The women's double burden continues to exist which puts heavy impact on women's health. Studies have shown that the burden of poverty falls more heavily on women than on men under globalisation. So, feminization of poverty is on rise. The inequality in income and consumption levels between women and men has widened. Households are increasingly being supported solely by women's income. In other words, "female-headed households" (FHH) -- households run by widows, single women, deserted or divorced women are escalating in number. Children of FHHs suffer more due to nutritional deficiency, inadequate primary healthcare facilities, and cuts in expenditure for the education sector.

Globalization has created labour demand patterns which is inherently short-term, temporary employment. As a result, a short-term contracted labour migration appears to be on the rise with

distinct gender differentiated consequences. Migrant women from developing countries are increasingly victims of trafficking, for the purpose of sexual exploitation. Due to the lack of effective international mechanisms that regulate and protect the rights of labour moving across national borders both legal and illegal migrants are vulnerable to human rights abuses.

Regarding the impact of globalization on democracy and governance, feminist philosophers argue that neo liberalism has not resulted in increased political influence of women on the whole, rather at policy level; the impact of globalization on women and gender relations continues to be neglected nationally and internationally. The dilemmas confronting feminist activists who participate in the global feminist movement, which where mass-based revolutionary movements have been largely replaced by Non-Governmental organizations (NGOs) funded by some countries of the Global North. As a result, the women depending on NGO-led projects run the danger of pushing the agenda of the NGOs instead of promoting global gender justice.

One of the common hazards faced by the working class in the era of globalization is the increasing threat to job security, which in turn negatively impacts the health of female workers. They are often unskilled workers who receive low wages. Availability of work is irregular; and when work is available, women are compelled to work for long hours. It is not only in the unorganized sector or in small enterprises, but also in the modern sectors like the Information Technology and the automobile sectors where working women are forced to work for 12 hours while the local governments ignore this open flouting of the labour laws. The uncertainties of obtaining work and the dire need to retain a position in the midst of intense competition, cause mental tension, strained social relationships, psychological problems and chronic fatigue among women. The advent of assembly line jobs and the increased use of machinery has resulted in a degradation of working conditions for women in the period following globalisation. For example, piece rated work, where assembly line workers are paid per piece produced, contributes significantly to the level of fatigue felt by the women workers. The wages of piece rated workers depend on the speed with which they work. When a person's compensation is tied to increased physical output, negative health consequences will almost inevitably ensue. While women working in piece meal industries have seen machines negatively impact their health, women in other sectors have lost their jobs as a result of technological advances. Unemployment, underemployment and temporary work are more common among women than among men. Furthermore, longterm unemployment constitutes a serious risk for the women worker's

emotional stability, because it leads to poverty and deteriorates selfimage and self-esteem.

The stereotypical attitude towards women and their perceived role in the familial hierarchy has not undergone much change in the age of globalisation. Women continue to be perceived as weak, inferior, second-class citizens. For working women, this discrimination is extended to the workplace also. The improper and insufficient dietary intake along with the heavy workload results in nutritional disorders. And the role conflict faced by working women results in emotional disorders.

Women are suffering two fold. As women in developing countries move into the work force, their domestic responsibilities are not alleviated. Women work two full time jobs. One in a factory, where they are paid next to nothing, the second is in the home where they are paid nothing. According to Merlin A. Taber and Sushma Batra, editors of the book *Social Strains of Globalization in India*, development for poor women has meant the migration of men to cities, higher prices for commodities, poorer job opportunities. "The mixture of corporate capitalism and Western culture models is dissolving family and community social controls as witnessed by higher rates of family violence, rape, divorce, and family breakdown."

