GLOBALIZATION: A REVIEW OF STUDIES

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DECLARATION

I, Meenakshi Sinha, hereby declare that this dissertation entitled ‘Globalization: A Review of Studies’ is the outcome of my own study undertaken under the guidance of Dr. Gaurang Sahay, Professor, Centre for Study of Developing Societies, School of Development Studies, Tata Institute of Social Sciences, Mumbai. It has not previously formed the basis for the award of any degree, diploma, or certificate of this Institute or any other institute or university. I have duly acknowledged all the sources used by me in the preparation of this dissertation.

11 March, 2013          Meenakshi Sinha
CERTIFICATE

This is to certify that the dissertation entitled ‘Globalization: A Review of Studies’ is the record of the original work done by Meenakshi Sinha under my guidance and supervision. The results of the research presented in this dissertation/thesis have not previously formed the basis for the award of any degree, diploma, or certificate of this Institute or any other institute or university.

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## Contents

1. Globalization-A Concept .................................. 1
2. The Rise of International Economy and Unequal Power Relations 13
3. The Transformation of the State in the Era of Globalization 25
4. Cultural Consequences of Globalization .................. 37
5. Social Implications of Globalization .................... 51
6. Conclusion .............................................. 66

References .................................................. 69
Chapter I

GLOBALIZATION-A CONCEPT

1.1 Introduction

For anything to be subjected to analysis, the starting point has to be a broad understanding of the phenomenon itself. However, the challenge of globalization lies in its all encompassing understanding as a process which has come to subsume an array of factors in its conceptualization. Broadly as a field of inquiry within the academic domain, globalization has been used to refer to economic processes (the economic expansion and internationalization of financial markets), business and interactive networks (global corporate management, worldwide epistemic and interpretive communities), political structures (newly emerging power relationships deriving from changing global investment patterns), and discourses (new social constructions of cognition, identity and meaning built upon postmodern global conditions). In sum the axis of analysis is formed by taking into account the role of these processes as precursors to globalization and the transformations that has been brought about by these processes in the economic, social, political and cultural spheres of the contemporary world.

1.2 Defining Globalization

Given the multifaceted nature of globalization there are wide array of definitions that exits, each expressing a certain opinion about the phenomenon. Held et al (2003) have defined globalization based on a spatio-temporal understanding of the phenomenon. According to this, globalization “is a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions - assessed in terms of their extensity, intensity, velocity and impact - generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power” (Held et al 2003:68). This definition of globalization distinguishes it from other restricted social developments such as localization, regionalization and nationalization which refer to the consolidation of flows and networks within a territorial boundary.

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Anthony Giddens has focused on the sociological aspect of globalization. For him the defining feature of globalization is “disembedding” or the processes of “lifting out of social relations from local contexts of interaction” (Giddens as quoted in Glenn 2007). There are two aspects to this definition. Firstly, it tries to bring in to focus the fact the globalization has led to annihilation of space and hence, has generated a consciousness of the world as a single place. Secondly, as a consequence of this interconnectedness there has been a global reordering of socio-economic relations.

Kellner (2005) sees globalization “as a product of technological revolution and global restructuring of capitalism in which economic, technological, political and cultural features are intertwined” (Kellner 2005: 285). He argues that in conceptualizing globalization one should avoid both technological and economic determinism and instead take a view which sees of globalization as a set of highly complex and contradictory processes which embody a set of institutions and social relations. These are process involve flows of goods, services, ideas, technologies, cultural forms, and people across boundaries.

From these varied definitions it can be surmised that globalization in itself is a very ambiguous phenomenon. None of the above descriptions of globalization provide a complete picture but only highlight the multiple aspects of globalization that has been subject to analysis by the scholars of different fields.

1.3 Debating Globalization

The array of literature that exists on globalization mainly contends on two different axes of analysis. The first is the process of globalization itself; that is whether it is a process where the world is becoming more integrated or, on the contrary, the contemporary phenomenon has its roots in the deepening of the processes of regionalization and internationalization where the individual states are still the main players. The second dimension that has been subject of debate focuses on analyzing the positive and negative consequences of globalization. These two dimensions pertaining to the phenomenon of globalization has been contested between two positions, namely: the globalizers and the skeptics (Held and McGrew 2000: Hay and Marsh 2000). There is a third position which occupies a middle ground between the two stark stands of the globalizers and the skeptics. This group is called the transformationalists. The subsequent section will elaborate on the viewpoints of these groups.
1.3.1 The Globalizers and the Skeptics

The globalist discourse draws from Weberian, post-Marxist and post-Structuralist conception of social reality, which sees globalization as multidimensional phenomenon that involves transformations in institutional orders and relations of power in economic, political, social and cultural spheres (Held and McGrew 2000). They emphasize the point that there have been real structural and organizational changes in the international systems that indeed mark globalization as a distinct process.

The globalists seek to establish a distinction between spatial contiguities that characterize the processes of internationalization and regionalization from that which constitute the process of globalization. For this purpose they employ socio-historical mode of analysis that draws from the perspective of ‘longue-durée’ as propounded by French historian Fernand Braudel (Braudel as cited in Held and McGrew 2000). This involves taking into account the secular historical patterns of changes over very long duration. Within this methodical approach the contemporary globalization is located by comparing discrete historical phases with respect to changing patterns of socio-economic organization, territorial principle, and configurations of interregional power relations (Held and McGrew 2000). The globalists do not deny the relevance of territory and place but argue that the social, economic and political interactions that occur in the contemporary world cannot be taken to be co-terminus with territoriality.

In response to the globalists, the skeptics have termed the phenomenon as a ‘necessary myth’ and an ‘ideological construction’ that has been popularized by the proponents of the neo-liberal agenda in order to sustain profits for Western capitalism by continued exploitation of new markets (Hirst and Thompson 2003). This has been legitimized through institutions such as the International Monetary Fund (IMF) and the economic prescriptions of Washington Consensus. These instruments have advocated policies of deregulation, privatization, structural adjustments programmes and limited government (Held and McGrew 2000).

The skeptic position has its source in Marxist and Realist ontology. According to the Marxists the contemporary world is an expression of Western imperialism. Similarly, for the Realists the international economic order in its operation is driven by the interests of the economically advanced and militarily

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2 The ‘longue-durée’ expression was popularized by the French Annales School of historical writing. This method of studying history involves giving priority to long term historical structures over events.
powerful states. The skeptics further argue that since there is no well defined spatial referent for globalization and the fact the term is ambiguous, there is no empirical evidence of its existence. They stress on the continued importance of territory, borders, place and national governments as loci power, production and wealth (ibid). From the skeptic point of view, it is the domestic political factors and economic necessities operating within the nations and not the internationalization of economy that are driving the current economic transactions (Hay and Marsh 1999). Hence, the present transactions are nothing but manifestation of inter regional and international economic and social exchanges.

The four key questions around which the debate between the globalists and the skeptics is centred are:

- the extent of economic integration as indicated by historical evidence;
- has the capitalist accumulation acquired a new form;
- whether the economic globalization is subjected to the control of national and international governance institutions;
- the effect of economic globalization on institutions of national governance in terms of sovereignty and economic autonomy (Held and McGrew 2000:19).

Branching from these four broad questions are contentions over which the skeptics and the globalists differ in their positions with regard to their conceptualizations and interpretations of different process occurring within the fold of globalization. These can broadly be summarized as follows:

- While the skeptics argue that the nation states still hold the sway in the realm of political power, the globalists emphasize on the declining authority of the nation-states and the rise of multilateralism.
- In terms of economic organization, the skeptics see the world in terms of regional blocs. The globalists on the other hand see the expanding economic order in terms of new international division of labour and the rise of global informational capitalism as a result of transformation in information and communication technologies that expedited the financial transactions.
- In the cultural realm the skeptics point of view emphasizes on the strengthening of regional and national identities, and emerging consciousness of nationalism as different cultures come in contact. The globalists argue that new patterns of identities are emerging where the individuals hold ‘complex loyalties’ and ‘multilayered identities’ (Held and McGrew 2000:36).
- While the skeptics conceive of inequality patterns in the contemporary world as a North-South divide, the globalists see inequality phenomenon as both within societies and across societies.
- For the skeptics the political conflict in the international society is between the states. The globalists see the international political order as constituting governance at different levels and the emergence of

Though both sides have contradictory positions with respect to the current processes related to globalization, in sum the reality is not as stark as stands taken by the two camps. There certainly has been an increase in cross border transactions and a growing interconnectedness, but at the same time it has not eroded completely the old hierarchies and identities as the consequences of globalization are not evenly spread across the globe. This has been taken into consideration by a third group of scholars the transformationalists.

1.3.2 The Transformationalists

The transformationalists do not agree to the fact that the contemporary world can be called globalized but they do recognize that there has been an integration of the world and the levels of interaction have certainly increased, especially in the sphere of economy. The transformationalists have criticized both the globalist school and the skeptic school. According to the transformationalists, globalization cannot be reduced to a singular condition or end-state argument. Hence, the globalist argument of withering away of the state cannot be taken to be legitimate. At the same time it has be recognized that due to increased interconnectedness some external pressures have been generated that do impact the domestic policies (Glenn 2007). Departing from both the globalists and the skeptics viewpoints, the transformationalists provide a perspective on globalization where it can be analyzed in its entirety taking into account both its positive and the negative consequences.

1.4 Intellectual Trajectory to the Process of Globalization

The word ‘globalization’ became popular within the academic discourse only after the late 1980s (Eriksen 2007). However, the earlier theorists did contemplate on the notion of an interconnected world. Since the early stages of industrial development in the early nineteenth century Europe, there has been surfacing of theories that have forwarded the idea of convergence across cultures and development of commonalities (Hay and Marsh 1999). If we try locating the different intellectual domains that have theorized on the subject of globalization, some of the major terrains can be broadly recognized as: the sociological theories of differentiation and modernization; discussions in the field of international relations on the role of the
state; the debate in the field of comparative politics on the relationship between foreign and domestic policies and; the cultural theories (Hay and Marsh 2000; Robinson 2007). These theoretical traditions draw from intellectual perspectives of Marxism, Weberianism, functionalism and postmodernism.

Within the sociological theoretical paradigm, the German philosopher, Georg Wilhelm Friedrich Hegel was the first theorist of globalization. He contemplated the idea of connections between disparate areas and places and consequently emergence of a consciousness out of such connections. Hegel propounded the idea of world-spirit (Weltgeist), whereby a spirit of world community may come to exist amongst the people of the world, though it may be uneven in its development across regions. On similar lines, Immanuel Kant in his essay on eternal peace conceived of the idea of cosmopolitan world where there is interaction across regions despite of the extant differences (Eriksen 2007).

In the light of industrial development taking place in Europe Saint-Simon formulated the idea of pan-European government. Saint-Simon’s idea was taken forward by August Comte and Emile Durkheim who articulated the theory of structural-differentiation of society. Hence, came about the structural-functionalist tradition that articulated of the integrating and homogenizing effects of industrialization. It was argued that the increment in material wealth and production as a result of industrialization stimulates market expansion and at the same time leads to emulation of industrialization by other societies. The industrial pattern of development leads to a process of ‘modernization’ of societies inducing a change in social system which eventually leads to development of specific set of values of individualization, secularism and rationality (Hay and Marsh 1999).

Karl Marx and Friedrich Engels while elaborating on the logic of capitalism predicted the globalization of production and consumption process and the emergence of a world market (ibid). Taking forward from this strand of thought Immanuel Wallerstein developed a theory of capitalist world system whereby the world is divided into hierarchically arranged centres-the core, the periphery and the semi-periphery-based on production and division of labour (Robinson 2007). Similarly, Manuel Castells’ formulation of the concept of ‘network society’³ shares the world system perspective of the capitalist logic of expansion but

³ The concept of “network society” explains the technological diffusion of capital and the inequality it embodies. Network has been defined as “a set of interconnected nodes. It may have hierarchy, but it has no centre. Relationships between the nodes are asymmetrical but they are essential for the functioning of the network-for the circulation of money, information, technology, images, goods, services or people throughout the network.”(Castells, 1999; IV).
articulates it in terms of technological advancement (Castells 1999). There are others such as Anthony Giddens and David Harvey who have described globalization on the basis of time-space model (Robinson 2007). Implicit in both Giddens’ and Harvey’s view is the idea of convergence of the world which happened because of innovations in technology.

As the international economy became much integrated, an analysis of the role of the state in the international society acquired a salience. The analysis of the role of the state in the international society requires an understanding of the state activity within a country and interaction between the states. The former process has been explained by the state system approach, while the latter has been elaborated upon by the state-centric approach. The state centric approach refers to the traditional form of realism associated with Thucydides, Machiavelli, and Morgenthau, as well as many others. It emphasizes the state (city, imperial, or nation-state) as the principal actor in international affairs and that analysis should focus on the behavior of individual states (Gilpin 2001). The state-system approach refers to structural realism or neorealist position and is primarily associated with Kenneth Waltz. In contrast to the state centric approach, it places emphasis on the distribution of power amongst states within an international system as the principal determinant of state behavior (ibid).

Drawing on these two approaches the study of the world politics came to be dominated by ‘billiard ball model’, according to which, states are impermeable and self contained units which experience each other through external pressure (Heywood 2011). However, given that the negotiations at the international level are determined by the distribution of power amongst the states, it implies that all the billiard balls are not same in their sizes (ibid). The limitation of the model is that it draws a sharp distinction between the domestic and the international sphere. In the light of emergence of transnational corporations this is an unlikely condition, as often the interests of these organizations are negotiated through politics. To overcome this, the pluralists gave the mixed actor model. The mixed actor model, while giving primacy to the role of states and national governments, recognized the existence of multiplicity of actors in negotiations of international politics.

Taking forward from the mixed actor model, there began to emerge the concept of ‘transnationalization’ in the international relations account. The beginnings of the 1990s saw an immense increase in financial flows in the international sphere as global interdependence became an acute feature of the international politics. At this point the international sphere came to be characterized by the simultaneous existence of both ‘state-centric’ world and ‘multi-centric’ world. While the multi-centric world strives for autonomy
from the state, the state-centric world seeks protection of the state (Hay and Marsh 2000). Subsequently, within the domain of international relations theory the influence of economic interdependency and military pressures on the domestic political behaviour was recognized by the scholars of comparative politics (ibid).

The cultural theories of globalization have focused on such phenomena as globalization and religion, nations and ethnicity, global consumerism, global communications and the globalization of tourism (Robinson 2007). According to Ronald Robertson, the gradual emergence of a global consciousness, an awareness of the world as a single place, is akin to a Durkheimian collective conscience that becomes now a global consciousness (Robertson as quoted in Robinson 2007). The cultural consequences of globalization have been analyzed along three major theses-homogenization, polarization, and hybridization. According to the homogenization thesis the global culture is becoming standardized around a Western or American pattern. The advocates of polarization thesis, on the other hand, argue global interdependence do not imply cultural conformity and it is possible that coming together of different cultures has heightened cultural consciousness amongst different groups. The hybridization thesis taking the midway argues that cultures borrow and incorporate elements from each other, creating hybrid, or syncretic, forms (Holton 2000).

