CHAPTER III
NEO-LIBERAL POLICIES AND MARXISM

This Chapter has been devoted to discuss the theoretical and fundamental aspects of new socio-economic policies in the light of Marxian philosophy. The furtherance of this discussion would definitely help to assess the extent of mutual influence between new economic policy and the ideological dominance of communalism fundamentalism and terrorism. Marxist doctrines provide sufficient light to examine the significant characteristics of economics and politics behind globalization and the emerging social phenomena out of it.

*Capital*¹ is the main politico-economic work of Marxism set out the important laws of development of capitalist production and internal contradictions. Other Marxian classics also gave a vivid picture on exploitative nature of capitalism and its socio-political dimensions. *Communist Manifesto*², Preface to *A Contribution to the critique of a political Economy*³, Collected works of Marx, Lenin etc are some of the examples in this connection.

Capital accumulation and surplus value are two important terminologies used by Marx to interpret the exploitative nature of capitalism. Though Marxism considers the material production as the basis of society, Marx could explain and interpret ideologies germinated out of it legitimately. So according to Marx, the dominance of ideologies in a society are not mere accident phenomenon but it is directly related to the accumulation of capital as well as surplus value. In the preface to *A Contribution of the critique of political economy*, Marx said thus: “The general result at which I arrived and
which once won, served as a guiding thread for my studies, can be briefly formulated as follows: in the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to definite stage of development of their material productive forces. The sum total of these relations of production constitutes the structure of the society, the real foundation……...”

The greatest achievement of Marxist political economy is the theory of surplus value which Karl Marx gave the in-depth treatment in his Capital. Lenin called the theory of surplus value as the cornerstone of the economic doctrine of Karl Marx.

This theory disclosed the secrets of capitalist exploitation, pulled the covers off the source of enrichment for capitalist. In one of his letters, Karl Marx himself wrote that the best in his book in the study of surplus value, regardless of its specific form such as profits, interest etc. According to Frederick Engels, the theoretical solution of the problem of surplus value is the greatest service that the book has rendered to history.

III. 1 Surplus value

At a certain stage in the development of commodity production money becomes transformed in to capital. The formula of commodity circulation was C-M-C (Commodity-Money-Commodity), ie., the sale of one commodity for the purpose of buying another. The general formula of capital, on the contrary, is M-C-M, ie, purchase for the purpose of selling (at a profit). The increase over the original value of money, ie, put in to circulation is called by Marx surplus value. The fact of this ‘growth’ of money in capitalist circulation is common knowledge. Indeed, it is this ‘growth’ which transforms money into capital, as a special and historically determined social relation of production. Surplus value cannot arise out of commodity circulation, for the later knows
only the exchange of the equivalents; neither can it arise it out of price increases, for the mutual losses and gains of buyers and sellers would equalize one another, whereas what we have here is not an individual phenomenon but a mass average and social phenomenon. To obtain surplus value the owner of money ‘must…… find…. In the market of commodity, whose use-value possesses the peculiar property of being a source of ‘value’—a commodity whose process of consumption is at the same time a process of the creation of the value. Its consumption is labour, and labour creates value, which, like the value of every other commodity, is determined by the socially necessary labour time requisite for its production. Having bought labour power, the owner of money is entitled to use it, that is, to set it to work for a whole day, twelve hours, let us say. Yet in the course of six hours (‘necessary’ labour time) the worker creates product sufficient to cover the cost of his own maintenance; in the course of next six hours (‘surplus’ labour time”, he creates “surplus” product, or surplus value, for which the capitalist does not pay. Therefore, from the standpoint of the processes of production, two parts must be distinguished in capital: constant capital, which is expended on means of production (machinery, tools, raw materials etc.), whose value without any change, is transferred (immediately or part by part) to the finished product; secondly variable capital, which is expended on labour power. The value of this latter capital is not invariable, but grows in the labour process, creating surplus value. Therefore, to express the degree of capital’s exploitation of labour power, surplus value must be compared, not with the entire capital but only with the variable capital. Thus in the example just given, the rate of surplus value, as Marx call this ratio, will be 6:6, ie, 100 per cent.

