Chapter – II

REVIEW OF LITERATURE AND RESEARCH METHODOLOGY

2.1 Definition and methodology

“Globalisation” is currently a popular and controversial issue, though often remaining a loose and poorly-defined concept. Sometimes too comprehensively, the term is used to encompass increases in trade and liberalisation policies as well as reductions in transportation costs and technology transfer. As far as its impact is concerned, discussion of globalisation tends to consider simultaneously its effects on economic growth, employment and income distribution - often without distinguishing between countries and within-country inequalities – and other social impacts such as opportunities for poverty alleviation, human and labour rights, environmental consequences and so on. Moreover, the debate is often confused from a methodological point of view by the interactions between history, economics, political science and other social sciences. Partially as a consequence of the lack of clear definitions and methodological choices, the current debate is characterised by an harsh divide between the supporters and the opponents of globalisation, where both groups appear to be ideologically committed and tend to exploit anecdotes (successfully or unsuccessfully respectively), rather than sound, comprehensive empirical evidence to support their cause.

Since the debate appears quite confused and the issues overlapping, one of the aims of this contribution is to select some precisely-defined topics and to give an account of theories and applied approaches which have really contributed to the understanding of the social impact of globalisation in developing countries (DCs). With this purpose in mind, it is therefore important to clarify the limitations of the discussion put forward in the following sections.

Definition: - Economists has relied up on an ex-post measurable and objective definition of globalisation namely increasing trade openness and FDI. The purpose of the research is not to arrive at some certain conclusion regarding the impact of globalisation in terms of actual increase in trade and FDI inflows but the pervasive change in overall socio economic scenario of a DC engaged in globalisation. In this context, we will not address liberalisation policies; these are ex-ante proposals which may be announced and not implemented or implemented but not effective. When evaluating the effect of globalisation, what is really important is not the impact of (often
ineffective) policies but the consequences of the actual increase in measurable
globalisation indexes such as trade openness and FDI. An important limitation of the
following analysis is that some aspects of globalisation will not be treated.

**Economy and period:** We will only discuss the consequences of
globalisation (as defined above) on India over the one and half decade. Although
there is much wider economic literature available on the impact of globalisation in India
we only focus at social impacts and the drivers of social dynamics.

Few more perspectives need to be considered about the subject matter of the
present research namely the globalisation as it has established in the Indian context.
Process of globalisation which started as result of the TINA-C factor remained for long
a dreaded word. As we will see in section globalisation in India, globalisation in India
has distinct phases not as result of conscious efforts on part of India but because of
the prevailing conditions. Divergent perspective which operates in a democratic
system results in attempts to change meeting greater resistance. It is established that
in case of India any economic change will not be simply economic governed by
rational choices but holistic change that will pass through the entire spectrum of Indian
civilisation including culture society and political set up. It means globalisation in India
and social dynamics cannot be studied having spared the historical, sociological,
demographical or political viewpoint and hence the adopted methodology will not be
only economic, with particular attention devoted to the applied approaches but holistic.

As had been pointed out about the process of the globalisation in India which
has three distinct phases from the start to year 2006 each period with be dealt with
differently such that to study the process focus will be on the predominating sphere of
the effect. Globalisation as had been differently defined will not be taken to mean
simply the openness of trade internal as well as external and FDI but as creation of the
political environment conducive to open trade and FDI secondly the erection of legal
infrastructure and the actual opening up of trade and FDI.

As already discussed definition of globalisation in this study will not be merely
empirically measurable definition relying upon trade and FDI but will be suitably
adjusted to conceptualise the chain of the changes that it ignites in a pluralistic mixed
underdeveloped economy being governed by the ideals of Fabians socialism.

**In this study definition of globalisation** as measurable phenomena
measurable in empirical dimensions has been broadened to incorporate what some
contemporary economists think are better indicator of globalisation namely the sings of
globalisation. Globalisation here means: -
1. **The formation of a global village** - closer contact between different parts of the world, with increasing possibilities of personal exchange, mutual understanding and friendship between "world citizens".

2. **Economic globalisation** - "free trade" and increasing relations among members of an industry in different parts of the world (globalisation of an industry), with a corresponding erosion of National Sovereignty in the economic sphere.

