

Globalization and Culture
Prof. Anjali Gera Roy
Department of Humanities and Social Sciences
Indian Institute of Technology, Kharagpur

Lecture - 04
Rise of Global Capitalism

Hello, with globalization we tend to think that the economic aspects of globalization are exciting whereas, globalization is seen as posing a threat to culture. So, initially when there was talk about globalization in India, most corporate, people in businesses were extremely excited about the opening up of the global markets and began to see the whole world as an expanding market. There was a large scale and there was a optimism as far as businesses and corporate were concerned but anxieties arises about globalization which were largely voiced by the cultural guardians, not only in non western world like India, but also in the rest of the world the concern was about the erosion of culture but over three decades down the line, we find that the economic and the culture cannot really be separated from one another and concerns about the economic effects of globalization have increasingly begun to be voice not only in the non western world or the developing world but all across the world concerns about globalization being as some had defined it right the beginning as a form of global capitalism and as a late stage of capitalism which they dubbed late capitalism.

In this section, I would examine globalization as a rise of global capitalism, free market economy and largely after summarizing what the free market is, I would examine in detail Immanuel Wallerstein's world system theory which I did mention when we were trying to define globalization and show what it means to live in the era of global capitalism, how does the global capitalist system work? And then we conclude with concerns about discontents of globalization about how this integration of the world into capitalism and what it entails for people in different parts of the world.

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Global Capitalism

- Late stage of capitalism
- Integration of the world into capitalism
- End of protectionism
- Policy of Free Trade
- Intrinsic belief in competition as healthy
- Increasing productivity and widening consumer choices

So, global capitalism are globalization as a late stage of capitalism and it entails the integration of the world into capitalism which means the end of protectionism, policy of free trade and the basis of which is an intrinsic belief in competition as healthy. The idea is that with the increase in productivity and it will lead to increase in productivity and widening of consumer choices.

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Free Market Ideology

Adam Smith's model

- Market forces—the profit motive—drive the economy to efficient outcomes as if by an invisible hand.

Modern economics

- show the sense in which, and the conditions under which, Smith's conclusion is correct.
- More recent advances in economic theory—ironically occurring precisely during the period of the most relentless pursuit of the Washington Consensus policies—have shown that :
- whenever information is imperfect and markets incomplete, which is to say always, and especially in developing countries, then the invisible hand works most imperfectly.
- Significantly, there are desirable government interventions which, in principle, can improve upon the efficiency of the market.
- These restrictions on the conditions under which markets result in efficiency are important—many of the key activities of government can be understood as responses to the resulting market failures



I am going to give a very basic kind of definition of free market ideology and going back to Adam Smith's model and the idea that market forces -the profit motive-drive the

economy to efficient outcomes as if by an invisible hand. Now, modern economics show the conditions under which Smith's conclusion is correct and more recent advances in economy theory ironically occurring precisely during the period of the most relentless pursuit of the Washington Consensus policies have shown that whenever information is imperfect and market is incomplete which is to say always, and especially in developing countries, then the invisible hand works most imperfectly.

Significantly, there are desirable government interventions which in principle can improve upon the efficiency of the market and see these restrictions on the conditions under which markets result in efficiency are important and many of the key activities of government can be understood as responses to the resulting market failures. In other words, the method about the state, the nation state having become a non-player in the globalized economy is demystified here because as opposed to the idea that in a free market there is no intervention by the government. There are desirable government interventions which are used to improve the efficiency of the market and to many of the key activities can be understood as responses to the resulting market failures and as the nation state becomes an ally of global capitalism in several cases rather than opposing these forces and the nation state seems to be far from extinct.