All in all given the complexity of globalization process, none of these intellectual paradigms are watertight compartments and the analytical discourse within one paradigm inevitably spills over another. Further from the above discussion it is certainly clear that globalization is a contested concept as its multiple dimensions are being scrutinized by scholars from different fields. Nonetheless what is also clear is that the process of globalization, despite of it being a disputed concept, has affected different spheres of the contemporary world; and that these consequences (positive or negative) cannot be made sense of in isolation to one another.

1.5 Beginnings of Globalization

It is difficult to locate globalization on a historical scale as trade exchanges between nations has been going on for long and there is no clear definition as to what level of interconnectedness and kind of interconnectedness can be termed as globalization. The likes of Immanuel Wallerstein and Fernand Braudel who see globalization as a means of capitalist expansion trace its origin to the beginnings of capitalism in the late sixteenth century Europe as for them globalization and capitalism are obverse side
of the same coin. While others who have taken a technology centric view of globalization trace its origin to the late nineteenth century developments in global communications. David Held and Anthony McGrew have discerned four epochs of globalization: premodern, early modern, modern industrial and contemporary (Scholte 2005).

The state based approach, relates the development of globalization to the sovereignty aspect of the nation-state. Thus in terms of governance, the Peace of Westphalia created conditions of political stability fostering development of technological innovations and economic development. Subsequently giving rise to market based capitalist economy. The economic growth led to expansion of international trade and expansion of European colonialism (Heywood 2011). This period between the late nineteenth century and early century has been termed as ‘incipient globalization’ by Scholte (2005). It was characterized by advancement in technology, consolidation of markets and increase in global finance.

The economics and politics of the twentieth century were further marked by the beginnings of ideological struggle between capitalism and communism that manifested itself in the form of Cold War. The Cold War era saw a concerted effort by the United States to move towards a regime of open economy. And with the fall of the Soviet Union, United States emerged as a single dominant entity in the international sphere. This was the beginning of economic transformations in the world economy (Gilpin 2001). However, the process of globalization, as referred to, in contemporary conventional terminology surfaced only in the 1980s. It was a product of both the shift in economic policies as well as developments in the field of technology.

The collapse of Bretton Woods system of fixed exchange rates and a shift to floating exchange rates saw a change in the patterns of world economy, which were further established by the economic prescriptions of the Washington Consensus (Heywood 2011). This marked the adoption of ‘structural adjustment’ programmes followed by free market policies. In 1986, a series of GATT (General Agreement on Trade and Tariffs) meetings (the Uruguay Round) culminated in formation of World Trade Organization (WTO) in 1995 (Ritzer 2007).

Further the 1980s saw a simultaneous development in the field of technology. Technological development in conjunction with policies of trade liberalization made possible the handling of complex financial
transactions and allowed firms to operate across countries (Gilpin 2001). For the first time voluminous transactions could be carried out across continents within seconds. Therefore, the contemporary world globalization is to be distinguished from the trade transactions of the earlier period in terms of “the extensity of global networks, the intensity of global interconnectedness, the velocity of global flows and the impact of propensity of global interconnections- generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power” (Held et al 2003: 68-69).

Hence, in the empirical sense there is no neat classification as far as the beginnings of globalization are concerned. Given the multifaceted nature of globalization it all boils to the context of conceptualization-whether its capitalism, colonialism, financial or technological. There are no discrete phases of globalization but only a matter of degree of interconnectedness and level of impact that activity in one part of the world has on another.

**1.6 Instruments of Globalization**

By the 1980s there was a certain consensus amongst the scholars about how to promote economic growth. This crystallized in form of Washington Consensus. Prior to this period the state intervention in the economy was instrumental in promoting growth in the developing world. However, the ‘Washington Consensus’ marked a shift to a neo-liberal ideology of development which saw state intervention as creating market aberrations leading to inefficient production and allocation of resources within the economy (Glenn 2007). As a result structural reforms and liberalization measure were introduced in the 1980s and 1990s.

By this time ‘modernizing the state’ became fundamental to the policy of liberalization, and it was promulgated through these international economic organizations like World Bank and the International Monetary Fund (IMF). The IMF was built on the belief of collective action at the global level for economic stability. However, since its inception the US remains the highest shareholder in the organization (Woods 2003). The safeguarding of international monetary system by the IMF led IMF to interfere in the domestic policies of the states to ensure flexible adjustment to the international economy, often at the cost of internal conditions of the countries.
In 1995, the World Trade Organization (WTO) replaced the General Agreement for on Tariffs and Trade (GATT), and in its functioning came to administer the multilateral trade agreements and oversee the national trade policies (Woods 2003). In principle, it provided the developing countries with legalized and institutionalized procedures, but in reality for it to be effective; it required the compliance of the powerful member nations. Further, there are questions on the governance and legitimacy of these international institutions. These institutions are dominated by the industrialized countries of the world and represent the commercial and financial interests of these countries (Stiglitz 2003).

The growth of these international regulatory institutions and political agreements along with deregulation, relaxation of government regulations and neo-liberal reforms were crucial to the growth of international economy. However, in the light of intensity of financial crises the role of these institutions has come under critical scrutiny and there has been a consensus to reform the international financial structure (Nayyar 2002).

**1.7 Impact of Globalization**

The spread of globalization has been highly uneven and so its benefits. The power distribution and the nature of resource allocation in the world remains highly skewed and mostly in favour of the developed countries. However, to say that the inequalities exist only between the developed and the developing nations would only present an incomplete picture as there has also been rise in within country inequalities. Some of the consequences of globalization that have been subject to scholarly debate are: rising economic gap between North and South and concerns with respect governing the global capital; the questions pertaining to sovereignty of the nation-state; the changing role of the state in the light of economic expansion and; the cultural dimension of globalization, that is, whether globalization is leading to creation of a cosmopolitan world or is it accentuating regional/nationalist identities.

The present dissertation takes into account these different dimensions of the impact of globalization and tries to present a coherent, if not exhaustive, account of some of the major studies on globalization. The chapter outline for the same is as follows:

- The Rise of International Economy and Unequal Power Relations
- The Transformation of the State
- Cultural Consequences of Globalization
- Social Implications of Globalization
Chapter II

THE RISE OF INTERNATIONAL ECONOMY AND UNEQUAL POWER RELATIONS

2.1 Introduction

In the recent years economic globalization has come to be associated with development where it is seen as an opportunity for not only growth but also efficiency and equity. The foundation for economic globalization, which took off in the twentieth century, was laid down in the form of neo-liberal model of growth. Some key prescriptions of this model are: retreat of the state from the market; resource allocation and resource utilization based on market prices which closely conform to the international prices and; eradication of national barriers to trade. This development paradigm has been severely contested by the scholars. The current reality points out to the fact that though it cannot be denied that globalization has brought high levels of economic growth, but at the same time this has been of highly selective nature, with ever increasing regional disparity and poverty levels. In most of the developing countries, the rules of the international economy have overridden the national development objectives. The unequal economic structure has had adverse political as well as social consequences.

In this context the effects of the programs sponsored by the Bretton Woods Institutions, the International Monetary Fund (IMF) and the World bank, have come under critical scrutiny and have been subjected to several heated debates. On the one hand, it has been argued that the policies and the assistance the Fund and the World Bank have helped the borrower countries to overcome the economic crisis and reduce external dependency, as they lack the adequate knowledge and the ability to carry out the economic reforms. On the other hand, the policies and the programs have been criticized as tools of imperialist Western International Financial Institutions (IFIs) to impose inhumane, exploitative capitalism on rightfully resistant societies, and as being contractionary and particularly hard on labour and the poor (Ranis, Vreeland and Kosack 2006).

In the light of these changes, this chapter begins by tracing the emergence of global financial institutions and the associated issues of governing the world economy in the rapidly changing world environment. Further, there is an attempt to ascertain the policy implications of globalization/liberalization for the developing and the underdeveloped world; and to what extent has it or has it improved or aggravated the
political and the economic gap between different regions and economies. Needless to say, these aspects are related to wider issues of poverty, inequality and deprivation of other basic human needs.

**2.2 An Overview**

The twentieth century saw some of the key transformations in the world economy. This was marked by a muddle of economic and political events- the two World Wars, the Great Depression and the end of colonialism. These formed the backdrop for the concerted efforts by the industrialized nations of the world for the development of the institutional framework (such as the International Monetary Fund, the World Bank and the World Trade Organization) whereby emerged the global international economy. Six decades later since the conception of these institutions much has changed in the political and ideological climate of the world and so the perspective on ‘management of economies in the industrialized and strategies of development in the developing world (Nayyar 2002: 3).’

The end of Cold War signaled the emergence of a unipolar world where capitalism became the dominant ideology. In the industrialized countries of the world, the decline of the Keynesian Consensus implied withdrawal of the state from the economy and the increased predominance of the market. Further since the 1950s, there has been a continuous growth of an international economy of which the three key features are international trade, international investment and international finance. There is increasing economic openness, growing economic interdependence and deepening economic integration between the countries in the world economy (Nayyar 2002).

Economic openness apart from trade flows, investment flows and financial flows, also includes flows of services, technology, information and ideas across countries. However, the flow of labour is highly restricted and mostly confined to the skilled labour. There is hardly any mobility of the unskilled labour. Economic interdependence has increased but is of hierarchical nature. While there is increased interdependence amongst the developed nations of the world, the trade interdependence amongst the developing countries is hardly comparable to that between the industrialized countries. The relationship between the developing countries and the developed countries is of dependence where the latter are at an advantageous position. Economic integration has occurred both in terms of markets on the demand side and in terms of production on the supply side (ibid).
The complexity of the international economy is compounded by the multiple actors that have come to occupy the global stage. In today’s globalized economy there other key players apart from the nation states such as the corporate entities which have intruded the economic and political space, earlier solely occupied by the national governments. Further, the technological dynamism that has been experienced by the industrialized nations of the world has affected developing countries as economic actors. The technological advancement has brought about major transformations in the management techniques, flow of capital, patterns of trade and flow of information between economic agents in terms of ownership and generation of information (Lall 2002).

2.3 Institutional Framework for the International Economy

In the light of experiences of the Second World War the agendas of economic development and peace were concerns of the industrialized nations of the world. This coincided with the process of decolonization where the newly independent countries aspired to participate in a democratic world structure where they would be treated as equal partners and at the same to improve the living conditions of their people through economic development. Further, the Great Depression which led to the breakdown of international trading and monetary system and the economic devastation of Europe as a consequence of the Second World War, led to the belief that to put the world economy back on track and acquire a stable economic growth required active economic management by government in both the domestic sphere and the international sphere (You 2002).

Amidst these changes emerged the Bretton Woods Institutions (BWIs): the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which is now part of the World Bank group. At that time, the nation states were at the center of both the conception and the design of these institutions (Nayyar 2002). In its original design the Bretton Woods System comprised of three key elements: an adjustable peg system in which the US dollar played a key role; rates of other currencies were pegged to the dollar that was to maintain fixed parity to gold and; capital control during the wartime were to remain in place so as to prevent disruptive capital flows such as that which occurred during the inter-war years (You 2002).

The task of the IMF was to oversee the new international monetary system, for which it was provided the financial resources and powers of surveillance. Its two main functions included: the creation of a
multilateral payments system based on convertibility of the currencies of all trading nations and introduction of an international competence in orderly adaptation of exchange rates (Molle 2003). The countries could adjust their exchange rates only with the approval of the IMF and the IMF could provide short term relief funds to countries experiencing balance of trade difficulties. The IBRD, on the other hand, assisted the countries with long term funds for investment activities. The IBRD was later subsumed under the World Bank Group whose role was to mediate between capital market and the governments, by providing loans at concessional rates for development projects (ibid).

Following the creation of these institutions the industrialized world experienced a tremendous surge in economic growth in the next fifty years, but the same cannot be said about most parts of Asia and Africa. However, BWIs were not solely responsible for the growth experienced by Europe. There were domestic factors within the European World that provided the conditions for the smooth flow of Bretton Woods policies. Though economically shattered at the end of the Second World War, European nations possessed the social capability (institutional and human capital) that enabled them to respond to the technological opportunities and catch up with leader economy, the US (Abramovitz 1986).

Subsequently, as the European economy gained stability, in the 1960s the IMF shifted its focus to the developing countries and the IBRD also turned its attention from reconstruction to development. As the economic condition stabilized in Europe, the European countries stopped borrowing from the World Bank. This also meant that the resistance towards the conditionalities of loans provided but by the Bank faded and it was able to formulate more intrusive structural policies. In the 1960, International Development Association (IDA) was created to provide loans to poor countries with limited creditworthiness through grants from rich capital-exporting member governments.

In 1973, the floating exchange system replaced Bretton woods approach of the fixed exchange rate system. Greater exchange rate variability allowed increased mobility of capital across the world. This led the IMF to raise concerns for the macro-economic stability (anti-inflation and anti-deficit policies) as now it had to cope up with flexible exchange rates and with high capital mobility that could have had a huge impact on the balance of payments with the risk of currency runs. The Fund tried to manage this by providing loans to member countries in difficulties and by regular surveillance of the situation on international financial markets; and the World Bank began to push forward the agendas for efficiency
enhancing reforms (openness, competition, deregulation and privatization) (Molle 2003; You 2002). All this ultimately culminated into Washington Consensus.

2.4 From Development Consensus to Washington Consensus

In the post colonial era the strategies of development adopted by the underdeveloped countries emphasized on a more autonomous development which involved limiting the integration with the world economy and degree of openness of the market. The state occupied the centre stage in steering the development process at that time as the markets in these countries were insufficiently developed. This was the ‘development consensus’ around 1950s (Nayyar 2002). By the late 1980s and the beginning of 1990s there were changes in policies both in the countries of the developing world as well as of the erstwhile socialist bloc. They began to open up their economies and there was an attempt of integration with the world economy. This was also influenced by the fall of planned economies in the socialist bloc.

Privatization, liberalization and globalization came to occupy the policy initiatives of the mid 1980s. The nation-state took a retreat in economic matters and the transnational corporations, which controlled the investment, production and trade, and the international banks, which controlled finance, became the key players in forwarding the agenda of liberalization. This was expressed in the form of Washington Consensus which advocated financial sector liberalization, restructuring of the banking system, privatization, fiscal and monetary austerity, deregulation of labour market, tax reform and subsidy cuts (Nayyar 2002; You 2002). The IMF and the World Bank both converged to the view of the Washington Consensus.

The Washington Consensus was neither purely an economic ‘necessity’ for the developing nations nor a ‘consensus’ in the complete sense of the term. It was driven by the vested interests of the Northern Banks and other financial institutions. In the Uruguay Round of GATT (General Agreement on Trade and Tariff), later WTO, the US pushed for inclusion of services, investment measures and intellectual property rights. These spheres of the economy were not really the concerns of the developing world at that time but were initiated at the demand of the US government under the pressure of the American telecommunications, financial and pharmaceutical industries (Helleiner 2002).

As the IMF and the World Bank became the agents of development in the transition economies of the developing countries, they use the loan inducements and conditionalities to push forward the structural
reforms. The argument put forward in favour of structural reforms was that it would improve the growth prospects of the borrowing countries and reduce exchange rate instability and hence, ultimately the need for the IMF assistance (ibid). Further, the crisis of the 1980s and the fall of the Soviet Union made it difficult for the debt ridden countries to resist the structural reforms as they provided an opportunity to get rid of external financial obligations (Naím 2000).

