

Details of Module and its Structure

| Module Detail | |
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| Subject Name | Sociology |
| Paper Name | Development, Globalisation and Society |
| Module Name/Title | Globalisation as Current Capitalist Transformation |
| Pre-requisites | The current phase of globalisation forces the nation states to open their markets towards Foreign Direct Investments. The Multinational Companies are able to generate more profits due to access to the markets of the developing countries. The developing countries are not able to resist international regulations which compel them to follow the regulations that ultimately result in loss for their cottage and small scale industry |
| Objectives | To understand how the Multinational Companies are forcing the conversion of national markets into the global markets. To compare the modern phase of globalisation to the capitalist expansion in the period of colonialism in 19th Century. |
| Keywords | Globalisation, Foreign Direct Investments, Multi National Companies, WTO |

Structure of Module / Syllabus of a module (Define Topic / Sub-topic of module)

Globalisation as Current Capitalist Transformation

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Course: Development, Globalisation and Society

Unit: Conceptualising Globalisation

Module Title: Globalisation as Current Capitalist Transformation

Introduction

Thomas Friedman (2005) has described the three waves of globalisation in his famous book *The World is Flat*: Globalisation 1.0 which lasted from 1492 when Columbus set sail to 1800 and shrank the world from a size large to a size medium, with countries and governments breaking down walls and knitting the world together; Globalisation 2.0 which lasted from 1800 to 2000, which shrank the world from a size medium to a size small, and the key agent of change was multinational companies; and Globalisation 3.0 which started in 2000, and is shrinking the size small to size tiny, and it is being driven by individuals.

Thus, we understand that globalisation is not a new phenomenon and various waves of globalisation have occurred several times in history. The first phase of globalisation was characterised by advent of new lands by the European and Chinese travellers for the purpose of adventure, as well as, trade. The second phase of globalisation was more clearly driven by the need of raw materials for the use in industries set up in Europe. This was also accompanied by the search of new markets for the surplus production. This ultimately led to the era of colonialism. The third wave of globalisation seems to follow from the quest for control over the markets. The use of Information and Communication Technology has brought every country into the arena along with the businessmen from every part of the world.

Karl Marx in his writings had tried to establish that the capitalist system is an epoch in the history of European society. Marx believed that history has to be understood in terms of the primacy of economic institutions. The social structure is always based upon the relations of production. The social equality is possible only when there is economic equality in the society. Marx described that there have always been two classes in society during each period of history. The owners and non-owners of means of production form two classes in every society. The capitalist society is also an unequal society where the bourgeoisie (owners of factories etc.) and proletariat (labourers) exist as two antagonistic classes.

Marxists believe that the capitalism is an unjust system where the owner class controls all the major institutions of society. The systems of production, distribution and consumption are all created to suit the interest of the capitalist class. The workers' class is exploited in this system. They are not able to get the compensation for their labour. The profits generated through their hard work are taken by the capitalist. They are not able to get equal treatment in the society. The increased competition among the capitalists finally results in the polarisation of classes. The people in the non-owner class do not have access to the necessities of life. Marx believed that the capitalist system, thus, had to end. This was possible only through revolution by the proletariat class. The communist revolution is the only way to end capitalism.

The Marxist critique of capitalism was addressed towards the second phase of globalisation. However, the neo-Marxist thinkers of the world idea are highly critical of the neo-capitalist world. The two groups have always opposed the unobstructed growth of capitalism in the world. The globalisation has therefore been studied by these groups as a type of capitalist transformation.

Globalisation as Neo capitalism

In the contemporary world, globalisation is characterised by four types of changes. First, it involves a stretching of social, political and economic activities across frontiers, regions and continents. Second, it is marked by the intensification, or the growing magnitude, of interconnectedness and flows of trade, investment, finance, migration, culture, etc. Third, it can be linked to a speeding up of global interactions and processes, as the development of world-wide systems of transport and communication increases the velocity of the diffusion of ideas, goods, information, capital and people. And, fourth, the growing extensity, intensity and velocity of global interactions can be associated with their deepening impact such that the effects of distant events can be highly significant elsewhere and specific local developments can come to have considerable global consequences (Held et al., 1999).

