

# Economic , social , cultural dimesnson of globalistaion

[Economics](#)



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It is important to learn more about the current pace of the process of globalization and related aspects. Block VI deals with the process of globalization and its impact on the notion of development. In this unit the concept and features of globalization and its various dimensions are discussed. The first part of the unit deals with the very concept of globalization and how different scholars have defined this concept. Then it goes on discussing the economic, social and cultural dimensions of globalization in more detail.

Each aspect has been elaborated in general and in relation to the Indian situation as well. 20. The Concept and Definition of Globalization In very simple terms globalization can be depicted as increasing global interconnectedness. It is a process rather than an outcome, which refers to the trend toward the growing interconnectedness of different parts of the world, not to their being interconnected. It primarily is an interchange of economic, social, cultural, political, technological attributes that takes place between societies when different societies come into contact with each other.

Though this interchange is going on for times immemorial, this process was termed as " globalization" for the first time round the second half of 20th century while much of the literature on this has appeared since the late sass and sass (Buyer 2003). 63 Development, Displacement Globalization as an idea to modernization within the global market was and Social Movements mentioned in the writings of Marx and Saint-Simon also (Cable 1999).

Certain scholars even argue that this process of globalization has been going on since the beginning of mankind and it has affected all cultures, even remote and isolated, though in varying degrees (Griffin 2004). The contemporary globalization differs from the process that could be observed in the past primarily in terms of the quantum of interchange and interconnectedness. Everything happens much faster today than it did in previous eras. The current process of globalization, which is popularly described as gradual removal of barriers to trade and investment between nations, was started towards the end of the 20th century.

It is said to aim to achieve economic efficiency through competitiveness, while seeking the broader objectives of economic and social development. It touches all spheres of human life; economic, social, cultural, political and environmental. The most common definition of present day globalization refers to the growing integration of various countries to the world economy. It results mostly from a freer movement of capital, products and information, which affects not just the economy, but also, as we said earlier, the political, cultural, social and environmental arenas.

Different disciplines such as Economics, History, Political Science, Sociology, etc. employ different criteria for elaborating and defining the concept of globalization. Anthony Giddens, a sociologist, defined globalization as an intensification of worldwide social relations, via which far away places are linked together in such a way that events in one place are affected by a process taking place many miles away and vice versa (Giddens 2000).

David Henderson (1999), an economist, views globalization as a model of fully internationally integrated markets meeting the two conditions of I) the free movement of goods, services, labor and capital resulting in a single market in inputs and outputs, and I') full national treatment for foreign investors as well as nationals working overseas, so that economically speaking there are no foreigners. For Meghan Ideas (2004) globalization is the growing reciprocal interdependence and integration of various economies around the globe.

Chicken Name's phrase " theborderless world" captures the sense of radical progress and modernity and of life beyond the constraints of the traditional nation-state, which infuses much of the popular writing about globalization (Omaha 1990). For Richard O'Brien (1992), globalization essentially refers to a mixture of international, multinational, offshore and global activities and involves a general progression from the domestic to the global.

Malcolm Waters (1995) finds globalization as a social process in which the instants of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding. For him globalization merely implies greater connectedness and De-territoriality's. Schools (1999) too understands globalization as a process of De-territoriality's and global relations as supra territorial.

For some others globalization essentially means an intensification of multinational, international and transnational linkages in all spheres of human activity, including trade and commerce, governance and non-government lobbying as consequence to newcommunicationstechnologyto

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the contemporary period (Gilligan et al 2001). Pitters (2001) calls the contemporary globalization as accelerated globalization. Current accelerated globalization is shorthand for several major interwoven trends.

According to him current accelerated globalization comes in a package together with i) information's, which means the role of information and communication technologies ii) flexibilities that means changes in production systems towards flexible production, and iii) reconfiguration of states and rationalization. He views globalization as a process ? the growing interconnectedness of different parts of the world; globalization as awareness ? the recognition of growing interconnectedness (globalization as subjectivity); and globalization as project (see Box 21 . ) ? the advocacy and pursuit of particular forms of globalization and attempts to manage and steer globalization in a particular direction. 64 Box 20. 1 : Globalization as Projects Globalization Projects Strategic globalize Corporate globalize Agents Super Power Politics, NATO International banks, multinational corporations, transnational enterprises International financial institutions, WTO, 6-7 World Bank, UN agencies (UNDO and so on) UNCLE, global environmental facility Media Mind. CNN Sisterhood is global (Nairobi, Beijing, Cairo meeting) ILL, trade union internationalism Llama politics Vatican (for example, Lumen 2000) Inter religious dialogue, as in the Mac Iodination Localism, new protectionism, detailing Economic and financial global management Developmental globalize Ecological globalize Media globalize Feminist globalize Labor globalize Islamic globalize Catholic globalize Ecumenical globalize World Council of Churches Consumer liberalism (everyday globalize) Anti-globalize Source: Pitters 2001 From the above account, it can