There are two historical prerequisite for capital to arise: first, the accumulation of certain sum of money in the hands of individuals under conditions of relatively high level of development of commodity production
in general; secondly, the existence of a worker, who is “free” in a double sense; free of all constraint or restriction on the sale of his labour power, and free from the land and all means of production in general, a free and unattached labour, a “proletarian”, who cannot subsist except by selling his labour power.

Analyzing the production of relative surplus value, Marx investigates three fundamental stages in capitalism’s increase of the productivity of labour\textsuperscript{11}: I-simple co-operation, 2-the division of labour, and manufacture, 3-machinery and long-scale industry.

Marx’s analysis of accumulation of capital\textsuperscript{12} ie, the transformation of a part of surplus value in to capital, and its use, not for satisfying the personal needs of the capitalist, but for new production, Marx revealed the error made by all earlier classical economists, who assumed that the entire surplus value which is transformed of into capital goes to form variable capital. In actual fact, it is divided into means of production and variable capital.

By speeding up the supplanting of workers by machinery and by creating wealth at one extreme and poverty at the other, the accumulation of capital also gives rise to what is called the “reserve army of labour”, to the “relative surplus” of workers, or “Capitalist over-population”, which assumes the most diverse forms and enables capital to expand production extremely rapid. In conjunction with credit facilities and the accumulation of capital in the form of means of production, this incidentally is the key to an understanding of the crisis of overproduction which occur periodically in capitalist countries at first at an average of every ten years, and later at more lengthy and less definite intervals. From this accumulation of capital under capitalism we should distinguish what is known as primitive accumulation: the forcible divorcement of the worker from means of production, the driving of the peasants off the land, the stealing of communal lands, the system of
colonies and national debt, protective tariffs, and the like; “Primitive accumulation” creates the free pro-letarian at one extreme, and owner of money, the capitalist, at the other.

The historical tendency of capitalist accumulation is described by Marx in the following words. “The expropriation of the immediate producers is accomplished with merciless vandalism, and under the stimulus of passions the most infamous, the most sordid, the pettiest, the most meanly odious. Self earned private property that is based, so to say, on the fusing together of the isolated, independent labouring-individual with the conditions of his labour, is supplanted by capitalist private property, which rests on exploitation of the nominally free labour of others…….” If that which is now to be expropriated is no longer the labour of working for himself, but the capitalist exploiting many labourers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capital always kills many. Hand in hand with this centralization or this expropriation of many capitalist by few, develop on an ever extending scale, the co-operative form of labour process; the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labour into instruments of labour only usable in common, the economizing of all means of production of combined, socialized labour, the entanglement of all peoples in the net of the world market and with this, international character of the capitalist regime. Along with the constantly diminishing number of the magnates of capital, who usurp and monopolies all advantages of this process of transformation, grows the mass of misery, slavery, degradation expropriation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united organized by the very mechanism of the process of capital production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of
means production and socialization of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst under the knell of capitalist private property sounds. “The expropriators are expropriated.” 14

Also new and important in the highest degree is the analysis Marx gives in volume two of capital, of the reproduction of aggregate social capital15. Here, too, Marx details, not with an individual phenomenon but with a mass phenomenon: not with a fractional part of the economy of society, but with that economy as a whole. Correcting the aforementioned error of classical economist Marx divides the whole of social production into two big sectors 1-production of means of production, II-production of articles of consumption, and examine in detail, with numerical examples, the circulation of the aggregate social capital—both when reduced in its former dimensions and in the case of accumulations, Volume three of Capital solves the problem of how the average rate of profit is formed, on the basis of the law of values16. The immense stride forward made by economic science in the person of Marx consists in having conducted an analysis, from the standpoint of mass economic phenomenon of the social economy as a whole, not from the standpoint of individual cases or of the external and superficial aspects of competition, to which vulgar political economy and modern “theory of marginal utility” 17 frequently restrict themselves. Marx first analyses the origin of surplus value, and then goes or to consider its division to prompt, interest and ground rent. Prompt is the ratio between surplus value and total capital in an undertaking. Capital with a high organic composition yields a rate of profit above the average. Competition among capitalist and their freedom to transfer their capital from one branch to another, will in both cases reduce the rate of profit to the average. The sum total of the values of all the commodities in a given society coincides with the sum total of prices of the commodities, but, in individual undertakings and branches of production, as a
result of competition sold, not their values but prices of production, which are equal to the capital expanded plus the average profit\(^\text{18}\).