3. **The negative effects of for-profit multinational corporations** - the use of substantial and sophisticated legal and financial means to circumvent the bounds of local laws and standards, in order to leverage the labour and services of unequally-developed regions against each other.

**The beneficial spread of capitalism from developed to developing nations**

Globalisation has become identified with a number of trends, most of which may have developed since World War II. These include greater international movement of commodities, money, information, and people; and the development of technology, organisations, legal systems, and infrastructures to allow this movement. The actual existence of some of these trends is debated.

- Increase in international trade at a faster rate than the growth in the world economy.
- Increase in international flow of capital including foreign direct investment.
  - Greater Trans border data flow, using such technologies such as the Internet, communication satellites and telephones.
- Greater international cultural exchange, for example through the export of Hollywood and Bollywood movies.
  - Some argue that even terrorism has undergone globalisation. Terrorists now have attacked places all over the world.
- Spreading of multiculturalism and better individual access to cultural diversity, with on the other hand, some reduction in diversity through integration, hybridisation, Westernisation, Americanisation or Sinosiation of cultures.
  - Erosion of national sovereignty and national borders through international agreements leading to organisations like the **WTO** and **OPEC**.
- Greater international travel and tourism.
- Greater immigration, including illegal immigration.
  - Development of global telecommunications infrastructure.
- Development of a global financial system.
  - Increase in the share of the world economy controlled by multinational corporations.
- Increased role of international organisations such as **WTO, WIPO, and IMF** that deal with international transactions.
- Increase in the number of standards applied globally; e.g. copyright laws. Barriers to international trade have been considerably lowered since World War II through international agreements such as the General Agreement on Tariffs and Trade (**GATT**). Particular initiatives carried out as a result of **GATT** and the **WTO**, for which **GATT** is the foundation, have included:
  - Promotion of free trade of goods
    Reduction or elimination of tariffs; construction of free trade zones with small or no tariffs of capital.
  - Reduction or elimination of capital controls.
  - Reduction, elimination, or harmonization of subsidies for local businesses.
    **Intellectual Property Restrictions.**
    - Harmonization of intellectual property laws across nations (generally speaking, with more restrictions).
    - Supranational recognition of intellectual property restrictions (e.g. Patents granted by China would be recognised in the US).

### 2.2 Social Dynamics

Important part of the present research is social dynamics as they have been stirred around by the reality of globalisation in India. It becomes imperative to understand the concept of the social dynamics as it is conceptualised in this study. Social dynamics is defined as the set of the adjustments which occur in a society which a society undertakes in response to a particular stimulus or change. Globalisation is far too important a stimulus wider in its scope and intense in its effect.

It is worthwhile to mention the reality of the Indian society before the introduction of globalisation was pluralistic that tilted heavily towards traditional economy marked by the redundancy of the specialised establishments which characterise modern economy. Society as such was minimally skilled in context of quantity and agriculture based and that resulted in Indian society being an economy characterised by low demands and heavily marred by the whims of monsoon.

Social dynamics is mathematical study of the society which hopes to decode society through its part and their relationships in place of viewing society in too. In the present research society is not doubt taken in this manner viewed through its prominent characters but as a system.
Focus of this study is interaction of the two systems the economic on one hand and social on other hand and seen in the light of the pervasive change and further focused as the cycle of the change that it induces.

Obviously the study is based on the assumption that economic system and social systems are interactive systems such that change in one system goes on to effect the other system and the resultant change in other system influences the system that ignites changes is changed. There exists a sort of shifting equilibrium between two system namely the social system and economic system and the focus of the present system is behaviour of this equilibrium.

Globalisation is no doubt a change in economic system but this change goes on to effect the equilibrium as it exists between a social system and economic system. The study sees as to how this equilibrium tries to or simply maintains itself.

**Approach:** - Game theory has developed into a precious tool of analysis especially while dealing with retrospective projective research. Options available and choices made, explain the results retrospectively but projective analysis includes totality of options and choices available including the social cultural circumstances. Game theory has not obliterated probability as tool of analysis but focused it further by restricting the overall dynamic situation to its constituents.