In the era of globalization, the number of women working the night shift is increasing with call centres and export oriented companies located in the Export Processing Zone employing women in large numbers during the night shift, without providing proper protection or transport facilities to them. Unfavourable working hours, lack of training and skill upgradation opportunities and lesser career mobility in the formal sector of economy still prevail in almost every country. Globalisation has also got its yields in the field of education for women. It has exposed the elitist women to better education, but privatisation of technical and higher education has debarred the marginalised women to access higher education. The costs involved in education bring gender considerations and the girls are deprived of quality education catered by private institutions. The gender disparities in education, training is in a process of decline for the higher stratum of the society, but becomes a mirage for the economically impoverished women. Globalisation no doubt has provided women access to information and knowledge. This is collapsing the knowledge gender based knowledge divides.

Globalization has opened up broader communication lines and brought more companies as well as different worldwide organizations into India. This provides opportunities for not only workingmen, but also women, who are becoming a larger part of the workforce. With new jobs

for women, there are opportunities for higher pay, which raises selfconfidence and brings about independence. This, in turn, promotes equality between the sexes. Women in the urban settings have become more independent and self-sufficient. They are making a move from the care economy to the service economy. This gives recognition to their positive role in production. Due to economic self sufficiency women are creating a space for themselves. They are now getting the advantages of technology which eases their domestic burden and ensures them a life of comfort. Their quality of life is increasing and they are having a higher standard of living. Cultural restrictions however are changing, and women are freer to participate in the formal economy. More and more women find themselves in positions of respect and prestige; more and more workplaces are now populated with women who work on equal terms as men. Working is no longer an adjustment, a mere necessity; but a means to self worth and growth.

Globalization has given women a stronger voice. People are more accepting of women's rights. Women are more visible and vocal than before. Women's liberation movements have become more mass oriented. Women are becoming progressively conscious of their rights and they are trying to assert this. In the rural sectors, women have been independent and strong-headed. They have been the primary breadwinners in several cases. Development programmes for women are designed to take a right based approach. Women's movements are on rise all throughout the globe taking up a global character. Women's consciousness about their rights has become a global phenomenon. It has led to the growth of women participation, representation and women leadership from local to the national level political bodies. Voting behaviour among women is becoming more articulated and matured which becomes conducive for women development.

The women in rural settings have been influenced by globalization through media and through numerous intervention programs launched by the non-profit organizations These NGOs are creating awareness and proposing ways of change. The women are increasingly empowered and stronger than before.

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#### **15.4 Summary**

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Thus, it can be concluded that globalisation has got its mixed effect on women. From certain perspectives it has given a twist and turn to women's lives and from some other perspectives it has brought more vulnerabilities, insecurities to them. The impacts of globalisation on women are class specific, location specific in character. But, the growing detection of the evil impacts, conscious efforts on the part of the women, concerted efforts on the part of the Government and

the civil society organisations can soon enable women to overcome these negative repercussions and help them to get the best dividends of globalisation.

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**15.5 Self Assessment Questions**

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1. Discuss the impact of globalization on women.
2. Describe how women are becoming self-sufficient?

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**15.6 Key Words**

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**Self-sufficient-** Women in their life have become more independent.

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**15.7 Study Guide**

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## **UNIT-16 IMPACTS OF GLOBALIZATION ON POOR**

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### **Structure**

- 16.1 Learning Objectives**
- 16.2 Introduction/ Assessment of Prior Knowledge**
- 16.3 Defining Poverty**
- 16.4 Debates Relating to Globalisation and Poverty**
- 16.5 Resolving the Controversy between the Optimists and Pessimists**
- 16.6 The Reality**
- 16.7 Summary**
- 16.8 Self Assessment Questions**
- 16.9 Key Words**
- 16.10 Study Guide**

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## **16.1 Learning Objectives**

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After going through this unit you will be able-

1. To define poverty.
2. To understand the debate relating to globalisation and poverty

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## **16.2 Introduction/ Assessment of Prior Knowledge**

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Globalization has got development implications across the globe. The ultimate goal of development is poverty reduction. The violent street demonstrations surrounding the ministerial meeting of the World Trade Organization (WTO) and similar protests at World Bank and International Monetary Fund meetings suggest that this debate is still going strong. This is a clear symbol that with the unprecedented entry of developing and low-income countries into the global economic integration, the discussion on globalization and poverty has been heightened. Scholars debate on the issue whether globalization is the cause or cure for poverty.