In this way the well-known and indisputable fact of the divergence between prices and values and of the equalization of profits is fully explained by Marx on the basis of the law of value\(^\text{19}\), since the sum total of values of all commodities coincides with the sum total of prices. However the equating of (social) value to (individual) prices\(^\text{20}\) does not take place simply and directly, but in a very complex way. It is quite natural that in a society of separate producers of commodities, who are united only by the market, conformity to law can be only an average, social, mass manifestation, with individual deviations in either direction mutually compensating one another.

A rise in the productivity of labour implies a more rapid growth of constant capital as compared with variable capital. In as much as surplus value is a function of variable capital alone, it is obvious that the rate of profit tends to fall. Marx makes a detailed analysis of this tendency and of a number of circumstances that conceal or counteract it\(^\text{21}\). Without pausing to deal with the extremely interesting sections of volume three of Capital devoted to usurer’s capital, commercial capital and money capital.

The production of maximum surplus value and its appropriation by capitalist through exploration of wage workers is the principle economic law of capitalism.

**III.2 General law of Capitalist Accumulation**

Karl Marx’s analysis of the gist of capitalist exploitation culminated in the formulation of the general law of capitalist accumulation.

In the course of accumulation of capital one portion of the surplus value comes in the form of profit for the capitalist while the other potion goes
in to the accumulation fund. In its turn the accumulation of capital breaks down into a part which turns in to additional constant capital and a part which turns to additional variable capital.\textsuperscript{22}

Insatiable greed for appropriation of surplus value and capitalist competition urges the capitalist on the expand his production and to improve technology ie, to increase constant capital. The accumulation of capital the development of production leads to an increase in the stock of raw material, machines, equipments per worker employed. The share of variable capital fall relative to constant capital. “This means that the demand for work force is falling and many workers can not find employment for labour power. A large number of the working people become redundant forming an industrial reserve army of labour and creating unemployment”.\textsuperscript{23} The industrial reserve army is one of the indispensable condition of capitalist accumulation, a prerequisite for the capitalist mode of production with our which capitalism would not be able develop or exist. The creation and growth of industrial reserve army is a specific law of population inherent in the capitalist mode of production.

Growing unemployment is a concrete manifestation of general law of capitalist accumulation. Karl Marx formulated the general law of capitalist formulation in the following words. “The greater the social wealth, the functioning capital, the extend and energy of its growth, and therefore, also the absolute mass of proletariat and the productiveness of its labour, the greater is the industrial army…… But the greater this reserve army in proportion to the active labour army, the greater is the mass of a consolidated surplus – population, whose misery is in inverse ratio to its torment of labour. The more extensive, finally the Lazarus-layer of the working class and industrial reserve army, the greater is official pauperism. This is the absolute general law of capitalist accumulation”.\textsuperscript{24}
The general law of capitalistic accumulation manifests itself in the relative and absolute deterioration in the condition of the working class. “Capitalism has not changed its essence, because its basis law is still production of surplus value and its appropriation by capitalists through the exploitation of wage labour by capital”. Every part of any theoretical system consisting of individual categories or doctrines has some methodological role depending on the place and function of some economic phenomena and objective economic laws they reflect with in the system of the actual relations of the productions of the mode of production being analysed. The greater the depth of the internal connection between economic relations which these categories and theories reflect, the more essential is that role. Thus the theory of surplus-value, which reveals the ‘economic law of the movement’ of the capitalist mode of production and which in virtue of that has the central place in the theoretical system of the Marxist political economy has the chief role of play in any analysis of the capitalist relations of production. The theory of this or that concrete form a surplus-value also plays an important methodological role, though undoubtedly a lesser one.

