CHAPTER – I

The Contentious Domain of Globalization

Three major developments in recent decades have altered the economic, political and ideological context of the welfare state—the globalization of economy, the relative decline of the state and the collapse of socialism. These major developments essentially form the changed economic, political and ideological context of welfare state.

Over the last three decades, the forces of globalization have been influencing the political, social and cultural milieu of the nation-state. Many feel, the policies and institutions that the state nurtured over the years have entered a crisis period. Economic factors have played a major role in this transformation. Nonetheless, this process of transformation encompasses social, political and cultural factors that along with economic and technological links increasingly tend to affect territorial, legal and political spheres that the state nourished for decades.

This chapter attempts to understand those forces of globalization that profoundly qualify if not nullify the validity of welfare state. As such, an effort will be made here to understand those aspects of globalization that have their bearing on welfare state. The discourse and trends of globalization will be discussed to acquire a wider perspective on processes affecting contemporary social relations. Is globalization old or new? Is it inevitable? Does globalization help mitigate social and economic inequalities? What are the factors that influence globalization and who are its beneficiaries? These become imperative questions if we wish to assess the salience of welfare state under globalization.

Situating Globalization

How do we situate globalization? There are multiple discourses on this issue. Discourses need to be taken seriously as social practices that attempt to construct
One of the dominant discourses of our time revolves around a phenomenon that they identify as globalization. In the process they advance a particular understanding of this phenomenon. Globalization is explained as the construction of a new reality by the dominant global markets which make "individual actors, companies, agencies and nations" powerless. There are others who see several versions of globalization and distinguish between new and old. While some feel that globalization is a discordant and highly uneven process others argue that it is coherent, all encompassing and inevitable. Some trace the antecedents of globalization to earlier centuries. Matthias Finger identifies seven steps of the development of globalization. He traces globalization back to Christianity or Judeo-Christianity, as the first step of globalization. This step suggests the 'unity of God' or unity of religion and the relationship of individual to God. As such, God is presented as one, or a 'global God'. The second step of globalization is the 'global rationality phase' which brings back the erstwhile unified God to temporal existence with the claim that paradise could be created on Earth due to science and corresponding technological engineering. He finds the third step expressed in colonialism with its processes of scientific exploration, evangelization, economic exploitation and military conquest. The next three steps of globalization are linked to revolutions, like the French Revolution, Industrial Revolution and the two-world wars and the cold war. The French Revolution brought nation-states into existence and paved the way for the emergence of an autonomous responsible citizen with defined relationship to political organization. Industrial Revolution developed rationality of the individual and the world wars and cold war furthered the process of industrial growth. Linking all these steps to these historical antecedents Finger locates the seventh step of globalization to the present globalization, marking the world from 1960s.

Finger's linear version is not the sole version of this kind. Other versions of its kind abound. The World Bank Policy Research Report (2001) also speaks of the 'three waves of globalization'. It suggests that the period between 1870-1914 as the first wave of global integration characterized by falling costs of transport, the

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reduction in tariff barriers and the dramatic increase in flow of goods, capital and labour. It argues that the total flow of labour in the first wave had been estimated to be 10 per cent of the total population and the export as a share of world income doubled to about 8 per cent.\(^3\) The share of foreign capital stock of developing countries is stated to have grown from 9 per cent of their income in 1870 to 32 percent of their income in 1914. The second wave of globalization is considered to have taken place from 1950-1980, with the integration of the economies of the rich countries. This phase is considered as the golden age of industrial countries. It was marked by integration of the OECD bloc and a spectacular reduction of poverty within them. The third wave of globalization is traced to 1980s onwards. It is marked by technological advance in transport and communication. It witnessed spiral growth in technology, integration of trade and a large number of developing countries opened up to foreign trade and investment with increased participation in global trade and took measures to liberalize their economies.

The report argues that historically none of the earlier developments before 1870 can be termed as globalization. According to the report the first wave witnessed a combination of falling transport costs, such as the switch from sail to steamship, and reductions in tariff barriers. Cheaper transport and the lifting of barriers encouraged the utilization of abundant land. Advancement through railways also helped in creating better economic opportunities. However all these major developments did not sustain for a long time. Though there was a substantial increase in flows of trade due to reduced cost of transport in 1870, between 1914 and 1945 trade had fallen back to the 1870 level.\(^4\)

The report correlates such a reversal to the great depression, and the two world wars. Though, the report considers the integration of the OECD countries in the second wave as significant, such an integration cannot be compared to the convergence that globalization displays today. Seeing globalization in several versions makes the present avatar of globalization as the logical continuation of the developmental process that has been carried on through the various phases of

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\(^4\) It is argued that despite reducing cost of transport, the concerned countries followed increased trade barriers due to "beggar-thy- neighbour policy". As a result, trade did not revive. Ibid., p.24.
history. They smack of historicism and an underlying evolutionism mark the way they construct their period. Most of them make the west the anchor of the process reducing the rest of the world to passivity. Suggesting, globalization as phenomenon of the past does not allow us to comprehend the intensity of globalization that came to mark this process from the beginning of 1970s. Moreover, globalization is not a linear process and periodization of globalization can never be definitive. Often such an explanation tends to nullify the phenomenon before us and argues that it is similar to any other historical phase.

As such, the above perspectives evade the holistic or multilevel perspective that becomes important to analyze globalization, as a distinct process extending over territories, people and ideas. Though the World Bank report emphasizes the distinctness of the present wave of globalization yet it ends up to be a parameter at best to analyze contemporary context that changed the international scenario just as the continuation of industrial growth. Moreover, such an explanation only seems to accommodate economic globalization that was the landmark of earlier phases. Globalization, at present, encompasses all spheres of human existence: political, social, cultural. They play as much an important role as the economic sphere.

Often Marxist and post-colonial writers, trace globalization to colonialism and argue that colonization that took place from the 16th century onward, is the systematic extension of the European civilizational model on to the new world. Scholars like, Vandana Shiva and Wallerstien subscribe to the view that globalization is a continuation of the imperialistic process that was carried forward through colonialism. Such a perspective, believes that the imperialistic patterns have been continued through new imperialism by Europe and American expansionism. In such a viewpoint the present globalization, becomes a replication of colonialism or at best its extension. Similar perspectives are extended by, world system theorists who maintain that the expansion of European capitalism marks the start of globalization.

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5 Cited in, Finger, op. cit., p.16.

Seeing globalization as a continuation of colonialism does not help to see the new ways in which the former process articulates nation with class, nations and cultures. Further the kind of centrality around which the colonial project was mooted and carried out by colonial powers can hardly be said to be central feature of globalization.

Discourses on globalization link it to varied phases of the 20\textsuperscript{th} century also. Economic historians like Williamson argue that globalization emerged somewhere before the 1930s, as the turn of the 19\textsuperscript{th} century registered accelerated growth in international trade and investment which declined during World War I and the Great Depression. Globalization is also traced to the end of World War II with the coming of nuclear age, the emancipation of colonies and the renewed expansion of trade.\textsuperscript{7} Scholars argue that globalization was set into motion during the beginning of the Cold War. “It was simply unfortunate that this period of great tension and superpower rivalry of nearly 45 years masked this process.”\textsuperscript{8} In the book \textit{Re-imagining Political Community}, edited by Daniele Archibugi, David Held and Martin Köhler, it is suggested that the processes of globalization are connected to the end of the Cold War and the assertion of democracy as the sole legitimate system of governance. These attempts at the historical periodization of globalization may help to claim that globalization is old. However, these claims would not be validated as the present processes of globalization witness stupendous changes that extend to social, economic, political and cultural spheres which could hardly be attributed to the phases suggested by the above scholars. Historical antecedents of globalization, may at the most, help us identify certain tendencies of globalization but not to explain the characteristics of the process as a whole. They fail to explain the pace and scale of globalization which cuts across the dimensions of space and time.

Cumulatively these attempts to historically situate globalization boil down to the following query: Is globalization old or new? Such a query leads itself to either the ‘all-change’ or ‘all-continuity’ debate. The ‘all- change thesis’ suggests that

\textsuperscript{8} Quoted from, Graham Gerard Ong, “Globalization and Its Impact on UN Structural Reform”, \url{http://www.sspp.net/archive/papers/4(1)ong.htm}. 

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globalization is entirely a recent historical turn. It suggests that the complex of globalization is entirely new in terms of its intensity, scale and scope. The ‘continuity thesis’ pursues the chronology and periodization of globalization, suggesting globalization as old.9 Sometimes, it tends to locate the antecedents of globalization to many centuries back in history as we have seen in the phases outlined by Finger.

If we understand globalization as a mode of large-scale interaction then, such a process can be traced to the past quite easily. But the central characteristics of globalization may not be captured by such interactions. Therefore David Held says ‘spread of world religions, the huge development of empires in the eighteenth and nineteenth centuries, the stretch of the British Empire, global cultural and economic phenomenon are not new. But there have been different historical forms of globalization, and the contemporary conjuncture is new.’10

Many people feel that the supra territoriality had its substantial beginning in the middle of the 19th century. The telegraph lines and the later development of trans-border telephone connections; radio communications and intercontinental air transport of 1919 have been located in the later half of the 19th century and first half of the 20th century. However, the present phase of accelerated globalization can be only traced to increasingly proliferating global relations which began to take place in 1970s. As such, the earlier trans-territoriality can never be the same compared with the heightened supra territoriality witnessed today since the later half of the 20th century. Even the globalization of markets in the present phase is distinct with its digital computers, advanced telecommunications and electronic mass media. Hence, it can never be subsumed within the kind of marketing that existed in the late 19th and beginning of 20th century. Then marketing was limited to a few products and the sale was limited to a few countries. The transoceanic cables began to be laid in 1956, direct dialing between countries was in 1963 and that helped connectivity through the trans-world direct-dial telephone to over 200 countries in 1990.11

Financial globalization with free flow of capital, with free market ideology of liberalization, deregulation and privatization is distinctly new. Admittedly, there has been always 'footloose' capital and nation-states have often been dependent on the co-operation of international financiers, but the changes that have taken place in the recent decades are quite distinct. Moreover in traditional trade, agriculture, mining and manufacturing played a predominant role. Globalization changed the phase of trade through 'electronic financial transactions', flows of images and sounds.

The markets have developed exponentially in supra territorial coordination of distribution, promotion and sales activities only in the later part of the 20th century. Trans-border production processes and associated intra-firm trade gained substantial proportions only in this period. Moreover, many service industries entered global production during this phase as electronic finance initiated deterritorialization of money. Trans-world institutions also expanded in their competence, membership staff and budget in the last 40 years. Thus, since 1960s, even globality rose continually and inclusively to the large sections of humanity. Marking splendid technological expansion and market mobilizations globalization has become an autonomous process only in recent years.

Globalization in an economic sense derives particularly from a progressive reduction in transaction cost. However, the level and pace of global economic interactions is quantitatively much more than earlier phases of change. It has gone beyond economic dimensions spreading through political, cultural and environmental influences. The present global integration is also qualitatively different from the past because of the scale, intensity and rapidity of the processes involved. Globalization today has brought forth contradictory trends with varying degrees of pressures on state, society and economy, as was never the case with the supra territorial reach of the past.