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## **16.3 Defining Poverty**

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The World Bank defines poverty as a deprivation in well-being of which many dimensions are considered. These include low incomes and the inability to acquire basic goods and services deemed necessary for survival with dignity. Other dimensions include, poor access to clean water and sanitation, low levels of health and education, inadequate physical security, lack of voice, and inadequate capacity and opportunity to better one's life. Poverty is usually measured as either absolute or relative. The United Nations defines poverty as the inability of getting choices and opportunities. This is explained in different scenarios as not having enough to feed and clothe a family, not having access to education and a school to go to, not having access to medical facilities or a clinic to go to, not having the land to grow food for personal consumption and/or not having the opportunity to hold a job to earn one's living. As per the United Nations poverty is a violation of human rights as the lack of basic capacity to participate effectively in society results in insecurity, powerlessness and exclusion of individuals, households and communities into the mainstream of the society.

Thus poverty is a situation of scarcity which brings vulnerability, deprivations and disadvantages of myriad forms to the individual disallowing him to have a descent standard of living in the society.

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## 16.4 Debates Relating to Globalisation and Poverty

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There are two extreme views relating to globalisation and poverty. Debates on globalization and poverty generate extreme views. One view suggests that the process of globalization is a crucial engine of growth resulting in unprecedented gains in human welfare while the other view propagates that globalisation intensifies poverty. Particularly, the IMF and World Bank literatures support the opinion that globalization has boosted incomes and living standards in many parts of the world. On the other hand, many government, non government and independent researches indicate that the benefits of globalisation are not equally shared by the world's poor. The people who support the view that globalisation has brought positive dividends to the world's milieu are called the optimist or pro globalisation group and the group who oppose the role of globalisation on the ground that it promotes poverty, are called the stewards of the anti globalisation movement or the pessimists.

### **Pro-Globalization or Optimist views**

Globalization proponents advocate that poverty is on the decline in the period following globalisation to them, globalisation is an engine of growth and fights against poverty. To them globalisation is a means to prosperity and ends poverty by providing new opportunities, new life styles to the people. To them globalization and growth are interrelated. Opening of the borders, trade liberalization, flow of capital, technology, information and ideas lead to faster integration and thus growth. This growth has a beneficial effect on world poverty. Practical experiences show that the more liberalized an economy is, the quicker becomes the rate of progress. Thus, Dollar and Kraay (2001) concluded that liberalization of economic policies had been responsible for the vast improvement in the alleviation of world poverty through growth. The World Bank adopts an identical view holding that globalization, through its effect on growth, has played a significant catalytic role in global prosperity and in lifting more people out of poverty in the last century, than in all of human history.

The World Bank's (2001) figures show that between 1987 and 1998 the share of the population in developing and transition economies living on less than \$1 a day fell from 28 percent to 24 percent. In addition, it is estimated that the number of the people who suffered poverty in the world were 200 million fewer in 1998 than in 1980 (World Bank, 2002). The millennium development goals (MDGs) reported that the world reached the poverty reduction target five years ahead of plan. In developing regions, the percentage of people living on less than \$1.25 a

day fell from 47 per cent in 1990 to 22 per cent in 2010. About 700 million less people lived in conditions of extreme poverty in 2010 than in 1990 (United Nation Statistic Division, 2014). Chen and Ravallion (2004, p.1) estimate that there were almost 400 million fewer people living in poverty in 2001 than 20 years earlier, adding that if the trends over 1981 to 2001 continue then the collective \$1 per day poverty rate for 1990 will be almost halved by 2015.

Thus, globalization's proponents claim China's and Taiwan's growth in recent decades as the result of liberalization of their economies, while globalization's critics allege that these same countries have been able to capitalize on the opportunities afforded by globalization because of broad government involvement both in the past and in the present. Similarly, globalization's proponents claim that many of Africa's economic problems are due to lack of openness as well as inappropriate government intervention.