It would be wrong to ignore the methodological role of the theories, in this case the concrete forms of surplus value, because it is these forms that needs to explained by economic theory from the standpoint of the internal informations of the mode of production studied. The capacity to provide such an explanation of the outward forms of economic process is a crucial criterion of the scientific nature of any economic theory. “In working out his theory, Marx himself applied the doctrine to the whole aggregation of the economic phenomena and process of capitalism, the only approach that can be helped fully to characterize the structure of phenomena and process of capitalism, commodity economy, something that is of exceptional importance for understanding their socio-economic substance”.
Marx examines every production relation and every law of capitalism as intrinsically contradictory phenomenon and that is what makes his analysis of capitalist commodity production so different from that of bourgeois theorist. “The later quality is indeed completely and unconditionally inherent in Marxism, for this theory directly sets itself the task of disclosing all the forms of antagonism…. Tracing their evolution.” 28

III. 3 Finance Capital and Export Capital

When Hilferding’s study of ‘the latest phase of capitalist development’ 29 was published in 1910 it was agreed as a major original contribution to Marxist economic theory. Otto Bauer (1909-10) 30 wrote that the book could almost be regarded as a further volume of Capital, while Kautsky (1911) 31 described it as a brilliant demonstration of the fruitfulness of the Marxist method applied to phenomena which Marx himself, in the unfinished volumes of Capital, had not able to analyse fully. Subsequently, Lenin’s (1916) study of imperialism drew heavily upon Hilferding’s ‘very valuable theoretical analysis’, and Bukharin referred to it as the ‘starting point and essential inspiration’ of his book Imperialism and World Economy (1918) 32 which Lenin had read in manuscript before completing his own study. The book also had a wider influence, outside Marxist circles, for example on Schumpeter’s writings and in particular his monograph on imperialism (1919).

But Hilferding’s theory of imperialism 33 was derived from a much broader analysis of the major changes in the capitalist economy- the great expansion of credit money through the floatation of joint stock companies and bank lending, the increasing concentration and centralization of capital in large corporations, the formation of cartels and trusts controlling whole industries, and the growing power of the banks in the economic system- a process characterized above all by the development of ‘an ever more intimate relationship’ between bank and industrial capital in which the bank were the
dominant partners. Hilferding summarized his main thesis by saying that ‘taking possession of six large Berlin banks would mean taking possession of the most important spheres of large scale industry’.

Finance Capital gave a major impetus to Marxist studies of the development of capitalism, and although the original thesis has been undoubtedly focus attention upon two essential features- the growth of giant corporations and the immensely important role of financial institutions- which are even more evident in the last decade of the twentieth century.

The idea of an articulation between banks and industrial firms with the former dominating is, as such, static, but the essence of the idea of history of capitalism, and therefore both the forces which would themselves transform the world. For Lenin finance capital was not itself a stage of capitalism but was, instead, an intrinsically prominent feature of the stage called monopoly capitalism or imperialism. 34 Monopoly capitalism was the stage in which competition between many capitals came to take the form of domination of whole industries by a handful of giant enterprises, trusts or cartels, but finance capital was an essential characteristic of it. Finance capital was not the interlocking of any bank with any firm but ‘the bank capital of a few very big monopolist banks, merged with the capital of monopolist associations of industrialists’. The picture was one of giant trusts dominated by bankers and wielding enormous power. Lenin and Bukharin saw their task as uncovering the laws that governed finance capital’s rise and its future. Finance capital was generated by the operation of two phenomena that Marx had identified. Concentration and centralization had created monopolistic firms in industry, while the rise of a modern credit system had concentrated into the hands of banks the savings of the whole community; the merging of the two was the outcome of monopolistic firms having nowhere else to go for the large blocks
of finance needed to facilitate their accumulation, while the banks had no profitable alternative to investing their large inflows of funds in industry.

The concentration of production and creation of monopolies in industry unavoidably brought forth banking monopolies or finance capital. Finance capital is monopoly industrial capitalist which merged with monopoly banking capital. Lenin wrote “The concentration of production, the monopolies arising therefore, the margin of coalescence of the banks with industry-such as the history of finance capital and such is the content of that capital”. 35

Finance capital is concentrated in the hands of financial oligarchy, a small group of the bourgeoisie which dominates all the branches of the economy, which plays and important role in both economic and politics. The merger of banking capital with industrial capital led to the creation of gigantic amalgamation, which soon began spilling over into other countries, with an even widening gulf between the growth in capital and limited possibilities for investment at home. This is where capitalist began to export capital to other countries, especially to economically weak ones, setting up daughter enterprises of big monopoly amalgamations plundering the natural resources of these countries and exploiting their cheap work force. 36 Lenin wrote : “As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, for this would means a decline in profits for the capitalist but for the purpose of increasing profits by exporting capital abroad to the backward countries.” 37