2.5 The Politics of International Financial Institutions

A key question that needs to be answered is why countries turn to international institutions for help. Most of the analysis done in an attempt to resolve this question has been based on economic determinants. However the political factors, both domestic and international, are integral in determining the reasons for governments turning to IFIs. There seems to be no common economic determinant driving countries to turn to the Fund as some countries are able to circumvent IMF despite poor economic conditions, while others seek IMF help even the economic situation is not critical. Different governments respond differently. During balance of payments crisis, they could either turn to IMF or could change their policy independent of the Fund. When considering IMF help, government are likely to consider the redistributive impact of alternative policy measures and the political power of those who are adversely affected. Therefore, economic interests of the politically powerful groups could be crucial in determining the decision of the national governments (Bird and Rowlands 2006).

Secondly, there could be two competing motives for governments to turn to IMF: need and discretion. While some countries may turn to IMF in desperate need for loans, at the same time other financial and political reasons could act as motivations for turning to IMF. These include: “leveraging” and “scapegoating” (Smith and Vreeland 2006). Leveraging refers to cases where governments use the IMF to increase bargaining power with domestic actors opposed to economic reforms and “scapegoating” refers to cases where governments use IMF to escape the blame for economic austerity (ibid: 264). The kind of regime that is in place is also can also to a degree influence such decisions. Democratic regimes dependent on large coalitions are more likely to seek IMF to improve their international financial position and at the same time it could use IMF polices as convenient scapegoat to introduce economic reforms. However, dictatorial regimes and those dependent on small coalitions are less likely to seek IMF help as structural adjustment programs could undermine the ruler’s capacity in determining distribution of economic resources and hence, constrain ruler’s capability to spread patronage (ibid).
One major instrument through which the IMF has exercised influence over the economic structures of the borrower countries is through imposition of conditionalities. The conventional argument in favour of conditionalities is that the imposition of conditionalities ensures that the IMF resources are being used by the borrower country for the intended purpose, to benefit the economy. However, this raises the question that if the purpose of the loan is to benefit the borrower country then why is there a need for conditionalities in the first place. Further, since it is the national governments and not the IMF that implements the policies; the imposition of conditionalities implies that there is a conflict between the national commitment of the borrower country and the conditional finance (Boughton 2006). Therefore, in order to assess the impact of international influence over the domestic economies by the countries it is important bridge the gap between the national ownership and the need for conditionalities.

As according to the IMF’s definition, national ownership of policy and adjustments and structural programs ‘is a willing assumption of responsibility for an agreed program of policies, by officials in a borrowing country who have the responsibility to formulate and carry out those policies, based on an understanding that the program is achievable and is in the country’s own interest (as quoted in Boughton, 2006: 20). This definition is severely biased in its assumptions: (a) the clause ‘willing assumption of responsibility’ is an ignorant assumption of the domestic political conditions, as there is a possibility that the government seeking financial support is looking for strengthening its own polices rather than as a mechanism for structural reforms; (b) according to this definition ownership of the program requires that the policies and programs prescribed by the IMF be necessarily be the government’s first choice; (c) the achievability target as prerequisite condition for ownership is an unrealistic expectation as only domestic political factors can determine the feasibility of certain programs (Boughton 2006: 20-21).

Further the Fund and the Bank, instead being the assisting the low income countries in formulating and strategizing their own policy measures, end up imposing their own agendas. For instance when the Structural Adjustment Facility (SAF) was established in 1986, the borrower countries were required to prepare their own policy objectives with the World Bank’s assistance. However, in reality the policy objectives were formulated in Washington and then forwarded by the Fund and the Bank. This process continued through the 1990s under the Enhanced SAFs (Boughton 2006).

Thus, policies and programs which insist on acceptance of uniform conditions for loan accession and achievability of structural and institutional reforms without taking into account the domestic political
constraints could adversely affect the borrower country. In developing countries given the large masses of impoverished populations, often policy measures alternative to structural and institutional reforms are required to create employment opportunities and reduction of poverty. In such a scenario insistence on adoption of the IMF macroeconomic and financial adjustment programs could enhance the gap between the rich and the poor.

Stiglitz (2002) throws light on the unequal sharing of power between countries in the globalized world. The basis of the skewed geopolitical representation in the international financial institutions is unclear. The IMF, being a public institution, is funded by the money provided by the taxpayers all around the world but it is little accountable in terms of its functioning to the citizens, especially of the developing world. Both the IMF and the World Bank have been invariably led by representatives of the developed world. As of April 1995, the US controlled 17.83 percent of the voting power in the IMF, followed by Germany and Japan with 5.5 percent each, and France and the United Kingdom with 5.0 percent each (Thacker 2006: 113).

The skewed nature of the membership automatically shifts the benefits of the weighted voting system in favour of the developed nations of the world. An 85 percent majority is required for the most important Fund decisions. This gives the US a considerable veto power. The European nations ally usually ally with the US as they fear US retaliation in form of veto power over their favoured programs. Till date, the head of IMF has always been a European and that of World Bank an American (Stiglitz 2002). The European manager rarely makes a decision against the US preferences as most of these decisions are taken on the basis of the executive meetings where the US has a considerable veto power (Thacker 2006). Kahler (as cited in Ranis et al. 2006) in his study noted that the United States blocked the renewal of the IMF managing directors when its accomplishments did not meet the American expectations.

There are concerns with regard to transparency in the workings of these institutions. The meetings of executive members of the IMF, that approves all fund programs, are conducted in a highly secretive manner and deliberations are not available for public scrutiny (Thacker 2006). The IMF has mostly avoided any discussions with respect to efficacy and appropriateness of its policies and has discouraged governments to engage with economists who oppose its views. Several studies have brought out that IMF policies are influenced by few key economically advanced nations, particularly the United States. Thomas Oatley and Jason Yackee (as cited in Ranis et al. 2006) in their study found evidence that the United
States foreign policy and economic interests play a role in IMF lending. According to Stiles (as cited in Thacker 2006) only one in seven cases does the lending of the funds is politically neutral, based on economic and technocratic criteria. The Fund was pressurized by the United States government to bypass its economic criteria and approve loans to South Africa, El Salvador, and Haiti. While economically worthy political enemies of the US, such as Vietnam were denied any funds. The US treasury tried to suppress the dissemination of the World Bank documents for studies and public discussions.

The underdevelopment in developing countries is not just because of lack of capital abut also because lack of knowledge- asymmetry of information. Yet most of the developing countries do not have access to capital for funds that can be used for health and education (Stiglitz 2002). The documents of the World Bank and the IMF that contain sensitive information in connection to the implementation of the policies are not made available to the public (You 2002). As pointed by Helleiner (2002), economic relations between countries are inherently asymmetrical. In economic negotiations the discontinuation of transaction is likely to affect the weaker nation more; hence they often end up acceding to the policy demands of the industrialized nations. The governments of the developed nation are more responsive to the demands of their non-governmental organizations and civil society organization. On the contrary, these organizations are weakly developed in the developing countries.

The participation of the developing countries further gets undermined by the fact that the officials participating on half of the developing countries often lack the requisite technical skills, knowledge and experience of the processes of negotiations taking place at World Trade Organizations and other institutions. At times the professionals working for the small and poor countries lack institutional support from their own national capital. The lack of human, material and knowledge can be a real constraint for the less-developed countries when negotiating at the international level.

The composition of the staff also affects the way these institutions function as they crucial in shaping the overall institutional perspective. Usually the qualifications required for working in the international financial institutions requires a postgraduate degree in economics on the North American model. As a result the analysis of international issues has a liberal economic slant to it, in a way inherently biased towards the northern countries (Helleiner 2002). Though the staff is less likely to have links to national governments, but the familiarity of the staff with the preferences of the members of the executive board prevents them from submitting any project that is likely to get vetoed by the board (Thacker 2006). On
the whole, while the interests of the people of the developed countries get a broader representation, the interests of the people of the developing countries get undermined.

2.6 Implications of Economic Liberalization

The implementation of Washington Consensus was done without any due consideration of the institutional, political and other domestic factors of the transition economies by the “expatriate experts” of the IMF and World Bank. For instance in Ethiopia, the IMF pushed for financial liberalization which meant interest rates would be freely determined by the market. However, in a largely rural country like Ethiopia it is important for farmers to obtain credits at lower interest rates to buy seeds and fertilizers (Stiglitz 2002). Though there were voices of dissent with regard to these policies, but the fact that they were backed by the United States and other economic powers made developing countries heed to these suggestions. The adverse impacts of these policies were unexpected pressures such as demand overkill, financial instability, increased corruption and deterioration in income distribution (Taylor 1997).

Some key policy implications of the structural adjustment programmes are as follows:

- Policies fiscal and monetary austerity resulted in cuts in public spending high interest rates and credit restraints which adversely affected the public sector. The adjustment programmes did little to eliminate poverty and unequal income distribution.
- Devaluation of currency was expected to make production for exports more profitable and imports more expensive. However, in reality exports may not immediately respond to devaluation. In this scenario, devaluation drives up internal prices of goods adversely affecting purchasing power and aggregate demand.
- Liberalization of markets without any provision for regulation of money and capital markets, such as audit authorities and sanctions for financial institution in trouble, resulted in speculative booms and crashes in lot of countries. Latin American countries such as Mexico and Brazil and the East Asian nations suffered a series of crises in the 1990s.
- Public enterprises were privatized based on the belief that private enterprises were more efficient than the state owned enterprises. It was assumed that reduced state intervention would bring about transparency and improve production levels by reducing resource diversion through corruption and “rent” seeking. However, in most of the developing counties corruption has increased over the recent years with export incentives, speculative urban finance, privatization and stock exchange operations; while the root of the problem, the inefficient state structure has not been attacked.
There has been decline of the welfare state in most developing and under developed countries. Rudra (2002) has argued that this because in the less developed countries strong labour market institutions are absent. Further, surplus labour with mostly low skill sets tend to offset the bargaining power of the labour.

The policies of economic deregulation have also caused environmental degradation in the poor countries. For instance, when Indonesia was faced with high interest rates and scarcity of credit, it turned to cutting down of its forests as an easy way to raise cash (Stiglitz 2002).

On the whole, the liberalization policies made economies of the developing countries increasingly vulnerable to the extreme mobility of capital where there would be periods of rapid expansion of capital flows and then abrupt reversals. This was further exacerbated by the weak financial structures of these economies and inadequately developed financial regulation and supervision (Stiglitz 2002; Rodrik 2006).

The poorest countries of the world have suffered the most in this era of globally integrated market. The policies of liberalization failed to instigate any growth in Sub-Saharan Africa or prevent sharp decline in living standards in the former Soviet Union. Between 1980 and 1997, amongst the low income countries, per capita private consumption fell in 20 countries and stagnated in 2. In the middle income countries the decline was registered only in 13 out of 40 countries. Whereas in the 21 high income countries taken into consideration no the decline was registered (You 2002).

2.7 Conclusion

The strong distributional consequences of liberalization policies that have mostly worked against the developing countries point towards unequal power relations in the world economy. Poor countries have been by both market failures and market successes. Global market failures severely affect the poor nations by reducing growth and redistributing income away from the poor. But the irony is that even the market’s success tends to work against poor countries as the global economic growth channels capital to countries that already have more productive assets (Ranis et al. 2006). Further lending policies of IMF may not necessarily have intended consequences for national economies. Rather when guided by political factors it tends to shift distribution of income to owners of capital irrespective of the consequences for the national economies, often leading to unwise economic policies (Stone 2004).

Therefore, the rise of global economy has been the result of concerted efforts of the industrialized nations where the global financial institutions have played a key role. But whether the benefits of economic
interconnectedness have been equally accrued to nations is subject to the amount of negotiation power possessed by the states. The gap between the north and the south seems to be ever widening with the poor countries constantly at risk to the volatility of the international market. The adverse economic effects ten to create political tensions as food riots, ethnic strife, civil wars and other humanitarian crises. The trickle down economics as envisaged by the policy makers has not led equal distribution of growth and has failed to improve the living standards of many. In sum, globalization has definitely created opportunities for few countries but has left vast number of individuals at the disadvantaged end.
Chapter III

THE TRANSFORMATION OF THE STATE IN THE ERA OF GLOBALIZATION

3.1 Introduction

The rise of globalization has challenged the traditional notion of the sovereignty of the state. Several scholarly works, such as *The Retreat of the State*, have portrayed globalization as a transnational economic phenomenon resulting from complex technological changes, often concluding that the idea of territorially bound states have become redundant. The shifting contours of the state and its sovereignty have raised questions over the viability of the national policies. The world, from this point of view, is increasingly being viewed as moving towards a more liberal market structure where the role of the state is confined to providing rule of law, basic regulation, and minimum social safety nets (Weiss 2004). In response to this, the counter argument that has been forwarded tries to establish that the character and the nature of the state may have changed but it has certainly not become redundant even in the international sphere.

At the core of the above debate, there are issues of public policies and distribution of power and resources between nations. In this light, this chapter reviews the role of the state as a public institution and its conflict with the market system, while simultaneously taking into the changing nature of the state under the impact of the rise of the international economy. Subsequently, some of the major factors that function at the domestic level and as part of political-economic institutions at the international level, both in enabling and constraining the state action, have been accounted for. The state here has to be read in a broader context of political institution rather than a monolithic entity functioning within territorial bounds.

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3.2 The End of the State?

Susan Strange (1996), one of the proponents of constrain state thesis, while arguing in support of increasing dominance of markets put forward three propositions. The first is that politics is a common activity and not just confined to politicians and their officials. Therefore, challenging the exclusivity to influence policy decisions as the domain of the individuals working within the government. The second proposition is that power over outcomes is exercised impersonally by markets and often unintentionally by those who buy and sell and deal in markets. Thirdly, the authority in society and over economic transactions is exercised by agents other than states, and has come to be freely acknowledged by those who are subject to it (ibid: 13). She further argued that though there is asymmetry of power between the states but as the market system has expanded a certain amount of uniformity has occurred in the nature and effectiveness of the control that each state has over the economic and social relations within its boundaries.

The assumption underlying the above mentioned propositions is that with the rise of coordinated market activities, markets function through their own self sustaining economic linkages and function outside the realm of state regulation. This hypothesis that articulates the notion of “demise of the state” has been refuted by several scholars of political economy at two levels. Firstly, they challenged the notion of market as an independent self-sustaining system. The underlying argument here is that markets work in conjunction with other institutions and are governed by the constraints of other institutional arrangements. Hence, there is nothing like free market. Secondly, an analysis of the impact of national policies and the orientation of domestic political institutions brought to the fore the fact that the role of the state has certainly changed in the light of expanding economic activities but has not diminished in any way. Both these arguments have been elaborated upon in the subsequent sections.

3.3 The “Embeddedness” of Market

The embeddedness position draws from “substantivist” school of thought and is associated with Karl Polanyi (Granovetter 1985). Polanyi in his work *The Great Transformation* (1944) argued that the establishment of self-regulating market requires that land, labour and money be treated as though they are commodities. Commodity, by definition, is something that can be sold in the market. Following this definition land, labour and money are not commodities in the true sense, but for the functioning of the
market system, these three factors have to be treated as commodities. Hence, they are fictitious in nature. Since the basis of the market economy is based on fictitious factors, the market itself cannot be taken to be a ‘natural spontaneous’ occurrence (Polanyi as cited in Block 2000).