On the same grounds, in a conference on humanizing the global economy, Kohler (2002) posits that the spread of knowledge, better division of labor, increased productivity, and access to foreign direct investment, as a result of globalization, is a pertinent drive behind growth and has contributed to unmatched gains in human welfare over the past 50 years.

In a sample of 92 countries spanning the past four decades, Dollar and Kraay (2001) found that several causes of growth—such as openness to international trade, good rule of law, and developed financial markets—have little systematic outcome on the share of income that amass to the lower quintile. Consequently, these aspects benefit the poorest fifth of society as much as everyone else. There is little weak evidence that stabilization from high inflation and reductions in the overall size of government not only increase growth but also increase the income share of the poorest fifth in society.

Collier and Dollar (2002) attempted to address the concerns raised about globalization. In an extensive examination of issues surrounding globalization, they seek to identify the benefits of globalization and chart a course ensuring that the benefits of globalization are widely shared. Collier and Dollar ascertained that globalization helped to reduce poverty, but also postulated that supporting policies could help better to harness these benefits.

### **Anti-Globalization (Pessimist)**

The pessimist group perceive globalisation as detrimental to the conditions of poverty. To them poverty heightens because of globalisation. This group is often called the pro poor group or the anti globalisation group. To this group, the conditions created by globalisation do not lead to

poverty reduction, but poverty aggravation. The United Nations (2005) stated that though some parts of the world have experienced unprecedented growth and improvement in living standards in recent years, poverty remains unshakable and much of the world is trapped in an inequality situation. This report also focuses on the chasm between the widening gap between skilled and unskilled workers, the formal and informal economies, the growing disparities in education, health and opportunities for economic, social as well as political participation.

The United Nations Conference on Trade and Development (UNCTAD, 2006) suggests that the incidence of poverty did not decline in the 1990s in the least developed countries (LDCs) as a group and has remained at 50 percent of the total population. If this trend persists, the number of people living in poverty in the LDCs will increase from 334 million in 2000 to 471 million in 2010. The Human Development Report 2005 (UNDP, 2005) offers a more sombre picture stating that about 2.5 billion people live on less than \$2 a day (40 percent of the world's population), 10.7 million children each year do not survive to their fifth birthday, while in 2003 the HIV/AIDS pandemic claimed three million lives and left five million more people infected with the virus, and the MDG target of universal primary education is not achievable on current trends. World Health Organization (WHO, 2006, p. 16) estimates that some diseases associated with a lack of access to safe drinking-water and inadequate sanitation results almost 1.7 million deaths each year.

Many view globalization sceptically. To these authors, globalization is a process through which power is concentrated upward and this keeps the process away from the poor. To them under globalisation, the supremacy of the multinational and transnational firms is established. These firms not only concentrate power, but run after profit. Profit seeking craze of these production units aggravate poverty. To determine the impact of globalization on poverty over the period 1980 to 2005, Salvatore and Campano (2012) examined the income distributions of the people living in developing countries, as one group, and the people living in the developed countries as another group. They also further subdivided the developing countries into two groups: those that globalized and those that did not globalize. Their study found that real personal incomes grew and flourished in both developed and developing countries, but more rapidly in the developing countries, such as in China and India. But with the high growth rate, there was a rapid rise in poverty rates. So, they concluded that globalisation brings prosperity for a few, adversity for many. This adversity is nothing, but poverty. Akoum (2008) from his study also concluded that

higher economic growth rates are not necessarily translated into lower poverty rates.

The risks and costs brought about by globalisation can be significant for fragile developing economies and the world's poor. The downside of globalisation is most vividly epitomised at times of periodical global financial and economic crises. The costs of the repeated crises associated with economic and financial globalisation appear to have been borne overwhelmingly by the developing world, and often disproportionately so by the poor who are the most vulnerable. On the other hand, benefits from globalisation in booming times are not necessarily shared widely and equally in the global community. The fear that the poor have been by-passed or actually hurt by globalisation was highlighted by the finding from a number of studies, emerging recently, which explicitly examined the extent of, and changes in inequality of the world income distribution as it evolved during the heyday of the globalisation era.