13 Citing an example in this context Jan Aart Scholte says, “…less than 5 per cent of foreign exchange transactions in the 1990s is directly connected to trade between countries in ‘real goods’.” See, Jan Aart Scholte, “Global Capitalism and the State”, *International Affairs*, vol. 73, 1997, p.436.
The term "globalization", had been first used around 1960 in its world-wide sense.\textsuperscript{14} The rise of supra-territoriality extending to communications, organisations, trade, finance, ecology and consciousness, across widely dispersed locations simultaneously and their moving between places anywhere instantaneously became its characteristic. In these interrelated spheres globalization unquestionably is a phenomenon of recent decades.\textsuperscript{15}

Restricting the process of globalization to recent years does not necessarily ignore its earlier mappings, however inadequate they may seem today. In fact such mappings help us to see the complexity and nuances of this process better. Media references to globalization became very wide over the last two decades. But, its origins lie in the work of many nineteenth and early twentieth century intellectuals, from sociologists such as Saint-Simon to students of geo-politics such as Mackinder, who identified how modernity was integrating the world. It was only in the 1960s and early 1970s that the term globalization had actually been used.\textsuperscript{16} In the academic circle the phenomenon of globalization became very significant only about a decade or so.\textsuperscript{17} In the suggested earlier phases of globalization supra territoriality communications markets production, finance, organization, and social ecology as understood today were not present and the global consciousness touched very few minds. Even among that minority, globality was just a passing and not a focal thought.\textsuperscript{18}

The magnitude, complexity and speed of globalism also distinguish globalization from the earlier periods. Thomas Friedman calls it the ‘democratization of technology, finance and information, as diminished costs have made the erstwhile luxuries available to a much broader range of society’.\textsuperscript{19} The growing transactions and organizational connections across national boundaries is the cornerstone of globalization. Globalization began to take a popular stance in the

\textsuperscript{15} See, Scholte, \textit{op. cit.}, 1997, pp. 431-32.
\textsuperscript{18} See, Scholte, \textit{op. cit.}, 2000, p.65.
mid-80s when it began to replace the terms like 'inter-nationalization' with 'transnational' and 'multinational', to refer to the increasing and intensifying networks of cross-border human interaction. International often meant to explain the relationship between nation-states. Robert J. Holton suggests that transnational comprises the processes that somehow stand above or beyond national jurisdiction or control. And, multinational implies the enterprises operating in many countries and can switch activities among them. Multinational is the preferred term in the academic circles today to explain the processes of globalization.20

Globalization and its Characteristics

If globalization is a destructive development, irreducible to the processes central to the preceding phases, how do we identify its central characteristics? There are strong contestations regarding the central features of globalization as there are with situating it historically. Generally, globalization implies growing interdependence of regimes and nations, markets and economies, technologies and modes of development impinging upon one another. It also involves intensification of interrelationships of nations and regions. Such intensification is manifest in trans-border interconnectedness in social economic, political and cultural sphere. These features suggest an epoch-defining set of changes that are radically affecting social and economic relations and institutions in the present century. On account of these developments there is a widespread feeling that the very nature of 'world politics is changing'.21

David Held defines, globalization as a process resulting in cross-border flows of goods, services, money, people, information and culture.22 Three features of these flows are noteworthy. Jan Aart Scholte distinguishes them as, a) increase in cross-border relations, b) increase in open border relations c) increase in trans-border relations.23 These developments make the impenetrable borders of sovereign states much more porous.

The developments highlighted above profoundly mark social relations and one can discern a trend whereby 'social relations become less tied to territorial jurisdictions'.\(^{24}\) Having said this we need not rush to the conclusion that social relations under conditions of globalization have to be necessarily dislocated from their local and national contexts. Locality and trans-locality both may get entwined in the articulations of social relations. It comes through in Anthony Giddens characterisation of globalization as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring across space and vice-versa'.\(^{25}\) He regards globalization as 'distanciation', between space and time. For him, globalization is accompanied with the intersection of presence and absence, the interconnectedness of social events and social relations "at a distance", with local contextual ties' which he calls 'distanciation'.\(^{26}\) He argues that globalization is not a single process but a complex of processes which often act in contradictory ways, producing conflicts, disjunctures and new forms of stratification.

We have suggested earlier that information and technology play major roles in articulating globalization. David Harvey and James Mittelman see in the process a 'compression' of space and time, a shrinking of the world.\(^{27}\) In fact distant places and duration may acquire a sense of here and now and simultaneity like at no time before. Similarly the relationship between hither-thither, now-after may undergo profound transformation. Political Scientist Robert Gilpin defines Globalization as the "increasing interdependence of national economies in trade, finance and macroeconomic policy."\(^{28}\) Globalization immensely influences cross-national flows of goods, investment, production and technology begetting 'deepened international interdependence'.\(^{29}\) This implies that a development in any corner of the world can have far-reaching consequences elsewhere and neighbourhoods may become strange and distant.

\(^{24}\) Ibid.
\(^{26}\) See, Giddens, *op. cit.*, 1990, p.64.
\(^{27}\) See, Guillen, *op. cit.*, p.3.
\(^{28}\) Quoted from, Gilpin, *op. cit.*, 1987, p.389.
\(^{29}\) See, Scholte, *op. cit.*, 1997, p. 430.
Sociologist Roland Robertson considers globalization as "both the compression of the world and the intensification of consciousness of the world as a whole."\textsuperscript{30} The process of globalization may be accompanied by the encounter of new ideas, fusion of culture and ideas and even hybridisation of cultures and practices. Sociologist Martin Albrow defines globalization as the "diffusion of practices, values and technology that have an influence on people's lives worldwide."\textsuperscript{31} Albrow and Robertson refer to 'both the compression of the world and the intensification of consciousness of the world as whole'. This emphasizes the growing intensity of globalization in the meaningful aspects of societal life including the world images. Both Albrow and Robertson include the political and cultural ideas like human rights, global environmental concern, cosmopolitanism which according to them, support a single humanity. In this sense globalization for them entails 'an essential and inevitable part of the human condition'. For one thing, 'globalization becomes a reference point to those who reject it and also to those who celebrate it'.\textsuperscript{32} Globalization suggests a single social field that implies a social world within which social interaction and social change of various kinds take place. Robertson rightly summarizes globalization as process by which a single global field has come to exist with other components which includes particular localities indicating nations, communities and individuals.\textsuperscript{33}

Many people have noted the impact of globalization on the economy without necessarily being sensitive to the new institutions and processes it inaugurates. Critics have seen in globalization the emergence of a 'supra-national', borderless global economy with its own laws of movement, encapsulating and subordinating the various local economies in a worldwide division of labour, reducing national government into municipalities. The other softer version of the concept, considers globalization less as an end-stage and more as a process in which the international economy integrates more closely, with domestic economic agents increasingly

\textsuperscript{32} See, Holton, \textit{op. cit.}, p.16.
\textsuperscript{33} Ibid., pp.16-17.
oriented to the global market rather than to particular national markets, even as the state continues to remain central to national economic advancement.\textsuperscript{34}

Globalization necessarily leaves its mark on the political order and state structures that people have been attuned to including the ‘welfare state’. It is a process in which a number of historical world societies are necessarily brought into interaction with one another.\textsuperscript{35} It highlights the deepening as well as the broadening of political process, in the sense that local regional, national international and global events constantly interact. While the state and the political system are affected by it, there is also the internationalization of the state and the political processes that simultaneously take place. David Held has argued that, globalization is distinctively new international order involving the emergence of a global economic system that extends beyond the control of single state (even of dominant states). He argues that globalization does not lead to ‘the end of state’ but in some fundamental respect, it leads to a more ‘activist state’.\textsuperscript{36}

In a way, globalization is a unique experience. It is an action at a distance; it makes actions of social agents in one place to have significant consequences for distant others. Through time-space compression, an instantaneous electronic communication vanishes the constraints of distance and time on social organization and interaction. It accelerates interdependence among national economies and societies and thereby leads to the shrinking of the world. It makes borders and geographical barriers fragile to socio-economic interaction. Globalization undoubtedly provides a fillip to global integration; it initiates the reordering of interregional power relations, crafts a consciousness of the global condition and leads to interregional connectedness.\textsuperscript{37}

The interplay between the medium and the message makes some to view globalization not as reality but a concept of reality. At the same time others argue

that globalization is a glaring reality that has impact on almost every aspect of human life.

Debates on globalization, suggest that it is a process far from uniform. It is deeply divided, incomplete, discontinuous, contingent, and in many ways a puzzling and contradictory process. The direction in which it is heading is uncertain. All of it, however, makes it a distinct phase of collective human predicament having its bearing on the way we have organized our collective life. Therefore, its bearing on the welfare state too is undeniable.

**Theories of Globalization**

In the shared traditions of social enquiry be it neoclassical economics or world-systems theory, no singular account of globalization has acquired the status of orthodoxy. As against this, the competing assessments continue to dominate the discussion. No ideological traditions of conservatism, liberalism or socialism offer coherent readings of, or responses to, a globalizing era. A few conservatives and socialists argue similarly and dispose of globalization as insignificant and some with similar ideological background consider it as a dramatic new threat to traditional values. No doubt, globalization appears to dismantle established paradigms and political orthodoxies, though there is no consistent parallels between the positions adopted by the advocates of globalization and their concerned ideological or 'intellectual allegiances'.

The way globalization is perceived varies in accordance with the dominant theories that register this process. These theories are important because they deploy specific paradigms to view the process of globalization, they highlight its characteristics suggest defense and legitimization or alternatives and struggles if need be. In fact, it is eventually these theories which adopt a stance regarding the extent to which the welfare state has to be pursued and what kind of modifications it warrants.

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38 Ibid., 431.
These theories have longer ancestry and many of their propositions are tested and tried given the uncertainties that surround globalization. The kind of channels in which these theories root the understanding of globalization becomes decisive to endorse or oppose globalization as a whole, or certain processes integral to it. These theories have a relatively coherent conception of the world and they relocate development such as globalization within their framework and advance a comprehensive understanding. These theories find their justification through institutions that are supportive of their articulate interests and the social relations that exist in the given context. The Success of globalization or invocation of welfare state becomes pertinent to the extent to which these theories cogently present the process of globalization before them.

Therefore established theories attempt to impart their distinctive orientation to the direction of globalization and it has its inevitable bearing on welfare state. The development of globalization itself though cannot be collapsed to the established understanding of these theories, as we have suggested earlier.

a. Liberal:

Classical liberalism was the beginning of liberal thought that came to be formulated by Thomas Hobbes and John Locke in the 16th century. In the Lockean version it subscribed to laissez-faire doctrine which believed in free trade and individual freedom. It visualized a limited state for the good of political society. Later liberals like John Stuart Mill qualified the claim of classical liberals by arguing sharp limits on the power of government to intervene in individual lives and above all, with respect to conduct that does not immediately and tangibly affect the lives of others.41 Mill argued that freedom of thought and action and positive fostering of a person’s individuality is essential for the highest and the most ‘harmonious development of his powers to be complete and consistently wholesome’.

As an ideology and a way of life liberalism endorsed the economic, social and political aspirations of the rising middle classes, which later began to be termed as the capitalist class. In its inception, liberalism was a theory that protested

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hierarchical and privileged authority and absolute rule. Economically it propagated
free market economy and absence of restrictions and regulation in the economic
sphere. Classical Liberalism remained dominant for a long time. Till, the second half
of 19th century it continued to be a dominant ideology fighting against arbitrary and
authoritarian rule.

At the end of 19th century liberalism absorbed democratic and socialistic
values in order to advocate welfarism and came to be known as modern liberalism or
New Liberalism. New Liberalism was a reforming tendency within the liberal
tradition which grew as a result of the change in liberal government establishment.
Leading liberals felt that they couldn’t subscribe to the laissez-faire principles on
account of widespread poverty and other social problems, which they thought were
due to the uncontrolled, market conditions. The declining wage levels of the
labourers affected the health and working efficiency of the labourers. Therefore
unlike classical liberalism, modern liberalism subscribed to a more sympathetic
attitude towards state intervention. It began to take a position of supporting ‘big
government rather than minimal government’. New liberals argued that industrial
capitalism generated a great amount of injustice due to the market deciding the
course of action for the society instead of the community or state.