In this sense, the boundaries between domestic matters and global affairs become increasingly fluid. Globalisation, in short, can be thought of as the widening, intensifying, speeding up, and growing impact of world-wide interconnectedness.

The main reason for expansion of markets perhaps stems from the surplus production by industrialists in several countries of the world particularly the developed countries. The communists believed that the current wave of globalisation is due to the search for markets by several countries of the world. The search started due to over production, i.e., global overcapacity in a number of economic sectors. Some thinkers declare that world economy is suffering from a glut of manufactured goods. Thus it appears that global capitalism is in a systemic crisis requiring radical structural reforms.

The capitalist economies of the world remained under check from the communist countries. The revolutions in the form of the Bolshevik revolution and peasant revolution happened in USSR, China and some countries of Eastern Europe. These countries acted as one bloc for several years. However, the other half of the world continued to follow the capitalist model of economy. The world thus continued to remain a bipolar world till 1990s.

With the disintegration of USSR, the world was left with only one superpower; it was believed by many that the American liberal values of democracy, individualism, and free markets had triumphed and that the world will be swiftly moving towards capitalism. Economic issues have become more central to international debates since the formation of World Trade Organisation and the General Agreements on Trade and Tariffs and General Agreements on Services. The world economy has witnessed several changes after that. These changes which apparently seem to be aimed at the promotion of the global trade have actually resulted in expansion of the markets for the developed countries. Thus, this era of globalisation is also known as a capitalist transformation.

There has been a profound shift from a state-dominated to a market-dominated world. The national boundaries are becoming lesser significant in terms of markets. The surplus production of the goods and services needs to find a market. The companies cannot afford to restrict themselves to their national boundaries. The opening of international economic boundaries raises new hopes and aspirations among the companies. The political leaders have also started advocacy of the global trade. They travel to other nations to attract the foreign companies to invest in their countries. The economic interests of the nation states appear to have become more important than the political interests. Political, economic, and social activities are therefore

becoming worldwide in scope, and interactions among states and societies on many fronts have increased.

A global capitalist economy is characterised by unrestricted trade, investment flows, and the international activities of multinational firms. Economic globalisation has entailed just a few key developments in trade, finance, and foreign direct investment by multinational corporations. The market's increased importance is reflected in increased international flows of goods, capital, and services, has been encouraged by declining costs of transportation and communications, the collapse of command-type economies, and the increasing influence of a conservative economic ideology based on the policy prescriptions of economics. This resurgence of the market is really a return to the pre-World War I era of expanding globalisation of markets, production, and finance.

Since the end of World War II, international trade has greatly expanded and has become a much more important factor in both domestic and international economic affairs. Whereas the volume of international commerce had grown by only 0.5 percent annually between 1913 and 1948, in the last 30 years, world merchandise and commercial services trade have increased by about 7 per cent per year on average, reaching a peak of US\$ 18 trillion in 2011. When trade is measured in value-added terms, services play a larger role.

Between 1980 and 2011, developing economies raised their share in world exports from 34 per cent to 47 per cent and their share in world imports from 29 per cent to 42 per cent. Asia is playing an increasing role in world trade. Dramatic decreases in transport and communication costs have been the driving forces behind today's global trading system. Geopolitics has also played a decisive role in advancing and reinforcing these structural trends. The volume of foreign exchange trading (buying and selling national currencies) in the late 1990s has been approximately \$1.5 trillion per day, an eightfold increase since 1986; by contrast, the global volume of exports (goods and services) for all of 1997 was \$6.6 trillion, or \$25 billion per day!