The “market embeddedness” point of view has been taken forward by the institutionalists such as Ha-Joon Chang (2000). The institutionalists refute neo-classical conception of the market as a natural arrangement that has emerged spontaneously. Neo-classical school gives primacy to markets over all other institutions and sees the emergence of the state as a result of market failure. Contrary to the neo-classical conception of the market, the institutionalist’s perspective sees market as one of the many institutions that form the market economy. From this point of view capitalist system is made up of range of institutions, which includes markets as institutions of exchange, firms as institutions of production, and the state as the creator and regulator of the institutions governing their relationships.

The institutionalists argue that free market is fictional concept. Markets in the real world function in a diverse and an uncertain environment which is far from perfectly competitive. The government, powerful domestic interests and historical experiences of society determine the purpose of the economy and establish the parameters within which the market functions (Gilpin 2003). These parameters are quite varied for different societies at different points of time. Thus, diversity of the social and political setup within which firms compete itself sets the trend for unequal advantages for certain firms over others (Burlamaqui 2000). The social and political parameters express themselves in the form of the state rules and regulations, which in turn outline the boundaries within which the market functions. These regulations define who can participate in the market and on what terms. These regulations are based on the rights-obligations structure that is accepted by the participants of the market. The accepted sets of rights and obligations may differ for different societies.

According to Chang (2000), it is the degree of acceptance of rights-obligations and the variations in rights-obligations structure in different societies that shape the perception whether the market is free or there is state intervention. Therefore, depending on the rights and obligation structure of the society the state action can be considered intervention in one society and not in another. For instance, the certain environmental standards prescribed by the governments for the industry may not be considered ‘intervention’ in the developed countries; but in certain developing countries they may be looked upon as ‘invisible trade barriers’ that distort the market.
The underlying institutions that shape the rights-obligations structure are: (a) the formal and informal rules that govern the way in which interests are organized and exercised (e.g. rules on political associations, rules on incorporation, rules on lobbying); (b) the formal and informal ‘ideologies’ relating to the notions such as ‘fairness’ and ‘natural rights’ that prevail in the society (rights of everyone to self-ownership, rights for children to education); (c) the formal and informal institutions that determine how the rights-obligations structure could be changed (e.g. procedures for legal changes, social customs about when and how some de facto rights/obligations can become ‘legitimate’, if not necessarily legalized) (Chang 2000: 20).

Moreover, contrary to the idea that the economic and other institutions are an outcome of rational economic processes, institutions are sometimes the consequence of historical accident and self-reinforcing and cumulative processes (Gilpin 2003). Thus, institutions do not always follow the logic of efficiency and are often path dependent. In sum, the way the pressures of the international economy act on different states are subject to regional variations, which are to be understood in the context of the following: (a) the institutional distinctiveness of different states; (b) these institutions are embedded in the context of specific political culture of different regions; (c) these institutional and cultural practices get entrenched over the course of time, and hence, are path dependent (Hay 2000). When market reforms are introduced in any society they are mediated and legitimized through these institutional factors. Therefore, following the institutionalist logic market is a political construction and not an independent functional entity.

3.4 The Rise of the International Economy and the Changing Nature of the State: A Shift from the “Positive State” to the “Regulatory State”

In the modern political-economic theories, the three main ways in which the state can intervene in the economy are: income distribution, macroeconomic stabilization and market regulation. The redistribution function of the state involves transfer of resources from one group of individuals, regions and countries to another group and allocation of “merit goods” which includes primary education, social insurance and healthcare services. The policies of macroeconomic stabilization aim at sustaining satisfactory levels of economic growth and employment. The two main instruments of macroeconomic stabilization are fiscal and monetary policies, along with labour market and industrial policy. The last, that is, the regulatory function of the state includes correcting different types of market failures such as monopoly power, negative externalities, lack of information and insufficient provisions for public goods (Majone 1997).
Overall these three sectors are the key areas of government intervention, with slight variations noticed amongst different states depending on the domestic policies of the state. At the end of the Second World War, the macroeconomic management and redistributive were the at the prime policy concerns in the shattered European economies. The role of the market was subservient to the state and mainly of generating resources whose distribution was largely governed by the state regulations. State intervention was an accepted norm as a way of correcting market failures and often occurred in the form of intrusive centralized capital allocation and the nationalization of key sectors of the economy. However, by the 1970s there was an effective decline in state planning. Failure of publicly owned enterprises to achieve social as well as economic objectives, rise in corruption practices and capturing of several public units by politicians and trade unions led to decline in confidence in the national policies (ibid).

Following the decline of the centralized control of the economy, the patterns of governance that emerged saw the reduction in the interventionist role of the state and an increase in the regulatory functions of the state. The two aspect of the regulatory state are state as an external or market regulator and state as an internal regulator of the decentralized administration. The transition from the interventionist to the regulatory state has not completely eroded the interventionist features of the state as the some of the remnants of the interventionist state still persist. Thus, international competition does not solely occur between the producers of goods and services but also between the regulatory regimes. The demise of the intervention state has often been termed as deregulation, but as argued by Majone (1997), in actual the transition from the interventionist state to the regulatory state was not a complete dismantling of public regulations but a combination of deregulation and regulation of public institutions at different levels of governance.

The proponents of constrain state thesis while analyzing the decline of the interventionist policies of the state tend to equate public control with public ownership. This relationship may not necessarily hold true. The operation of industries are by private enterprises are subject to rules and regulations of the specialized administrative agencies. These agencies may function outside the hierarchical control of the central government and enjoy a considerable amount of autonomy but follow a broad set of guidelines laid down by the government. The regulatory regime, is thus, characterized by decentralization and pluralism where the task of centralized bureaucratic system is redistributed to several agencies and organizations, that function within their defined area of expertise.
The institutional arrangement that characterizes regulatory regimes, where specialized agencies and commissions have taken the charge of enforcing regulations for the functioning of markets, has given rise to the concept of ‘proxy government’ (Majone 1997). ‘Proxy government’ signifies a form of indirect control exercised by the government whereby the policy makers exercise their influence through means of contractual arrangements over the regulatory agencies (ibid: 147). One notable change as a result of the shift to the indirect regulatory regime has been the emergence of judiciary as a new actor within the policy domain. The contractual system has led to the outsourcing of bureaucratic conflicts outside the hierarchical administrative structure and instead has subjected them to the arbitration by the judiciary.

The normative issue that emerges, as the regulatory regimes establish themselves, is how to ensure accountability of the independent agencies that function outside the centralized state. Here it can be argued that since it is the government that can be held political accountable, the specialized agencies should be entrusted with the task of enhancing efficiency of economic system but the decisions pertaining to redistributive should remain with the political system.

3.5 The State as an Instrument of Collective Action

Michael Oakeshott described the state as a “civil association”. According to him the purpose of such a civil association “is to enable other, more circumscribed social, political, and economic activities to take place and which is necessary (but not sufficient) for the pursuit of those other activities” (Oakeshott as quoted in Cerny 1995: 596). Oakeshott distinguishes this from an "enterprise association," which has particular ends and can be dissolved when those ends are no longer or are unsatisfactorily pursued. Oakeshott’s conception of the state as a civil association and its distinction from an enterprise association establishes the legitimacy of the state as an agent of collective action. This function of the state as agent for collective action can be linked to the welfare aspect of the state. The role of the state as a welfare state cannot be overtaken by the market as there are certain public goods that cannot be optimally distributed through markets as free riders will not pay their costs. Therefore, for equitable distribution and efficient recovery of costs an authoritative structure is required that can impose certain disciplinary boundaries with regard to efficient distribution and the use of public assets (Cerny 1995).

The rise of multiple actors in the global economy has resulted decline of the “civil association” character of the state. The state today is moving in a direction where it has acquired a mix of civil and enterprise
association. The result is the decline in welfare activities of the state as it transforms itself into a “competition state”. Competition state is one where the managerial and redistributive role of the state are undermined as it functions proactively to promote economic enterprises.

However, as argued by Armstrong (1998), the transition to competition state cannot occur unless and until such ideas are “stateified”, that is, they are “absorbed by the state, not a challenge to it (1998: 477)”. Further, as illustrated by Burger (2000), globalization is not the only variable acting on the welfare state. The impact of globalization is experienced in conjunction with domestic variables that vary from state to state. For instance, in states such as Netherlands, where governments have been committed to preserving the basic features of the welfare state, a range of reforms and accommodations have maintained the essential redistributive character of the state. Therefore, national policies are crucial in mediating the effect of globalization.

### 3.6 Reclaiming the State: The State and its Negotiation with Economic Transformations

Peter Evans (1997), on the basis of cross-national statistics, argued that a look at the nations that have been economically most successful in the era of globalization suggests that the role of the state could be a contributing factor to the competitive advantage of the nations in the international economy. Therefore, globalization instead of undermining the role of the state has created the need for more sustained intervention by the state to mediate the volatility of the international market.

The conditions of intense global economic competition where nations, firms and groups compete for their interests, interests of any state is an outcome of the negotiations between the domestic political policies and changes in the international political economy. The state’s function in this scenario is to devise policies that can wield economic changes in the international sphere to its advantage. Sovereignty in the present context, thus, does not imply complete autonomy of the state or territorial boundary of administration of its affairs, but rather a bargaining power conferred on the state to safeguard its interests by recognition of its legal institutional authority (Keohane 2003). Therefore, the national competitive advantage in the international depends on the effective ability of a particular state to regulate the affairs of the market.

In order to understand the role of the state in regulating the market system, there is a need to draw a distinction between the *trans* border activities and *cross* border activities (Weiss 2004). The economic transactions taking place anywhere in the world are governed by the regulations of the state in which they
occur. Hence, they are territorially mediated and the agency within the territory that mediates the challenges of economic openness is the state. Now that it is established that the economic transactions are governed by state policies, the structure of this regulation can be discerned at three levels. Firstly, how the need for the state mediation is generated. Secondly, the domestic political orientations determine to what degree the state mediation is practiced. Thirdly, how well the economic transactions are mediated. This depends on the capacity of the domestic political institutions and the pressures of international political economy. All these factors are interlinked and are subject to the shifting power balances between the states.

Globalization results in strong exposure to world markets which generates insecurity amongst vast number of people and in turn increases the demand for social protection. In this context, two major studies have been of Dennis Quinn and Peter Katzenstein (as cited in Weiss 2004). The conventional argument relates financial liberalization to the decline in government taxation and spending policies. In contradiction to this, Quinn in his correlational analysis of the impact of financial openness on fiscal, social protection and range of other policies, found that financial openness is correlated with increases in taxation and spending, and capital mobility had only one significant negative impact- increasing income inequality.

On similar lines, Katzenstein in his pioneering work of small states of northern Europe brought out the need for social protection by the government. He found that in the case of small states the rise of economic openness is correlated with the heightened sense of vulnerability that gives rise to an ideology of social partnership and complementary (corporatist) institutional arrangements. In the small states of northern Europe the increasing trade openness was concomitant with the government measures of providing compensation to the domestic labour and industry. Both these studies highlight the redistributive role of the government in the light of increasing economic openness. However, it needs to be reiterated that the degree to which the incentives for state intervention are translated into practice substantially depend on the political capacity of the domestic state institutions and the political culture of the state, which in turn shall determine the policy choices made by the government.

In terms of economic policy choices, a nation is presented with three choices: fixed exchange rates, national autonomy in macroeconomic policies and, international capital mobility (Gilpin 2003). However, all three cannot be attained simultaneously. The trade off between these choices is itself determined by
choice of policy made by the state. This can be illustrated by three examples. The United States prefers independent monetary policy and freedom of capital mobility, and so forgoes exchange rate stability; the European Economic Monetary Union (EMU) has adopted a fixed exchange rate system by subscribing to common currency but this implies inflexibility in monetary policy of the individual nations; China which places an emphasis on macroeconomic independence places control on capital mobility. Therefore, international political economy places constraints on economic policies but the choice of individual nations matter.

The choices by individual nations in terms of policy matters are reflective of the norms, values and interests of the social and political systems. These factors define the economic interests within the domestic spheres and accordingly shape the relations between the nations at the international level. The international economy, therefore, is a sum of national ambitions and economic efficiency (Weiss 2004). The three defining factors within the domestic spheres that are crucial in shaping the economic and political interests are: the governing political elite, the pressures of powerful groups within national societies and the nature of the domestic political institutions.

The normative orientation of the governing elite is reflected in the trajectory of development endorsed by them and can prove to be an enabling or a constraining factor in determining the state. While the systemic pressures of the international economy push towards financial liberalization, the social norms and orientations to a great degree determine the organizational configuration within the state. This is illustrated in Michael Loriaux’s (2004) account of the limits of French liberalization. While the pressures of the international politics have compelled France to liberalize its economy, the French normative orientations and shared cultural values continued to shape the investment practices in French private firms which are committed long term development and national economic interests. In the French case, the role of the elite state educational institutions were crucial in persistence of French social norms and nationalist culture as they reproduced the shared norms through elite socialization.

As the institutions act on the elite normative values, in the same vein elite coherence around certain core institutional values can be instrumental in bringing about institutional transformation. In his analysis of India Jalal Alamgir (2004) shows how in the 1980s the cohesiveness of the Indian political elites around the need to pursue economic openness led to key industrial and financial policy reforms. Through construction of a compelling public discourse on the basis of shared values regarding India’s security,
identity, and historic role, combined with a growing apprehension that China constitutes an increasingly strategic threat, the Indian elite was able to establish its case for the need for increased economic openness.

Richard Doner and Ansil Ramsay (2004) in their study of Thailand’s economy, provide an illustration how a combination of weak institutional structures and ideational bent of the elite can act as blockage for an adequate state response. During the 1990s the Thai state was mainly dominated by a cadre of technocratic elite that prioritized macroeconomic stability and were hesitant to carry out sectoral intervention. Along with this the fragmentation of key state agencies, bureaucratic brain drain to the private sector and frequent ministerial changes led to loss of expertise and policy making capacity of the state. As a result during the regional financial crisis, Thailand failed to upgrade its production capacity. Therefore, in actual, Thailand’s financial crisis was a crisis of the state sector which is instrumental shaping the long term growth pattern of the economy (Doner and Ramsay 2004).

The case of Thailand can be contrasted with that of Taiwan, where the developmentally oriented elite along with cohesive market driven state agencies were crucial in building the high technology industrial system by upgrading technology and skill sets. The diverging factors determining the development paradigm in the two cases were the institutional capacities and the ability of the elite to effectively channelize the national policies in enhancing the private sector capacity. Lastly, the efficiency of the domestic political institutions depends on the degree of development of infrastructural capacity of the state (Weiss 2000). The failure of most of the African states to mitigate the effects of the global financial capital has much to do with the dismal institutional infrastructure of the state.