The new liberals drew their inspiration from J.S. Mill and Liberals like L. T.
Hobhouse, J.A. Hobson, supported a positive perspective of freedom. The then
popular ideological current Fabianism, Eugenics and ‘National Efficiency
Movement’ too contributed in making such a shift. They argued that freedom
implies not being left alone which could mean being left alone to starve. Such a
view paved the way for state intervention, particularly through social welfare
measures. They began to focus on the need for individuals to rise to the level of
taking responsibility for their situations and circumstances and to make their own
moral choice.

New Liberalism criticized free trade capitalism saying that it leads to
monopoly and an economy dominated by the power of trusts, cartels, multinationals

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and transnational corporations. As a result economic, political and social contradictions show up. To protect the working class against unemployment, poverty, illiteracy and ill health the intervention of the state was required. New liberals held the capitalist economy responsible for the unequal distribution of wealth.

With the growing emphasis on welfarism, the theory of liberalism experienced another shift rightward and came to be called as libertarianism. Libertarianism reinvented classical liberalism in order to curtail statism.

In the context of opposed to trends liberalism came to be identified as an ideology of conservative thought opposed to radical and revolutionary ideas. At present liberalism drawing resources from its classical moorings has become increasingly articulate in the context of globalization.

Liberal thinkers in general are committed to the goals of liberty and equality. Andrew Hacker in his book *Political Theory* distinguishes between four types of liberalism- Utopian liberalism, free market liberalism, democratic liberalism, and reformist liberalism. In the context of globalization ‘free market liberalism’ has become significant as it qualifies the stakes of globalization.

Liberty is the essence of liberalism. Liberals consider the individual as significant as they believe that by giving rights to the individual freedom can be ensured. Thus, by basing, its stand on condemnation of any form of state intervention liberal theory paved the way for laissez-faire capitalism. Liberals argue for ‘freedom’ and respect for the ‘capacities and agency of individual men and women’. 43

Liberals advocate a free economic market through deregulation of government control and consider globalization as a positive force. It was Adam Smith who claimed that ‘every man as long as he does not violate the laws of justice, is free to pursue his own interest according to his wish to bring both his capital and

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industry in competition with others'. Adam Smith claimed three duties to the state; to protect the society from violence and invasion; protect it against injustice and oppression and erect and maintain public institutions. Invariably, the present liberals focus on such views of classical liberalism.

The Liberal position on globalization can be explained with reference to three focal issues. A) Its Claims on free markets. B) On the state and C) Its capacity to reduce poverty. Firstly, liberals deeply believe in the mechanism of the free market and argue that economy works best when left alone by the government. They argue that globalization benefits consumers by increasing efficiency of markets. Individuals will be able to make their free choices in such a condition. Any control by the state infringes on the liberty of the individual. Therefore, government intervention and the regulation of market are undesirable. Liberals argue that the universal good could be attained if the individual in society is left to pursue his or her own interests unobstructed. They support laissez-faire capitalism arguing that it ensures prosperity, upholds liberty and competition, ensuring social justice. Hence, free trade is better than protectionism. Only an autonomous individual can achieve his best self. Individuality could be attained in an appreciable way only when an individual has a wider choice and better opportunities and the market offers such a free choice.

Secondly, contemporary liberals privilege negative liberty meaning non-interference or the absence of external constraints upon the individual. They believe that the capacities of the individual can be best realized when he makes his own choices and hence, the state should not intervene in the affairs of the individual. The Liberal state gets its justification through the consent of the individual to protect his rights. Since the relationship between the individual and the state is contractual, the latter should govern the least.

45 Adam Smith believed that growth would reduce poverty. He wrote, "advancing to further acquisition...the condition of the labouring poor, of the great body of people, seems to be the happiest."
Thirdly, Liberals argue that globalization has been highly beneficial in lifting large number of people from poverty in several countries. Globalization has advanced gender equality and reduction of poverty.\textsuperscript{47} They believe that those who oppose globalization have an anti capitalist, anti-globalization, and an acute anti-corporatist mind set.\textsuperscript{48} They do not study the concrete situation with an open mind but approach it with predetermined ideas and prejudices. The liberals hold the view that globalization generally reduces poverty as more integrated economies tend to grow faster. As more and more low-income countries get into the global market for manufacture and services more employment opportunities are created and poverty is reduced. The inequality among the countries is reduced due to diminishing trade barriers and control.

The Liberals appreciate globalization as a process which helps in dismantling the political constraints upon economic production and exchange and acts as a force leading to greater political and economic integration of the world. It creates consumer choice and prosperity for all. However, many of them also endorse the view that WTO may not be capable of bridging widening global inequalities and asymmetries.\textsuperscript{49}

b. Libertarianism:

The advocacy of welfare liberalism gave rise to a sharp reaction from a few liberals. They began to look at the extended welfare measures as an affront to the liberty of the individual. They argued that the state cannot encroach upon the rights of the individual on the basis of social justice or equality.

The libertarian perspectives received support from the writings of Robert Nozick, in his book \textit{Anarchy, State and Utopia}. Libertarianism advocated liberty as a focal issue and argued that welfare measures can lead to a collectivist state. Libertarians like Friedrich Hayek, Milton Friedman and Robert Nozick argued that liberty is the ultimate value. They stood for property rights, a free market and minimal government. The state should restrict its responsibility to a minimal state -

\textsuperscript{48} Ibid.
\textsuperscript{49} See, Held and Hirst, \textit{op. cit.}, 2002.
'the night-watchman state of classical liberalism' to protect people from one another and from external threat.

In Britain, Margaret Thatcher became the Prime Minister in 1979, and in the following year Ronald Reagan won the position of the President of the United States. These two leaders played a pivotal role in shaping the politics of neoliberalism which in a way cultivated a specific agenda of globalization.\textsuperscript{50} In 1981, France had elected a socialist president, François Mitterand, who after an initial attempt at Keynesianism adopted Thatcherite policies. The following year, in 1982, Germany elected the conservative Helmut Kohl as Chancellor. Throughout the West, in one country after another, social spending came to be cut and state-owned industries were privatized, providing new opportunities for multinational companies. This process was also encouraged by the Thatcher and Reagan administrations of the 1980s.

Thatcher and Reagan's adopted the New Right as the policy for their respective governments. The New Right represented a shift from the welfare state intervention and liberal values. It began to capitalize on the difficulties of the state-administered socialism and argued that individuals can judge what they want, the less the interference of the state the more is the freedom of the individual. The state is justified, said Nozick, only in so far as it protects people against force, fraud, and theft, and enforces contracts. The state exists to safeguard rights. Redistributive taxation takes some of what we produce without our consent and delivers it to others. Hence, redistributive taxation is inconsistent with self-ownership, and therefore is unjust.

Libertarians through the New Right criticized socialism arguing that it meant bureaucracy and state control. The economic crisis of the seventies highlighted the incapacity of the state to realize the ideals of welfare socialism, due to its bureaucratic, hierarchical, repressive state policies.\textsuperscript{51} As such, the laissez-faire or free market along with the minimal state became a viable policy. Thus for the

\textsuperscript{50} In 1981, Reagan demoralised US unions by sacking 11,000 striking air-traffic controllers. Organised labour in Britain took longer to break, but the defeat of a year-long miners strike in 1985 was a turning point.

libertarian, laissez-faire is reborn though globalization. In order to achieve the objective of the free market the New Right began to support social virtues like- self interest, hard work, self-reliance, freedom of choice, private property and distrust of state bureaucracy.52 Thus, the libertarian ideology backing the New Right argued that state control curtails both individual initiative and social resources.

Libertarians began to articulate the neo-liberal views of free market economists like Friedrich Hayek, Milton Friedman and philosophers, such as Robert Nozick. Market and individual were the focal issues of neo-liberalism. The neo-liberal goal is to ‘roll back the frontiers of the state’, as it believes that unregulated markets lead to efficiency, growth and widespread prosperity. The interference by the state can sap initiative and discourage enterprise. Hence, invariably globalization with its free market is justified. Hence privatization and liberalization processes are considered as the panacea against poverty and marginalization.

Libertarians with their New Right policy support individualism saying that there is no such thing as a society, but only individuals and their families. The ‘nanny state’ or ma-bap sarkar leads to dependency and lack of freedom. The economic role of the state is restricted to protect monetary balance and promotion of competition against monopoly power, price fixing etc.

c. Liberals and Libertarians:

From the above explanation, it seems that there is a great deal of convergence between the position of the liberals and the libertarians with regard to globalization. This convergence is much more apparent than real particularly when the pursuit of specific policies, are in question.

The term ‘liberal’ is generic, in nature, while libertarians avow a much more specific position. Therefore several contemporary liberals’ particularly those committed to an equalitarian perspective such as John Rawls or Ronald Dworkin call for a stronger interventionist role for the state. But broadly we can say that liberals favour a free market and relatively restricted role for the state.

52 Ibid.
The Liberals however are profoundly aware that globalization may reinforce existing inequalities and lead to renewed polarization of society, which the welfare state succeeded in bridging to an extent. Therefore, liberals, equalitarians and not so equalitarians feel that there need to be a set of social economic policies in place to redress widespread inequalities, unemployment and poverty. Therefore they subscribe to what has come to be termed as safety nets. While in the wake of liberalization many welfare policies have undergone substantial transformation and new policies such as workfare are constantly regenerated to meet the above requirements.

The Liberals also acknowledge a much more positive role for the state as compared to the libertarians. They feel that there need to be a regulative mechanism that keeps the various interests found in the society and expressed at the market place within limits. They are committed to the view that a democratic polity must devise such a regulatory mechanism and not allow society to be governed by the whims and fancies of the market place. While they value autonomy and freedoms they do not unilaterally prioritize liberty as the governing value. They think there must be certain trade offs between different rights if the demands of equal rights of all and common welfare has to be pursued. In this regard liberals are much more committed to equality of rights rather than prioritization of liberty without considering other claims.

Libertarians however prioritize liberty over all other value considerations and hold the market in supreme regard. They think that the market itself can act as the regulatory mechanism and the role of the state primarily lies in sustaining and enabling the market. Libertarians do not hold considerations like social welfare policies in high regard. They feel that such considerations should be left to the choice of the individual concerned and the demands and resources of the market.

d. Liberal Realists:

Realism, which has been a major perspective in understanding international relations with its anchor on the nation-state however, significantly departs from the liberal perspective on globalization. Realism considers the present existing international order as constituted primarily by the powerful states (economically and
militarily). Hence, these are the nations who had their say and control over policies that guide international order. Gilpin argues that the existing liberal order, which underpins the recent intensification of international interdependence, would eventually collapse. Realism insists that the state remains a principal actor even today. Gilpin defines global political economy as the 'interaction of the market, and such powerful actors as states, multinational firms, and international organizations'. Despite these actors, national governments still make the basic decisions on economic matters; they continue to set the rules for the functioning of other actors, and influence 'economic outcomes'. Realism or state-centric approach rejects the popular belief that economic and technological forces have eclipsed the nation-state and are creating a global world economy in which political boundaries and national governments are no longer important.

e. Marxism:

Since 1980s Marxism has experienced considerable decline as communism had a setback in the USSR, and less developed countries brought an end to the import substitution strategies of the economy. Marxism as a theory to manage the economy saw considerable decline, as there was a shift to market economy. However Marxism plays a predominant role as an analytic tool and as a critique of capitalism still.

Marxists consider capitalism as the root cause for globalization. They feel that global interdependence and reciprocity to technology have driven the process of globalization further. In a way globalization does not seem to surprise Marxists. "After all, Lenin wrote extensively about imperialism and its essential links to capitalism, and present-day writers such as Immanuel Wallerstein have seen the growing integration of the world economy in related ways as the organic extension of national capitalism."