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be concluded that globalization is a multifaceted, multidimensional and comprehensive phenomenon having its potential impact on a whole range of contemporary social, political, cultural and economic relationships. Now let us try to understand what makes the present day process of globalization distinct from the past.

### 20. 3 The Features of Present Day Globalization

Since the Second World War there has been a deliberate selection of a more market- oriented approach by many countries and increased internationalization of economic activities. This tendency increased significantly in the early sass as industrialized countries such as the United States of America and the United Kingdom shifted towards more market coordination of economic activities.

Previously socialist countries, bringing their transition to capitalism, followed this trend in the early sass. During this period there also has been a widespread adoption of export- oriented development strategy and trade liberalization's (you will learn more about this in later part to this unit as well as in subsequent units to this Block) as a favored path to development all over the world either by choice or under compulsion by the International Financial Institutions like World Bank and MIFF (Pyle and Forrest 2002). This increased the pace of globalization to a great extent. As a result there has been faster growth in world output during the past few decades compared to former days.

World trade has grown significantly more rapidly than world output and the national economies have become more open and more closely integrated. International capital flows have grown even faster than international trade.

Ideas, technologies and cultural attributes are exchanged at a higher acceleration. Contemporary globalization has led a greater volume of exchanges of goods and services and it has led to a greater variety of things being exchanged. Many goods and services, once non-traded, now 65 Development, Displacement regularly enter the world market. For example, a Japanese architect may design and Social Movements a building in France; marketing services may be transmitted from India to USA or I-J, etc.

The advancement of Information and Communication Technologies (Sits) reduced the geographic distance significantly. Technologies such as Internet and mobile phones made it possible for people to communicate anywhere around the globe instantly. This accelerated the growth and development of knowledge society (you will learn more on this in Block VI'). There have also been increased incidences of people migrating for work globally. There is a significant change in the relative power of world organizations during the current phase of globalization. On the one hand the international financial institutions such as MIFF and World Bank as well as WTFO ? an international organization to regulate global trade ? become more rueful.

On the other, global institutions that have focused on more human- centered interests such as United Nations (UN) and International Labor Organization (ILL) have found their position relegated to the background and their power and effectiveness relatively diminished in the face of global changes (Caudal and Hessian 2001). The more powerful institutions (MIFF, World Bank, WTFO) have pushed for increased use of markets and less government involvement in economies in order to achieve free flows of trade and investment of funds

and less regulation by the national governments. The shift in power of the global institutions is reflected in all spheres of human life. The current process of globalization also resulted in the globalization of national policies and policy-making mechanisms of national governments.

National policies including in economic, social, cultural and technological areas, which were till now under the Jurisdiction of states and people within a country, have increasingly come under the influence of international agencies and the big private corporations. Under pressure from these international organizations the national governments have had to restructure their economies that amends more thrust in free trade and less spending in social sector. They had to increase taxes or shrink government spending by reducing expenditures on social sectors such as education, healthcare, sanitation, subsidies in housing, fuel, public distribution systems and transportation. The national governments had to dismantle the administered price mechanism applicable to the essential commodities to mass consumption.

The externalities associated with globalization have also had a global impact on the environment, a new set of global 'bad' have been produced, for e. G. , global warming, depletion of ozone layer, etc. The globalization process received additional impetus in India when she opened up her economy in the early sass following a major crisis that led by a foreign exchange crunch that dragged Indian economy close to defaulting on loans owed to international financial institutions. India adopted a New Economic Policy that included the elements of " globalization", " liberation's" and " appropriation". The two



central components of these neo-liberal policies adopted by the Indian government have been the liberation's of Indian's private sector and reform of the public sector.