Retrospective analysis is facilitated by approaching the system with games theory perspectives and analysing them the interaction of the whole system with the stimulus the respective increase in the options available in other words addition of the columns and rows of the existing system. The resultant conclusion with stimulus namely globalisation in operation compared with the conclusion drawn from analysing the data of the same system namely Indian economic and social scenario when the stimulus was not operative and arriving at the change and dynamics of the change and the possible direction of the change in the near future.

It will be worthwhile to mention the flexibility; the corner of adaptation in ingenious manner as result of the creativity of the system amply affects the actual results deviating from the projections. To minimize the deviation only minimal conclusions are projected rather emphasis is on recognising the drivers of the dynamics the drivers of the change.

**Limitations:** - Socio economics and more so the field of social dynamics is of recent origin which has concrete substance but is still lacking in its form. Social dynamics is an evolving academic discipline which lacks operational functional
models. Hopefully, with passage of time social dynamics as an academic field will be equipped with more empirical and scientific observations and models. Moreover globalisation too is a hotly debated phenomenon which can be vaguely measured in economic dimensions but lacks any measurement criteria in socio-economic perspectives. It is far too beyond the scope of this research to arrive at any measurement criterion for measuring globalisation in socio-economic dimensions.

**Scope:** - Globalisation as such is academic paradise because of the research it demands and because of the debate that it has generated across intellectual circles in the world. Only recently it has been recognised as an economic phenomenon which influences all economic systems and models but it is still to be answered as to how. Economists have been surprised with the results of globalisation especially in DCs and certainly so about the social consequences of globalisation in DCs. Certain DCs have raced ahead as result of the globalisation and social consequences have been desirable and in other DCs it has resulted in nothing less than catastrophe. Indian economic system has offered a lot of surprises and no doubt quite a few shocks too.

**The research aims** as answering the following questions regarding globalisation and social dynamics:

- Globalisation in India, the full course of globalisation in India and settle the debate if it is actually there in India?
  Impact of the globalisation on specific sectors where the impact has been clearly visible.
  - How globalisation changed the Indian economic scenario in other words the impact of increasing trade and FDI upon domestic employment, within-country income inequality (WCII) and poverty reduction along with wealth creation?
- Research aims at providing comprehensive discussion of the recent theoretical and empirical economic literature investigating impact of globalisation in social perspectives.
- Emergence of service sector and its growth and employment generation with focus on InfoTech, BPO, tourism.
  Fall of importance of traditional unorganised sector resultant unemployment, migrations and migration oriented urbanisation.
- Emerging consumer behaviour and its impact up on society.
- The projected picture in near future and policy framework and infrastructure implications.
2.3 Data Collection and Interpretation

Data used in this research has been collected from various sources like World Bank reports, Reserve Bank of India annual publications, NSSO, and other Govt. of India publications. The research aims not at giving the dimension of change but uses data as confirmation of the change and focus is at explaining the change, the drivers of the adjustments, and the consequences in social dimensions in other words the resultant social adaptation and its impact on existing economic situation.

2.4 Concerns and issues of this research paper aim at arriving at the deeper

Since the ‘80s, the world economy has become increasingly “connected” and “integrated”; on the one hand the decreasing transportation costs and the diffusion of Information and Communication Technologies have implied a fast downgrading of the concept of “distance”, while on the other hand – gross trade, Foreign Direct Investment (FDI), capital flows and technology transfers have risen significantly. It has been observed that “globalisation” has been accompanied by increasing concern about its impact in terms of employment and income distribution. Whatever definitions and indicators are chosen the current debate is characterised by an acrimonious dispute between advocates and critics of globalisation. While this is true even as regards the employment and income distribution effects within the developed world, positions diverge even more sharply over the impact on Developing Countries (DCs). For example, the optimists underline the link between increasing trade and economic growth and then they conclude that trade is good for growth and growth is good for the poor (both in terms of job creation and poverty alleviation). In contrast, the pessimists show that globalisation is quite uneven in its impact and gives rise to negative counter-effects on the previously protected sectors, the marginalisation of entire regions of the world economy and possible increases in within country income inequality (WCII). Another example of this kind of diversity of opinions is the debate about poverty indicators: supporters of globalisation underline the fact that worldwide absolute poverty has decreased over the last two decades, while critics of globalisation show that this result is almost entirely due to statistical artefacts and to the fast growth of China, while absolute poverty has increased in many DCs and relative poverty has increased in the majority of countries.