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54 Ibid., p.19.
55 Ibid., p.13.
Marxists see Globalization as a product of capitalism. From so-called free competition, capitalism has evolved into monopoly capitalism, where a handful of giant corporations dominate the globe and have more power than many elected governments; they use their economic muscle to crush all opposition. They buy politicians of all colours and engage in corruption as a means of protecting their system.\textsuperscript{58}

The transnational corporations, elite finance managers often gain better opportunities under globalization to concentrate in the world market as barriers on trade and capital flows are eliminated. The phenomenon of globalization fuels accumulation of profit. Marxists call this as the rise of ‘commodification’, as there is a considerable shift in capitalism from traditional trade (mercandise) and industry towards finance, information and communications. It is a shift from the ‘tangible’ to the ‘intangible’.

David Harvey one of the important commentators on globalization offers a Marxist perspective and argues that it is a developed new form of exploitation affecting both the developed and the less developed parts of the world but also within developed countries. He connects globalization with the Reagan and Thatcher era in the US and the UK. He considers the role of the national state as a buffer between globalization on the one hand and regions, localities and individuals on the other hand.\textsuperscript{59}

Marxists argue that globalization has been promoted by governments that are represented at the WTO and the IFIs. Those governments have implemented the various neo-liberal policies responsible for promoting globalization. They consider globalization as hostile to the interests of the majority of humanity.\textsuperscript{60}

Among the Marxist theories on globalization the Global Capitalism approach is the predominant one. It locates dominant global forces in the structure of a growing capitalism. It sees ‘global’ as made of more than the relations between


\textsuperscript{60} See, Gilpin, \textit{op. cit.}, 2001, p.13.
nation-states and state-centric explanations of national economies competing against one another. Though there are varied analyses among the writers they focus specifically on capitalism as a social system which is best analyzed on three levels, namely the level of the internal logic of the system (inspired by Marx and Adam Smith), the structural level of historical development and the level of the specific social formation, or society. The deindustrialization of some of the heartland regions of capitalism and the transformations in the Third World explained in connection with the globalization of capitalist system is deeply connected to the capitalist crises of 1970s which further enhanced the insecurity of the rich countries paying for their welfare. They argue that: 'we are only at the beginning of the global era.'\textsuperscript{61} They further consider that neo-liberal globalizing forces in the field of economics are playing crucial role in shaping and justifying the process of globalization. Leslie Sklair proposes a more explicit model of the global system based on the concept of 'transnational practices', originating with non-state actors and cross state borders. They are analytically distinguished in three spheres: economic, political and cultural-ideological. He argues that the TNC have emerged as the most important institution for economic transnational practices; TCC for political transnational practices; and the culture-ideology of consumerism for transnational cultural-ideological practices.\textsuperscript{62} This theory is concerned with how TNCs, TCCs and the culture-ideology of consumerism work to transform the world in terms of the global capitalist project. It argues that consumerism in the present capitalistic conception raises expectations of the consumer without necessarily ensuring the required income to buy it.\textsuperscript{63} It feels that global finance capital today tends to control all mainstream activities by dominating all economic, political and cultural institutions and processes.

Marxism argues that from the mid-1980s onwards the internationalization of neo-liberal policy took place through the World Bank and IMF. Under the influence of Reagan, Kohl and Thatcher, the IFIs forced or encouraged developing countries to devalue their currencies, reduce tariffs, slash state expenditure, and privatize state undertakings. In most of Africa, much of Latin America and parts of Asia policies of


\textsuperscript{62} Cited in, Ibid., p.158.

"structural adjustments" had enforced an order to pave the way for globalization. In 1989-91, with the collapse of the USSR and Eastern Europe the old international order had come to an end. In its wake, WTO and the various regional blocs, especially the EU and the NAFTA became prominent organizations. They were set up by political initiatives aimed at enhancing the wealth and power of a small minority of humanity.

Hence Marxism argues that "Globalization is far from being inclusive. To strive and thrive in such an iniquitous world the few big beneficiaries of globalization are playing mind game." Globalization in essence is capitalist exploitation of the weak and capitalism benefits itself and harms others. Samir Amin calls it as an ideological discourse employed to legitimate the strategies of imperialist capital. Marxists see globalization as late capitalism. As capitalism has to maintain profits, it has to exploit new markets. Hence, national capitalism expands the geographical reach of capitalist relations. It considers modern trends as a new mode of western materialism dominated by the needs and requirements of finance capital within the world's major capitalist states.

Marxists criticize neo-liberalism which has become increasingly the accepted new political discourse. They feel that globalization has to be situated in the wider context of capitalism, in the systemic crisis of capitalism since 1970s. Economic globalization with its free flow of production and trade and the globalization of finance became significant after the collapse of Bretton Woods system in the early seventies. As such, the neo-liberal Washington Consensus, with its deregulation, privatization and liberalization came to prominence. Marxists reject the neo-liberal perspective of 'free market' doctrine which considers economy and politics, market and state as autonomous units, assigning a minimal role to the nation-state particularly in its functions of social intervention in favour of the marginal.

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65 Quoted from, Bharadwaj, op. cit., p. 309. For similar ideas also see, Peter Alexander, op. cit., pp. 55-73.
i). Differences in Perspectives: Marxists are not all united in perceiving globalization in the same way although there is a broad agreement among them that globalization has made leeway for the further expansion of capital and primarily works in favour of capital. The differences in perspectives arise from the dominant frameworks mounted to understand late capitalism such as that of Paul Baran, who focusses on economic surplus and backwardness; Andre Gunder Frank on the capitalist development of underdevelopment; Theotonio dos Santos on new dependency; Ray Mauro Marini on sub-imperialism; Fernando Henrique Cardoso on associated dependent capitalism and so on.67

ii). Globalization and Welfare: Marxists have generally associated economic development with dominant capital through capital markets or under the state through planning and by way of socialist market. Under conditions of globalization Marxists have favoured strengthening several dimensions of the welfare state so that the essential requirements of the people can be provided.68 Marxists also have laid stress on the growing inequality and rising disparities associated with globalization. They subscribe to collective and structural reforms over individual priorities in order to bring about greater social justice and economic equality. In the shorter run they are in favour of the “state and international economic institutions to act relatively autonomously within the overarching international division of labour.”69 They feel that the state must take initiative in the promotion of autonomous growth of national capital which should not become prey to global capital. They however, may differ on the appropriate mix of policies in this regard. Both Marxism and liberalism lay emphasis on promoting “autonomy” and freedoms, but they radically differ on ways of securing them and with regard to their interpretation. So too is their understanding of democracy.70

iii). Globalization and Class Struggle: Marxists conceive of globalization as being constrained by the needs of transnational capitalism. It has heralded a decisive shift in the locus of class-struggle. Therefore, Marxists believe they need to be

67 These theorists highlight the structural dichotomies/ core and periphery and the economic development and underdevelopment in the imperialist and dependent societies. Ibid., p.84.
68 Ibid.
profoundly aware of the global developments to carry out their struggles at the local and national levels. They view the dominant social, political and economic processes at the global level essentially as expressions of underlying class conflicts at the global scale. Hence, scholar activists such as Samir Amin consider that the present globalization is prone to popular struggle against monopolies and imperialism.  

**Perspectives and Trends of Globalization**

While scholars may accept globalization as a significant new phase of development, they may not be in agreement regarding its line of march and the extent to which it is already in place. David Held divides the commentators and votaries of globalization into three important categories: the globalists, internationalists, and transformationalists.

Globalists observe that the geography of social relations has immensely changed at a global scale. Due to globalization territorial boundaries are no longer sacrosanct. National cultures, economies and politics are integrated into networks of global flows. For them, globalization is real and tangible. In this respect Robert O. Keohane and Joseph Nye Jr. suggest that globalization refers to the recent increase in globalism. They argue that globalism implies "a state of the world involving networks of interdependence at multicentennial distances. The linkages occur through flows and influences of capital and goods, information of ideas, and people and forces, as well as environmentally and biologically relevant substances (such as acid rain or pathogens)." See, Keohane and Nye Jr., *op. cit.*, p.105.

Globalists analyse different forms of globalism and underscore their interconnectedness. Scholars such as David Held who are not globalists in the strict sense appreciate the process of globalization and maintain that globalization has begotten a thick bond as it involves many relationships that are intensive and extensive as against the argument that it is thin.  

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71 Quoted from, Chilcote, *op. cit.*, p. 84
72 They argue that globalism implies "a state of the world involving networks of interdependence at multicentennial distances. The linkages occur through flows and influences of capital and goods, information of ideas, and people and forces, as well as environmentally and biologically relevant substances (such as acid rain or pathogens)." See, Keohane and Nye Jr., *op. cit.*, p.105.
73 Ibid., p.105.
74 Economic globalism, Military globalism, Environmental globalism, Social and Cultural globalism which survey movements and long distance interconnectedness in respective spheres.
75 See, Keohane and Nye Jr., *op. cit.*, p.108.
Globalists feel that the present pace of globalization is faster and speedier and it has no precedents in the past. Thomas Friedman argues that contemporary globalization grows "farther, faster, deeper and cheaper...." It is further argued that "the degree of thickening of globalism may be giving rise to three changes not just in degree but in kind: increased "institutional velocity," and increased transnational participation." The volume of communication, in its wake has increased exponentially. Markets have responded quickly and the multinational enterprises have changed their structure as global capitalism has become more competitive. Globalists do not merely valorize the process but argue that the conception of a globalised economy or global society is conducive to national economy or larger society. Hence, globalization is a requisite 'trajectory of development' and no attempt should be made to resist it.

Globalists argue that in this global age states are confined to huge economic and political processes of change. As a result, the power of the state is eroding and fragmenting. Thus states have increasingly become 'decision takers' rather than, 'decision makers'. The Globalists, reject the view that globalization can be simply dismissed as a purely ideological construction or as a synonym for western imperialism. While accepting the view that globalization may serve the interests of powerful social forces in the West, they take note of the real structural changes taking place in the modern era. Rather than considering globalization as solely an economic phenomenon, globalists lay equal emphasis on other dimensions as well. Thus, their conception of globalization amounts to a set of interrelated processes operating across all the primary domains of social power and in every sphere (military, cultural and political). Such a perspective may also be willing to accept that each sphere in the globalised world remains autonomous in terms of its historical process.

David Held distinguishes between positive globalists and pessimistic globalists. Positive globalists highlight the benefits of globalization and accept and welcome the outcome of globalising influences. They believe that such globalising

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76 Cited in, Ibid.
77 Quoted from, Ibid.
79 Ibid., p.3.
influences have the potential of extending social relations to improve the quality of life, raise living standards, and bring people together, which in turn, promote the sharing of cultures and understanding among nations around the world and bring them under one single fold as world citizens through global communication. Positive globalists place hope in a responsible civil society eliminating the dangers to environment, reducing unsustainable levels of consumption and development of technology.

On the other hand, Pessimists consider that the world is becoming homogeneous. They argue that dominant countries effectively resist changes and strive to impose their will upon others. Globalization as far as they are concerned has negative consequence on the economy and affects the poorer nations, women, unskilled and manual workers deleteriously.

Internationalists are skeptical about globalization. They argue that, the discourse of globalization is primarily an ideological construction. It is a myth that justifies and legitimizes the neo-liberal global project of the creation of a global free market and the consolidation of Anglo-American capitalism. In this respect, the concept of globalization operates as a ‘necessary myth’, through which politicians and governments discipline their citizens to meet the requirements of the global marketplace.

Internationalists argue that the importance of globalization as a new distinct phase is exaggerated, and believe that what we are witnessing today is a continuation and development of the earlier trading links. Most economic and social activity is regional, rather than global. They subscribe to the view that, nation-states still play a significant role and still, retain the autonomy to determine their national economic and political priorities and to protect post-world war welfare states. Internationalists challenge the global inequalities produced by development priorities of global business.