Globalization integrated the Indian economy with the global economy through reduction in import duties and export restrictions, promotion of foreign investments and permission for free flow of foreign technology and skills, etc. (Buggy et al 2001). Along with the easing of restrictions on external trade there has also been a removal of some internal restrictions on the movement of commodities. At the same time there has been a considerable loosening of the existing governmental licensing system (popularly called as license- permit raja), especially on private sector firms, as well as the lifting of reservations for many products. The license-permit raja has become a buzzword of the past. The role of the Directorate-General of Foreign Trade has been near non-existent and the near free flow of foreign goods and services has been permitted.

The subsidies given to fertilizer and agriculture had to be drastically reduced or withdrawn. A drastic reduction was there in the allocation topovertyalleviation programmer andhealthand education. At the same time there has not only been an integration of production globally, but also across the country internally. There has been rapid appropriation of publicly owned companies, of state and community headed resources f hitherto reserved areas like banking and insurance (refer unit 16 for more details). There has been deregulation of labor protection leading to massive growth of contract

labor and subcontracting Valhalla and Sinai 2002). Reflection and Action 20.

1 What did you understand by the process of globalization?

Based on your understanding pinpoint any four impact of globalization in the lifestyle of common people of your locality. 20. 4 Economic Dimensions of Globalization We have already learnt in the earlier section of this unit that globalization is a complex and multidimensional phenomenon. Although it makes an impact in all spheres of human life, the economic dimension of globalization is more prominent and far-reaching than any others. The most important dimensions of the current phase of economic globalization are the breaking down of national economic barriers; international spread of trade, financial and production activities and the growing power to transnational corporations and international financial institutions.

Here in this section the economic dimensions of globalization will be discussed in terms of liberation's and appropriation; free flow of trade and services, which includes the origin and functioning of WTO, multilateral trading system and end of national economies; foreign direct investment which includes globalization of financial markets, transnational integrated production and functioning of multinational and transnational companies; liberation's in investment; growth of global economy; infrastructural development; development of information and communication technologies (Sits); outsourcing of services; and Trade Related Intellectual Property Rights (TRIPS). A) Liberation's In general, liberation's refers to a relaxation of restrictions, usually in areas of social or economic policy. Most often, the term is used to refer to economic liberation's, especially trade liberation's or

capital market liberation's; the policies often referred to as neo-liberalism. A major revolution in the policy environment caused by the current phase of globalization is liberation's of economic policy, which included the freeing up of markets and reduction in the role of national governments in terms of ownership and control over production of goods and services.

The " liberation's revolution" challenges the legitimacy of many of the activities nation-state governments have performed in the modern (post-1914) world such as running sensationalist industries, trade exchange and price controls and monopoly over infrastructure and public services (Strange 1996). Free market economic policies advocated by neo-liberals in the Western countries, put into practice by Margaret Thatcher in Britain and Ronald Reagan in the U. S. During the sass, soon became the official policy of International Financial Institutions (IF's), which started insisting on the deregulation of national economies and liberation's in the trade and investment sectors as conditions for the grant of financial assistance or loans to countries the world over.

Since the movement of economic forces in the contemporary world is beyond the control of national governments, neo-liberals call for a fundamental restructuring of relations between the state and civil society with the state maintaining a low profile in the area of economic activities which should be governed by the free play of market forces (Banners 2000). They advocated 67 Development, Displacement free trade, which in modern usage means trade or commerce carried on without and Social Movements such restrictions as import duties, export bounties, domestic production

subsidies, trade quotas, or import licenses. The basic argument for free trade is based on the economic theory of " comparative advantage" that means, each region should concentrate on what it can produce most cheaply and efficiently and should exchange its products for those it is less able to produce economically.

In India, the pace of globalization gathered momentum when the then central government (Maharanis Raw government) introduced the package of reforms at the behest of MIFF and World Bank aimed at economic liberation's in June 1991. The roots of the liberation's programmer in India, in fact, may be traced to earlier periods of overvaluation to trade regime in the late sass under the Kanata government initiative as well as in the industrial policy reforms of the early sass introduced by Nadir Gandhi and finally in the New Economic Policy fashioned by the Rajah Gandhi government in the mid-sass. But these earlier initiatives and their implementation were rather slow compared to Maharanis Aras's initiative in 1991, which was more ambitious and aimed at freeing the economy from state intervention.