The above examples illustrate that the new developmental problems are “institution-intensive, requiring arrangements that facilitate information sharing, mutual monitoring, implementing collective goals, and compensating losers while empowering winners (Doner and Ramsay 2004: 126)” . Apart from these, as evident from the case of Taiwan, the institutional arrangements need to be complemented by stronger states, public–private consultations, and private organizations (ibid). Therefore, well developed states with expertise, flexibility, and some degree of autonomy can effectively bring about are sector-specific policies that promote private sector efficiency. Hence, competitive advantage in the new international economy policies require enhanced states rather than minimalist states.
The aforementioned factors are crucial in shaping the policies and regulatory mechanisms of the government with reference to the domestic interest groups as well as external capital. Therefore, national level specificities are quite crucial in determining the differential impact of global capital. This is not to say that economic interdependence has not had any effect on the autonomy of individual nations. Certainly pressures of external economy play on the national economy but only that these pressures of external economy pass through the channels of domestic objectives and policies.

3.7 Conclusion

The common economic pressures at the international level cannot be taken to imply convergence within the domestic economies; for the domestic policies and state’s position in the power hierarchy is different for different nations depending on the infrastructural capacity and capability of the political institutions adopted. Far from convergence, globalization actually accentuates the existing differences between the national models. The states have been transformed in their dealings with the ever widening economic processes. Nonetheless, transformation of the state is quite a different fact than elimination of the state. In fact in the light of changing economics the political transformation should be seen as a plausible expected reality. As argued by Weiss (1999), “growing political interdependence has not eliminated territorial principle but rather organizationally ‘tamed’ it…territoriality continues to provide the basis for enhanced cooperation (1999: 87).”

Even in cases of inter-regional coalitions such as the European Union, the networks of interactions are formed between the nations (Mann 1997). To a certain degree, the nation is subsumed by these associating identities as power equations cut across these inter nation associations. But what is to be noted is that the negotiations are formed between the states, and it is the states which use their power to bargain for their interests. As noted by Slaughter (2003), sovereignty in post Cold War is not the power to insulate but power to participate. Regionalization could be both strengthening and weakening of the states. While at one level it exacerbates existing hierarchies, it also provides weak states an opportunity to unite and collectively forward their interest. As part of the regional associations states not only represent the interests of the association, but also the interests of the states arising out of domestic peculiarities. The underlying incentives to participate in such associations, to a certain extent, are defined by the domestic political interests.
In the changing international economic order there is a shift in political institutions in terms of their roles and functions, but even still these are guided by the precarious preponderance of power between the states. Therefore, to argue that the states have become anachronistic and economic linkages can function on their own would amount to naivety. On the contrary, the role of the state has become crucial in regulating the economic flows. The economic flows within the nations need to be mitigated by the states on their own terms as per domestic requirements. Gilpin (2001) well surmises this contradiction between the economic expansion and the role of the state, “whereas the logic of the market is to locate economic activities wherever they will be most efficient and profitable, the logic of the state is to capture and control the process of economic growth and capital accumulation in order to increase the power and economic welfare of the nation (2001: 81).”
Chapter IV

CULTURAL CONSEQUENCES OF GLOBALIZATION

4.1 Introduction

The emergence of globalization has been associated with the new set of changes in the realm of world politics. The nation as a unit is being subsumed into the wider processes of economic and political exchanges. As a result, there are emerging a multiple set of identities which are enmeshed in cultural networks that operate both within nations and across nations. Nation, as a defining feature of identity, has itself come under attack as increased interaction across borders has led to the rise of transnational communities of multicultural character. This phenomenon has often been seen as the homogenizing process where local value differences are being diluted and subsumed by the economic forces. The major driving force behind the homogenization process is modernization, which in the context of the contemporary globalization has invariably been equated with Westernization.

Broadly, cultural transformation at the global level is an outcome of two related but distinct phenomena. These are namely: the material and economic effects of globalization, and modernity. At the market level, the economic factors tend towards synchronization in terms of organizational structure and work culture, as evident in the rise of multinational corporations and decentralization of production activities. Another expression of the material effect occurs in the form of modern consumer goods, the impact of the mass media, including satellite television, movie cassettes and the internet (Lieber and Weisberg 2002). The material expressions are a means of interaction with other culture and also a way inculcating a set of lifestyle. The second element is of modernity, which is mainly indicative of western values. These values include, among others, scientific reasoning, secularism, religious toleration, individualism, freedom of expression, political pluralism, the rule of law, equal rights for women and minorities, and openness to change (ibid).

However, globalization as a cultural identity is not a unidirectional definite reality but is imbued with multiple contradictions and conflict. The conception of globalization as an identity in itself has a feeble base. Globalization has occurred across national boundaries and the agents that have facilitated the processes of cross national transactions themselves are rooted in national, cultural and ethnic identities,
which have been inculcated over a period of a very long time. These identities, when enmeshed with processes of economic and political transformations at the international level they do not necessarily disappear but rather acquire new forms. Hence, there is a reproduction of heterogeneous identities within the domain of global cultural transformation. Therefore, while westernization and modernization work towards homogenization, the intertwining of these processes with cultural identities result in condition of plurality.

The formation of cultural identities in its interaction with the economic and political processes can exist either as differentiation or can reproduce inequalities. Inequality in turn can result in rise of communal and fundamentalist processes. However, it is still not easy to discern if conflicts between different nations, regions or groups are a purely a product of unequal access to resources or are engendered through identity clashes. The most probable hypothesis seems to be that it is a combination of both, where the conflict over the economic resources is concretized and accentuated by culturally cohesive groups. Cultural factors, then, are intricately bound up with the issues of domestic politics and international security.

The present chapter, against the backdrop of the above delineated process of cultural transformation, tries to trace the cultural tension generated by globalization. At the outset, the three major approaches that constitute the analytical framework for the analysis of cultural transformation have been outlined. The subsequent sections focus on process of modernization and the emergence the nation state, and their consequent impact on cultural integration. Following this an attempt has been made to discern the process of multiculturalism and its varied expressions, both within nations and across nations.

4.2 Homogenization, Polarization and Hybridization

The cultural consequences of globalization can be analyzed in terms of three major approaches. These include: homogenization, polarization and hybridization theses (Holton 2000). The homogenization thesis of globalization sees the world as moving towards cultural convergence. The focal point of cultural convergence is Westernization or Americanization. The economic and technological interconnections have led to enhanced mobilization opportunities both in terms of resources and people. Since most of the economic transformations and technological advancement has been driven by the developed economies of the West, mainly the United States of America, economic and technological interconnectedness has been seen as the transmission of Western cultural traits and practices.
The two main instruments of cultural standardization are global consumerism and diffusion of Western education. Market strategization through building of brand images, mass advertising and promotion of Western product and services to Third World population aims at building a homogeneous consumer culture based on Western tastes and preferences. This has been facilitated through information exchange through means of communication technologies. The second dimension of homogenization is integration of elites through means of education based on Western intellectual paradigm. Diffusion of knowledge helped in creation of interpersonal networks of values in the functioning of international organizations like the United Nations, the World Bank, the United Nations Educational, Scientific and Cultural Organization and other global corporations (Holton 2000). The homogenization process at the elite level engendered a sense of common identity and belief system for the functioning of international institutions.

The drawback of homogenization thesis is that it reduces the processes of cultural transmission across borders to simplistic sense by equating it with economic and technological standardization. Convergence in the cultural realm is much harder to achieve than compared to economic and technological realms. The movement towards cultural Americanization or cultural modernization is not uniformly received at all locations as each region is fraught with its own set of distinct cultural identities. Moreover, as argued by Appadurai (1990), in many regions cultural threats may be perceived in forms other than Americanization. For instance, in Korea Japanization is a more predominating threat than Westernization and similarly for Sri Lankans it is Indianization. Secondly, elite homogenization has also occurred only to a limited degree. So far there has been no evidence of commitment to a common extra national cosmopolitanism and fault lines along regional alliances and ideologies persist. Hence, sources of cultural diffusion and cultural transformations follow a multi-centric paradigm rather a unidirectional path of Americanization.

In response to homogenization thesis, emerged the polarization thesis that refuted the claim of unhindered Western globalization and brought into the discourse the various forms of conflicts engendered as a result of resistance to globalization. Some of the scholars whose works have influenced thinking of globalization as a site for contestation of cultures include Edward Said, Samuel Huntington and Benjamin Barber. Said (1978) in his work *Orientalism* offers a description of how the world was shaped by European colonialism and the cultural dichotomy that emerged out of the colonial construction between the East and the West. The non-Western world is portrayed as fundamentally different from the West and is constructed as the ‘Other’. The cultural dichotomy operates through discourses of power whereby the

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The non-Western world is portrayed as stagnant, unchanging and authoritarian in opposition to the innovatory and the rational West (Holton 2000: 145).

Huntington (1996) in his work The Clash of Civilizations and the Remaking of the World Order argues that in the post Cold War era the dominant source of conflict will be cultural and will occur between nations and groups of different civilizations. Huntington defines civilization as ‘a cultural entity where villages, regions, ethnic groups, nationality, religious groups, have distinct cultures at different levels of cultural heterogeneity. Civilization is, thus, the highest cultural grouping of people and the broadest level of cultural identity of people….defined by both common objective elements, such as language, history, religion, customs, institutions and subjective self-identification of people (Huntington 1993: 24)’. The differences between civilizations are more fundamental than political ideologies and regimes as it has been entrenched over centuries. Globalization as a result of increasing interaction creates consciousness of both differences and commonalities between civilizations. Hence, globalization through increased interconnectedness reimposes already entrenched cultural dichotomies.

The rise of the West as the power centre of cultural diffusion triggers the phenomenon of indigenization or ‘a return to the roots’ of the non-Western. While at the level of public discourse about globalization Westernization dominates as a popular culture; but at the same time it also forms the site for contestation. From this point of view, the world is not yet globalized but in the process of globalizing, therefore, an incomplete, uneven and contested process whose contours are shaped by locally specific social and cultural practices (Jackson 2004). The most prominent reason for the popular culture, in this case Westernization/Americanization, for dominating the discourse is its espousal by the governing elite (Lieber and Weisberg 2002).

However, Huntington in his work made the mistake of overstating the effect of culturalism. Cultural identities may be reshaped by social and political circumstances. For instance, the ethnic and cultural tensions that broke out in former Yugoslavia were a consequence of the collapse of communism. Thus, economic and political injustice may be expressed in form of cultural rivalry (Heywood 2011: 188). This has been brought forth by Benjamin Barber (1995) in his work Jihad vs. McWorld where he illustrates the impact of consumerist culture in uprooting the indigenous culture and the resistance it generates.

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While the metaphor of McWorld stands for global consumerism spread through a combination of fast food (McDonald's), fast music (MTV), and fast computers (Apple Mac), jihad (holy war) signifies the resistance of the local fundamentalist forces.

The merit of polarization thesis is that it provides a break from the convergence theories of Western globalization and provides an alternative account of globalization. It brings forth the forms of resistances to globalization and result in creation of scattered pockets of power centers through fragmentation of the dominant cultural discourse. The conceptual advance provided by polarization thesis taken forward by the hybridization or syncretism thesis. The hybridization approach represents the idea that there are no longer any pure or authentic cultures distinct from others (Holton 2000). In the current scenario, individuals abide by multiple identities which may or may not come in conflict with each other depending on the assimilation capacity of the social setting.

At the analytical level, hybridization or syncretism thesis provides a relief from the extreme positions of the homogenization and polarization theses. The hybridization thesis accounts for cultural repertoires produced as a result of diverse enmeshing of cultural forms through cross border exchanges. In the context of cultural forms, hybridization refers to the ways in which forms become separated from existing practices and recombine in new forms in new practices (Pieterse 2006: 662). Hybridization is not just limited to reinvention of cultural practices but also leads to the reorganization of the structural systems as well. This can be seen in the reinforcement of supra national and sub national regional identities. For instance, in response to the economic threat posed by the United States and Japan the European states reorganized themselves in form of the European Union. The European Union is not only an economic organization but also by being an entity of administrative, political and legal cooperation it represents a cultural formation of the European States.

Through structural hybridization globalization provides an increase in the available modes of organization such as transnational, international, macro regional, national, micro regional, municipal, local. Structural hybridization causes reorganization of social spaces as with diverse modes of organization it gives rise to a pluralization of forms of cooperation and competition and also generates novel forms of mixed cooperation (Pieterse 2006). The individuals participating in these organizational forms imbibe multiple identities in form of new translocal cultural expressions as new forms of associations engender new
cultural imageries. Globalization is, thus, the framework for the diversification and amplification of ‘sources of the self’ (Pieterse 2006: 664)

4.3 Modernization and the formation of the ‘Nation-state’

The modern economy presupposes a concomitant existence of modern culture and the state. Modern economy ‘depends on the mobility and communication between individuals, at a level which can only be achieved if those individuals have been socialized into a high culture, and indeed into the same high culture’ (Arnason 1990: 214). Further, the process of industrialization and subsequently economic organization were carried out on the basis of import substitution, the formation of an internal market and bringing manpower in the employed sector. This required state intervention both in the form of regulation as well as providing in supporting infrastructure such as transportation and communication to facilitate the process of economic integration to occur. Hence, the functioning of modern economy depends on the medium of modern cultural values as well as a set of political institutions can provide organizational basis for the economic transformation to take place.

Modernity, as the organizing principle of globalization, implied adoption of Western or European cultural values. This not only entails diffusion of western lifestyle but a complex diffusion of cultural modernity (Tomlinson 2003). The three broad aspects of this are: organizational (nation-state, urbanism), production and consumption practices (industrialization, the capitalist economy), and common values (individualism, secularism). The adoption of modern cultural values is both a social and psychological process as it is manifested in the behavior and consciousness of the people (Berger 2002: 9). For instance, the diffusion of American language apart from imparting a standardized medium of communication carries with itself cognitive, normative and emotional connotations as well.

In the twentieth century as the newly independent countries entered the global economic scene, there emerged sectors new bourgeoisie control in both business and political realms that were responsible for incorporation of the domestic economy in the international market. The emergence of the international market was characterized by a form division of labour that needed standardized cultural medium of interaction across nations. The diffusion of standardized cultural pattern required a centralized state. This required moulding of these societies into the paradigm of the modern nation-state, based on the ways of European urban society (Martin-Barbero 2006).
However, the construction of the modern nation had to be preceded by the symbolic construction of 'a people' that makes the modern state into a nation state (Lupel 2004). National consciousness ‘provides the solidarity that transforms a disparate population into a body of citizens involved in the common practice of democratic self- determination’ (ibid: 157). Therefore, the formation of the state as an organizational system in the newly independent countries involved political as well as cultural integration as a nation. This gap between the state and the nation was bridged through the process of nationalism (Arnason 1990).

According to Anderson (as quoted in Brumman 1998: 496) nationalism is an attempt of "imagined communities" of people who feel culturally related to gain and retain exclusive control over a given territory. In the context of globalization, nationalism emerged based on the idea of national culture where different cultural, ethnic and regional differences were synthesized under the umbrella of one political entity. Nationalism, thus, was part and parcel of the globalization process. As an implication of which, different cultural groups within a certain territorial boundary, were expected to abide by the national identity and work towards the unification of the nation in spite of their inherent cultural differences. Therefore, ‘the nation absorbed the people, transforming the multiplicity of diverse cultures into a single aspiration, namely the feeling of nationhood’ (Martin-Barbero 2006: 629).