Since the mid-1970s, the removal of capital controls, the creation of new financial instruments and technological advances in communications have contributed to a much more highly integrated international financial system. The increasing importance of multinational companies

(MNCs) has profoundly altered the structure and functioning of the global economy. These giant firms and their global strategies have become major determinants of trade flows and of the location of industries and other economic activities around the world. Most investment is in capital-intensive and technology-intensive sectors. These firms have become central in the expansion of technology flows to both industrialised and industrialising economies. As a consequence, multinational firms have become extremely important in determining the economic, political, and social welfare of many nations. Controlling much of the world's investment capital, technology, and access to global markets, such firms have become major players not only in international economic, but in political affairs as well, and this has triggered a backlash in many countries.

Globalisation has facilitated the Foreign Direct investment (FDI) into the different sectors of economy. The trends however show that the FDI does not flow into the infrastructure sector. Most of the FDI is into the consumer sector. The companies are interested in immediate profits and not in the development of the countries of investment. Further, FDI is actually highly concentrated and distributed very unevenly around the globe. Most FDI takes place in the United States, China, and Western Europe because firms are attracted to large or potentially large markets. FDI in less developed countries, with a few notable exceptions, has been modest.

Marxists and Neo Marxist continue to believe that the current phase of globalisation is not normal laissez faire state of world economy. It has been systematically created to suit the interest of the capitalist countries of the world particularly, the USA and other European countries. They believe that the globalisation of today suits the few powerful nations and is therefore hegemonic.

Despite these developments, most trade takes place among the three advanced industrialised economies, namely, the United States, Western Europe, and Japan, plus a few emerging markets in East Asia, Latin America, and elsewhere. Most of the less developed world is excluded, except as exporters of food and raw materials. It is estimated, for example, that Africa south of the Sahara accounted for only about 1 percent of total world trade in the 1990s.

Critics of neocolonialism contend that private, foreign business companies continue to exploit the resources of post-colonial peoples, and that this economic control inherent to neocolonialism is akin to the classical, European colonialism practiced from the 16th to the 20th centuries. In broader usage, current especially in Latin America, neocolonialism may simply refer to involvement of powerful countries in the affairs of less powerful countries. In this sense, "neo" colonialism implies a form of contemporary, economic Imperialism. The powerful nations behave like colonial powers, and this behaviour is likened to colonialism in a post-colonial world.

The process of globalisation has been greatly boosted by the liberalisation of the markets, the gradual removal of all sorts of "restrictions" upon the free movement of capital and commodities worldwide, especially during the last two decades, when neo-liberalism and monetarism have been universally adopted. Integral to the worldwide mobility of capital today, is the pre-eminence of financial speculation in the advanced capitalist countries, especially in Europe, the USA and Japan.

As capital is accumulated on an ever increasing scale in the centre of the system, the world is more and more divided between a few countries appropriating capital, means of production, and the rest of the world appropriating mere labour. The transfer of surplus value from the periphery to the centre more and more takes the form of an immediate hiring of peripheral labour by metropolitan capital invested in the periphery. The capitalist mode of production having expanded to the whole world, has now reproduced on a global scale its fundamental contradiction, namely, the separation of the producer from the means of production, the division between capital and labour.

The Neo-Marxists consider the globalisation of today merely as an extension of the capitalism in its new form. The capitalists came to find new lands to sell their products and then ultimately led to the colonisation of the various countries of the world. The Multinational companies of the world today feel shortage of the markets. They pressurise the nation states to open their markets for international trade only to get access to the consumers existing in the third world.

The critics of globalisation today further argue that that the current stage of globalisation has resulted in increase of income inequality both among and within nations. It is destroying the cottage and small scale industries in the countries. The Multi National companies which have budgets bigger than the governments of the countries are becoming very powerful. Their alliance with the political bosses and bureaucracy is resulting in crony capitalism. These critics charge that national societies are being integrated into a global economic system without choice. Thus, the globalisation of today is not more than capitalism in its new transformation.

