

Impact of economics in political and social change



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Please use the following three reasons to explain why economics is the most important factor in the globalisation process that has been used in relation to a host of social, economic, cultural and political factors.

1. The impact of economic globalisation in the form of the international division of labour (growth of industry in China, India, etc and the deindustrialization of sections of the so-called “ developed” societies). Moreover, the significance of migrant labour.
2. The relative size and importance of MNCs as economic agents (as compared with nation states).
3. Point to the centrality of economic matters in the relations between governments, to the importance of the growth of the cultural economy in relation to cultural globalisation.

1. In a world without an international division of labour, each individual state would have to provide itself with all its needs. It would need to grow every fruit, herb, cereal and vegetable; to rear its own animals; to manufacture its own products; to extract all its own minerals and energy; to provide all its own financial, domestic and professional services; to engage in its own research, exchanging ideas only among its own academics and developing only those new products designed exclusively within its own borders; and of course it would have to train a labour-force capable of sustaining these multifarious tasks. Even the U. S., bountiful in natural resources and with an educated labour force, would struggle to do this. And of course there is no need to. The very same logic underpinning the domestic division of labour - saving labour by sharing divisible tasks among specialists - provides an argument in favour of extending that division internationally. Ideally those

states with endless acres of pampas (Argentina) would provide the world's meat; those with plenty of spare ground would farm for vegetables, flowers, fruit (Zambia); those highly educated (the U. S., Scandinavia) would do the research; and those densely populated and not as highly educated would provide the industry (China, India). This is 'ideal' from the perspective of efficient production; and only for now: there is no reason (from the point of view of efficiency) why China should not in time overtake the U. S. as the world's research base, forcing Americans into the factories. We are moving towards this ideal, but there seem to be two main reasons why it has not been reached. Firstly, in spite of their avowed commitment to free trade and their exhortations to developing countries to open their markets, Western nations have been reluctant to cede total management of their domestic economies to the global market. This is because their constituents wish to retain traditional industries; hence the protectionist rows over the C. A. P. in Europe (particularly in the traditionally agricultural states of France and Ireland) and over cotton and steel in the U. S. Consequently the international 'division' is neither efficient nor equitable. Secondly, a fair international division of labour would entail rather different prices for goods, for example food, energy and research and development. This is contrary to the interest of those currently benefiting most from the international economy, the Western states. So we have a qualified international division of labour. But even so, the extraordinary importance of several developing nations is beginning to be felt. China, India and Brazil now account for a significant share of international trade, and consequently wield increasing influence in international trade negotiations and supranational organisations (e. g. WTO, WB, IMF).

2. It is well known that the turnovers of many multinational corporations are larger than the GDPs of many developing nations. Of the top 100 economies in the world, roughly half are corporations. Wal-Mart is bigger than 161 states, including Israel, Poland and Greece. Mitsubishi is larger than Indonesia; General Motors than Denmark; Toyota than Norway.

Hyperglobalists such as Ohmae (Held, 1999) argue that we are witnessing the restructuring of the international system from the Westphalian system in which states were rule makers to a post-Westphalian era in which states are frequently rule takers. In this new era not just states but MNCs as well as sub-, trans- and supra-state actors increasingly determine the outcome of international relations. Thus Ruggie has argued that there has been an 'unbundling' of the relation between sovereignty, territoriality and state power (1998). Sceptics such as Hirst and Thompson, however, deny such heady claims (Held 1999). They argue that states are the architects of globalisation, and its chief beneficiaries. They point to the ability of even developing nations such as China to manage information flows into their country (c. f. deal with Google to censor web-searches), and such as Bolivia to renationalise private international energy firms (in favour of the state-owned Yacimientos Petrolíferos Fiscales Bolivianos (YPFB)). Moreover most putatively 'multinational' corporations are strongly rooted in their home state. Most corporations invest heavily in their national market, maintain almost exclusively national board members, are subject to mainly national legislation and in the case of financial crisis are often saved by their national governments. ^[1] Even those corporations that do conduct the majority of their operations internationally are generally managed from home; in 1992 for example, Nestle conducted 92% of its trade internationally but limited

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non-Swiss voting rights to 3% of the total. ^[2] In short, sceptics argue that although large, MNCs are not unruly: they are the creatures of their national governments. The truth seems to lie somewhere in between. Held has argued for a 'transformationalist' account of the relationship between MNCs and states, which recognises the novelty of the international system without denying that the new arrangement is still state-centred (1999). On this view, MNCs do have new authority and power issuing from their relation to new international networks and their increasing hard power, but they are nevertheless answerable to elected governmental control.

3. To coincide with Tony Blair's visit to New Delhi, Indian Prime Minister Manmohan Singh unveiled a £1.2bn India Airlines order for 43 Airbus jets. ^[3] Such is a very common phenomenon, and not only confirms the thoughts above but shows the symbolic significance of healthy economic relations between states. Scholars point to the significance of two sources of power in international relations. 'Hard power' is the ability to coerce others to bring about your preferred outcomes by means of military or economic threats or rewards (Nye 2005). Realists argue that international relations are determined by the distribution of hard power resources, which 'balances' the various international actors' expectations (Nye 2005). In this era, with both nuclear weapons and increasingly significant global pacifistic norms, the importance of military power is waning. Economic force now trumps military force in hard power efficacy. But, as suggested, normative resources are increasingly significant. 'Soft power' is the ability to realise preferred outcomes by getting others to want what you want; to co-opt rather than coerce (Nye 2005). A state's interests will be more attractive if the national

culture is perceived to be benign. Until the Iraq War, for example, the norms and culture of the U. S. - liberty, democracy and equality - were held in sufficiently high international regard to sanction a number of controversial U. S. foreign policies. Since the perceived injustices in that conflict U. S. negotiating power has diminished. From this we can extract two points. Firstly it is clear that even the U. S.'s overwhelming military predominance cannot ensure its preferred international outcomes. Secondly international normative interdependence ensures that soft power -perceivedly benign intent - and hence the content of a state's culture increasingly determines the effectiveness of that state's international ambitions.

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[1] Information from <http://www.rcgfrfi.easynet.co.uk/marxism/articles/glob131.htm>. Accessed 07 August 2006.

[2] Ibid.

[3] Information from http://news.bbc.co.uk/1/hi/uk_politics/4221678.stm. Accessed 07 August 2006.