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Immanuel Wallerstein

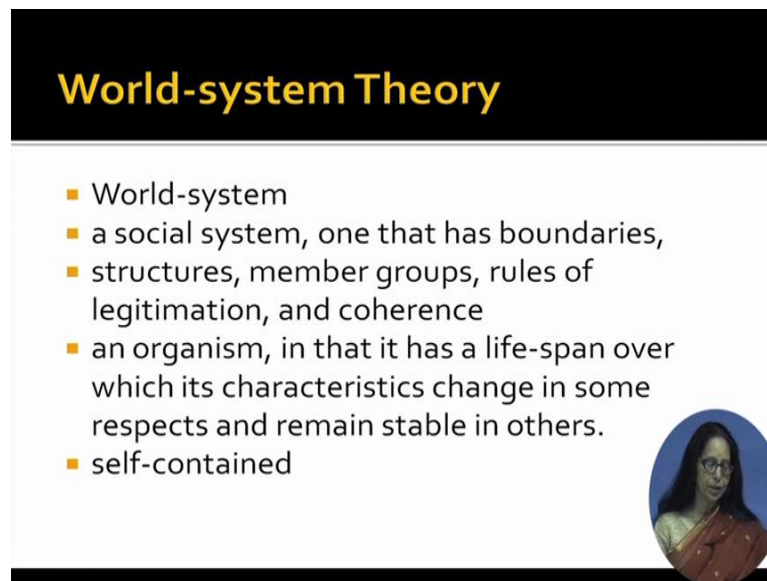
- Predates the history of globalization by locating it in the 16th century
- Considers it as the final stage in the movement of capital that began 500 years ago
- Challenges classic definition of capitalism as a system based on the noninterference of the state in economic affairs
- Argues that it is based on the constant absorption of economic loss by political entities, while economic gain is distributed to "private" hands
- Stresses that capitalism as an economic mode is based on the fact that the economic factors operate within an arena larger than that which any political entity can totally control

Let me now summarize Immanuel Wallerstein's notion of the world system theory and his view that globalization is not an entirely new process because he predates the history

of globalization by locating it in the sixteenth century as I have mentioned in the first lecture while defining globalization and Wallerstein considers it as the final stage in the movement of capital that began 500 years ago. He challenges classic definition of capitalism as a system based on the non interference of the state in economic affairs. So, this myth of the noninterference of the state in economic affairs is demystified by Wallerstein.


He argues that it is based on the constant absorption of economic loss by political entities. So, this is important and the constant absorption of economic loss by political entities while economic gain is distributed to private hands and any stresses that capitalism as an economic mode is based on the fact that the economic factors operate within an arena larger than that which any political entity can control. This idea that economic factors operate within an arena larger than that which any political entity can control leads us to the world system theory.

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World-system Theory

- World-system
- a social system, one that has boundaries, structures, member groups, rules of legitimation, and coherence
- an organism, in that it has a life-span over which its characteristics change in some respects and remain stable in others.
- self-contained



Now, what is a World-system and how does Wallerstein define his world system. World system according to Wallerstein is a social system, one that has boundaries structures member groups, rules of legitimation and coherence. A world system is an organism and in that it has a life span over which its characteristics change in some respects and remain stable in others. Therefore, it is a very self contained system. So, a social system that has boundaries, structures, member groups, rules of legitimation and coherence and

an organism that has a life span over which its characteristics change and in other words static and is self contained.

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What is a world-system?

- most entities usually described as social systems-- "tribes," communities, nation-states--are not in fact total systems
- only real social systems are, on the one hand, those relatively small, highly autonomous subsistence economies not part of some regular tribute-demanding system and, on the other hand, world-systems
- relatively large; that is, they are in common parlance "worlds."
- self-containment as an economic-material entity is based on extensive division of labor and that they contain within them a multiplicity of cultures.

We need to understand what is a world system and we understand that by finding out what it is locked and most entities usually describe a social system, tribes, communities nation-states are not in fact total systems. Only real social systems are on the one hand are relatively small highly autonomous subsistence economies not part of some regular tribute demanding system and on the other hand world systems are relatively large that is they are in common parlance worlds. Self-containment as an economic-material entity is based on extensive division of labor and they contain within them a multiplicity of cultures.

