

## **Module-24**

# **GLOBALIZATION**



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# GLOBALIZATION

## INTRODUCTION

Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

Globalization is not new, though. For thousands of years, people—and, later, corporations—have been buying from and selling to each other in lands at great distances, such as through the famed Silk Road across Central Asia that connected China and Europe during the Middle Ages. Likewise, for centuries, people and corporations have invested in enterprises in other countries. In fact, many of the features of the current wave of globalization are similar to those prevailing before the outbreak of the First World War in 1914.

The current wave of globalization has been driven by policies that have opened economies domestically and internationally. In the years since the Second World War, and especially during the past two decades, many governments have adopted free-market economic systems, vastly increasing their own productive potential and creating myriad new opportunities for international trade and investment. Governments also have negotiated dramatic reductions in barriers to commerce and have established international agreements to promote trade in goods, services, and investment. Taking advantage of new opportunities in foreign markets, corporations have built foreign factories and established production and marketing arrangements with foreign partners. A defining feature of globalization, therefore, is an international industrial and financial business structure.

## FEATURES OF GLOBALIZATION

The main features of globalization are stated below.

### **1. Liberalisation:**

The freedom of the industrialist/businessman to establish industry, trade or commerce either in his country or abroad; free exchange of capital, goods, service and technologies between countries;

## **2. Free Trade:**

Free trade between countries; absence of excessive governmental control over trade;

## **3. Globalization of Economic Activities:**

Control of economic activities by domestic market and international market; coordination of national economy and world economy;

## **4. Connectivity:**

Localities being connected with the world by breaking national boundaries; forging of links between one society and another, and between one country and another through international transmission of knowledge, literature, technology, culture and information.

## **5. Borderless Globe:**

Breaking of national barriers and creation of inter- connectedness; the ideal of 'borderless globe' articulated by Kenichi Ohmae.

## **6. A Composite Process:**

Integration of nation-states across the world by common economic, commercial, political, cultural and technological ties; creation of a new world order with no national boundaries;

## **7. A Multi-dimensional Process:**

Economically, it means opening up of national market, free trade and commerce among nations, and integration of national economies with the world economy. Politically, it means limited powers and functions of state, more rights and freedoms granted to the individual and empowerment of private sector; culturally, it means exchange of cultural values between societies and between nations; and ideologically, it means the spread of liberalism and capitalism.

## **8. A Top-Down process:**

Globalization originates from developed countries and the MNCs (multinational corporations) based in them. Technologies, capital, products and services come from them to developing countries. It is for developing countries to accept these things, adapt themselves to them and to be influenced by them.

# IMPACT OF GLOBALIZATION

Globalization has brought benefits in developed countries as well as negative effects. The positive effects include a number of factors which are education, trade, technology, competition, investments and capital flows, employment, culture and organization structure.

## POSITIVE IMPACT

It would be rather difficult to discuss the extent of the positives that globalization has had on the world at large. But still, here are some of the positive effects of globalization and the positive impacts they have had on so many demographic segments of society.

### *Global market.*

Most successful emerging markets in developed countries are a result of privatization of state owned industries. In order for these industries to increase consumer demand many of them are attempting to expand and extend their value chain to an international level. The impact of globalization on business management is seen by the sudden increase of number of transactions across the borders. In protecting yields and maintaining competitiveness, businesses are continuing to develop a wide range of their footprint as it lowers cost and enjoys economies of scale.

Multinational corporations is a result of globalization. They occupy a central role within the process of globalization as evidenced through global foreign direct investment inflows. Their concentrations within Europe in western economies has led to size constraints, therefore there is a need for new geographical areas to operate whereby they will face a lot of competition in the market. Through this they will enlarge their market and enjoy economies of scale as globalization facilitates time space compression, economies compete at all levels including that of attracting investors.

### *Cross-cultural management*

Globalization tend to be the realm of elite because in many parts of the world they are the only people who are affluent enough to buy many of the products available in the global marketplace. Highly educated and wealthy people from different backgrounds interact within a westernized milieu. Western styles, since are symbols of affluence and power, the elite often embraces western styles of products and pattern of behavior in order to impress others. Today Western culture and patterns of behavior and language are staples of international business.