Conclusion: Capitalism and Globalisation

Capitalism, also known as the free-enterprise or free-market system, is the economic arrangement that allows people to use their private property as per their own choice, with minimum government intrusion. Critics of capitalism believe that it is reckless to let the market remain unregulated. Nevertheless, capitalism has many takers like Robert Murphy (2007) who defends it unabashedly by saying that the liberal media and propagandists masked as educators have permeated the world with ‘politically correct’ inaccuracies about capitalism. He feels that these myths regarding the evil nature of capitalism obscure the fact that capitalism has helped improve the lives of people in every social section and working classes in the capitalist countries have lived far better under capitalism than those in the communist regimes. On the other hand, the most frequent grievance against capitalism is the Marxist assertion that it exploits the poor in order to serve the interests of the rich.

Globalisation implies the worldwide occurrence of increased technological, economic, and cultural interlinking of nations. It is in essence capitalism on a global, rather than a national, scale. In a globalized economy, economic activity is unhampered by time zones or national frontiers. There is an international exchange of labour forces, ideas, knowledge, products, and services. This phenomenon has gathered speed significantly since the 1980s, as technological progress (especially in the field of Internet and telecommunications) has made it easier for people to travel, communicate, and do business internationally.

Critics of globalisation typify this phenomenon as a form of Western expansionism and cultural imperialism, arguing that globalisation augments the prospects of wealthier nations and their

multinational corporations to benefit at the cost of the poorer societies by taking advantage the cheap labour and lax regulations. Advocates of globalisation have pointed out that since the 1980s, every nation that has joined the globalisation bandwagon has experienced an increase in its manufacturing output and its per capita income and that nations open to trade tend to be economically much more better-off than nations with closed economies. The increased wages generated by globalisation result in reduced poverty and improved living conditions for all, the best example of it being the East Asian countries.

However, anti-globalisation theorists like Petras and Veltmeyer (2001) like to point out that globalisation is nothing but imperialism in a new garb aimed at generating conditions for the 'free play of greed, class interest and profit-making'. Globalisation is contingent upon decisions made by humans and the question then is who are those humans taking decisions and in whose interests? Petras and Veltmeyer are clear on this point: it is the transnational corporations (TNCs) who are the controllers, as well as, the beneficiaries. What is being created is a new international division of labour, which is marked by cheap labour and repressive regimes. Since new advanced technology reduces the need for labour, the result is mass unemployment. What stops globalisation from being what Adam Smith had envisaged (namely, the situation when every country could be in a position to concentrate on what it was good at), is simply that even as economic activity on the whole may be more internationalised than it was in the past, profits do not remain in the countries in which they are made, but move northwards and westwards, which ensures perpetuation of the imbalance of power between the centre and the periphery.

Berch (2003) take this argument further by saying that globalisation is the highest and most advanced stage of capitalist imperialism assisted by transnational capital. It is an 'accelerated and most pervasive phase' of advanced monopoly capitalism operating on a worldwide scale. In this sense it is a continuation of transnational capitalist expansion throughout the world defined by its new features of speed, intensity, privatisation and declining power of the state, which are specific to this most current phase of global capitalist development. All these together make globalisation a qualitatively new stage in the development of world capitalism (Ross and Trechte, 1990). However, it still remains an undeniable fact that all these quantitative and qualitative variations are only surface changes, and globalisation still remains a capitalist venture at heart and nothing

can alter its underlying fundamental nature of capitalism and capitalist relations. Globalisation, like its earlier avatar (capitalism), is driven by the logic of profit for private amassing of capital based on the exploitation of labour throughout the world. Berch believes that since the globalisation process has had a direct impact on working classes everywhere, it is inevitable that there will emerge new anti-imperialistic anti-capitalist struggles, especially in the Third World countries along with a radicalisation of labour movements in the advanced nations. He is of the firm view that the contradictions of the global political economy will result in increased class struggle in the future. To what extent his views will prove correct remains to be seen.