So, let us then try to understand what to summarize in world system as I have already said is a social system which has boundaries, structures, member groups and is dynamic self-contained and it is not a social system and we call social systems as tribes, communities, nation-states and the real social systems are small highly autonomous subsistence economies and not part of some regular tribute-demanding system and on the other hand we have the world systems. So, world systems are relatively large and there is a self containment as an economic material entity which is based on extensive division of labor and they contain within them a multiplicity of cultures and they are large units containing within them multiplicity of cultures.

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Two kinds of world-systems

- World-empires
- in which there is a single political system over most of the area, however attenuated the degree of its effective control
- World-economy
- in which such a single political system does not exist over all, or virtually all, of the space

There are two kinds of world systems. The first world system is World-empires in which there is a single political system over most of the area, however attenuated the degree of its self control and the second world system is World-economy in which such a single political system does not exist over all or virtually or all of the space. So, two kinds of world system are world empires and world economy.

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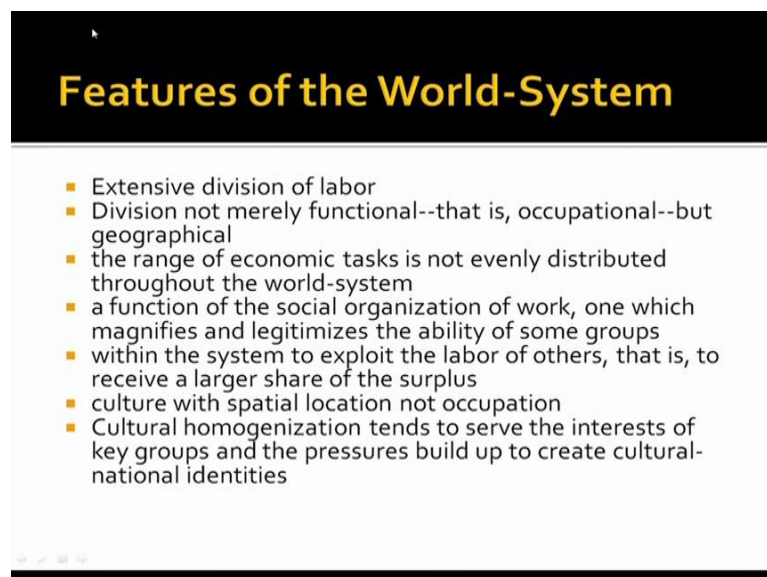
World-economies

- highly unstable structures which tended either to be converted into empires or to disintegrate
- Modern world-system that a world-economy has survived for 500 years and yet has not come to be transformed into a world-empire--a peculiarity that is the secret of its strength
- Multiplicity of political systems
- the size of a world-economy is a function of the state of technology, and in particular of the possibilities of transport and communication within its bounds
- Fluid boundaries

What are world economies? It is the highly unstable structures which tended either to be converted into empires or to disintegrate. World economies were highly unstable

structures which tended to be converted into empires or to disintegrate. According to Wallerstein, Modern world-system that a world economy has survived for 500 years and yet has not come to be transformed into a world empire. This 500 year world economy has not really converted and has not transformed into a world empire. Peculiarity is the secret of its strength and what it does have is a multiplicity of political system. So, within this modern world which is the modern world system, we have a multiplicity of political systems and the size of a world economy is a function of the state of technology and in particular the possibilities of transport and communication within its bounds and the world economies have fluid boundaries.