United states seems to have powerful impact upon many other countries and societies. The world today has a popular cultural force. The popular consumer culture of the economically dominant West is relentlessly and inevitably transforming other regions, cultures, nations and societies. In addition, such perspective imply that technological change, mass media, and consumer oriented marketing campaigns work in tandem to remake whatever they touch in their own image. Even

attitudes and ideas about society, religion and technology are transformed by cultural diffusion brought by globalization. Example, in America McDonalds represent fast, cheap and convenient food while it is not the same worldwide. It's of high price in other countries like China and Russia where it involves cultural experience.

### *Foreign trade*

Globalization has created and expanded foreign trade in the world. Things that were only found in developed countries can now be found in other countries across the world. People can now get whatever they want and from any country. Through this developed countries can export their goods to other countries. Countries do business through international trade, whereby they import and export goods across the global. These countries which export goods get comparative advantages. Organizations have been established with a view to control and regulate the trade activities of the countries in the world so to have fair trade. World trade organizations emerged as a powerful international organization capable effectively influencing individual governments to follow international trade rules, copyrights, policies on subsidies, taxes and tariffs. Nations can not break rules without facing economic consequences.

The number of nations that are dependent on trade, foreign capital, and the world financial markets increased greatly. Countries engaged in foreign trade enjoy comparative advantage. The post Ricardian trade theories predicted that specialization in labor and capital intensive goods would bridge enormous wage gaps between the poor and the rich countries, that is the developing and developed countries, sparing the latter from massive labor immigration.

### *Resource Imperative*

Developed countries need natural and human resources of the developing countries while developing countries need capital, technology and brainpower of the wealthier countries. Developed countries' economies are increasingly dependent on the natural and human resources of the developing nations. Growing interdependence of nations and their activities on one another fostered by the depletion of natural resources; as well as overpopulation.

### *Foreign investment*

One of the most visible positive effects of globalization in India is the flow of foreign capital. A lot of companies have directly invested in India, by starting production units in India, but what we also need to see is the amount of Foreign Investment Inflow that flows into the developing countries. Indian companies which have been performing well, both in India and off the shores, will attract a lot of foreign investment, and thus pushes up the reserve of foreign exchange available in India. This is also one of the positive effects of globalization in US and other developed countries as developing countries give them a good investment proposition.

Managers' objectives might not be the same with those of stockholders in some situations. The more complex the corporation the more difficult it is for shareholders to monitor management's actions whereby it provides the managers more freedom to act in their own self interest at the

expense of shareholders. Multinational firms are more complex than national firms. Managers might favor international diversification because it reduces firm specific risk or adds to their prestige. These goals might be of little interest to shareholders. This divergence of interests between shareholders and managers, might reduce the value of multinationals relative to domestic firms.

### *Competition*

One of the most visible positive effects of globalization is the improved quality of products due to globe competition. Customer service and the 'customer is the king' approaches to production have led to improved quality of products and services. As the domestic companies have to fight out foreign competition, they are compelled to raise their standards and customer satisfaction levels in order to survive in the market. Besides, when a global brand enters a new country, it comes in riding on some goodwill, which it has to live up to. This creates competition in the market and a survival of the fittest situation.

### *Culture*

The positive effects of globalization on culture are many! Not all good practices were born in one civilization. The world that we live in today is a result of several cultures coming together. People of one culture, if receptive, tend to see the flaws in their culture and pick up the culture which is more correct or in tune with the times. Societies have become larger as they have welcomed people of other civilizations and backgrounds and created a whole new culture of their own. Cooking styles, languages and customs have spread all due to globalization. The same can be said about movies, musical styles and other art forms. They too have moved from one country to another, leaving an impression on a culture which has adopted them.