The reforms introduced by Aras's government included short-term stabilization measures encompassing devaluation of the rupee, restraint on public expenditure (by reducing besides on fertilizer and petroleum), a plan for the reduction of the fiscal deficit and removal of restrictions on the flow of foreign capital to Indian markets. The medium and long term Structural Adjustment Programmer (SAP) included a series of measures aimed at liberation's of trade and deregulation of industry, restricting the ambit of the public sector including disinvestment of equities in profit making concerns

and withdrawal of subsidies for the loss making ones, reforms of the financial sector and the tax systems and measures to facilitate foreign capital flows (Byres 1998).

The main features of the liberation's policy of Indian government have been:

b) General reduction in the role of the state in economic governance;

Withdrawal by the State from some economic sectors and its replacement by the private sector; Decline in the government/public sectors in basic and key industries, banking, insurance and other public sector undertakings; Decline in the role of the State in provision of public social services like education, housing and health; Future development through wider participation of the private sector and hence more dependence on the market for the exchange of goods. Appropriation Along with the liberation's of the economy in the sass the neo-liberals of the U. K. And the U. S also advocated the appropriation of industries and services to make enterprises more competitive and efficient so as to meet the challenges of the global economy. The U. K. Privatized 80% of its public sector by the sass (Mandela 1993). Appropriation largely means selling of public owned assets to private ownership by stages.

Appropriation can be done using any or all of the following techniques: Public offering of shares - all or part of the shares of public limited company are offered for sale to the public; Private sale of shares - all or part of the state-owned enterprise is sold to private individual or a group of purchasers; New private investment in a state-owned enterprise - private share issues are subsidized by the private sector or the public; Entry of the private sector into

public sector - private groups allowed to get into areas reserved for the public sector, such as the power and telecommunications sectors in India; Contracting out the services and utilities to private operators or contractors for operation and maintenance, while retaining ownership with the government. Like water supply, sewage treatment, etc. ; Sale of government or state enterprises' assets as private sale instead of shares; Reorganization or fragmentation of subsidiary units of a company; Management/employee buy-out - in which the management or the employees acquire the controlling interest in which shares are purchased on credit extended by the government.

With the aim of propagating the economy, the Indian government adopted various measures in the sass. Initiatives such as abolition of license raja for deregulation of the industries, scrapping of legislations such as MRS. and FEAR, approval for 100% equity for Gnarlis, streamlining of approval committees, disinvestment in Public Sector Undertakings (Us), and reference of sick industrial units to Board of Industrial and Financial Reconstruction for rationalization were meant for more and more appropriation of the Indian economy. C) Foreign Direct Investment (FAD) and Globalization of Financial Market Foreign Direct Investment (FAD) is money invested in production by a foreign party rewarded with part-ownership of production.

Of the three important aspects of liberation's -finance, trade and investment - financial liberation's has been the most pronounced. During this globalization era there has been progressive and extensive liberation's of controls on financial flows and markets leading to economic globalization.

Economic globalization and financial liberalization's centers on the movement of capital of which FAD was a major form. From the beginning of the sass, FAD flows have grown much faster than the world output or trade or domestic fixed investment. The growth of FAD in the sass was enormous. The initial burst of FAD in the late sass was almost entirely in developed countries (over 80% of the total) and predominantly from five leading developed countries (over two thirds).

In the sass developing countries began to attract substantial FAD and there has been genuine geographical broadening of FAD. Since early sass, FAD flows to the developing countries have raised relatively averaging 32% of the total in 1991-1995 compared to the 17% in 1981-1990. This was due to the liberalization's of foreign investment policies in most of the developing countries during the sass (Shore 2001). Private capital flows for direct investment and portfolio investment for developing countries have grown from \$ 25 billion in 1990 to \$150 billion in 1997 (Pariah 1999). Also, during this period there have been qualitative and quantitative changes in the world of international integration of global markets through the medium of FAD.

The FAD explosion of the sass characterized by the investment inflows within the triad of ELI, Japan and North America shifted in the sass to the non-COED (Organization of Economic Co-operation and Development) countries as well . The tools were accounted by Asian countries (China, Singapore, Malaysia, Thailand, Indonesia), Latin American countries (especially Mexico, Chile, Argentina and Brazil) and Eastern European countries. There had also been a growth of major corporate alliances at global level during this period.