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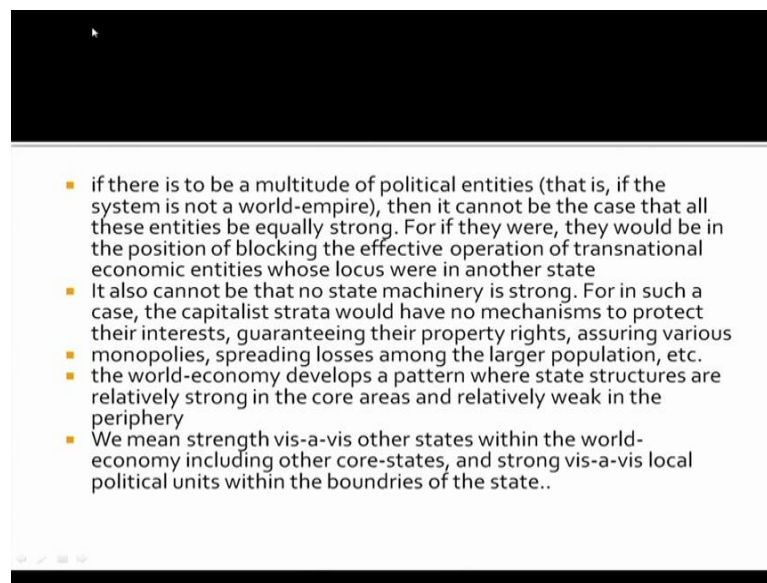
Features of the World-System

- Extensive division of labor
- Division not merely functional--that is, occupational--but geographical
- the range of economic tasks is not evenly distributed throughout the world-system
- a function of the social organization of work, one which magnifies and legitimizes the ability of some groups
- within the system to exploit the labor of others, that is, to receive a larger share of the surplus
- culture with spatial location not occupation
- Cultural homogenization tends to serve the interests of key groups and the pressures build up to create cultural-national identities

So, what are the important features of the World-System? Let us try to look at them. World system is first of all based on extensive division of labor and this division of labor is not merely functional and as we understand division of labour it is not merely functional or occupational but division of labor is geographical. The range of economic and the second part of this division of labor is that the range of economic tasks is not evenly distributed throughout the world system and there is an inequality then there is an imbalance in the distribution of economic tasks. This is a function of the social organization of work one which magnifies and legitimizes the ability of some groups within the system to exploit the labor of others that is to receive a larger share of the surplus.

So, this is important. It is the function of the social organization of work and in addition to the geographical division of labor, it is also a function of the social organization of work which magnifies and legitimizes the ability of some groups within the system to exploit the labor of others that is to receive a larger share of the surplus and a culture within spatial location not occupation. A Cultural homogenization tends to serve the interests of the key groups and pressures build up to create cultural-national identities.

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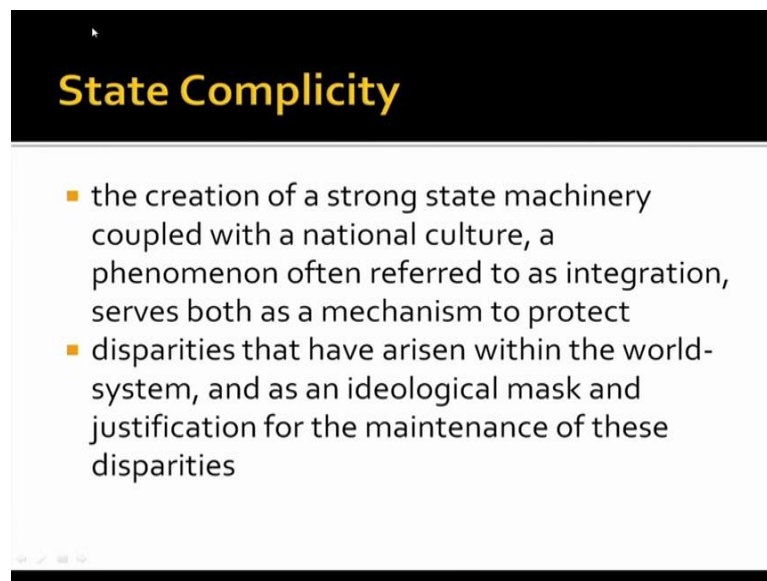
But most important of all is that if there is to be a multitude of political entities that is if the system is not a world empire in a world economy and it has a multiplicity of political entities then it cannot be the case that all the economy and all these entities be equally strong. They cannot be and if they were, they would be in the position of blocking the effective operation of transnational economic entities whose locus was in another state. We found out this is a heavily loaded in favor of certain groups who feel entitled to the labor of others.