Research seeks to go deeper into these topics and provide some theoretical and empirical answers to the question of whether globalisation is good for employment, poverty alleviation and income redistribution within the DCs. Methodological choices made to deal with theoretical and empirical results will be
critically discussed and compared with regard respectively to the impact of globalisation on socio economic scenario in India.

2.5 Review of some important books

Review of “In defence of globalisation” - J N Bhagwati

The book starts by defining the phenomena of globalisation in the most lucid and thorough manner. If one were to define it in simple way, the globalisation constitutes integration of national economies into the international economy through trade, foreign direct investment, short-term capital inflows, international flows of workers and humanity generally and flows of technology.

If you ever cared to take notice of high decibel rhetoric expressed by the likes of Arundhati Roy and Medha Patkar at the annual meet of World Social Forum you would be led to believe that every social ill, onslaught on culture and economic disparities in the third world countries are the direct result of globalisation. Every time when and where WTO meets to talk about the future of world trade, champions of anti-globalisation carefully, meticulously orchestrate protests at the meeting venue. Unfortunately that attracts extensive media coverage and resultantly general public is led to believe that the politicians who talk and decide on integration of global economy are pawns of the big corporations and they don’t care about the grievances of common man.

Bhagwati deals with every serious allegation hurled by the socialists with intricate analysis and details backed by actual facts and figures. Let’s look at four major topics discussed in the book.

Coping with Anti-Globalisation the main premise of the anti-globalisation protest has been the allegation that it is not only economically disastrous but also perpetuates social ills. And the prevalent economic disparities between the first world developed nations and third world developing nations are utilised as a concrete evidence to support this argument.

Globalisation’s Human Face Trade and Corporations: - This portion of the book hits hard at the core of the anti-globalisation movement. With solid facts and figures of the past few years of the developed and developing world, Bhagwati passionately demolishes the apparently sound case of the socialists.
There are eight chapters in this section dealing with the wide array of issues such as Poverty, Child Labour, Women Representation, Democracy and Dictatorship, Culture, Wages and Labour Standards, Impacts on Environment and the concept of large Corporations.

If one were to go by history and past 50 years of experience with Globalisation and Socialism in various parts of the world, each of the above blemishes are rampant in the countries which opted for Marxism – e.g. majority of Asian countries including China, Russia, India and ASEAN countries. Whereas their proportions in the Free Market Economies such as North America, West Europe and Japan are radically low.

The last two chapters emphasise importance of efficient governance in conjunction with reformist economy and the potential perils of globalisation. Bhagwati is at pains to explain that globalisation in some cases fails to yield the expected results largely due to failure of the implementing mechanism to reform itself. Globalisation strikes at the center of the power center of the bureaucrats governed economy and resultantly the economic power center shifts from the public sector enterprise to the private sector.

In India’s Context: - The economic reforms started in 1992 by our Dr. Manmohan Singh and continued by successive governments have started producing some physical results. Some of them are quite evident in the success of IT Industry and telecom revolution. Emergence of insurance and banking sectors and recent broad based reforms in the energy and aviation sector will start showing physical results in near future. Poverty has reduced from staggering 35% in 1991 to 25% in 2001. And it is widely speculated that the proposed reforms in retail sector will greatly benefit the farm sector and will energise the mostly miserable retail sector, thereby creating significant skilled and unskilled employment pushing the economy even more.

Review of “Indian Economic Policy” - Bimal Jalan

In his book, Bimal Jalan, (an eminent economist with impeccable credentials, who is also the present Governor of the reserve Bank of India) has argued that the Indian economy is over-regulated. Regulations in India do not protect the economic and the social interest of the public. Rather, they lead to widespread corruption and have made the state bureaucratic apparatus cumbersome, arbitrary, cost-ineffective, and unresponsive to public needs.