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Transformationalists, representing the third position on globalization agree with the internationalists that the globalists have exaggerated their case. They argue that nation-states continue to remain powerful politically, economically, and militarily. However, at the same time they criticize the internationalists for underestimating the material impact and effects of globalization. They also criticize the globalists for exaggerating the phenomenon of globalization. Nonetheless, for transformationalists globalization represents a significant shift. The consequences of present global interactions are complex and yet nation-states remain powerful. They feel that forms of globalization are not inevitable and they can be reversed. Hence, new and progressive structures for democratic accountability and a global system of governance can be put in place.

Globalization is not uniform. It varies across countries, social indicators, and time. It is essential to have a broad approach to perceive and to be prepared to meet its unexpected and unintended consequences.

**Impact of Globalization on Welfare**

There is a mixed response to impact of globalization on the concerns of welfare. It is widely accepted today that globalization raises economic growth, spreads technology, and contributes to better living standards, in both developing and developed countries. A question is often asked as to whether the rapid growth of cross-border economic, social, technological, and cultural exchange is 'civilising, destructive or feeble'? Further it is important to ask the questions, whom does it benefit and how does it effect structures and institutions extending support to the disadvantaged.

It is assumed that more integrated economies tend to grow faster and the integration process of economies under globalization benefits poverty reduction. Free flow of capital across the border leads to enormous benefits to the countries involved, in gaining better opportunity of investment and employment, effective use of savings, higher economic growth, better administration etc.

At the same time, the adverse impact on concerns of poverty, equality and social justice have been considered alarming under globalization. Globalization encourages a mechanism of the preponderance of the market over state and as such the erosion of local cultures and prepares the ground for growing economic inequalities. Critics frequently allege that globalization 'increases unemployment' 'worsens working conditions', for those people who retain waged jobs, and thereby threatens social cohesion.83 Though it is not possible to clarify such an allegation given the economic and historical nature of trans-border production, it is possible to draw evidence that contemporary globalization is linked to growing income inequalities and greater job insecurity.84

It has been argued that globalization reflects the 'political project of an identifiable constellation of dominant social forces' and it is 'politically problematic and contestable'.85 With its free market philosophy globalization is concerned with increasing global wealth without having concern for its just and equitable distribution and has an adverse effect on the welfare state. Critics say that the New Right neo-liberal economic policies attack the post-liberal welfare policies pushing the affected more and more to the margins. Those who view globalization as significant for political economy ignore its implications for welfare states and as such, the welfare functions and activities of the states are ignored altogether.86

a. Growing Inequality Within and Across Nations:

It is generally admitted that there is an increasing number of losers, particularly in the poor countries and equally increasing number of unemployed and working poor within the rich countries under globalization.87 The World Bank Policy Research Report says that in the past two decades two billion people in several countries are in danger of becoming marginal to the world economy.88

84 Ibid., p.436.
85 Cited in, Bharadwaj, op. cit., p.319.
88 It says that incomes in these countries have been falling and they participate less in trade today than they did 20 years ago. See, World Bank, op. cit., p. x.
The growing integration is also leading to heightened inequalities within countries. It is said that globalization enforced on behalf of capital, has brought to bear added pressure on domestic populations and political institutions giving rise to development that is ‘faceless, placeless and bloodlessly unsympathetic’. Further, “The bimodal distribution of income across the globe is becoming even more distinct. The rich are getting much richer while the poor are growing in number and many are staying poor.”

There is much evidence to suggest that the benefits of globalization are also distributed highly unequally. Major parts of the developing world are left behind miserably where 1.2 billion people somehow eke out survival on $1 a day, or nearly 3 billion on $2 a day, nearly half of humanity is never connected through telephone facility and where one fifth of the world’s people do not have access to safe drinking water. In 1980, the median income in the richest 10 per cent of countries was 77 times greater than that in the poorest 10 per cent. By 1999, this difference had gone to 122 times. ‘The growth of competition, deregulation, privatization and open capital markets has actually undermined economic opportunities for many millions of the world’s poorest people’. It has also become a mechanism responsible for the preponderance of the market over the state and as such is responsible for the erosion of the state and local cultures. It has also created the ground for growing economic inequalities.

According to the World Bank, ‘In, 1960 per capita GDP in the richest 20 countries was 18 times that in the poorest 20 countries. By 1995 this gap had widened to 37 times’. Another study, which compared Western Europe and its ‘offshoots’ in North America and Australasia with Africa and Asia, showed that the ratio between average income levels in the two ‘regions’ changed from eleven-to-

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90 Quoted in, Bharadwaj, *op. cit.*, p. 319.
92 Cited in, David Held, *op. cit.*, 2004, p. 98.
93 Ibid., p.99.
one in 1950 to twelve-to-one in 1973, and then to sixteen-to-one in 1992.95 Under globalization, there is not merely polarization of wealth and income between the rich west and the rest but also unevenness between regions. According to Larry Elliot in 1960, per capita incomes in Africa were three times higher than in Asia, 'now they are less than half as high'.96 The divide between the haves and have-nots is increasing in number in the Third World as well resulting in dire poverty. There have been wide disparities among nations and within nations. The actual number of people living in poverty is estimated to have increased by almost 100 million though at the same time the total world income increased by an average of 2.5 percent annually.97 In an educational publication aimed at workers, the International Labour Resource and Information Group, based in Cape Town, argued that globalization is a process of restructuring the world economy as a response to the crisis in the capitalist economic system which began in the early 1970s. Such restructuring is required to find new ways for business to advance profits.

Globalization has proved beneficial to the already industrialized and developed countries as they have greater capacity to fight competition. However, the key drivers of globalization are a few hundreds of industrial and financial corporations.98

There is no doubt that there are growing inequities between the rich and poor. These can result in long-term poverty, social exclusion etc. It is reported that despite the growing affluence in the world as never before, almost one-eighth of the people in the industrialized world are affected and live in poverty. Almost one-third of the people in the developing world, an estimated 1.5 billion, lives in poverty and is deprived of basic needs. They lack access to clean water. As many as 840 million

96 Madisha, President of the Congress of South African Trade Unions, told South African trade unionists: "globalization...worsens" the inequitable distribution of power between the rich and the poor, and between the developed and developing countries' See, Willy Madisha, 2000, http://www.tssa.org.uk/article-28.php3?id_article=1885
people, suffer from malnutrition. More than 260 million children are deprived of school education.99

In the present context, free flow of trade and barriers to trade and investment increase the asymmetry between groups that can cross international borders and those who cannot. The owners of capital, highly skilled workers, professionals are able to move freely with their resources where they are needed. The unskilled and semiskilled workers can be easily substituted hence their moving out does not take place. Even if it takes place, they are subjected to eroding bargaining power, hence end up with lesser wages.

The impact of globalization is fairly visible on women worldwide. It is argued that globalization offers opportunity for women and indigenous women’s movements to secure common concerns. However, women are the most affected section of the society under globalization since women are the least unionized. As they are paid poorly compared to their counter-parts women have been vulnerable to the market policies of global economic restructuring in the 1990s. Saskia Sassen analyses the ill-effects by identifying three areas of international economy where women’s roles are affected especially with the growing ‘incorporation of Third World women into wage labour’. Migrants, minority ethnic groups, refugees and asylum seekers all have become challenges to Third World nation-states.100

Analyzing the consequences of globalization on peasantry it has been observed, that the peasantry as a class has been effectively eliminated in several regions of the world and the trend now consolidates towards a more urbanized, rationalized and marketised form of world economy.101 Economic globalization is not a process that promotes an egalitarian society.

100 See, Saskia Sassen, Globalization and its Discontents, New York, New Press, 1998, p.130. In the first place, she argues that “internationalized commercial cash crop agriculture depends on women, through their subsistence farming and household production, subsidizing the waged labour of men, Secondly, under pressure from low-cost imports, a high fraction of lower-paid women makes up the workforce in poorer countries. Thirdly, the growing migrations of women due to economic globalization”. Also see, Held, op. cit., 2004, pp. 99-102.
Globalization also contemplates that poor countries will grow faster than rich ones in a free global market, because capital from the rich ones in a free global market, will flow towards the regions with cheap labour.\textsuperscript{102} David Dollar, Director of Developmental Policy at the World Bank, cites the findings of a recent survey suggesting that developing countries are positively disposed to foreign trade and investment compared to rich countries. He also points to a significant decrease in the number of the world's extreme poor since 1980. For example he cites that around 75 per cent of the households in Sub-Saharan Africa are very positive of the multinational corporations as they feel that the MNC have a positive influence on their country compared to only 54 per cent in rich countries.\textsuperscript{103} While the reinforcement of globalization is clear, we need to note that certain regions in the world have witnessed rapid growth under it. In fact some regions have been unhinged, from their national and cultural moorings and connected to regions at distant places with which they have little geographical contiguity or even historical linkages. It is also true that processes of globalization have helped in increasing the economic growth rates. Globalization has increased connectivity and thereby increased opportunities.

Globalization has transformed trading patterns, modes of communication and living standards. The economies which have sound financial base, industrial infrastructure, proper trade base and well developed human resources can only think of growth in trade and foreign investment.

b. Shrinking Social Sector:

Does the benefits of globalization of trade and capital flows, reach the marginal sections of society? The Social sector is the key area on which the impact of globalization with regard to welfare can be assessed. Though it is argued that globalization has benefited the poor,\textsuperscript{104} a study of its impact on the social sector shows different results. The free trade market policies do not generally support the

\textsuperscript{102} See, Bharadwaj, \textit{op. cit.}, p. 319.
\textsuperscript{103} The Pew Center (Washington) for the People and the Press surveyed 38,000 people in 44 nations, with coverage of the developing world in all regions. It registered a positive view of growing economic integration worldwide. But what was striking in the survey is that views of globalization are distinctly more positive in low-income countries than in rich ones. See, David Dollar, "The Poor Like Globalization: But Institutions and Policies are Needed to Deliver the Hoped for Results", 23 June 2003, http://yaleglobal.yale.edu/display.article?id=1934.
\textsuperscript{104} See, World Bank, \textit{op. cit.} 2002, pp. 3-12.
expansion of social sector, they advocate cutting down taxes and reducing state interference instead. Vito Tanzi’s work indicates a clear stand on the subject of public expenditures. He documents that, the most rapid rise in public spending took place between 1960 and 1980, a phase of successive and significant liberalization in trade and monetary relations. The 1980s and 1990s first saw the emergence of greater skepticism about the interventionist state, especially in the UK and US, yet public spending continued to rise though at a slower pace. At the same time, it was purchasing fewer social services, in part because of the declining cost-effectiveness of interventions, and in part because the public sector debt burden from previous expenditures consumed a greater fraction of overall spending.

Tanzi foresees a reduction in public spending relative to GDP in the years ahead, reflecting a combination of less favourable attitudes toward the role of the state and a less friendly fiscal environment due to demographic shifts, among other factors.

In the changed context, it is commonly seen that national social policies are increasingly monitored by external agencies. Strong versions of globalization erode the capacity of the state in terms of its political power and its ability to determine policy, its autonomy and its role in the execution of policy. This is particularly so in several parts of Sub-Saharan Africa where international agencies have in effect, replaced local regimes. As globalization influences the social and economic policies of the state, it brings about a change in the perspectives of development. For one thing, today development parameters are focused on the growth of economy rather than on the greater good of all. It affects the priorities of the state distinct from the comprehensive welfare state provisions in order to meet the demands of globalization.

Under globalization several states are losing their capacity to influence national economic development. As the priorities of government have changed, governments have to boost export production and provide attractive conditions for foreign investment. Several governments in the Third World are experiencing an

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extraordinary roll back of public investments. State leaders are forced to reduce taxes, devalue their currency, and cut public spending, for social welfare benefits or investment in infrastructure. The privatization of state assets, and their auctioning, seems to be working to the benefit global financial elites as the auction rates are, dictated by global financial markets. There is a marked increase in privatization to over ten folds during 1980s.