So, it also cannot be that no state and on the on the other hand it cannot be that no state machinery is strong. For in such a case, the capitalist strata would have no mechanisms to protect their interests guaranteeing their property rights, assuring various monopolies, spreading losses among the larger population etcetera. The world system which is a world economy has a multitude of political entities and in this all are not equally strong

because that would not allow the world economy to operate and on the other hand it also cannot be that no state machinery is strong.

Wallerstein explains the role of the nation state which in the capitalism system is not that of non interference as it is commonly believed to be but interference in a certain step sends more in the state of nations where where the state machinery is strong. So, the world-economy develops a pattern where state structures are relatively strong in core areas and relatively weak in the periphery. We have a multitude of political systems, some consisting of strong states and others have weak states and a pattern in which state structures are relatively strong in the core areas and relatively weak in the periphery. We mean strength verses other states within the world economy including other core states and strong vis-a-vis local political units within the boundaries of the state.

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State Complicity

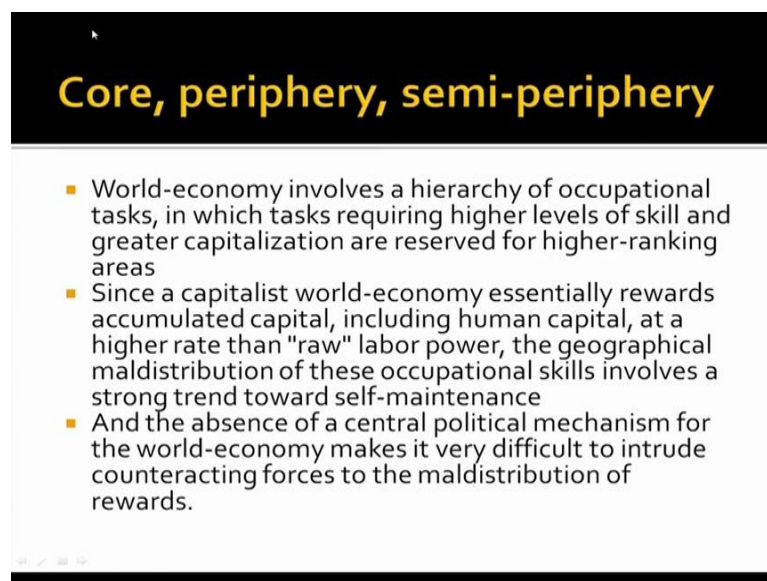
- the creation of a strong state machinery coupled with a national culture, a phenomenon often referred to as integration, serves both as a mechanism to protect
- disparities that have arisen within the world-system, and as an ideological mask and justification for the maintenance of these disparities

So, that brings us to the idea that state is not a neutral partner in capitalist economies which is complicit and its complicity is a base that consists of the creation of a strong state machinery coupled with a national culture and a phenomenon often referred to as integration that serves both as a mechanism to protect disparities that have arisen within the world system and as an ideological mask and justification for the maintenance of these disparities. Two aspects with which the state becomes complicit within global capitalism or within free market capitalism is the creation of strong state machinery, the second is the production of a strong national culture while the state machinery protects

disparities and works as a mechanism to protect disparities that have arisen within the world system. The culture serves as an ideological mask and justification for the maintenance of these disparities. We can think of the colonial state which uses the ideological mask of the civilizational machine to control the economies of their colonies.

The most well known aspect of Wallerstein's world system theory is the idea of core periphery and semi periphery which is being borrowed in economic theory and this causes to look at the division of the world, the geographical and economical division of the world and though this model of core semi periphery and periphery is now considered redundant in view of the new configuration of the global economy as well as global political system. It still seems to be relevant if we were to carefully examine what Wallerstein is saying.