At the cultural level the idea of unified national identity was promoted by invoking repertoires of national struggle or national identity though common cultural symbols. The two common ways through which the process of national construction was carried out were ‘vernacular mobilization’ and ‘cultural politicization’ (Smith 1990). As different ethnic communities dissolved into wider polities, the ability of the elite to construct a national identity depended on the success of finding a common convincing cultural base and make use of it so as to mobilize wider section of the population. In communities where vernacular and regional differences were far and wide, the historical experiences of national struggle or external security threats were invoked to create a consciousness of nationalism. The two cases in point are India and Japan. In case of India, the nationalist struggle against the British colonialism was used as the vortex for projection of nationalist identity. In the Japanese case, the invasion by the Chinese proved to be the source for engendering nationalist sentiment.

The production of national culture and a claim to sovereignty entailed demarcation of national boundaries. For the purpose individuals residing within the national boundary are required to realize a variety of collective practices and representations that condition the spatiotemporal conceptualization of
the community as a polity (Foster 1991: 239). This was done through both the regulatory and the socializing institutions of the state such as the legal system, educational system and the media (Tomlinson 2003). Therefore, essentialization of national culture through identification common cultural traits is carried out in a way that it involves inculcation of a sentiment whereby communities and individuals outside the national boundaries are excluded and the ones within the nation-state are “primordialized”\(^8\).

At the organizational level, the state facilitated the integration project through roads, railways, telegraph networks, telephones and radio broadcasting communications across regions. The role of the state acquired a crucial importance as a centralizing and initiating agency for modernization of the society (Martin-Barbero 2006). The administrative centralization in form of public taxation, national accounts and public records organized life in these societies around a certain homogenizing norm and rhythm. The national capital became the symbolic as well as the political centre of common culture diffusion. Though the progress towards industrialization was advanced by the governing social class through a sense of nationhood, it would be wrong to conclude that the entrenchment of the idea of nation-state was a top down process altogether. The consciousness of nation as it perpetuated in the masses, it became symbol of social legitimacy of the renewed aspirations of the people in the globalized world. This had two implications for the domestic politics. On the one hand, it gave rise to the populist political practices especially in the countries where democratic form of government was adopted. On the other hand, wherever the state failed to meet the aspirations of the people the gap was often filled by rise of the fundamentalist or the secessionist forces.

Thus, nationhood emerged as a cultural identity along whose lines new demands are being made on the state. However, at the time it has been noticed that urban growth and industrialization as a result of population growth and migration lead to formation of classes and social groups that are constantly in conflict with each other and pose a challenge to the established normative order of nationalism. Therefore, on the one hand globalization was built on the foundations of the cultural integration provided by the nation-state; on the other hand by bringing into play new factors through cross border transactions it threatens to weaken the same ties of national identity.

4.4 The Rise of Multiculturalism and Transnationalism

National community proved to be the basis for globalization to occur as well as for it to persist. Even today as the process of globalization has evolved from its initial phases, no alternative institutional mechanism has been developed that provides sustenance mechanism for the globalization process. But even though nation-state is necessary for globalization, at the same time its objectives come in conflict with the homogenizing vision of a global community. A national society has national interests and devises instruments to defend these interests, which may contradict or confront the unhindered flow of information, people and resources across borders. The conception of a globalized culture is hard to sustain as it is essentially memoryless (Smith 1990).

While the national culture is constructed by drawing on shared memories and a sense of continuity over generations, the imagery global culture fails to establish any such historic identity. Modern nation is, thus, both a civic and an ethnic entity. As a civic entity, the nation state provides the space whereby the individual in relation to the state is a citizen with civic rights and duties and receives the benefits of modernity through the medium of an impersonal, and impartial, bureaucracy. As an ethnic entity, it is a site of revitalization of cultural identity, national solidarity and defence of national interests when faced fears of immigration (Morris 1997).

The contradictory gap between the objectives of globalization and the nation is filled by multiculturalism. Multiculturalism per se is not a new phenomenon. In the context of contemporary globalization, multiculturalism has to be understood as part and parcel of the economic transformations occurring across countries, which is facilitated through advancement in information and communication technologies and is mediated by the domestic socio-political factors. Multiculturalism implies that the individuals have both transnational and local identities that may be invoked at different times for different purposes (Weiss 2006). Both transnational and local identities are overlapping and at a point time the domination of one over the other is determined by the economic and political factors prevailing within the given social setting.

As the infrastructural capacity of the domestic political institutions and the national political conditions differ across regions, so do the issues of cultural pluralism vary between nations. While the state level definitives remain imperative in mediating ethno-national conflicts, international conditions may also
exercise some influence in resolution or aggravation of the regional cultural tension (Weiss, 2006). For instance, Islamic terrorism has become a global concern. Similarly in the case of Kashmir conflict, international actors played the role of intermediaries in initiating talks between India and Pakistan. The divergences in impact are especially noticeable with respect to developed and underdeveloped countries; and hence, an understanding of the relationship between the First World and the Third World multiculturalism can throw light on the political implications of predominating cultural and political ideologies prevalent in these societies (Lomnitz 1994).

In the economic sphere, globalization provides opportunity to the developed countries to hire cheap labour from the developing countries. Though to certain degree this relationship of dependence benefits the developing countries in the sense that it provides employment opportunities to vast number of its populations, but at the same time the institutional costs incurred by the developing nations in sustaining this relationship of dependence is huge. Some of the institutional costs in sustaining the job market include costs in bilingual education, bilingual services, border controls, work legislation and legislation enforcement, control over media, organization of formal political channels etc (Lomnitz 1994).

Further, the division of labour introduced by the global economy causes deterritorialization of the labour whereby, the labour from the developing economies is brought into wealthy spaces of the industrialized nations and integrated into the lower sectors of the economy. Deterritorialization of the labour, on the one hand, causes of the labour causes marginalization and ghettoization of the migrant labour; while on the other hand, it creates complicated networks of fundamentalism through cultural reproduction of religious and ethnic identifications (Appadurai 2006).

Moreover, the transition of the political and economic systems of the developing economies in order to maintain pace with the already developed economies occurred only partially and unsystematically. The measures of bureaucratic rationality and liberalization were introduced without the key redistributive changes. This implied only partial modernization as except the few urban centres most of the economic and political structure functioned on the basis of traditional principles. Thus, new political systems are imbued with old traditional hierarchies. The trade and commodification patterns which mainly function on the paradigm laid down by the developed countries make them the centre of diffusion of taste and styles that permeate the consumption patterns in the developed countries. The ‘international standard’ is usually what has been adopted by the First World countries.
The focal points of international economic, political and cultural organizations are mostly in the hands of few influential elite who become the agents of the dominant culture. However, the same domination can create disruption in traditional societies as they tend to reorganize ethnic, communal or regional identity along class dimensions. State policies formulated with the intention to integrate populations into development paradigm based on modernization can result in backlash of communal and ethnic identities as the communities compete for resources. The upsurge ethnic and religious movements in the context of globalization can, thus, be discerned in the light of market consumerism that has generated aspirations for new set of identities. As noted by Pieterse (2006), ‘identity patterns are becoming more complex, as people assert local loyalties but want to share in global values and lifestyle’ (2006: 662).

Therefore, the compounding factor of conflict along the cultural fault lines is not often poverty and deprivation but rather a sense of relative deprivation. The relative deprivation factor was emphasized by Alexis de Tocqueville (as quoted in Lieber and Weisberg 2002) who argued that political upheaval in any society did not stem from poverty and deprivation or from the exercise of power itself, but from more symbolic causes including rising expectations, feelings of humiliation and reactions against a ruler considered illegitimate and oppressive (2002: 292). The same factor was reiterated by Seymour Martin Lipset (as cited in Lieber and Weisberg 2002) in his analysis of middle class extremism where he identified that relative deprivation engendered through economic and social modernization could radicalize sections of the middle and professional classes and cause them to be attracted to extremist movements. The most prominent example of extremist movements in the globalized world can be seen in the resurgence of Islamic radicalization in East Asia where it has emerged as a response to Western dominance and the uprooting of Islamic populations.

The construction of nationalism was based on convergence of different ethnic regional identities. However, the instances of various secessionist movements and ethnic conflicts in Asia and Africa vouch for the fact that that there is a decline in the cohesive power of the nationalist culture. The intensity and the degree of success of the secessionist movements are likely to be more in the presence of the following conditions:

- the groups threatened by economic inequality, political discrimination, cultural annihilation and territorially concentrated;
- regional modes of production and economic specialization coincide with ethnic cleavages and reinforce patterns of economic inequality among ethnic groups;
• the center encroaches on previously acquired rights of independence and replaces indirect with direct rule;
• the economic benefits of membership to the state are not significant for the aggrieved group;
• cleavages are not cross-cutting and the conflict is concentrated between the government and specific ethnic minorities;
• locational interdependence among people sharing a polity does not militate against separation;
• federal or other regional political institutions are controlled by elites who gain by mobilizing public opinion against the central government;
• the political benefits of membership for the group’s elites are smaller than their expected political gains within the context of a new state;
• there are no security benefits to remaining in the state (in terms of having access to a larger military to protect against external threat) and there may, instead, exist internal security dangers (Sambanis 2006: 208-209).

In the light of uneven distribution of economic resources and dwindling political representation, the culture itself has become the representation of conflict. The political and economic resentments are channeled into cultural resistances. In their struggle for political rights and recognition, the communities have drawn upon their cultural resources—such as music, literature, arts and craft, dress and so on—to mark their presence in the wider political arena (Smith 1990). These cultural units interact nationally as well as across political frontiers. This has given rise to ‘diaspora nationalism’ where cultural areas share political affinity but are scattered across nations (Arnason 1990). Some of the cases of diaspora nationalism include Greeks, Jews and Armenians.

While on the one hand multiculturalism causes cultural polarization, on the other hand, through increasing interconnectedness of local cultures and the development of cultures whose roots cannot be traced to any particular territory it creates transnational cultural patterns. The transnational cultural patterns are manifested with a social space as cosmopolitanism. Cosmopolitanism represents ‘a stance toward diversity itself, toward the coexistence of cultures in the individual experience. A more genuine cosmopolitanism is first of all an orientation, a willingness to engage with the ‘Other’. It is an intellectual an aesthetic stance of openness toward divergent cultural experiences, a search for contrasts rather than uniformity (Hannerz 1990: 239)’.
The major factors behind transnationalism are migration of individuals across regions and consequent assimilation of individuals in an environment espousing cultural diversity. However, increasing international migration in itself does not result in creation of new transnational spaces. Rather, it requires a sustained effort on part of individuals and institutions to inculcate values and practices which impose individual identity over cultural identity. This entails recognition of cultural differences and that these differences should be respected and publicly affirmed (Heywood 2011). In the context of today’s globalization, transnational cultural are intricately bound up with the rise of occupational cultures, that is, they are tied to the job markets. From the point of view of the individual, the assimilation in the cosmopolitan cultural space implies personal autonomy vis-à-vis the culture of origination. Therefore, transnationalism results in formation of a new class of people those possess a ‘decontextualized cultural capital’ (Hannerz 1990).

4.5 Conclusion

What needs to be understood is that the occurrence of globalization in itself does not imply homogenization; however, the process of globalization in its spread does make use of instruments of homogenization, such as advertising techniques, language hegemonies and clothing styles. These assimilatory features are negotiated within the local cultures conditions only to be reproduced as heterogeneous cultural identities (Appadurai 1990). Globalization in his entirety through a series of cultural flows produces both cultural homogenization and cultural conflicts. The bringing together of several different cultural pockets through increased interconnectedness has resulted in formation of new complex identities. These identities are fluid in nature and as the process of globalization evolves, the forms and cultural expressions of the identity groups keep changing.
Chapter V

SOCIAL IMPLICATIONS OF GLOBALIZATION

5.1 Introduction

The effects of globalization through economic integration and political interdependence has resonated in itself the lives of people living and working in different places. The changing patterns of urbanization, new class formations, issues related to labour migration, work patterns, family and gender relations, reemergence and reshaping of social movements are some of the societal facets that have been part and parcel of this change. The transitions experienced under the canopy of globalization have been conceptualized in terms of network society, information society or consumer culture. As argued by scholars like Anthony Giddens (1990), the emergent social order is capitalistic not just in terms of the economic system but also in terms of its other institutions. The capitalist mode of production has been spread and entrenched by the process of globalization whereby the investment-profit-investment cycle seems to have become the defining characteristic that dominates every realm of society.

As transnational flows of money, goods and people occur across borders, the traditional social structures are altered and often broken down to form new patterns of social relationships. While on the one hand, new social patterns are built on the debris existing structural inequalities, cultural and social linkages formed across regions organize themselves to challenge these hierarchies. Hence, there is globalization from above and globalization from below. The sociological literature on globalization has both expounded and debated these changes. The present chapter takes a broad look at some of the perspectives on societal changes as brought about by globalization. Given the limitation of space and immensity of the literature pool, it is not possible to cover all aspects of social consequences. Hence, I take the liberty to confine to some of the key works such as The Consequences of Modernity, Risk Society: Towards a New Modernity, The Urban Question and City, Class and Power.

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5.2 The Risk Society

In order to demarcate the contemporary phase of globalization from the previous social orders, Giddens gives a ‘discontinuist’ interpretation of modern social development in terms of its extent and intensity. He defines the dimensions of these discontinuities as: the sheer pace of change, the rapidity of the change especially evident in the respect of technology; the scope of change. At the core of these changes is the process of disembedding that occurs when social relations are lifted out of their local contexts and are restructured across time and space. The process of disembedding has been made possible by technological interconnectedness. Following this conceptualization, globalization can be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (1990: 64).

The underlying factors that are crucial for coordination across time and space are symbolic tokens and expert systems based on the theme of trust versus risk. These symbolic tokens and expert systems are embodied in institutions of modern society and not in individuals. The risk factors that characterize the modern world differ from the dangers faced by the traditional societies. The modern day risks do not engender from physical environment but are a product of socially organized knowledge that emanate from production modes of industrialism. As the private sphere has been deinstitutionalized and has been replaced by large scale bureaucratic institutions, there has been subsequent breakdown of old community forms that provide the security basis for the society.

The modern institutions operate on principles that are quite different from the institutions of pre modern times (Giddens 1990: 6-7). This does not imply that risks and dangers did not pervade human actions in the traditional societies. However, with globalization, which is characterized fast pace technological changes the consequences of same human actions has been immensely magnified. Here two different factors need to be looked at separately: the intrinsic nature of the technology itself which has significantly changed the way every task is carried out and the extent and the pace with which these changes occur. These two concomitant factors are crucial to the precariousness of the modern lifestyle. As according to Giddens (1990), the manifestation of the risks occurs in the following ways:

- Globalization of risk in the sense of intensity: for example, nuclear war can threaten the survival of humanity.
• Globalization of risk in the sense of the expanding number of contingent events which affect everyone or at least large numbers of people on the planet: for example, changes in the global division of labour.
• Risk stemming from the created environment, or socialized nature: the infusion of human knowledge into the material environment.
• The development of institutionalized risk environments affecting the life-chances of millions: for example, investment markets.
• Awareness of risk as risk: the "knowledge gaps" in risks cannot be converted into "certainties" by religious or magical knowledge.
• The well-distributed awareness of risk: many of the dangers we face collectively are known to wide publics.
• Awareness of the limitations of expertise: no expert system can be wholly expert in terms of the consequences of the adoption of expert principles (1990: 124-125).