Skeptics of globalization such as Dani Rodrik argue that globalization has made it very difficult for government to provide social insurance. The international economic integration is taking place in the background of diminishing governments and their shrinking social responsibilities.

The Public sector reform is one of the significant indicators, which shows the shrinking of the social sector. Global managers of the economy believe that the activities of the public sector should be shifted to the private sector making room for the multinationals to invest. It has put to solid pressure on the private sector especially towards privatization of public enterprises, public lands and public assets. As such the trade barriers are lifted leading to not only free flow of capital but also of products, services and skilled labour depending on the extent of such privatization. Governments often become victims of the compulsion to privatize, and they try to defend their exercise by appealing to the national perspective, arguing that the reform in public sector is required to make the nation fit for the global economy.

Traditionally the core of social policy was the social sector in terms of its organization, distribution and consumption of welfare services at the national level. Globalization ‘disrupts the “national” focus of attention’. Globalization shifts the focus from ‘local’ to ‘global’.

Even the structural adjustment policies of the IMF and the World Bank policies favour and protect the interests of the rich nations. One of the main policy-

108 Cited in, Yeates, op. cit., p. 16.
stance that all these international Institutions fall back upon is to achieve the reduction of public expenditure of governments. This in turn result in cuts in the subsidies for the marginalized and the poor, ignoring, established and constitutionally ensured objectives.

Various explanations have been advanced regarding the reasons for the change of policy that invariably affects the social expenditure of governments. According to one of them the principal reason lies in the pressure applied by the private economic forces on national policies. The second explanation relies on ideational factors, which inspire leaders to follow the herd in order to avoid looking like laggards. As such, Privatization and disinvestment are gaining importance in the formulation and expansion of public policy. Protectionism of the erstwhile socialist democratic society has increasingly, been considered unimportant. This is true in India as it is elsewhere. Few other theories such as the Race to Bottom Theory explain why nations follow the Casino Effect i.e., competing in the neo-liberal market with the temptations of competing more and more, the more you lose till one gets bankrupt. The direct consequence of this has been a continuous reduction in the social expenditure by various governments. The convergence among nations takes place due to the sheer size and mobility of the capital flow that forces the states to participate. In this context, states do not mind sacrificing the environment, working conditions of labour and its health at the altar of commerce.

Therefore on the economic front one of the institutions that stands as the biggest obstacle to neo-liberal globalization is the nation-state, possessing regulatory powers to control the economic activity within its demarcated territorial space.

Globalization has been a big blow to the liberal state, which has cherished equal rights and on that basis called for building capacities by strengthening the social sector. Global capital makes more social spending or a generous social sector seem irresponsible. This is particularly so in liberal dispensations planted in a poor economy. Poor, marginalized and isolated economies are always vulnerable to the rules of the powerful. There are issues, which affect the labour, their welfare and

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110 See, Bharadwaj, op. cit., p.313.
111 Ibid., p.312.
employment conditions and education policies. Education, health and welfare are the three areas, which called for special attention in these societies. Education may be financed to an extent, as there is a growing feeling that education is required to develop competence in the global market, but health and other social indicators are being affected drastically. It is not that, only poor liberal societies get affected by globalization. One can generally predict that in prosperous democracies, whenever government curtails welfare programmes, such a decision will make the bleak lives of poor people still more, bleak.  

Dani Rodrik advances a major reason why under conditions of globalization social policies are put on the reverse gear. Due to the world of integrated economies, the 'owners of capital, skilled workers, and many professionals' are free to move their resources where they are in high demand. If economic integration allows capital and skills to migrate to low-tax jurisdictions the tax base will shrink curtailing the government's ability to finance social programmes and safety nets or redistribution of income. Hence governments have to cut taxes and dismantle the welfare state.

It has to be admitted that economic integration does put limits on government. At the same time, open market gives less room for oppression as people have more choices. Clive crook argues that global markets are allies of human rights. Moreover open market facilitates a 'broader kind of policy competition among governments. This also facilitates the voters by making them informed about alternatives, and making them more demanding.

In this context it is worth noting that though the traditional social sector is whittled down, a re-looking process towards the social sector is being geared up. The two exclusively divergent arguments on the present development of social sector seem to have been put to a closer enquiry. Marxists writers argue about the urgent need of going beyond capitalism in order to create a society of free women and men utilizing productive resources in a planned way to satisfy needs. The opposite view speaks of rolling back the state, especially in its welfare aspects, curb

113 See, Clive Crook, *op. cit.*, p.15.
the political interference in the market and rely on self-correcting market mechanism to keep an advanced industrial economy growing. The converging view of these called as corporatism also does not reject the mixed economy and the welfare state seems to verify its tenets. Corporatism is considered to be a pragmatic approach to the 'integrative problems of the political economy'. Yet all the three approaches seem to converge on a transformation of a vibrant welfare state. Reform of government and the state has been conceived to be very significant in this regard. The Third Way which seems to be bringing in a convergence of the left and right seems to argue that an "overloaded, bureaucratic state is not unlikely to provide good public services it is also dysfunctional for economic prosperity." It argues for a public-private partnership and an activist role for the government, restoring and refurbishing public institutions in order to make state agencies transparent and people-oriented. They also argue that markets create insecurities and inequalities that require government intervention or regulation if they are to be controlled or minimized. Attempts at privatizing social security system is already initiated in Chile as it is the first in the Western Hemisphere to adopt a social security system, became the first nation in the world to dismantle its public system, replacing it with the equivalent of Individual Retirement Accounts and also allowing workers both greater freedom of choice and higher retirement income. Britain also provides employers and workers to opt out of the earnings-related tier of public social security by setting up private plans that promise benefits as generous as the public system. The Welfare state seems to make a transition to a workfare state.

The safety nets that are replacing the traditional social security measures seem to address the transition of welfare state. Arguments are also put forward to view the transition in the wake of a changing role of the civil society.

c. Impact on the Regime of Culture:

The 20th century saw large masses taking over the mantle of culture and on that basis reinforcing the national bond. This begets a skewed bond between nationalism on one hand and mass culture on the other. But equal cultural space within the nation-state came to be challenged by cultural minorities and particularly

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115 Ibid.
so from the mid of 20th century onwards. They demanded minority cultural rights against the homogenizing cultural functioning of the nation-state. They also argued that equality of treatment requires that one takes cognizance of the cultural contexts of experience and action, which are against the single mode of action as practiced by the nation-state hitherto. Minorities felt that existing national policies on welfare lead to cultural bias.

Minorities challenged welfarism of a majoritarian nation-state on grounds of equality. They argued that the accommodation of differences is the essence of true equality' and group specific rights were needed to accommodate their differences.117 These rights, they claimed, helped the minority to secure same opportunity to live and work in their own culture as members of the majority. Without those rights the members of many minority cultures face the loss of culture, which was considered to be a great loss to be accepted by the minority. Ronald Dworkin and John Rawls also justified the need to set right 'unchosen inequalities'. As Rawls observed that it was important to be concerned about the inequalities in cultural membership, as their effects are 'profound and pervasive and present from birth'....118 The argument boiled down to was in the context of culture, equality requires not identical treatment but rather a differential treatment in order to provide differential needs.

The welfare state, often basically resolves this conflict of cultural diversity and differential treatment by making provisions through positive discrimination or making provision through reservation to the minority and providing opportunities to the marginalized. The welfare state respects 'cultural diversity a collective good'.119 And it is a valuable public good which cannot be safeguarded by a policy of cultural laissez-faire.120 Cultural pluralism implies respect for cultural distinctiveness and it is very important that cultural pluralism is observed to protect individuality and liberty of an individual. Human beings are culturally embedded and cultures are human creations, born out of the human search for meaning hence respect for culture

118 Ibid., p.105.
120 John Gray argues for 'cultural laissez-faire', where culturally unattached individuals freely choose their way of life in the cultural supermarket. However Gray's cultural laissez-faire is considered to be authoritarian state.
becomes very important. Globalization provides a specific twist to the cultural domain.

Thomas Friedman- an early proponent of the idea of globalization defines globalization as 'the integration of trade, finance, and information that is creating a single global market and culture'. The cultural dimension therefore, is very essential for any integral understanding of globalization. Globalization results in interconnectedness between societies. Culture is central to interconnectedness between places and nations. Globalization rearticulates the cultural domain in new ways, sometimes reinforcing existing unevenness and at other times highlighting a specific dimension, which may not have been prominent hitherto.

The widely held view is that globalizing forces are giving rise to a homogeneous society by eroding cultural distinctions and imposing a 'global' economic and political system. Such a view argues that globalization is a threat to histories and cultural distinctness, traditional life styles and autonomy of the individual. Distinct cultures are eroded and the dominant culture becomes eventually triumphant. The homogenizing of culture takes on imperialist overtures and therefore acts adversely to the growth of an authentic community. The growth in the flow of culture leads to the demise of national cultures.

However, contradictory opinions are expressed regarding the impact of globalization on culture. There are divergent views between those who consider increasing flow of global culture as beneficial as it gives rise to 'global village' (Positive globalists) and the one's who argue that the flow of culture leads to homogenization and imperialist mapping of the world (Pessimist globalists). The Internationalists are sceptical about any radical change and stress on the continuity and strength of national cultures. The transformationalists feel that some changes

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121 See, Bhikhu Parekh, op. cit., p.212.
122 See, Thomas Friedman, "Roll over Hawkes and Doves", The New York Times, 2 Feb 1997, p.15. However, it is argued that this latest spurt of economic globalization has been quite faster, and more dramatic to influence or subvert culture on a global scale.
124 Ibid., p.13.
125 David Held speaks about "the positive globalist who focuses on the progressive possibilities of the 'global village' and liberal perspectives which point to the democratic nature of the free market and benefits for viewers of greater choice." Ibid., p.57.
have taken place in the cultural milieu and their consequences are contradictory to what globalists or internationalists argue.

While globalization may lead to distinctness becoming standardized, at the same time, connectivity helps culture to be ‘combined, hybridized and transformed’. It is argued that trans-border social relations apparently bring distant cultures and societies face to face with each other both at local and global level. As a result, there can be a convergence of cultures or their overlapping or the emergence of a ‘global village’. In such a context, public interest may be served by enhancing public choice.

The Pessimist globalists however argue that globalization leads to cultural imperialism. The reduction of cultural differences around the world or the erosion of cultural distinctness is due to the spread of global corporations introduce ‘commodified western culture’. Americanization is considered to be the dominant influence upon other cultures as a cultural export. In this context, dominant cultures are seen as threatening the weak and vulnerable cultures. They may not treat the latter as ends in themselves but means to subserve their ends. For example the selection, collection and distribution of News is managed by the Western corporations is to gain profit rather than as a means of development.\textsuperscript{126} Such a global culture does not extend ‘even or uniform’ treatment to the diversity of cultures in the world, balancing or synthesizing these, but rather disseminates at the global level the US or Western culture forcing the very opposite of diversity.\textsuperscript{127} Pessimist globalists can draw much support from several developments to corroborate their position. Admittedly, such an asymmetric cultural dominance and imposition have grown considerably after the collapse of the Eastern bloc. Radical critics of globalization also consider it as the contemporary manifestation of western expansionism and cultural hegemony. ‘Left’ view-point too sees it as a means of colonization by capitalist corporate culture. The ‘right’ perspective, argues that such a culture threatens the distinct cultures of other nations and peoples.

\textsuperscript{126} ‘The domination of English language is also considered to be an example of homogenization, opposite to diversity’ It also argued that “globalization of culture is not the emergence and growth of a global culture, but a spreading in the English language of US or Western cultural goods and practices.” Ibid., p.63.