FAD remained mainly market driven and they dominated service sector.

However the flow of FAD even among developing nations was not uniform.

Much of this FAD has centered on only a few developing countries. Least developed countries in particular were receiving only very small FAD despite 69 Development, Displacement having liberalized their policies. There were some negative impacts of these and Social Movements private capital flows. There was a general and increasing concern about the rigidity and vulnerability of the system due to the interconnectedness of financial markets and systems and the vast amounts of financial flows. These were the risk of a breakdown in some critical parts or in the general system itself, as a fault developing in one part of the world or in the system can have widespread repercussions.

These concerns were heightened by the East Asian financial crisis that began in the second half of 1997 and spread to Russia, Brazil and other countries, causing the worst financial turmoil and economic recession in the post-World War II period. Nonetheless in the sass a consensus gradually emerged around the globe that foreign capital, if utilized properly, can contribute significantly to economic development. The same was true with India. The largest proportion of FAD approvals in India has been in the infrastructure and core sectors such as power, telecommunications, energy exploration, and chemical and metallurgical industries. India followed a case-by-case approach in approving FAD. FAD in India depends on the assessment of India relative to other countries on several fronts.



The main considerations are the political stability and credibility of reforms, the state of the infrastructure, especially power, transport and communication, national policy regime, speed and transparency in implementation of government policies, labor market conditions and the intellectual property rights issue (Ray 2000). FAD in India is permitted under the following forms of investments. Through financial collaboration; through Joint ventures and technical collaboration; through the capital market via Euro issues; through private placements or preferential allotment. FAD is not a one-way process. In the open market system Indian companies are also going global through Joint ventures abroad. Indian's export in the year 2001-02 was to he extent of 32, 572 million. Many Indian companies have started becoming respectable players in the international scene.

Agricultural products, marine products, cereals, oilseeds, tea, and coyote are some prominent products that India has been exporting. Reflection and Action 20. 2 With the help of two examples explain foreign direct investment in Indian context. List three advantages and disadvantages of FAD on local economy. D) International Trade Regulatory Body - WTFO After the Second World War, steps were taken by countries around the globe to regulate world trade by proposing to set up an International Trade Organization (TO) long the lines of the International Monetary Fund (MIFF) - a world body to facilitate international liquidity; and the World Bank - a sector's lending institution (see Box 20. 1).

When TIT could not materialism due to various reasons, 23 nations around the globe agreed to continue trade negotiations that were eventually

incorporated in the General Agreement on Tariffs and Trade (GATE), which formally came into existence in October 1947. This increased the role of trade during the post-World War II period. This was accompanied by the reduction in tariff barriers gradually both in developing ND developed countries due partly to autonomous policies and partly to the series of multilateral trade rounds under GATE. In the eighth round of GATE negotiations popularly known as Uruguay Round, the contracting parties agreed to establish the World Trade Organization (WTF0) to undertake multilateral trade negotiations. 70 Box 20. : The Breton Woods Institutions

The Breton Woods Institutions are the World Bank and the International Monetary Fund (MIFF). The creation of the World Bank and the MIFF came at the end of the Second World War. They were set up at a meeting of 43 countries in Breton Woods, New Hampshire, USA in July 1944. They were based on the ideas of a trio of key experts - US Treasury Secretary Henry Mortgaging, his chief economic advisor Harry Dexter White, and British economist John Maynard Keynes. They wanted to establish a postwar economic order based on notions of consensual decision-making and cooperation in the realm of trade and economic relations.

It was felt by leaders of the Allied countries, particularly the US and Britain, that a multilateral framework was needed to overcome the disestablishing effects of the previous global economicdepressionand trade battles. Their aims ere to help rebuild the shattered postwar economy and to promote international economic cooperation. The original Breton Woods agreement also included plans for an International Trade Organization (TO) but these lay dormant until the formation of World Trade Organization (WTF0) in 1995.

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Source: [http:// www. Predisposition\]etc. Org](http://www.Predisposition]etc.Org) The World Trade Organization, which came into being on 1st January 1995 replacing GATE, is an international organization setting out the global rules of trade between nations. Whereas GATE was a bilateral agreement WTFO is a organizational set up,