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### **16.5 Resolving the Controversy between the Optimists and Pessimists**

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Bergh and Nilsson (2011) used data from more than 100 countries around the world starting from 1988 through 2007, to examine the relationship between economic and social globalization and absolute income poverty. They found that there is no evidence that globalization is associated with higher poverty levels in developing countries. They established that less trade restrictions and larger information flows are robustly associated with lower poverty levels. They concluded that under globalization, poverty reduction can be achieved by means of closer economic integration and higher levels of globalization.

Many of these studies point towards poverty, as measured by the headcount ratio have fallen world-wide except in Sub Saharan Africa where it continues to rise. Technological innovations under globalisation have resulted in labour displacement making the poor labour class poorer. The rise of single headed households has increased the burden of poverty. In the name of profit, people are exploited and are made more impoverished. Competition from foreign companies has pushed the local companies into doom for which the livelihood options of many people are closed, bringing about poverty among them. Cornia (2000) argues, for example, that growing polarisation among countries has been accompanied by a surge in inequality within most nations, where growth and poverty alleviation have suffered substantially. Further, under the neoliberal set ups the state intervention in poverty reduction has been tremendously affected leading to abject poverty among the poor. Further, the rising prices limit the affordability capacity of the people and when their purchasing power becomes limited and the parity is lost, the gap between

groups widens and poverty scenario is aggravated. These concerns have generated a passionate debate worldwide as well as a powerful anti-globalisation movement.

But sometimes, the above said arguments are dismissed by the optimists. They argue due to the globalization the situation of agriculture has improved to some extent in many agrarian economies which has helped to reduce the poverty problems among the masses. Over the years, with the advent of more technology, there has been a significant change in the process of agriculture in these countries. Earlier farmers used traditional farming techniques for growing crops. As such, they suffered a lot and the output was affected by a number of factors like pest problems, weather situations and lots more. Due to the globalization and introduction of better equipments, there has been a stark improvement in the techniques of agriculture. Today, farmers are using gadgets like rowers, tractors, electric pipelines and lots more for the cultivation of crops. This has increased the produce in terms of quantity as well as quality. As such, farmers have started earning more and have improved their per capita income and the standard of living. There are authors who perceive both the positive and negative impact of globalisation on poverty. To them, it is the nature of the population, the policies of the government which have potential power to aggravate or subside the situation of poverty. To quote a study, in *Globalization and Poverty* (NBER Working Paper No. 12347), AnnHarrison concludes that the poor will indeed benefit from globalization if the appropriate complementary policies and institutions are in place. She observes as developing countries have become increasingly integrated into the world trading system over the past 20 years, world poverty rates have steadily fallen. Many of the studies in *Globalization and Poverty* in fact suggest that globalization has been associated with rising inequality, and that the poor do not always share in the gains from trade. To the author, the countries with an abundance of unskilled labour do not always gain from trade reform. The poor are more likely to share in the gains from globalization when workers enjoy maximum mobility, especially from contracting economic sectors into expanding sectors (India and Colombia). Gains likewise arise when poor farmers have access to credit and technical know-how (Zambia), when poor farmers have such social safety nets as income support (as it happened in Mexico) and when food aid is well targeted (as it happened in Ethiopia).

The evidence strongly suggests that export growth and incoming foreign investment have reduced poverty everywhere from Mexico to India to Poland. Yet at the same time currency crises can cripple the poor. In Indonesia, poverty rates increased by at least 50 percent after the