\textsuperscript{127} Ibid., p.61.
While there is a great deal of popular support behind this argument with a massive convergence of otherwise opposed positions, the right and the left, globalists and nationalists, one needs to be cautious in this front. There is a strong reductionist stance manifest in this position. The economic dominance of Anglo-American corporations under globalization does not necessarily lead to the cultural appropriation of Americanism by different societies. Even the spread of English under conditions of globalization can be interpreted not as a homogenization of the cultural space. In fact different societies may read very different cultural domains through the English language.

We can see this caution being expressed in the perspective of the transformationalists. They oppose the pessimistic globalists viewpoint of cultural hegemony as US centric. They argue that despite the global culture flows the national culture retains its distinctiveness. Globalization does pose a cultural challenge. The sheer pace of economic change threatens to displace local culture and societies. However, the mere flow of communication across the states does not suggest domination as people, however constrained, make an independent choice. Nonetheless, we need to be aware that a dominant state can always control the peripheral cultures through the superimposition of its culture and wielding a distinct hegemony.

There are others who point out the leading role that normative perspectives such as neo-liberalism wield. There are people who argue that the world has become subsumed by a singular culture, ideology, or world-view, i.e., neo-liberal capitalism. However, taking evidences from history it can be argued that hegemonies such as this only survive a certain time before themselves being undermined and subsumed by newly emergent and competing cultures and ideologies.

David Held demarcates the globalists into positive and pessimistic based on their respective viewpoints on globalization. The positive globalists support the changes in the cultural flows considering them as a positive growth of a 'global village' as opposed to the restricted national paternalism. 

Ibid., pp. 72-78. “The transformationalists recognize important changes that are taking place in global culture flows, but look at outcome of such a change as more complex and less undimensional.” Ibid., pp. 72-78.
As it is argued by the internationalists, culture is the outcome of centuries of continuity, communication, interaction and collective experience, forged in time and linked with identities. And the national cultures do show resilience and distinctiveness when it comes to the global flow of culture. The convergence of culture as a 'global village' may provide a forum to respect and build more inclusive societies by adopting policies that recognize cultural differences often called multicultural policies. Such a stance, however, is far too feeble because behind such policies lurk dominant cultures. Hence, it is necessary to have viable policies to protect the cultural onslaught. In the context of globalization culture and identities need to be protected in order to give an equal space for the cultural diversities of the people. In this sense, it is necessary to act against the cultural hegemony of globalization and its capacity to direct a set of cultural policies. In this context, alongside the defence of nationalism and the culture that undergirds it, it is necessary to protect the indigenous population, with whatever is rightfully due to them, such as minority rights, and also work for the preservation of distinct cultural spaces.

Globalization and Market

Globalization is the process by which markets and production of different countries become increasingly interdependent due to the dynamics of trade in goods and services and flows of capital and technology.

Liberal Economists argue that globalization is a good force for economic growth as it encourages competition, removes obstacles to trade, stimulates productivity and makes economies more efficient. Globalization supports liberalization. The advocates of liberalization repose their faith in the magic of the market place and its critics consider liberalization as immeasurably destructive.130

Harold Levitt's *Globalization of Markets* or Kenichi Ohmae's *Borderless Markets*, speak of prosperity and boundless consumer joy due to globalization.

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Contrary to this, historian Paul Kennedy in his *Preparing for the Twenty-First Century* and Dani Rodrik's writings raise concerns over efficiency to deal with it.\textsuperscript{131}

The free trade market is promised to bring immense growth and opportunities to the nations. It is argued, that the erstwhile weak countries have entered the 'stage of the world economy' with rapid development and are confident to take part in international economic activities and many threshold countries have attained a remarkable increase in wealth.\textsuperscript{132} It is argued that successful competition encourages the elimination of competition.

Those who consider it a disaster argue that liberalization considers social and economic objectives as secondary. One of the significant flaws in the logic of competition and market is the flow of labour. The social and political institutions of the rich developed countries impose and thereby deny their participation in the global economy. Thus, the movement of labour is controlled whereas capital and technology are free to move benefiting the rich countries.\textsuperscript{133}

Globalization inherently supports asymmetry as it is impossible to secure equality in the international market. The market does not provide a level playing field. Foreign capital often displaces domestic capital. What is beneficial to the global capitalist need not prove good to the peasant, worker, trader and small entrepreneur. Moreover, the marginalized countries lack capital and as such integration may not benefit them.

Due to the shifts in the priorities of development, open economies and unregulated markets have come to stay. In the traditional concept of development the state was assigned a strategic role in development because the market, by itself, was not considered to be sufficient to meet the requirements of late entries into industrialization. Today most of the developing countries and the socialist countries have begun to enlarge the role of market as against the state. The earlier planned

\textsuperscript{131} See, Guillen, *op. cit.*, p. 2.


economies have collapsed and excessive intervention of state is curtailed. As a result, globalization might have created opportunities for a few countries and a few people in the developing countries but a great proportion of the population, has remained untouched by the process of globalization and are driven to further marginalization. The competition that globalization seems to promote, only benefits the capable and has little to offer the incapable.

Basically, markets do not include people as consumers or buyers of goods and services if they do not have any incomes to attain purchasing power due to lack of entitlements. Market cares for those who can become its effective consumers. Markets also exclude people from being producers if they lack assets or capabilities. Such capabilities are secured through training, education and experience. And therefore, those people, who cannot afford to attain such capabilities especially the poor are excluded by the market. Even people with capabilities are excluded. For example if labour does not find demand for their capabilities they are subjected to exclusion from the labour market.

Markets are not accountable to the people. And the changed context has further curtailed the role of the national governments to intervene through their policies to reduce such exclusion.\textsuperscript{134} Decision-making today is increasingly, influenced by global financial markets. Ulrich Beck calls such an unstable society as a risk society characterized by individualism and weakening of tradition, community and established institutions.\textsuperscript{135} It is evident that globalization has concentrated economic power, and as such MNCs enjoy an edge over the political and economic power, and also influence the decisions of the government. Moreover, these international firms are not controlled by any agencies. The striking asymmetries in terms of the international trading system, often makes it clear. The free trading system is based on the assumption that barriers on trade and capital flows should be lifted and the barriers on technology flows and labour flows should be retained.

The proponents of competition and free market claim that it is necessary to have liberalization and integration in order to have better economic prospects.

Globalization also involves the liberalisation of national and global markets with a view that the flow of trade capital and ideas facilitate the best outcome for growth and human welfare.\textsuperscript{136} However, one cannot be definite about the future as to whether such a speculation would necessarily turn out to be positive.

The economic integration through private market is also one of the important dimensions of globalization. It promoted the entry of private markets and commercial businesses in health and welfare systems also. International trade in welfare services include education, medical and health services, higher education, etc. As such a trade taking place the welfare services that are supposed to be pursued by the nation-state are dwindling. The capacity of the state to regulate the markets in the interests of social protection is also undermined. The strength of the state in mitigating social risks and regulating welfare markets is also undermined.\textsuperscript{137} As such the growth in private welfare markets never facilitate the marginalized and the poor, who comprise a large section of the society.

Against the claims, that globalization leads to convergence, experience in recent years have shown increasing concentration of income, resources and wealth among some people, nation-states and corporations. Competitive markets may promote efficiency, but they do not guarantee equity. Liberalization and privatization can help competitive markets to grow, but they do not guarantee equal opportunities. When the market dominates social and political outcomes excessively, the opportunities and rewards of globalization spread unequally concentrating power and wealth in a select group of people, nations and corporations and marginalize a lot of other people. Though stopping the expansion of global markets may not be the panacea, the challenge is to have stronger governance to preserve the advantages of global market and competition, and also to provide enough space for human, community and environmental resources to ensure that globalization works for people and not just for profits.\textsuperscript{138}

\textsuperscript{137} See, Yeates, \textit{op. cit.}, p.71.
The left perspective has attributed reasons for the present problems to market failures and sought a positive role to the state and government to guide the economy towards the more efficient allocation of resources, whereas the right argues that if markets are left to themselves they would lead to efficient resource allocation. The latter alleges that the governments have proved to be incapable of handling resources effectively or increasing national production. Hence, increased reliance on the market will eliminate government imposed distortions associated with protectionism, government subsidies, and government ownership.

Often, to ensure that the market is managed well it is suggested to have a proper competition policy. Such a competition policy will help to have regulatory tools to take care of firm behaviour and market failures. Good governance should facilitate the government to make interventions in a situation of market failure. To avoid arbitrary and uneven interventions by the government, the competition policy and regulatory mechanisms should be clearly defined. Such a policy will also restrict the state-owned enterprises enjoying monopoly power in the market. Otherwise, it may lead to transfer of monopoly power from the public sector to the private sector. It needs to have an effective competition law and policy, to curb international anti-competitive practices which discourage trade in small and developing countries. Such a policy will ensure empowerment of the small and developing countries and provide some amount of distributive justice and better social safety nets.

The popular rightward arguments suggest that globalization has opened up better prospects for the market. They also admit that unhealthy market practices curb the freedom of not so powerful countries. Hence, in order to ensure the participation of the developing and small countries of the world it is required to shore up the markets with regulatory mechanism so as to make them subserve larger purposes.

In the entire debate on globalization the market has acquired significance unheard of before. It is not denied by most that the market subserves only a set of confined interests and it should not be the sole arbitrator of the common good as the libertarians avow. However, those who subscribe to the centrality of other values such as justice and democracy concede that there is a dimension in the expression of the market which cannot be done away with through regulated economy and if it is
done, it is done at a great cost to the fundamental values and beliefs such as freedoms that good reason upholds. Besides, the capacity of the state to arbitrate over fundamental values, even under democracy, is profoundly suspect. Increasingly therefore the issue is not whether to have free market or not, but to what extent it should be free and what should be the regulatory mechanisms governing it?

Globalization and State

Globalization denotes the processes through which sovereign national states are criss-crossed and largely directed by transnational actors with varying prospects of lucre, power, orientations, identities and network. Different opinions are expressed on the impact of globalization on the state. The globalists argue that the accelerating globalization process results in the demise of the state. It is said, that "nation-states are dinosaurs waiting to die." McGrew also is of the view that 'globalization is compromising the authority, the autonomy, the nature and the competence of the modern nation-state'.

It is argued, that the lifting of the trade barriers leads to the relaxing of political barriers. As a result, the multinational companies gain an edge over the state in decisions making and national policies become obsolete. The authority of nation-states and traditional social institutions appear to be redundant in the context of powerful and apparently dominant global forces. The expanded role for markets and greater openness of the economy are suggested as other reasons for the diminishing role of the state.

States earlier had control over markets, now the markets control the governments on crucial economic issues. Besides, the domestic policies of the state are influenced by supranational dominance. The diffusion of authority to other institutions and associations, regional and local bodies and the growing inequalities between the capable states and the weaker ones only speak of the decreasing authority of the state. It is now said that the governments, are relegated to little more than transmission belts due to the growing power of local, regional and global

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mechanisms of governance that many international organizations arbitrate today.\textsuperscript{142} Globalization is argued to have given rise to natural progression towards a borderless world. It gives rise to a “convenient world for multinational giants by creating dwarf states or no states at all.”\textsuperscript{143} Hurrell and Woods would claim, globalization’s differentiating effect has led to the intensification of the “core states versus marginalized states” thesis.\textsuperscript{144}

The traditionally hallowed policies of positive nationalism and territorial sovereignty are being changed through the power of privatization. The process of globalization creates abstract individuals, making them depend on the market rather than on the solidarity of the state. It is also argued that globalization creates problems for national democracy since collective decisions are made in a situation that is beyond governmental control. As a result there are very few options available for democratically elected governments. Consequently globalization renders national governments paper tigers particularly in non-core nation-states. It is also argued that globalization creates downward pressure on government spending for redistribution and welfare. It places restriction on ‘expansionary policies, represents loss of power for the working class, and causes welfare retrenchment’.\textsuperscript{145} ‘Globalised finance’, “does not want an active state one which was a welfare providing entity.”\textsuperscript{146} Instead, state takes measures that result in the contraction of national economies, particularly focusing on undermining welfare measures and reducing development expenditures.\textsuperscript{147} There has been a great deal of evidence establishing a link between ‘globalization of capital’ and the oft-proclaimed ‘crisis of the welfare state’.\textsuperscript{148} In this context the role of the state comes to be redefined.