The scientific theory of imperialism was formulated by Lenin, who developed the Marxist doctrine in the context of new historical epoch. The epoch of imperialist and social revolution. He said that in the late 19th and early 20th century capitalism entered up on its highest and last stage which is characterized by the following main features. First, the growing concentration
of production and capital led to the emergence of capitalist monopolies and their domination of the economy; second, the coalescence of monopoly industrial and monopoly banking capital produced finance capital, third, the export of capital became most important as compared with the export of commodities; fourth, the economic partition of the world between alignment of capitalist was completed and fifth, the territorial partition of the world between major capitalist powers was completed.38

An important feature of the contemporary world economy is the emergence of international finance capital in a new form. The form differ from what Lenin had written about in at least three ways: first, the Leninist concept referred to finance capital which was essentially nation based, and consequently nations-state aided. What we see today is finance that constitute a large international bloc. It get sucked in from particular countries and gets deployed in particular areas in search of quick profits without much concern for the nation of its origin. To be sure, there is competition between advanced countries about the location of financial centre of the capitalist world; but this competition is not the same as the fragmentation of finance capital into nation based blocs. Secondly, Lenin’s concept referred to capital controlled by blanks and employed in industry”. This coalescence of finance and industry is less significant today then pure speculation: the primary from of international finance capital today is not money’ flows in search of quick profits. Thirdly this international finance operates in the context of and in turns contributes to, a situation of comparative unity rather than rivalry among capitalist.39

The emergence of finance capital is one of the crucial manifestation of capitalist socialization, a process in which the biggest monopoly capital established of its growing control over the aggregate movement of earlier separated forms of social capital. Finance capital is most intimately connected with all the basis features of imperialism. The origination of finance capital is
itself one of the hallmarks of this stage in the development of capitalism. It is finance capital that is the chief exports of capital, which has enabled it to establish a world-wide system of imperialist oppression and exploitation of the people.\textsuperscript{40}

After the Second World War and the collapse of the political system of colonialism the specific system of exploitation and oppression of economically less developed countries took shape and is known as neocolonialism. In contrast to old colonialism, under which the exploitation of colonies relied on direct politics and military coercion of the colonies by the metropolitan countries, neocolonialism practice the exploitation of former colonies without the use of force and mainly by economic means. However, the system of neocolonialism, too, rests not only on the economic strength of the imperialist powers, but also on political and military coercion, which assume overt forms.\textsuperscript{41}

On enquiry of how to possible to exploit the former colonies which had risen to political independence and to do so without using direct armed force would answer the analysis of the economic basis of neocolonialism, which shows that the latter relies on the colonial distortion of the mode of production in the former colonies and dependent countries, a distortion of two sides, the productive force and the relation of production.\textsuperscript{42}

The non-economic superstructure which grows up on the basis of finance capital, its political and its ideology, stimulates and striving for colonial conquest. “Finance Capital does not want liberty, it wants domination”\textsuperscript{43}. 
III.4 Economic and Territorial division of the world

The “globalized capitalism” existing in the late twentieth century was envisaged with brilliant clarity in the passage dealing with the spread of capitalist relation in Manifesto; “The need of constantly expanding market for its product chases the bourgeois over the whole surface of the globe, it must nestle everywhere settle everywhere, establish connection everywhere”. The export of the capital leads to the formation of transnational monopoly alliances. Transnational monopolies are giant capitalist amalgamations whose operations extend either over vast areas or throughout the whole the capitalist world. Most of such monopolies are transnational corporations which have emerged on top of capitalist competition, because they make better and more efficient use of specialization and cooperation of production on an international scale, derive additional profits from giant international operations monopolies, technical innovation etc. The economic and territorial division of the world in the epoch of imperialism unavoidably led to the colonial empires, which meant that the metropolitan nations mercilessly exploited the people of colonial and dependent countries. The colonial system of monopoly capitalism was the largest ever system of colonial slavery, which engulfed most of the people of our planet. This system combined exploitation based on outright coercion with economic enslavement