1997 currency crisis in that country, and the poor in Mexico took time to recover from the pummelling of the peso in 1995. Without doubt, Harrison asserts, globalization produces both winners and losers among the poor. In some countries, poor workers in exporting sectors or in sectors with foreign investment gained from trade and investment reforms, while poverty rates increased in previously protected areas that were exposed to import competition. Even within a country, a trade reform hurts rural agricultural producers and benefit rural or urban consumers of those farmers' products. Harrison acknowledges the relationship between globalization and poverty is complex. The impact of globalization on poverty depends not just on trade or financial globalization but on the interaction of globalization with the rest of the economic environment: investments in human capital and infrastructure, promotion of credit and technical assistance to farmers, worthy institutions and governance, and macroeconomic stability, including flexible exchange rates. Harrison next notes that while many economists predicted that developing countries with great numbers of unskilled workers would benefit from globalization through increased demand for their unskilled-intensive goods, this view is too simple and often inconsistent with the facts. Cross-country studies document that globalization has been accompanied by increasing inequality within developing countries, suggesting an offset of some of the reductions in poverty.

Globalization and Poverty yields several implications. First, impediments to exports from developing countries worsen poverty in those countries. Second, careful targeting is necessary to address the poor in different countries who are likely to be hurt by globalization. Finally, the evidence suggests that relying on trade or foreign investment alone is not enough to alleviate poverty. The poor need education, improved infrastructure, access to credit and the ability to relocate out of contracting sectors into expanding ones to take advantage of trade reforms and to change the scenario of poverty.

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## **16.6 The Reality**

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The impact of globalization on poverty eradication has increasingly become the focus of attention of governments and international organizations. The economic arguments in favour of globalization stress the positive relationships between increasing international trade and investment flows and faster economic growth, higher living standards, accelerated innovation, diffusion of technological and management skills, and new economic opportunities. Reality has proven not to be so rosy. First, the benefits of globalization are not equally distributed and tend



to be concentrated among a relatively small number of countries, particularly the more advanced ones. The poorest countries such as the least developed countries in Africa have not been able to sufficiently harvest the benefits of globalization. Second, most efforts have been placed in facilitating free trade flows, particularly in products which are of importance to the developed countries, as part of the globalization process. Other dimensions of globalization like labour market standards, the environment, sustainable development and poverty alleviation have received much less attention. Third, globalization has also led to an increased vulnerability among many countries to international economic conditions, as clearly demonstrated by the Asian financial crisis of 1997- 1998.

Recent estimates by the International Fund for Agricultural Development (IFAD) indicate that 75 percent of the poor work and live in rural areas. Rural poor have restricted access to and control over assets - land, water, credit, information, technology, health, education and skills - and to markets. As such their lives have limited links to the macro-economic environment in which globalization takes place.

Developing countries have been given the main responsibility to harness the potential benefits of globalization for the rural poor and to counter possible negative effects. They are urged to adopt appropriate structural and social measures that promote stability essential for economic growth and poverty alleviation. High-income countries are urged to support these initiatives through increased aid, debt relief, experience exchanges e.g. on policy making and good governance, liberalized market access for products of importance to low-income countries, and increased resources for the fight against communicable diseases. However, many low-income countries already face tremendous and often contradicting challenges in achieving poverty-alleviation goals e.g. implementation of education for all programmes with reduced government expenditure, or ensuring sufficient income-generating and employment prospects for the rural poor without intervention in agricultural output prices or in investment allocation policies.

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## **16.7 Summary**

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Globalization seems to be irreversible. It produces both winners and losers among the poor. Thus, the question that needs to be addressed is how we can better govern this process to make it more inclusive and fairer than the current conditions. That is, it is not globalization ought to be abandoned, but rather it is the poor governance of globalization what needs to be challenged. If managed correctly and fairly for the benefit of all, globalization could be a positive force.

International community should act together in an effort to make available the resources necessary to wage a war against poverty and inequality. Naturally, this requires fundamental adjustment of the global status quo, starting with a true political pledge of the developing and developed countries to conceive an enhanced global financial and economic landscape.

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### **16.8 Self Assessment Questions**

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1. What is poverty?
  2. How globalization increases poverty cycle among different sections?
  3. What anti-globalists' view?
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### **16.9 Key Words**

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**Poverty**- living under the scarcity of basic needs.

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### **16.10 Study Guide**

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