However, a second perspective speaks for the continued relevance of the state in the context of globalization. The internationalists especially argue that there is still scope for the nations as relatively autonomous agencies to determine their own economic and political priorities and to defend post-second world war welfare

\textsuperscript{142} See, Held and G. McGrew eds., \textit{op. cit.}, 1999, p.102.
\textsuperscript{143} Cited in, Atul Bharadwaj, \textit{op. cit.}, p. 323.
\textsuperscript{145} Cited in, Guillen, \textit{op. cit.}, p.19.
\textsuperscript{146} Ibid.
\textsuperscript{148} See, Scholte, \textit{op. cit.}, 1997, p. 448.
states. The more powerful states have the freedom to act according to their interests. Transformationalists also support the internationalists that the nation-states remain militarily, economically and politically significant under conditions of globalization.

There are claims made that the state should restrict its intervention in the economy as little as possible. These arguments support the viewpoint that globalization makes state interventions in the economy less and less reasonable leaving it marginalized as an economic actor. As wealth and power, are increasingly controlled by private actors, across the national border than within, the image of the state as the sole controller of power is being dismantled. National economies are disappearing and companies no longer restrict to nationality; only the people do.\textsuperscript{149} In her book \textit{The Silent Takeover} Noreena Hertz, states that ‘51 of the 100 biggest economies in the world are now corporations’.\textsuperscript{150} Admittedly, globalization has weakened the bargaining power of the weaker states. Small nations are only getting weaker as they are dominated by big nation states in the interests of big business. The neo-liberal ideology works against the aspirations of working people for a better world. Yet, one cannot compare companies with governments in terms of their power over people.\textsuperscript{151} Big companies do have political influence. However, any power to tax is non-existent given the state’s exclusive political clout on this issue compared to a multinational company. Moreover, despite the great pressure from capital and technology exporting states of the industrial West, the local states need not be silent spectators. The people constantly look forward to their states to make policies against any interventionist postures of the West. Moreover, the anti-globalization movements such as the World Social Forum do extend strategic support to states which do not wish to do the bidding of global capital.

The above arguments suggest that it is too early to sing a requiem for the nation-state as some scholars tend to do. After all nation-states are not merely the nodal centers of the economy. They have several other roles to play, including being the ultimate arbitrators over common interests and anchors of shared identity. In

\textsuperscript{149} Cited in, Guillen, \textit{op. cit.}, p. 8. Guillien argues that there is an “attenuation of the state”, a rise of international organisations, and a trend towards more “fluid” international relations.

\textsuperscript{150} Cited in, Crook, \textit{op. cit.}, p.14.

\textsuperscript{151} Crook argues that the power of even the biggest companies cannot be compared with that of governments, irrespective of whether the state is strong or weak. Citing the Microsoft as a company he questions whether Microsoft can tax the citizens as states do or arrest or imprison them for misbehaviour. Ibid.
fact, in the context of globalization nation-states are expected to take on new tasks while shedding a lot of baggage of the past. Nation-states take on the role of being facilitator and regulator in order to manage an efficient market economy. The state has not only to play the role of an executive but also a good receiver for transnational capital. While, there are arguments that suggest that the state must be a 'lean state' it should remain strong at the same time. The changing character of the transnational economic relations for the last three decades, have created a challenging context for the state. Some supporters of globalization even maintain that the state has to withdraw from its central position in the national economy and play the role of being a friendly host to domestic and global capitalism. Though such a position undermines the role of the state to cater to the other demands of national life it has to be accepted that a strong state with a redefined role can provide a competitive edge in a globalising economy to protect its population against the vagaries of the market. If it does not take up the responsibility of guaranteeing everyone a prosperous life, it will not be able to fulfill its real tasks all the more effectively.152

The logic of globalization thesis is that the nation state is becoming powerless and irrelevant in relation to global capital flows. Admittedly, economic globalization appears to restrict the authority of the state but transnational trade needs capable states. The strength of the present state in the global market is determined on the basis of being a capable, active and efficient state.153 The dependence on foreign trade does not lead to the eclipse of the state and the existing cross-national statistics rather suggest for an increased role for the state.154

The State has not been ‘rendered helpless’ by the recent phase of intensive globalization. The State remains the master actor in ‘sketching the nature, scope and pace and sequencing of economic policy reform’. However the context of globalization makes new demands on the state including ‘enhancing the regulative

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152 See, Hans-Olaf Henkel, op. cit.
153 See, Evans, op. cit., pp. 4-6.
154 This is an argument by Peter Evans, contrary to the argument of J.P. Nettl who argued that state is in the eclipse due to the transformations of the 1980s. He stated that “Pressure for eclipse flows from the conjunction between transnational economic forces and the political hegemony of an Anglo-American ideology simply leaves no room for any valid notion of the state.” Ibid., p.7.
and transformative capacity of the state to cope with the challenges arising from globalization.\textsuperscript{155}

Scholars such as Evans Peter argue for the return of state while admitting certain discordance between the demands of globalization on one hand and neo-liberal ideology on the other regarding such a need. He agrees that globalization undermines the state but argues that such a weakening of the state is due to the associated neo-liberal ideology which is against the state and not because globalization is per se against the state. He argues that state may be back if there is a "return of ideological pendulum", or a transformation of the state and development of new elements of state-society synergy.

Others feel that states took on more responsibilities than what they could handle during the period following World War II. As a result there was a "capacity gap", of the state that called for rethinking of its role. The problem of closing "capacity gap", is called as a plan of constructing a 'leaner meaner' state.\textsuperscript{156}

Quite often, there are discussions on strong societies and weak states and weak societies and strong states in relation to making the global economy vibrant. The recent political and economic perspectives, discuss the need of strengthening the state as well as allowing for its decline depending upon the requirements of the economy and society. However we need to keep in mind that the role of the state is not merely instrumental. Further once a set of competent state institutions, are around they are unlikely to let the eclipse of the state. In fact, they are likely to shape the process of globalization as much in tune with their perspective as globalization impacts the state.

World-society Scholars argue that State may have less autonomy than yesteryears, but it has more tasks to fulfill.\textsuperscript{157} Transnational corporations are still

\textsuperscript{156} See, Evans, \textit{op. cit.}, pp. 27-29.
\textsuperscript{157} Cited in, Guillen, \textit{op. cit.}, p.19.
dependent on national home policies. However, 'contemporary states have lost the
capacity for the unilateral exercise of comprehensive macroeconomic policy'.

No doubt, globalization poses a new challenge to the nation-state to pursue
an autonomous economic policy in order to promote redistributive policies and to
pursue interventionism. Though free trade and free market openness demands more
public expenditure on welfare, governments no longer subscribe to such priorities.
There is transition 'from welfare state to the competition state' in developed
industrial economies as governments 'attempt to respond to, shape and control,
growing international economic interpretation'.

In the present context of globalization, the state uses its sovereignty rather as
a bargaining power than a legal claim to supreme power. Hence, globalization
does not lead to the demise of state but brings into effect a more activist state. "The
command and control of the Westphalian ideal is being displaced by the reflexive or
network state....In this context it makes more sense to speak about the
transformation or reconfiguration of state power than its erosion."

Hence the challenge is to administer a new balance between market and
society, one 'that will continue to unleash the creative energies of private
tenrepreneurship without eroding the social basis of co-operation'. Admittedly,
social democratic policies are constricted today more than any time earlier, even
compared to the golden age of capitalism between 1950s and 1960s. Though it is
observed that the process of globalization did not lead to the reduction of
government spending it has not increased either. The decreasing or stagnant
public expenditure on social indices is definitely a matter of worry. The growing
constraints on state provision of social security cannot be neglected. Supra territorial

158 Scholte argues that sovereignty of the state has disappeared under globalization. This argument
seems to be suitable rather agreeing upon the demise of state. See, Scholte, op. cit., 1997, p.443.
161 Quoted from, Ibid., p.163-164.
162 Cited in, Guillen, op. cit., p.19.
163 The analysis of the data by Dan Rodrik, (1997) and Garett (1999) on more than 100 countries
pertaining to the period 1985-95 arrived at the conclusion that growing exposure to globalization does
not reduce government spending.
capitalism has generally made the contemporary states to reduce many social security provisions.  

**Developing Societies**

The impact of globalization on developing societies needs to be examined as welfare concerns play a predominant role in these societies. Though today's 'global opportunities are far greater and potentially more accessible than at any other time in world history, developing countries are also further behind than ever before'.

It is argued that globalization has led to greater vulnerability to unfamiliar and unpredictable forces that will lead to economic instability and social dislocation. Globalization is a multi dimensional process influencing and affecting diverse domains. As such, it has distinct impact on distinct economies though the general opinion suggests that it has a sway over all the economies to an extent. The benefits and opportunities of globalization are highly concentrated among a relatively small group of countries and unevenly spread among them creating instability and dislocation.

Under Globalization, The priorities of governments have changed. Governments have to boost export production and provide attractive conditions for foreign investment. Governments in the developing societies are experiencing an extraordinary roll-back of public investment. State leaders are forced to reduce taxes, devalue their currency, and cut public spending, for social welfare benefits or investment in infrastructure. By 2000, privatisation had increased ten folds over the course of the 1980s. Globalization had over the last 10 years crucially heightened levels of inequality within these societies, allowing the dominant groups within these societies to increase their privileged access to resources while partly surrendering control to global corporate entities. Therefore to provide a credible response to the situation it is all the while necessary to restore the autonomy of individuals and communities that had been taken away by globalization.

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167 Ibid.
The ill effects of markets on various countries (South Korea, Hong Kong, Thailand, Indonesia, Russia, Brazil, and Argentina) are evident. Yet, the developing world continues to act according to the dictates of the market, ignoring its own masses. However, the answer probably is not to stop exporting as it drives them even poorer, but, to have better policies, institutions, infrastructure and education which enable a much larger proportion of each country’s population to link with global economy.

Neo-liberal policies, closely associated with the Structural Adjustment Programme (SAP) of the IMF and backed by its sister institution, the World Bank, are considered as being basically deflationary in nature. The growing debt burden of developing countries is often seen as the key instrument of “enslavement” of the countries of the South. The policies aimed at protecting the interests of lenders in the North, are often said to have resulted in the contraction of the economies of the borrowing countries. The main policy instrument used to achieve this was the reduction of public expenditures of governments. This resulted in cuts in subsidies for the marginalized and the poor, ignoring the state established and constitutionally guaranteed social contracts.

The demonstrators against the policies of WTO argue that globalization as a force, increases the power of those non-elected and unaccountable bodies frequently labeled as ‘corporate capital’.

Do the benefits of globalization of trade and capital flows reach the marginal sections of society? For a vast section of the population in developing societies the benefits are yet to be materialized. Often the policies brought in due to globalization have resulted in decline in public expenditure for education, health and other social indicators. In a way globalization unifies the rich and the affluent rather than uplifting the marginalized and the poor who lack skills and resources to benefit from world market resulting in growing asymmetrical relations. Hence the developing societies are at the receiving end.

168 See, Stiglitz, op. cit., p. 89.
Moreover, globalization inherently supports such asymmetry as equality in the international market is impossible to build as it requires equal competence. The foreign capital often displaces domestic capital. What is beneficial to the global capitalist need not prove good to the peasant, worker, trader and small entrepreneur. Moreover, the marginalized countries lack capital and as such integration does not benefit them.

There is a question mark today on welfare activities that are the core of human development. In this context it would be good to review the role of welfare state today, as its principal rationale was equality and justice for the marginalized sections.