III.5 Globalization Economy and Culture

Globalization of capital is not a new phenomenon. There was globalization of capital in Lenin’s time as well, since imperialism necessary entails such globalization. Contemporary globalization however has certain specific characteristics (which emerge with sharpen relief when we compare it to what was happening at the turn of the century) compared to the earlier form. Contemporary capital flows are associated with relatively small current account surpluses by the leading capital exporters, therefore indicate
the fact that much of this capital movement represented short-run speculative capital flows, Direct conformation of this is provided by the fact that only 2 percent of cross-border capital flows is on account of trade related transaction. In short ‘globalization’ today is not accompanied by any significant relative increase in long term capital flows; it represents predominantly a globalization of finance in the form of ‘hot money’ flows. It is not the mobility of capital as finance.46

The consequence of the process of globalization of finance capital is quite far reaching. First it is one contributory factor to the prolonged slow down in the advanced capitalist world and high unemployment rates that prevail (on which cyclical crises are additionally super imposed). The impact of this slow down has been uneven across the advance capitalist countries with Britains and United States doing rather better than rest. 47 Secondly, this new context has resulted in the unleashing of a major imperialist offensive against the Third world. In the form of “liberalization” The pricing open of .Third world markets for goods and services helps in overcoming metropolitan stagnation. While doing so, moreover it is particularly advantageous for two reasons; first, if keeps at bay state intervention in demand management, and with it any ‘threat’ of political radicalism, second, by de-industrializing the Third World, generally forcing it into greater reliance on primary.
Neo-Liberal Economic Policy

Flow Chart Part I

Liberalize Foreign Capital Investments

- Subsidies and reductions for export oriented industries & investments.
- Banning unions, decreasing wages for the sake of export.
- Labour laws subjected to more restrictions.
- Implements hire & fire laws.
- Internal income and consumption

Export oriented Development Policies

- Tax Exemption for foreign investors
- Tax reduction and Subsidies.
- Indigenous capital Subverted for foreign investors.
- Basic services and productive areas are controlling price enhancement of production & services.

Liberalization on Imports

- Rejects indigenous products by the Market.
- In the flow of foreign goods, industries and productive areas are suffering.
- Crores and crores people are getting unemployed.
- Internal income and consumption are decreasing heavily
- Importing is getting upper hand on

Total Privatisation

- Privatisation of public sector, industries, service sector, insurance.
- Treasuries are shrinking.
- Devastation of planning.
- Employees are getting jobless.
- Collapse of indigenous Markets.
- Updown the labour Welfare Laws and
Liberalize Foreign Capital Investments.
Export oriented Development Policies
Liberalization of Imports
Total Privatisation

Starvation - Debt - Poverty

To serious Socio-Political Crises

Protests....struggle for survival...Social Polarization.... isolation of Government

Govt. Resignations, Now Governments, Alternative
Political instability- uprising of communal, fundamentalist & Terrorist forces Anarchism, suppre-

Military Coup
Administration by extreme right frontes as an instrument of foreign power

Damage for constitution, Democracy, and

Come back the

Exploitation... Persecution... and Slavery
production. It keeps inflationary pressures in the metropolis in check.

‘Liberalized’ Third World economy sees the emergence of divisive forces in the form of secessionism, communalism, and ethnic Chauvinism, as an accompaniment of stagnation and accentuated unemployment. This produce a discourse shift, a political polarization along lines very different from economic programmes.

Third World economy caught in the vortex of globalized finance experience of combination of economic crisis, social strife along lines that divide that people as well as an erosion of sovereignty and democracy. 48

The astonishing fact is that when Marx writes specifically of the economic and technological expansion of capitalism on a global scale, and of the deep penetration of capitalist logic, it is tends to thinks not of capitalism and colonialism of Marx’s time but the capitalism and imperialism of our own time—despite all historic shifts that have taken place and that have transformed the process of globalization in very fundamental ways. He asserts that “modern industry has established the world market” 49, that “the bourgeoisie must nestle everywhere, settle everywhere, establish connexion” everywhere” and that “in place of the old and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations everywhere” at the time when most of Europe itself, let alone the rest of the world did not have industrial enemies.