### *Legal Effects*

Increased media coverage draws the attention of the world to human rights violations. This leads to improvement in human rights. Global economic growth does not necessarily make people happier, worldwide free trade, should also benefit humanity as well as protect nature, not just reward managers and stockholders. Those who would be authentic leaders need to address inequalities. Globalization should promote openness and information along with exchange with greater democracy and prosperity.

Gone are the days where the limited jurisdiction became a hindrance in the prosecution of criminals. These days due to international courts of justice, these criminals can no longer seek asylum in a foreign country, but will be brought forward and there will be justice. Due to globalization, there is also an understanding between the security agencies and the police of two or more different countries who will come together to curb global terrorism. Hence, it is now possible to catch the perpetrators of crime irrespective of which country they choose to hide in. This is undoubtedly one of the greatest positive effects of globalization on society.

## **NEGATIVE IMPACT**

Globalization also have its side effects to the developed nations. These include some factors which are jobs insecurity, fluctuation in prices, terrorism, fluctuation in currency, capital flows and so on.

### *Job Insecurity.*

In developed countries people have jobs insecurity. People are losing their jobs. Developed nations have outsourced manufacturing and white collar jobs. That means less jobs for their people. This is because the manufacturing work is outsourced to countries where the costs of manufacturing goods and wages are lower than in their countries. They have outsourced to developing countries like China and India. Most people like accountants, programmers, editors and scientists have lost jobs due to outsourcing to cheaper locations like India.

Globalization has led to exploitation of labor. Safety standards are ignored to produce cheap goods. "In practice, however, the recent experience in Latin America has been that many such open-handed multinationals moved their operations to, for example, China or South East Asia because of cost and market considerations".

### *Fluctuation in Prices.*

Globalization has led to fluctuation in price. Due to increase in competition, developed countries are forced to lower down their prices for their products, this is because other countries like China produce goods at a lower cost that makes goods to be cheaper than the ones produced in developed countries. So, in order for the developed countries to maintain their customers they are forced to reduce prices of their goods. This is a disadvantage to them because it reduces the ability to sustain social welfare in their countries.

## **IMPACT OF GLOBALIZATION ON INDIAN SOCIETY**

### **Economic Impacts on Indian Society**

1) Greater Number of Jobs – The advent of foreign companies and growth in economy has led to job creation. There are greater number of jobs in the private sector now. Although these jobs are concentrated more in the services sector. This has led to a rapid growth of services sector creating problems for individuals with low level of education in the agriculture and manufacturing sector. The last decade is also known for its jobless growth as job creation was not proportionate to the level of economic growth.

2) More choice to consumers – Globalisation has led to a boom in consumer products market. We have a range of choice in selecting a new car unlike the times where there were just a couple

of manufacturers. Electronic goods are being offered by companies from all over the world. Similarly daily fast moving consumer goods like soaps, perfumes, clothes are being offered by a number of brands.

3) Higher Disposable Incomes – People in cities working in high paying jobs have greater income to spend on lifestyle goods. There has been an increase in the demand of products like meat, egg, pulses, organic food as a result. It has also led to protein inflation.

4) Shrinking Agricultural Sector – Agriculture now contributes only about 15% to GDP. The international norms imposed by WTO and other multilateral organizations has reduced government support to agriculture. Coupled with the greater integration of global commodities markets leading to constant fluctuation in prices. This has increased the vulnerability of Indian farmers. Farmers are also increasingly dependent on seeds and fertilizers sold by MNCs like Monsanto.

5) Increasing Health-Care costs – The greater connectedness of the world has also led to the increasing susceptibility to diseases. Whether it is the bird-flu virus or Ebola greater investment in health-care system is required to increase its capacity to withstand such epidemics. It has also led to increasing cost of healthcare for individuals.

6) Child Labour – Despite prohibition of child labor by the Indian constitution, over 60 to a 115 million children in India work. While most rural child workers are agricultural laborers, urban children work in manufacturing, processing, servicing and repairs. Globalization most directly exploits an estimated 300,000 Indian children who work in India's hand-knotted carpet industry, which exports over \$300 million worth of goods a year. Uncounted other children work in less formal sectors, such as the incense industry, used both domestically and exported.