These observations were made when the Government of India acted both as a policy-maker and a regulator, (in the good old 80’s) apart from being an owner of
several public sector organisations. The new independent regulatory bodies would not only have to address the key issues linked to attracting investments in the sectors they are responsible for but also devise mechanisms by which they are discernibly addressing issues of quality, access, and other social accountability measures.

If the regulatory commissions indulge in the luxury of postponing some of these actions to a point where the economic drivers are on track, they would run the risk of undermining the institution of the independent regulatory commission itself.

Having delegated the responsibility of sector regulation to independent bodies, the government has to urgently re-focus its own attention to its key function of good governance. Governance has been defined as the art of public leadership. The criteria that constitute good governance include the competence of governments to formulate policies; transparency of decision-making and accountability mechanisms; respect for the rule of the law; and people’s participation. (Yeah, I am an optimist...I still feel these things are possible in today’s political landscape, even with the likes of Sadhu Yadav, Mamta, Amma, Paswan etc.)

We have been lamenting the lack of an integrated energy policy, or even an un-integrated set of policies for all energy sectors, for more than a decade now. The establishment of the NTP (National Telecommunications Policy) in 1994 and the setting up of objectives and priorities by the government did provide a framework for the Telecom Regulatory Authority of India also. However, making the point that the policy of a government evolves with economic developments and a changing market structure, a new NTP was published in 1999. The existence of clearly defined policy statements can substantially facilitate the regulatory reform process. The list of sectors where there is an urgent need for a clear policy reflective of current concerns and developments is long: urban development, transport, education, energy.

Review of “Globalisation, Skill-Biased Technological Change and Labour Demand” - Berman, E. and Machin, Lee, M. Vivarelli and “Understanding Globalisation, Employment and Poverty Reduction” - Palgrave Macmillan

In this paper an ex-post measurable definition of globalisation has been used, namely increasing trade openness and FDI. A general result is that the optimistic Heckscher-Ohlin / Stolper-Samuelson predictions do not apply, that are neither employment creation nor the decrease in within-country inequality are automatically assured by increasing trade and FDI. The other main findings of the paper are that: 1) The employment effect can be very diverse in different areas of the world, giving raise to concentration and marginalisation phenomena; 2) Increasing trade and FDI do not
emerge as the main culprits of increasing within-country income inequality in DCs, although some evidence emerges that import of capital goods may imply an increase in inequality via skill-biased technological change; 3) Increasing trade seems to faster economic growth and absolute poverty alleviation, although some important counter-examples emerge.

Review of “Imagine there’s no country: poverty, inequality, and growth in the era of globalisation” - Bhalla, Surjit S.

Written by Bhalla (formerly of the Rand Corporation, the orld Bank, Goldman Sachs, and the Brookings Institution) and fundedy a think-tank with close connections to such right-wing institutions as the Lynde and Harry Bradley Foundation, this report argues that common methods of measuring inequality are incorrect. Advancing a different measurement methodology, Bhalla argues that global inequality, contrary to most observers' analyses, is actually shrinking. Similarly, his methodology suggests that poor countries are experiencing much more economic growth than commonly believed.


The last two decades have seen increased divergence among the states of the Indian Federation in terms of their economic performance. This paper uses spatial econometric methods to examine how the regional pattern of growth has been influenced by the economic reforms implemented since the early 1990s. The process of liberalisation and increased openness to international markets has imparted a clear spatial suggestion to the gap dividing low and fast growing states. Winners were those states that benefited the most from the recent process of reform and liberalisation, thanks also to their geographical advantage and to the presence of a developed service sector. Losers were instead the landlocked and highly populated states with a predominant agricultural sector and a low level of innovation.

Review of “Productivity Growth in Indian Agriculture: - The Role of Globalisation and Economic Reform” - Renuka Mahadevan

The Indian agricultural sector has been undergoing economic reforms since the early 1990s in the move to liberalise the economy to benefit from globalisation. This paper traces this process, analyses its effects on agricultural productivity and growth and discusses the problems and prospects for globalisation to draw policy implications for the future of Indian agriculture.