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Core, periphery, semi-periphery

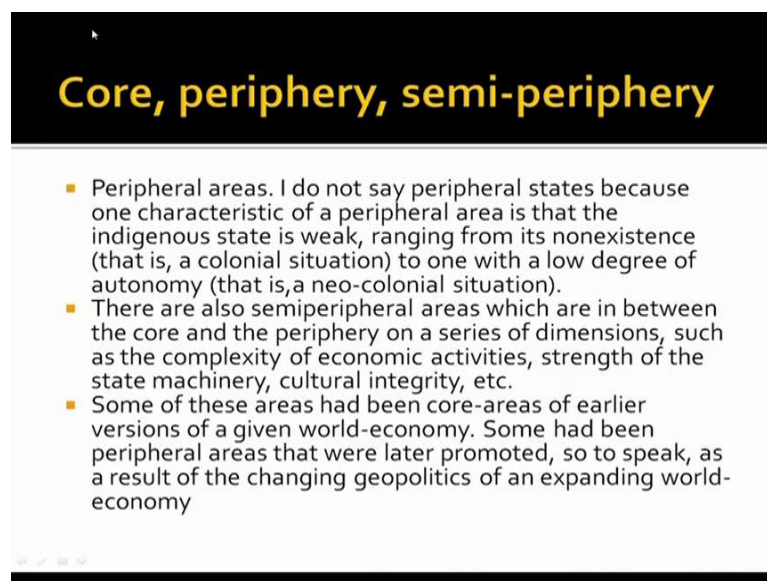
- World-economy involves a hierarchy of occupational tasks, in which tasks requiring higher levels of skill and greater capitalization are reserved for higher-ranking areas
- Since a capitalist world-economy essentially rewards accumulated capital, including human capital, at a higher rate than "raw" labor power, the geographical maldistribution of these occupational skills involves a strong trend toward self-maintenance
- And the absence of a central political mechanism for the world-economy makes it very difficult to intrude counteracting forces to the maldistribution of rewards.

So, this way Wallerstein explains his model of the core, the semi periphery and peripheries in this manner. World economy involves a hierarchy of occupational task which we said earlier that division of labor in the world economy is not nearly occupational or social but it is geographical and this involves a hierarchy of occupational task in which task requiring higher levels of skill and greater capitalization are reserved for higher ranking areas. Task requiring higher level of skills and greater capitalization are reserved for higher ranking areas. Since, a capitalist world economy essentially rewards accumulated capital including human capital at a higher rate than raw labor

power and the geographical mal-distribution of these occupational skills involves the strong trend towards self-maintenance.

So, as we see in the past, there is an skewed distribution of occupational skills between the core parts of the world and the peripheries because the skills that are rewarded which is capital as opposed to raw labor are geographically mal distributed because the core nation seem to control capital. In the absence of a central political mechanism for the world economy which makes it very difficult to intrude counteracting forces to the mal-distribution of rewards. So, we found out right in the beginning that the world economy is not a world system because it does not have a single political system and there is not a single unit which controls the world economy as a multiplicity of a political system. It is impossible to correct this imbalance or correct the mal distribution of rewards.

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Core, periphery, semi-periphery