What is of key importance here is the firmness and accuracy with which Marx was able to perceive the future development of capitalism by grasping its inexorable operative laws.
III.6 Consequences of Globalization

The current process of globalization of capital has disastrous consequences for the Third World and such consequences would necessarily begets conflicts and war. At least five consequences are relevant here. First, it entails a drastic squeeze on the living standard of the workers and peasants in the world.

Secondly, it abrogates the economic and political sovereignty of these countries. Thirdly, associated with the effort to retain “investors confidence”, is a progressive transfer of natural resources and assets, especially of the public sector, to foreign hands at throwaway prices, a process of what one may call, ‘denationalization (privatization). Fourthly, since the abrogation and sovereignty, the squeeze on the working people the transfer and precious domestic assets ‘for a sing’ to foreign hands. Finally, these countries become inevitably enmeshed in ethnic conflicts, secessionist movements, communal conflagrations and fundamentalist threats once they ‘liberalize’ their economies and caught in the vortex of international financial flows. Deflation and unemployment are conducive to the growth of exclusivist and chauvinist movement of various kind. When delivering the convocation address to the Asian College of Journalism in Chennai on 3rd July, 2002, Professor Prabhat Patnaik pointed out thus. “The emergence of international finance capital of the new kind that I have been talking about has the effect, therefore, of solving down of growth everywhere.. it has, in addition three very significant political implications.

First, it encourages fascist tendencies everywhere; which invariably thrive in the midst of economic slumps and large-scale unemployment….second, it undermine all socialist and progressive agendas… Third, it forces all political formations, which lack the courage to get out of the vortex of globalized financial flows, to adopt and essentially
regressive redistributive agenda. Almost all the intelligential, including non-Marxist have the consensus on the damage making in civil society due to the neo-economical policies of capitalism. The prominent socio-political columnist Jayali Gosh\textsuperscript{52} has pointed that the psycho-social mechanism behind the dominance of communal and ethnic feeling under the shade of globalization. Due to the economic imbalance and disparities, coupled with globalization, people are compelled to resort retrogressive cultural affairs. By widening the gult between reality and expectation, the tendency to all accuse others deloped. The real enemy caused to atrocities is inacceible for people, so people have to find out an opponent among them and declaring a war against them,. This mass psychology stemmed out of economical disparity and hence economical insecurity is the real culprit and imperialist forces used to encourage these type of ethic or communal rivalry for protecting them from a compiled movement from people. Capitalism can avert the real opposing forces against them by weakening and diluting the peoples movements by nurturing communal, fundamentalist and terrorist feelings and emotions among people. For substantiating her stand in this regards, she refers the recent experiences and South Asian countries.

What has been the role of communalism, fundamentalism and terrorism in the context of n economic globalization agenda?

The discussion what has been rendered in this paper categorically established the nexus between the communal and ethnic forces in society and capitalism. It has been find that the enhancing communalism, fundamentalism and terrorism in civil society is a deliberate attempt perpetrated by the capitalism and for them it is an essential step to divert the attention of people from the economic issues that they face. The rising communal danger has seriously affected the ability to mobilize people on the real issues.\textsuperscript{53}
Definitely there are complex under currents which are require intimate and serious examination and the findings of superficial exploration emphasizing the need to go in deep to expose the nature of reciprocity between communal forces and capitalism. As a part of the objective of research all the social phenomena mentioned above have to examine exclusively by keeping the frame reference, Kerala since 1980’s.
### The Impact of Globalization process in Third-World Countries.

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<td>2. Subverting autonomy in economical phase.</td>
<td>3. Key-position in govt. handed over pro-imperialist, politicians, and bureaucrats (for investors confidence)</td>
<td>4. People are denied effective political choice.</td>
<td>5. Imposition of privatization.</td>
<td>6. De-nationalization of valuable assets</td>
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<td>1. The economic decision-making cannot be undertaken in an autonomous fashion by the domestic state</td>
<td>2. Satisfying the caprices of international speculators.</td>
<td>3. De-nationalization of valuable assets</td>
<td>1. Nations would remain as prey of MNC’s</td>
<td>2. Satisfying the caprices of international speculators.</td>
<td>3. De-nationalization of valuable assets</td>
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