HS701 Dev, Tech., and Global Order : Quick Reference Version : Draft (2007-01-17 11:55)

Globalisation

Lecture 1

- Globalization : started in India in 1980
- Other parts in 1890, but volume of trade was very low
- 1951 : economic planning of India began
- 1950s to 1980s:
  - Earlier: substitution of imports (capital goods, raw materials, spare parts)
  - Self-reliance was the motto
  - Development within was given the first priority; trade was given secondary importance
- However, exports are very important - they let the country stay in touch with the other countires across the globe
- Those countries that gave priority to "Export promotion" (than "Import Substitution") were more developed that the ones that emphasized "Import Substitution" (e.g., Japan and other East-Asian countries)
- Imports cannot be more than exports in the long run
- Devaluation:
  - Influences export/import
  - Revaluation is the opposite of devaluation
  - Can affect other policies (fiscal, industrial, trade, agricultural)
  - Earlier, exchange rates were fixed by the central bank w/o regard to the global market. This could have adverse effects on the economy. With each change, the policies had to be changed. This could lead to economic instability (loss of trust of traders, etc.).
- Liberalization and Privatization:
  - Lib. and Pvt. are off-shoots of globalization
  - Manmohan Singh introduced liberalization
  - Liberalization: Removal of restrictions (like Foreign Exchange Regulation, Fiscal restrictions, licensing)
  - Privatization: Opposite of nationalization (nationalization = owning of industries by the govt.)
    - More initiative than PSU
    - Responsible to share holders
    - Can do away with mass-scale corruption (some corruption may remain in their interactions with govt. departments like municipality)
      - Tax evasion (cheating) is different from tax avoidance (e.g., not producing)
      - Not all controls are still removed (for example, safety, environmental, municipality); leads to some corruption
  - PSUs (Public Sector Units):
    - tried to please politicians (rather than stake holders)
    - Urge for change is lesser
    - Perform less efficiently than privatized units
    - In India, PSUs are slowly being privatized (49% to 51%) for making them more efficient
- Globalization:
  - Integrating economies of the world using common economic goals
  - Profitability is the main goal
  - Everything else are corollaries of this: govt. goodwill, employee goodwill, customer goodwill)
- Adam Smith : 1776 : "Every one knows his / her own self-interest"
- "Market is the invisible hand of the great providence"
  - Market will regulate itself automatically if controls are misued in the private sector
- "The sun never sets on the British empire" - British colonies where present from one end of the globe to another.
- In the future, there will be shortage of water and oil
- Some things may remain public, such as water supply
  - 100% privatization is not feasible
  - There will be mix of both
  - 100% nationalization is also a problem (e.g., choices not available for shoes in Russia)
  - Privatization can lead to high prices (e.g., Reliance electrivity); whereas nationalization can lead to losses (e.g., state-run electricity)
- Human freedom is more important; customer is sovereign; the government just provides the infrastructure

Lecture 2

- Earlier (before liberalisation), India had:
  - Export Pessimism (Import Substitution Strategy) and to be Self-Reliant
  - "Supply creates its own demand" was the philosophy. It was felt that "Production creates the scope for consumption".
  - India's economic and political leaders were influenced by socialism
- Socialist and Capitalist approaches: Both had the same objective: "to increase the standard of living (that is, per capita income)"
  - Socialist approach: The market is regulated by the government
    - Fiscal policy, pricing policy, etc. was determined by the govt.
    - Raising the price was equivalent to taxing the people
    - This approach helps mobilize capital
    - Countries like Russia were following this approach
    - However, in 1980s, the people of Russia detested this and free market economy was introduced. Earlier:
      - Standardization of manufacturing led to no variety
      - No choice for the consumers
      - Customers rejected the products (because of manufacturing shoddiness)
      - This led to public sector losses and finally, Russia became a free market economy
  - Capitalist approach: "Free market" (people know their own choice)
    - Economic Freedom (aka captialist market economy)
    - This approach lead to conitnuous innovation
    - Innovation makes the economy grow
  - Mixed approaches: Some countries, like Yugoslavia, had a mixed apporach
    - Between capitalist and socialist approaches
    - This was called "market socialism"
    - The ownership was with the government, but the production was market-driven
- Important organizations promoting globalization:
  - WTO (World Trade Organization): Predecessor of WTO was GATT (General Agreement for Trade and Tariffs)
    - Promotes trade and developement by removing obstacles to trade such as quantity restrictions (which are in place to protect the domestic market)
    - Cross-border trade has increased today because of WTO