Ulrich Beck (1992) identifies two types of risks that pervade the modern era: those associated with unpredictable effects of science, especially the environment and the social, biographical and cultural risks associated with the everyday life arising as a result of breakdown of traditional social structures in the work and family. This has been accompanied by a concurrent increase in flexible work life and increase in divorce and new styles of family. This process has been termed as ‘individualization’ where traditional social ties of family, neighbourhood and region have broken down and have been replaced by contractual arrangements. The demand made by labour market has led to greater mobilization and migration of individuals. This has consequentially led to replacement of traditional family with ‘post family, that is, ‘a new negotiated provisional family composed of multiple relationships’ and a growing number of female headed and single persons household’ (Beck as quoted in Perrons 2004: 22).

However as the structural inequalities continue to persist; the risks generated by the process of modernization process have political consequences. Inequality has come to be perceived as the consequence of individual failure rather than as result of wider social and economic processes, that is, political failures have been transformed into personal failures (Beck 1992). Hence, individuals are left on their own to devise solutions. For instance in case of family individuals, in the absence of collective care services, struggle between new patterns of work demand and transition to individual households. The proponents of globalization have made the claim that globalization has led to realization of more number of females in the paid employment. However, this has constraints attached to it. When the state or the
market fails to fill the care gap, employees are disproportionately female and low paid, generally more so when employed in the private market. Further, as per the available statistics, despite the changing family and work patterns as a result of the global economy, in no society have women fared better than men (Perrons 2004).

The pervasiveness of such an environment of risk requires a need of mitigation and this is done through creating an environment of trust between individuals and between individuals and institutions. Trust operates in an environment of risk through facework commitments and faceless commitments (Giddens 1990). Facework commitments refer to trust relations that are sustained through direct interaction mechanisms. Faceless commitments refer to bonds of trust build through abstract systems comprising of institutional networks.

The technological and economic developmental phenomena that result in problems of risk environment are reapplied to solve to the same risk generating problems. Knowledge, hence, gains a new significance in the era of modernization. Technology is utilized and managed economically and politically in-discovering, administering, acknowledging, avoiding and concealing- hazards of the contemporary world (Beck 1992: 19-20). The invisibility of the hazards deprives the consumers of any bargaining power in the decision making processes with respect to mitigation of risks. Risk in the age of modernization, thus, is politically reflexive. However, the replacement of traditional systems of faith with modern expertise knowledge has a flipside to it as well. While on the one hand the knowledge pool provides instruments to deal with the risk environment, on the other hand the same knowledge pool creates awareness of the limits of modern expertise. This creates problems in public relations as it creates distrust between practitioners who are involved in the field of knowledge and lay individuals (Giddens 1990).

Though the positioning in the socio-economic strata determines the degree of vulnerability to the risk hazards in the contemporary world; but as discussed by Beck (1987), the peculiarity of the globalized risk is that it transcends all social and economic differentials in the sense that it poses a danger to both rich and poor regions of the world. The case in point being the 1986 Chernobyl nuclear disaster that adversely affected all sections of the society. Secondly, as a result of the disembedding mechanism of the globalization process the same resources and services have their control centres in different parts of the world. This undermines the capacity of the local actors to act effectively when contingencies arise. At the same time there is commercialization of risk as it is being economically exploited by the big businesses
and political entities. Moreover, globalization produces new international equalities especially between the Third World and the industrialized of the world as jurisdiction of risk management diffuses beyond the scope of the national jurisdiction and increasingly comes to be governed by international agreements (Beck 1992)

5.3 Globalization and Changing Patterns of Urbanization

The emergence of globalization has had a significant impact in the ways social spaces of interaction have been restructured. The advent of modernity, synonymous with adoption of Western values and systems, has significantly altered the social organizational patterns in the developing world. The demand generated by the international economy where the states needed to acquire a new political and economic role keeping in parallel with the global changes, cities became the national and sub national centres of this transformation. Transnational networks develop through time-space compression mechanisms made possible by new transportation, communications and organizational technologies. The formation of transnational linkages cause deterritorialization and may dilute regional cohesiveness as occupational and ethnic linkages are built across major metropolitan cities (Smart and Smart 2003).

The transnational character of the city is increasingly shaped by the changing demographic patterns. Large cities being the economic centres attract large number of workers, both from the peripheral regions within the same country and from other countries as well. This raises issues of citizenship rights. The accommodation of migrants within the city alters the spatial construction in the domains of housing, education and labor markets emerge. Depending on the policies of national governments on issues such as dual citizenship, remittances, nonresident voting, pensions, and so on determines the assimilatory capacity of transnational community. Repressive state policies can build on tensions between communities (ibid).

The available literature on global cities suggests that as cities compete for international capital and mega events such as Olympics, they converge towards a uniform development paradigm. The changes in the economic patterns, such as the growing importance of the knowledge economy, deepens the existing social divisions by highlighting digital divide between knowledge workers and manual workers. The

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consequent outcome of these transformations has been fragmentation of urban spaces both organizationally and socially. This spatial fragmentation has most evidently been expressed in the segregation of work spaces and residential areas in form of downtowns and suburbs. These spatial segregations are further compounded by formation of enclaves and ghettos. Both these processes tend to reimpose the existing inequality patterns. The polarizations and divisions further enhance decline of common civic culture and shared public spaces giving rise ‘fortress city’ that divides the have from the have-nots (ibid).

5.3.1 The ‘Entrepreneurial City’

The adoption of global economic production and consumption patterns has generated a drive towards an attempt to build global competitive cities. This has simultaneously been accompanied by replacement of the welfare state model of local politics with modernization model of “entrepreneurial city” (Keil 2003). Urban entrepreneurialism refers to a phenomenon, ‘where cities compete for economic growth, and reconstruct growth machines to enhance then competitive edge and defend old niches from global challenges or craft new opportunities from globalized markets’ (Smart and Smart 2003: 269). Some of the key features of such a model were urban management, corporate identity politics and increasing public private partnerships.

The emergence of the entrepreneurial city has been backed by the “competitive state”. In this context, local urban politics patterns altered to ways of urban competitiveness in order to attract capital investments. Xu and Yeh (2005), in the light of global restructuring of capital and consequent remodeling of state apparatus and policies present a case of global urban restructuring, elaborating on how the mobile capital has made inroads into local development policies of the cities. The consequent implication of this has been intense inter urban competition and promotion of city development strategies to gain political advantage. If the instances in the developing world are taken into account, the two major cases in point are China and India.

To attract private investment, the Chinese cities have taken to large infrastructural projects at the local level governance levels aimed at building mega cities. However, given that the Chinese political structure is characterized by state socialism and a strong involvement of the central state in the formulation and development of the local development strategies, the entrepreneurial nature of the local level governments
is not purely competitive in character. This means that unlike the business firms which are vulnerable to financial bankruptcy, the entrepreneurial undertakings of the local governments are protected by soft budget constraints. This has led to over expenditure and innumerable investments that were not really required. This is so because the local governments do not really have to worry about recovering the capital costs incurred by these projects. Hence, in absence of any budgetary constraints there is pervasive lack of financial discipline and public accountability with respect to these urban projects.

If we take a look at the political angle, most of these local level state bodies are dominated government elites that have their own career advancement agendas at hand when promoting urban growth models. Further, unlike the West the members of Chinese official cadres are not elected representatives. Therefore, the state has emerged as an actor that often ‘uses the market instruments to achieve hidden political agendas’ (Xu and Yeh, 2004: 284). This politically motivated urban growth model has major implications on the cities. To cite few:

(a) The development of high end city infrastructure has led to diversion of funds from welfare needs to development projects that often only serve cosmetic purposes and do not really contribute to inclusive city structures;

(b) Given the massive size of these projects it is not feasible for the local governments alone to undertake these projects and so they seek alliances from the non-public investors. These alliances between the state, landowners and developers, are mostly based on money considerations leading to commercialization of scarce public goods;

(c) The role of local elites and the validity of usefulness of these projects come under critical scrutiny as most of the projects undertaken are motivated by political gains;

(d) Irreparable damage to city environment as most of these projects involve massive land encroachments;

(e) Polarization within the city leading to ghettoization of large masses as most of the investment is made infrastructures that are intended to serve the upper and the business class at the cost of essential community services.

(f) Emergence of property sector as the major engine for growth as the two main instruments at the disposal of the local state are finance and land. The commercialization of property sector has led to certain essential public goods turning into tradable products, such as state owned lands and housing products.
The socialist character of the Chinese state entails limiting of local government’s financial activities by the central state. The restriction instead of imposing financial disciplining on the local government, leads them to utilize policy loopholes to raise funds for urban development. The local governments often resort to illegitimate land acquisitions, land use, under price land leasing and rent seeking. Several corrupt practices are being deployed in urban development programmes. The political officials in order to enhance their image stress on building cities as a brand name, more to attract foreign investors rather than equipping the cities with essential public services. With the introduction of financial reforms since the 1980s, the banking sector has begun to rely on lending loans for profit maximization and recapitalization. In the absence of assured supplies from the upper levels the banks have to compete for acquiring deposits. So often the deposits are released as loans for urban development programmes that are considered profitable. This has led to creation of virtual capital surplus and building of lot of non-profitable assets.

There are both ecological and social costs of the urban development projects. If we look at the example of Guangzhou city in China, the decongestion process within the city has led to building of several flyovers and elevated roads within the city. A university town has been built on the city periphery more as result of competitiveness than need. For the purpose of building the new town funds were used from the local education fund and the pension fund. Around ten thousand farmers were displaced as the government acquired their lands without adequate compensation. The ecological impact of the construction activity proved to be inimical to the farmers’ interests. Further, developments such as flyovers, metro transits incur high costs and displace a large number of people.

Now if we turn our attention to the Indian scene, we see a certain degree of parallelism between the urbanizing experiences of the Indian cities with the Chinese cities. The key differentiating point between the Indian and the Chinese experience is that in India it is the state governments that are the driving force behind the urban renewal process (Kennedy and Zerah 2008). Hence, it is a more top-down thrust. This is in contrast to China where it is the local metropolitan structures that play a key role. There has been a notable change in urban governance character since the introduction of macroeconomic reforms. Strategic policy shifts have occurred that have led to weakening of the welfare state model and an emphasis on market enabling policies (ibid). This paradigm shift in state policy has led to cities occupying a key position in attracting the transnational capital.
The key emphasis was on infrastructural development and global industrial sectors such as pharmaceuticals and the Information Technology (IT) sector has resulted in development of enclave structures. Hence, the urban space is being utilized to build high end business parks accompanied by intense beautification drive to make construct a “world class” city. The state government is the major driving force behind these development schemes (Kennedy and Zerah 2008). Further there has been a shift in employment character of the urban population, with the employment base shifting from the secondary that is the manufacturing sector, to the tertiary, that is the service sector. This has facilitated the role of international associations/companies such as McKinsey in conjunction with the state bodies to modernize the infrastructure of the city. This shows the increasing role of international investor organization in the urban planning schemes.

Though the state still remains the key player in propelling urban renewal programmes, the international capital has come to shape the policy of the state urban development programmes where certain key centres are targeted. Hence, differential development is intrinsic to this development where the state distributes resources not on the basis of the regional needs but regional economic growth potential. Further, these developmental programmes aimed at attracting international capital encourage an approach of differential development that targets development of certain limited number of cities particularly the large metros.

The state driven process of urban renewal to attract international capital becomes a cyclical process (Bagchi and Chattopadhyay 2004). As the international capital enters the urban space it demands more changes in the urban spatial spaces based on its changing needs. Hence, once initiated policy by the state to attract international capital, in its cyclical turn plays on the state policies itself, modifying it according to its own needs. In both cases of China and India, the state structure, post the adoption of reform policies, has adopted a strategy whereby the state diverts the resources to development of infrastructural facilities meant to meet commercial ends. Therefore, the state itself has become the propelling force in promoting interests of the international capital. The dissolution of the welfare state has paved the way for entrepreneurial state.
5.2.2 City as the site for Class Struggle

The development of the city as centre of corporate conglomerate leads to development of a system of large aggregations of physical capital and human labour on the landscape (Scott 2007). On the one hand, there are profit seeking firms that are intertwined through networks of functional interdependencies and they tend to locate near a common centre of gravity. On the other hand, there are workers that tend to be drawn where employment opportunities are widely available. Therefore, the capitalist system of production in its spread creates a dichotomy between the centres of production and the working class. This inequality is reflected in the spatial organization of the city which in turn determines the differential access to various facilities based on class divide. Therefore, city is the site of both production and class struggle, that is, technological divide as well as social inequality.

Manuel Castells in his works *The Urban Question* and *City, Class and Power*, bases his analysis of urbanization in the development of capital. He criticized both left wing and right wing ideological romanticism which sought to use urban as a justification of their theoretical underpinnings. He refutes Henry Lefebvre’s romantic notion of ‘urbanity’ where notion of alienation is suppressed and urban is seen as something post history or communism (Feldman, 1978). For Castells, the unraveling of the process of urbanization, lies in addressing the ‘urban question’. Urban question refers to configuring the relation of the urban spatial organization with the political process and the class struggle associated with capitalism. Apart from giving a spatial analysis of the urban, the major highlighting point of his work is the view of urban as the site of collective consumption. For Castells, urbanization is expressed as spatial concentration of population and urban culture consisting of values, attitudes and behaviour. In the context of his own work he describes his own cultural concern with that of capitalist industrialist society.

The city, apart from being a production and a consumption unit, is also a site of social and cultural institutions. The advent of industrial capitalism dismantled these institutions by segregating spaces on the basis of class divide by bringing about separation between place of work and place of residence. According to Castells (1977), the development of industrial capitalism did not bring about a strengthening of the city, but its virtual disappearance as an institutional and relatively autonomous social system, organized around specific objectives. Therefore, the process of urbanization under capitalism worked to erode urban as a cultural centre.
For Castells, urban disorder is the result of uncontrolled market activity. Through technological progress, urbanization creates hierarchy between urban areas on the basis of functional specialization and division of labour. By integration of different zones through public transport industry was freed from spatial constraints. Technological progress transformed urban forms through introduction of new activities of production and consumption, and total elimination of space as an obstacle through means of communication. This led to the process of ‘metropolitinization’. And there came into being an urban system. The city and the industry became intertwined, with spatial segregation between work activity, residential activity and leisure activity. Urban planning emerged to importance with concentration of political power and technocracy.

Metropolitan system was not purely an outcome of technological progress but also was part of the wider social changes taking place around the integration of the economic system. The spatial organization was designed around the ideological conception of “mass society” (Castells, 1977; 23). There emerged monopolistic concentration of capital and techno-spatial segregation based on separation between work activity, residential activity and leisure activity. This has been termed as ‘functional zoning of metropolis’ (ibid).