### **Socio-Cultural Impact on Indian Society**

1) Access to education – On one hand globalisation has aided in the explosion of information on the web that has helped in greater awareness among people. It has also led to greater need for specialisation and promotion of higher education in the country. On the flip side the advent of private education, coaching classes and paid study material has created a gap between the haves and have-nots. It has become increasingly difficult for an individual to obtain higher education.

2) Growth of cities – It has been estimated that by 2050 more than 50% of India population will live in cities. The boom of services sector and city centric job creation has led to increasing rural to urban migration.

3) Nuclear Families – The increasing migration coupled with financial independence has led to the breaking of joint families into nuclear ones. The western influence of individualism has led to an aspirational generation of youth. Concepts of national identity and of family, job and tradition are changing rapidly and significantly.

4) Old Age Vulnerability – The rise of nuclear families has reduced the social security that the joint family provided. This has led to greater economic, health and emotional vulnerability of old age individuals.

5) Pervasive Media – There is greater access to news, music, movies, and videos from around the world. Foreign media houses have increased their presence in India. India is part of the global launch of Hollywood movies which is very well received here. It has a psychological, social and cultural influence on our society.

6) McDonaldization – A term denoting the increasing rationalization of the routine tasks of everyday life. It becomes manifested when a culture adopts the characteristics of a fast-food restaurant. McDonaldization is a reconceptualization of rationalization, or moving from traditional to rational modes of thought, and scientific management.

7) Walmartization – A term referring to profound transformations in regional and global economies through the sheer size, influence, and power of the big-box department store Wal-Mart. It can be seen with the rise of big businesses which have nearly killed the small traditional businesses in our society.

### **Psychological Impact on Indian Society**

1) Development of Bicultural Identity – The first is the development of a bicultural identity or perhaps a hybrid identity, which means that part of one identity is rooted in the local culture while another part stems from an awareness of one relation to the global world. The development of global identities is no longer just a part of immigrants and ethnic minorities. People today especially the young develop an identity that gives them a sense of belonging to a worldwide culture, which includes an awareness of events, practices, styles and information that are a part of the global culture. Media such as television and especially the Internet, which allows for

instant communication with any place in the world, play an important part in developing a global identity.

A good example of bicultural identity is among the educated youth in India who despite being integrated into the global fast paced technological world, may continue to have deep rooted traditional Indian values with respect to their personal lives and choices such as preference for an arranged marriage, caring for parents in their old age.

2) Growth of Self-Selected Culture – means people choose to form groups with like-minded persons who wish to have an identity that is untainted by the global culture and its values. The values of the global culture, which are based on individualism, free market economics, and democracy and include freedom, of choice, individual rights, openness to change, and tolerance of differences are part of western values. For most people worldwide, what the global culture has to offer is appealing. One of the most vehement criticisms of globalization is that it threatens to create one homogeneous worldwide culture in which all children grow up wanting to be like the latest pop music star, eat Big Macs, vacation at Disney World, and wear blue jeans, and Nikes.

3) Emerging Adulthood – The timing of transitions to adult roles such as work, marriage and parenthood are occurring at later stages in most parts of the world as the need for preparing for jobs in an economy that is highly technological and information based is slowly extending from the late teens to the mid-twenties. Additionally, as the traditional hierarchies of authority weaken and break down under the pressure of globalization, the youth are forced to develop control over their own lives including marriage and parenthood. The spread of emerging adulthood is related to issues of identity.

4) Consumerism – Consumerism has permeated and changed the fabric of contemporary Indian society. Western fashions are coming to India: the traditional Indian dress is increasingly being displaced by western dresses especially in urban areas. Indian MTV, soap television, and films set a stage for patterns of behavior, dress codes and jargon. There is a changing need to consume more and more of everything.

Globalisation is an age old phenomenon which has been taking place for centuries now. We can experience it so profoundly these days because of its increased pace. The penetration of technology and new economic structures are leading to an increased interaction between people. As with other things there have been both positive and negative impacts on India due to it.