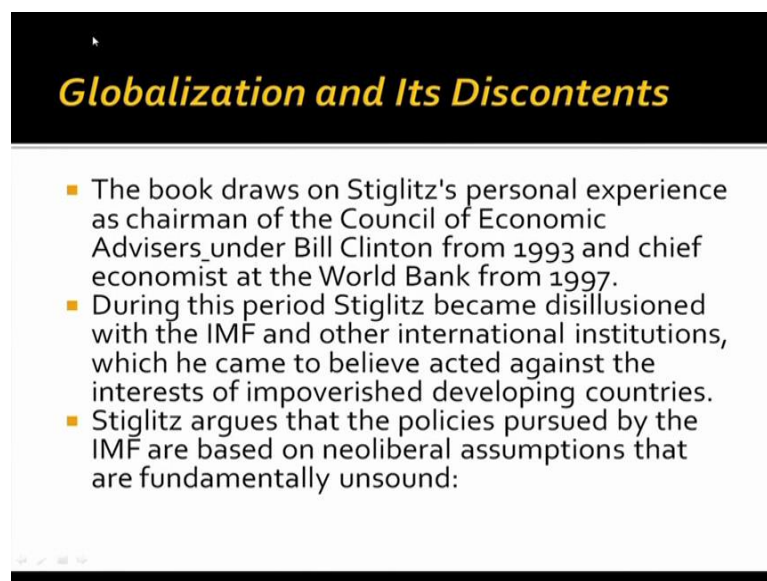
- Peripheral areas. I do not say peripheral states because one characteristic of a peripheral area is that the indigenous state is weak, ranging from its nonexistence (that is, a colonial situation) to one with a low degree of autonomy (that is, a neo-colonial situation).
- There are also semiperipheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc.
- Some of these areas had been core-areas of earlier versions of a given world-economy. Some had been peripheral areas that were later promoted, so to speak, as a result of the changing geopolitics of an expanding world-economy

Peripheral areas, Wallerstein says I am quoting from him and I do not say peripheral states but peripheral areas because one characteristic of a peripheral area is that the indigenous state is weak. As we found that in the multitude of political systems, some states are bound to be intrinsically strong whereas, some states are relatively weak and these states are bound to be the states in the peripheries. So, one characteristic of peripheral area is that the indigenous state is weak and ranging from its non existence which is a colonial situation to one with a low degree of autonomy and that is in a neo colonial situation. Then he talks about the semi periphery, what are the semi periphery,

semi peripheral areas not states which are in between the core and the periphery on a series of dimension and these dimensions are the complexity of economic activities, strength of the state machinery, cultural integrity. So, they are somewhere in between the core areas and the peripheral areas in terms of the economic, in terms of the complexity of economic activities that they handle, the strength of the state machinery and cultural integrity and so on.

Now, some of these areas had been core states of earlier versions of a given world economy. Some had been peripheral areas that were later promoted and to speak as a result of the changing politics of an expanding world economy. Take the case of India, now India enjoyed central position in the older world economy in terms of its trade, not only even the middle east but parts of Africa and even indirectly to Europe, the position it enjoyed up to a certain period before the colonization of India is an example of how these core areas of earlier versions of a given world economy now become peripheral areas whereas, peripheral areas were promoted.

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Globalization and Its Discontents

- The book draws on Stiglitz's personal experience as chairman of the Council of Economic Advisers under Bill Clinton from 1993 and chief economist at the World Bank from 1997.
- During this period Stiglitz became disillusioned with the IMF and other international institutions, which he came to believe acted against the interests of impoverished developing countries.
- Stiglitz argues that the policies pursued by the IMF are based on neoliberal assumptions that are fundamentally unsound:

Now, I would like to conclude with another model. Wallerstein's model is critical of global while it defines more of elucidation of the world economy, the world system theory and it its critical but it merely describes the system and what is important in Wallerstein's model is that even though we might critic the idea of the core, the periphery and the semi periphery. Wallerstein has taken that into account by saying that

the core periphery and semi periphery can keep changing. So, it is a dynamic model, but the basic the foundational concepts of Wallerstein's theory hold because the relationships between some areas might have graduated from periphery to core or from periphery to semi periphery or the formal core areas might have changed to periphery.

The relationships between the core, the semi periphery and periphery still hold even if we look at the present global system and the new world system I mean the old world system Wallerstein puts it and even in this late stage of capitalism, the relation between the core periphery and semi periphery are replicated. Similarly, more important is that the new phase of globalization is not a new process, it is been there and it is a completion, it is a conservation of that march of capital which has completely integrated or if to use a different metaphor sucked in the entire world into its dragnet.