With the evolution of capitalism, metropolitan regions also evolved. The metropolitan regions of advanced capitalism are different from the city of capitalist industrialization. The distinctive characteristics of advanced capitalist cities are as follows: (a) the different elements of the basic urban system are strictly connected and interdependent through various means of information and communication, the dissolution of space; (b) the new urban system is governed by the logic of capital, the collective consumption process, and; (c) intervention of state in the domain of collective consumption (Castells, 1978). There are two aspects to the new urban organization. Firstly, it is organized on the basis of rigid capitalist system and; secondly, the spatial organization of the city reflects the state intervention in the domain of the city.

The above elaborated urban model that has emerged in concomitance with the process of capitalism has been termed as monopolville or monopoly city. The reasons for this can be located in the way collective consumption and the patterns of daily life are organized around standardized modes of highly disciplined capitalist production. The lifestyle of the working class, characterized by tension and rush, is a resonance of assembly line production. The way an individual’s life is regulated by the strict to and fro of the production and consumption pattern is in a way totalitarian in character of the monopolville.
The second aspect of Castells’ analysis is the view of urban as the organization of the means of collective consumption at the basis of daily life of all social groups. Collective consumption has been defined as “the use of certain collective services, from housing conditions to working hours, passing through the type and level of health, education and cultural facilities” (Castells 1978:16). The role of state in form of urban planning operates in shaping up collective consumption but in a way that it perpetuates a class society. This can be illustrated by example of the public transport. While the wage earners are increasingly dependent on public transport for commuting to the work place, the better off class depends on the private means of transport. Therefore, the individual is served by the market (automobiles) and the collective is served by the public sector (collective transport).

Similarly, residential agglomerations are not only spatial organizations of housing pattern but also denote the process of collective treatment of daily consumption needs. The ability access to private housing is contingent upon the financial capacity to access credit. This automatically excludes the working class. In this scenario, public housing becomes an expression of class divide where the working class is allotted poor quality of housing. Also public housing comes to define a social relationship between the capitalists and the working class, where the state becomes an instrument of privileged intervention in the lifestyle of the working class. The same is true for healthcare facilities. In all these cases the level of income comes to define the level of facility that one can access. Further, the embedded inequality is aggravated in conditions of financial crisis. For instance, in case of inflation there is more adverse effect on the less well off sections of the society. State intervenes by increasing taxation which has much greater effect on the workforce than on the capital. Therefore, the inequality is reinforced in the way goods of collective consumption are distributed.

Now if we turn our attention to urbanization in underdeveloped regions in the world, a close scrutiny of the phenomenon reveals that it is not a replica of the urbanization process as was experienced by the industrialized countries. The developing and the under developed regions of the world have been characterized by the phenomenon of ‘overurbanization’. Overurbanization denotes a condition where the level of urbanization is higher than which “can normally be attained for the given level of industrialization (Castells, 1977; 40). Over-urbanization is an impediment to development as the level of industrialization attained is not in proportion to the level of urban population reached. Over urbanization results in a situation of non-productive expenditure as there is high concentration in the urban areas
without proper integration into an urban network. Hence, a lot of expenditure goes into covering the
deficit in infrastructure which is inadequate to support the given level of population.

Over urbanization is not only a technical phenomenon but also a resultant of power equation between
dominant industrialization and dependent urbanization. In the dependent country, the process of
urbanization is such that the factor of rural push dominates over the factor of urban pull. There is an
absence of continuum in urban hierarchy and an estrangement between the rural and the urban areas. In
addition to this, dependent countries are characterized by the concomitant phenomenon of ‘urban
primacy’. Urban primacy is the condition where single city dominates other cities in the intra-
national urban system (Kasarda and Crenshaw, 1991; 471). In such a scenario the cities are unable to support the
large migrant population. As a consequence are never fully absorbed in the urban productive system and
are only partially integrated into the social system. The nature of urbanization is such that few centers
dominate over others.

Therefore, capitalism in consonance of its productive system has organized the urban landscape in a way
that it creates class divide. The management of the urban system by the state through urban planning
perpetuates the interests of the capitalist class and hence, maintains the hierarchical class divide. The
recurrent crisis of over accumulation of capitalism is mitigated through state intervention by creating new
investments, and so the ever expansive cycle continues.

The importance of this sort of analysis lies in the fact that it throws light on the way the forces of
globalization has restructured spaces as a part of the wider politico-economic system. These spaces
become the site of expression of the lifestyles and values that are held to be in consonance with dominant
discourse of globalization. However, as these spaces expand the spaces for expression of the conflict are
sidelined. Hence, representation and concerns of the marginalized and those at the bottom are overlooked.
This has generated ‘globalization from below’. The movements that are part of the process of
globalization from below are not only a reaction mechanism but also using the communication means
these movements have created a consolidated space for voicing the concerns of the repressed in the
traditional societies.
5.4 Transnational Social Movements

The enhancement of class divide, conversion of social spaces into domination centres of the new elite has invoked a reaction from different corners of the marginalized sections. This has been termed as ‘globalization from below’ or ‘counterhegemonic globalization’. The three major expressions of counterhegemonic globalization are: labour movements, women’s movements and environmental movements. The transitions in means communications and transportation have had a considerable impact the nature of these movements, especially as the interaction between the developed and the developing countries has increased. The cultural capital provided through interactions across regions provides new perspectives as well as an opportunity to tackle these issues at the international governance level.

In case of the labour movement, as jobs are being outsourced and the idea of labour as a social contract is generalized across different regions, a powerful base is being created for the global labour solidarity. The formation of International Labour Organization has had a significant impact in integrating the labour movement across regions in two major ways. Firstly, it provides a common platform to the issues concerning the labour and; secondly, it enhances the bargaining power against the mobile capital through political representation at the international level.

The second case is of the women’s movement. The neoliberal strategies of global governance contain a built in systemic gender bias and this has been brought to the fore by the feminist movement (Evans 2004). Like the labour movement and the women’s movement have their ideological foundations rooted in the ‘human rights’ discourse. However, unlike the labour movement women’s movement had to struggle against the universalistic assumptions of the human rights discourse, which does not explicitly take into gender disparities. There has been a constant conflict between laws supporting equality and laws seeking protection for women, especially at the workplace. The movement gained a significant recognition when in the 1975 United Nation’s Decade for women was declared. It was during this time when women’s issues were linked to the development of their countries (Berkovitch 2004). Over the years women’s movement has expanded in its size and composition with the Third World women raising their specific concerns and perspectives at the international level.

Industrialization and neoliberal policies had had a significant adverse effect on the environmental conditions. Even the neoclassical economics has recognized environmental degradation. However, there
has been a considerable conflict over the environmental concerns of the developing countries and that of the developed countries. While in the poor countries sustainable environment policies include livelihood issues and protecting the resource dependent local communities, in the northern countries the protection of the flora and the fauna and depletion of energy resources have been the key concerns. At the same time there is a disjuncture between local and global environmentalism. While issues like global warming and depletion of ozone layer are intrinsically global, instances of toxic dump and resource exploitation can be of local concerns (Evans 2004). This can give rise conflict between nations as economic benefits for one nation could be environmental costs for another.

The globalization or the transnationalization of the social movements in no way implies that there is consensus over the issues at the global level, but rather that the issues and policies are debated and settled at the global level. This has often been carried out at times through assistance of inter governmental panels and at times through negotiations between supranational associations. The constant dilemma faced by transnational movements is the sustainability of cross national networks while simultaneously addressing the local interests.

5.5 Conclusion

The above outlined processes illustrate the ways in which the geographical conception of space and its compression by means of communication and information technologies has had significant implications for the organization of social activities. Within the same social organization different groups could be subjected to entirely disparate consequences resulting out of the same phenomena. The lives of individuals and groups are shaped by the changing patterns of social structures and technological mechanisms. At the same time the same social spaces and technological and communication linkages are used by people to express their concerns. The challenge of the contemporary globalization is to devise cushion mechanisms that can absorb the rapidity of changes taking place around and bargain time to develop support centres for the new changes that are taking place. However, the intrinsic complexity and, the sheer extent and rapidity of the phenomenon make the task of realizing such a solution an extremely difficult task.
Chapter VI

CONCLUSION

A reflection on the chapters, as they account for the diverse changes occurring in the multiplicity of arenas as a result of globalization, outlines that there is no clear consensus on the causes and implications of the processes of globalization. The literature examined presents a wide range of perspectives and normative orientations from which the different aspects have been examined. Broadly the viewpoints presented in each of the chapters are aligned within the range of hyperglobalists, skeptics and transnationalists perspectives. As evident, the complex reality of globalization cannot be analyzed from any one perspective and in reality the three perspectives are overlapping. However against the sweeping assumptions of equalizing and leveling effect of globalization, some of the points that have been brought to the forefront are: there is nothing homogeneous or all encompassing about globalization; the process has been highly unequal both in its spread and its implications on different part of the world, and; the global forces are still mediated by the localized factors. This last chapter while taking an overview of the process of globalization draws some concluding remarks on each of the aspects previously analyzed.

The process of globalization has primarily been driven by increased economic openness facilitated by advancements made in the field of technology. The opening up of markets inevitably results in changes in political, social and cultural domains. However, the technology only provides a medium for enhanced flow of capital across the globe but without the deregulation of financial markets and liberalization of trade, economic transactions across nations could not have been realized. The important developments in the international political and economic sphere that created conditions for international economy were: the end of cold war and the emergence of unipolar world; the restoration of private confidence in the international financial conditions in the late 1950s; the growth of multinational corporations from the 1960s onward; the response of the market actors in the 1970s to the floating exchange rates system, and; the competitive pressures emerging out of unraveling of domestic cartelized financial structures across the advanced industrial world in the 1970s and 1980s (Helleiner 1995; Amin 2004). These developments led to crystallization of the Washington Consensus which called for free trade and market extension, reforms to boost competitiveness and entrepreneurship, curbs on the redistributive state, controls on inflation, interest rates and state expenditure and restructuring of credit facilities.
The forwarding of the agendas of the Washington Consensus was carried out by the governments of the wealthiest countries, the G-7 and their auxiliary international institutions the International Monetary Fund, the World Bank and the World Trade Organization. Together the policies formulated by these institutions laid down the foundation for the international economy. The deregulation of markets and liberalization of trade policies was implemented through international agreements to facilitate economic transactions. This occurred both at the level of intergovernmental agencies and through international financial institutions. Therefore, states did play a role in the international economic sphere. The three key roles played by the states in globalization process are: (a) granting of freedom to market actors through liberalization initiatives; (b) preventing major international crises; and (c) choosing not to implement effective controls on financial movements (Helleiner 1995).

The economic growth generated by the policies of liberalization substantially increased foreign direct investment in the developing countries, but as noted by Gilpin (2001), most of these investments were in the service sector and particularly in the high-tech industries such as automobiles and information technology. Hence, the growth generated was confined to select few sectors of the economy. Secondly, the investments were made in the metropolitan areas of the world. The mass of the population concentrated in the periphery hardly shared any direct benefit in the investments made. Further, in developing economies where the markets superseded the functions of the state, the welfare activities took a retreat driving large populations into abject poverty. Thus, the liberalization policies implemented as part of the IMF programs benefitted the already advanced sections of the society. Therefore, the globalization of the world economy in its current form only tends to enhance the influence of the already developed nations of the world.

The transformations in the economic sphere have raised concerns over the interaction of the nation-state both with the markets and the society. Some scholars have gone to the extent of concluding that the process of globalization will ultimately lead to the demise of the nation-state. While this is certainly an exaggeration, at the same time the nation-states in the contemporary world cannot be analyzed as they had been in the past. The monolithic state entity has been replaced with decentralized and fragmented power centres. The nation-state in the contemporary context is increasingly being defined with reference to the economy. The global economic processes tend to homogenize the institutional basis and policy networks, especially in developing countries on the lines of liberal market patterns. However, the trajectory of institutional transformation cannot not be solely determined by diffusion of models imposed by external power holders or equivalent global actors. The national political and historical contexts play an equally important role in shaping the domestic institutions (Reis 2004).
Though the global informational and technological flows have intensified across national borders, the national basis of control still plays a role in controlling the economy through measures such as increasing protecting barriers, manipulating currency advantages etc. Liberal policies and integration into the global economy have helped certain part of the world such as North America, Europe and parts of Asia but in other parts of the world state intervention and protectionist policies have had an important role to play (Martell 2007). For instance, in underdeveloped economies of Africa people have fallen prey to the risks of the global economy and inequalities have aggravated. Therefore, global open economy does not hold the promise of growth for all regions of the world. The only nations that have been able to take advantage of the opening of the international economy are the ones, where the infrastructural capacity of the state is well developed enabling them to negotiate with the global capital. As economic decisions are made by the political players, the nation-states still continue hold sway even in the globalized era. However, the degree of autonomy and sovereignty may differ for each nation and this ultimately determines the power balance in the international sphere.

Similarly, in the sphere of culture national identities hold a considerable sway in the popular imagination that can be completely erased by global identities (Martell 2007). There is no clear consensus on how globalization affects cultural ties, but it is quite evident that cultural identities have not been diluted or subsumed under one common global culture. The constant movement of people across border, increased exposure to the Westernization/Americanization through media and other means of communication has made people imbibe alien cultural values, but at the same time the threat generated by invasion of foreign culture has made people increasingly conscious of their own cultures (Machida 2007). There is resurgence of nationalism and regional identities as transnational forces make their way in different regions of the world. The local cultural forms in their interaction with the global forces have generated new forms of identity. As unequal economic distribution mingles with cultural identities the fundamentalist forces have raised their heads. While on the one hand, the close contact between different cultures has promoted cultural diffusion, on the other hand it has also led to conflict between migrants and the established communities.

The effect of globalization and cross border organizational structures have been felt on the social systems as well. As a result of increasing convergence of production, circulation and consumption across space has resulted in economy having a considerable influence in shaping social spaces and the new social relations. The time space compression phenomenon generated by technological interconnectedness has
led to local happenings being increasingly affected by global processes, that is, there has been a decentralization of power centres. The reproduction of local spaces in order to accommodate the global capital has resulted in restructuring of urban centres giving rise to new work patterns, changing family relations and incorporation of new value systems based on Western values (such as individualization, secularization, consumerism etc). As cities become centres for attracting global capital new class divides emerge, which are expressed in residential as well as work organization segregation. Migration of labour across borders has produced both assimilation, such as cosmopolitanism, and also resistance by the local communities leading to ghettoization and conflict between communities. Such conflicts are compounded by economic inequalities and inefficient state policies.

To conclude, it can be said that the hyperglobalist perspective on the contemporary changes which saw globalization as evenly affecting the world and with same responses cannot be empirically substantiated. Globalization has not been as inclusive and sweeping as it has been conceived by hyperglobalists. Cultural conflicts, market imbalances, persistent inequality arising from globalization seem to refute the assumptions of hyperglobalists. However, the complex reality of globalization cannot be fitted into the alternative skeptics’ perspective either, which entirely negates the occurrence of any form cultural, political or social hybridization. The extreme positions of hyperglobalists and skeptics can be mediated by transnationalists that recognize global transformations and yet take into consideration the local factors of embeddedness and differentiation. In sum, as pointed out by Martell that globalization’s future is open-ended and uncertain, and new forms evolve as different spheres are taken into the fold of globalization. Yet what is evident is that to a great extent the present day conflicts can be dealt with through redistribution of resources and narrowing the gap between the developed and the developing nations.
REFERENCES