Now, the differences in the old world system in the earlier stages of the world system and the new stages of the world system are only in degree not in kind and that is why the relationship between the periphery and the core remains the same, even though their cosmetic differences take the example of India as a source of raw material and labour in the colonial system where Indian workers in the nineteenth century to the plantation economies and the so called coolies and the present position of highly qualified Indians in the global economy where they still continue to service the global economies. We are not talking only about the migrant workers who work as the guest workers who work at low level positions in the core areas, but we are also talking about the more qualified professionals such as software professionals, intellectuals, doctors and their position in with respect to the core remains the same because the core still remains the hub of capital and that is why someone as coined the term cyber (Refer Time: 28:39) to compare the position on the present software professionals migrating to the rest of world to that of coolies in the past.

I conclude with a more dystrophic narrative of globalization offered by Stiglitz in his book globalization and its discontents. A book which draws on his personal experience as chairman of the council of economic advisers under bill Clinton from 1993 and chief economist at the world bank from 1997. During this period, Stiglitz became disillusioned with the IMF-International Monetary Fund and other international institutions which he came to believe acted against the interests of impoverished developing countries. Stiglitz

argues that the policies pursued by the IMF are based on neoliberal assumptions that are fundamentally unsound.

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Globalization and Its Discontents

- According to Stiglitz, IMF interventions all followed a similar free market formula.
- The IMF strongly advocated "shock therapy" in a rush to market economies, without first establishing institutions to protect the public and local commerce. Local social, political, and economic considerations were largely ignored.
- Privatization without land reform or strong competitive policies resulted in crony capitalism, large businesses run by organized crime, and a feudal social structure without a middle class.
- There is no doubt that monetary aid/lending could have an important and effective role in advocating country efforts to sustain external shocks and improve economic status. However, without strong forefront progress on the policy, the aid of balance of payments help could very well be counterproductive.
- The consequence will be escalated levels of debt, weakened policy credibility and a lot more difficult task of adjustment in the future.

According to him, IMF interventions all followed a similar free market formula. The IMF strongly advocated shock therapy in a rush to market economies without first establishing institutions to protect the public and local commerce. Local, social, political and economic considerations were largely ignored. Privatization without land reform or strong competitive policies resulted in crony capitalism, large businesses run by organized crime and a feudal social structure without a middle class. The next aspect is there is no doubt that monetary aid lending could have an important and effective role in advocating country efforts to sustain external shocks and improve economic status. However, without strong forefront progress on the policy, the aid of balance of payments help could very well be counterproductive and the consequence will be escalated levels of debt, weekend policy credibility and a lot more difficult task of adjustment in future.

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- The IMF also foisted premature capital market liberalization (free flow of capital) without institutional regulation of the financial sector.
- This destabilized entire developing economies by causing massive inflows of 'hot' short-term investment capital; then when inflation rose, the IMF's loan conditions imposed fiscal austerity and dramatically rising interest rates.
- This led to widespread bankruptcies without legal protection, massive unemployment without a social safety net, and the prompt withdrawal of foreign capital. The few remaining solvent owners, with zero opportunity for business growth, stripped assets for any value they could.

So, the IMF also foisted premature capital market liberalization without institutional regulation of the financial sector. This destabilized entire developing economies by causing massive inflows of hot short-term investment capital then when inflation rose, the IMF's loan conditions imposed fiscal austerity and dramatically rising interest rates. This led to widespread bankruptcies without legal protection, massive unemployment without a social safety net and the prompt withdrawal of foreign capital.

The few remaining solvent owners with zero opportunity for business growth stripped assets for any value they could. So, we conclude by saying that this critic of the economic aspects of globalization of global capitalism on late stage of capitalism which was voiced by certain discontents as we may call it within the third world or within the developing world at the onset of globalization have increasingly been voiced from within the west and wrote beginning by Wallerstein in his explanation of the world system and move lately with books like globalization and its discontents.

Thank you.