- Restrictions are put in place to protect infant industries (since the domestic price would be higher than the international price for such industries)
    - Such protection is usually in the form of import duties (to cover the difference between the lower international price and the higher domestic price)
    - Mature industries have lower costs since they have reached "economies of scale"
    - Sometimes protection is justified (e.g., during wartime, England was almost on the brink of starvation since they relied on imports of agricultural products and they could not import during the war)
    - In 1990s, it was realised that protection shrinks the global markets
  - IMF (International Monetary Fund)
    - This is like the central bank of all central banks
    - World financial institution to help member countries to tide over temporary foreign exchange liquidity problems
    - India's central bank, RBI, is also a member of this bank
  - WB (World Bank) IBR:
    - Gives long-term loans (30 to 40 years) for construction of roads and infrastruture
    - Lower rate of interest for development finance
- The global economy
  - Free market economy = global economy
  - Free trade = Trade without tariffs and quantity restrictions
  - Communication technology has helped speed up globalization
  - Free movement of labour and capital
- David Ricardo has stated that: "Countries should specialize in the production of those commodities that the country has a natural advantage in". Following this policy leads to a cost advantage. The available resources are channeled appropriately.

  This means that "Export goods that are cheaper and import others that are cheaper in other countries".
- America has protection for their agriculture (in the form of subsidies)
- Even in India, agriculture is protected because it is the backbone of our economy and there is an uncertainty in agriculture (dependency on natural factors like rain, etc.)

Technology

- Technology is the application of scientific invention to the method of production
- Different countries adopt different technology
- Technology has helped developing countries in 3 areas:
  - Agriculture
    - "Population grows exponentially, whereas food production grows linearly". Law of inheritance leads to division of land for families with large children.
    - Today population growth is about 1.9% as compared to 2.4% in the 1950s
    - 1970: Hybrid seeds were first used to start the "green revolution"
    - Modern crop varieties by using hybrid seeds has increased agricultural production
    - Food production in % terms has outpaced population growth
    - In 1950s, the wheat production was 50 million tonnes; today it is 250 million tonnes
    - The pricing problem remains; government tries to intervene and regulate food prices
    - The PDS (Pub. Distri. System) takes care of people below poverty line and other schemes such as "Rojgaar Yojna" (food for work)
    - Technology, has thus, helped tide over the food problem
    - Increase in wheat production in 1970s comapred to 1998
      - Latin America: 11% to 90%
      - Asia: 19% to 86%
      - African: 5% to 52%
      - Middle East: 5% to 66%
  - Health (medicines)
    - Better vaccines, Rehydration therapy, Antibiotics
    - Quality control in medicine has improved
    - Ppl are living longer; Life expectancy has gone up in developed (78 years) as well as developing countries (64 years)
    - People are living longer because of better quality food, cleaner water supply, and effective medicines
    - Advances in medicine are leading to increase in productivity and efficiency
    - Problem of patents and high-cost (e.g., AIDS vaccine)
  - IT & Communication
    - # of telephones, mobiles, internet access per 1000 population has increased
    - Improved and accessible communication technology -> More contacts -> More markets
    - Internet access -> allows online purchase -> Problem of sales tax avoidance
    - Have been able to inform pepople about weather (for agriculture), sea travel (for fishermen)
    - Online education has been possible
- Globalisation has improved the life of people even without substantial increase in the per capita income (per capita income only doubled)
- Technology is shaking up: Culture, Society, Politics
- Tech shapes culture by increasing the power of individuals
- Some adv. of technology:
  - Mechanized transport in rural areas
  - Modern contraceptives
  - Drudgery-relieving machines (like washing machines, grinders, mixers) make more time available for other rewarding activities
- Technology can shift he balance of power between the ordinary people and their rulers (e.g., use of SMS in Philippines)
- Electronic communication makes society less hierarchical
- If birth rate is high, the dependency ratio will be high (more population in the child group than in working group).
- Conclusion: Technological changes have been beneficial to developing countries. "Quality of human life" index is better.

  This index is determined by indicators such as Literacy, Longevity, Per capita income.

Globalisation and Economic Inequality

- One viewpoint: Globalisation leads to greater economic inequalities -> poverty -> more miseries

  Need for lowering costs because of global competition -> low wages -> more poverty
- Why economic globlal inequality has increased becuase of:
  1. Faster economic growth in developed countries than in developing countries as a group
  2. Faster population growth in developing countries than in developed countries (per capita income goes down)
  3. Slow growth of output in rural areas of developing countries
  4. Rapidly widening output and income differences between urban and rural areas in developing countries
- Within countries, economic globlal inequality has increased becuase of:

1. Faster economic growth in ???
2. Birth rate is not falling as rapidly as death rate (difference of about 0.5 to 1%)
3. Slow growth of output in rural areas in developing countries
   - Agriculture predominant in rural areas; unpredicatable
   - Share of agriculture in total income has fallen from about 50% to 25%, even though agricultural production has gone up
   - Now, the distribution is: 25% - Agriculture, 15% - Industry, 60% - Services
4. Rapidly widening output and income differences between urban and rural areas in developing countries
   To integrate, we need to develop rural areas (rural industrialization)

- But, average per caputal income of India has doubled from USD 1100 to 2300. In developed countries, it is about USD 11k (also rising)
- Volume of world trade has grown much faster than the volume of world production. Growth of trade is 20% compared to 3% of growth in production

Effect of Globalisation on Environment

- Anti-globalisation view points: Glob. means industrialisation; by reckless industrialization., ecology is harmed. Pollution, Greenhouse effect, Global warming
- "Human life is defiling earth"
  1. Natural Reosurces will be depleted / exhausted
  2. Population growing relatively faster (affecting forest land / trees; reduction in forest land from 33% to 19%)
  3. Species of birds / animals becoming extinct
  4. Air and water are getting polluted
- Pro-globalisation view points:
  1. Although natural resources are being depleted, the earth has enough (for another 150 years)
  2. Although population is growing, so is the food supply
  3. Extinction of species - only a few - species are more resilient
  4. Pollution of air and water - not a cause of worry as technology advances - anti-pollution devices can be used (e.g., London has now cleaner air than prior to industrialization)
- Conclusion: Technology change is the answer to all such problems arising out of globalisation

The New Economic World Order

- Before 1960, there were 2 powerful economic blocks in the world: one led by America, the other by European countries
- Countries in Asia had been just liberated from colonial rule and they had just started their development — were exporting raw materials and importing capital goods
  - Countries followed different approaches: some were EOI and some were ISI (e.g., India, China, Russia, Eastern European)
  - SE Asia started developing very fast; in 1960, SE Asia had only 4% of the world's economic output; in Y2K, it had increased to 25%
  - That created a new economic block in the world
  - Some of these fast developing countries were: Singapore (ship building industry), Malaysia, Thailand, Indonesia
- In the case of India:
  - 1980 - 90 : Selected liberalisation
  - 1990 - Y2K: Wholesale liberalisation
  - Liberalisation was first done in trade: Scrapping of industrial licensing, import licensing, MTRP act (Monoplistic Trade Restrictive Practices); FERA was replaced by FEMA
  - India started true development after 1990s
  - Economic growth: in 1960s: 3-4%; in 1980 - 1990: 5 - 6%; 1990-present: 7 - 8%; this year expected: 9.2% (expected to touch 10% in the 11th 5-year plan)
- Cultural clashes are important to exporting consumer goods; America's political stategy is to standardize world culture through export of films, music, food — their political strategy is to weaken the concept of the nation
- Econmoic growth in the US and Europe is: 3%; whereas in Asian countries, it is 6.5 - 7.5%
- Between 1990 and Y2K, 40% of the new purchasing power created in the world has gone to the East Asian countries — that is, this region is accepting 40% of the world imports
- China has risen in the mfg sector; India's exports in the services sector has gone up
- East Asian central banks are holding more than 45% of forex reserves
- It is stated that foreign debt of the US and European countries is rising, whereas that of Asian countries is falling (deficit)
- As a result, the new economic order will have 3 blocs: US, Western Europe, East Asia
- Reasons for this shift: a number of developments altering the global econmy's arrangements have taken place
  1. National / Regional barriers restricting financial flows no longer exist (capital is moving freely and all these countries have full convertibility)
  2. Technology, Management and Marketing techniques do not observe any national boundaries
  3. There is a general spread of liberalisation throughout the world (e.g., China, India, Vietnam)
  4. There is a fierce competition in the world for foreigh investment (e.g., electricity, mfg) — transnational cos. are having a field day — global market has widened
- Impact on developed countries:
  - Developed countries are losing exports to cheaper products from developing countries. Earlier, high technology, high productivity, high quality and high wages were linked to each other. Now, this link has been broken — high tech, high productivity and high quality at low wages
  - In industrial and services sector, developing counties are able to deliver at lower wages / prices
  - This causes unemployment and low-paying wages in the developed countries
  - Because of social net, people in developed countries prefer unemployment to lower cost wage jobs
  - These countries are using organizations like WTO and IMF to point out defects in the mfg. industry of the 3W such as child labor, exploitation, inhuman conditions.
  - Therefore, WTO is putting up trade barriers to certain goods from seleted 3W countries.
- In a multi-lateral trading system, every country will trade with any other country
- In the new economic order, the main objective is to maintain and expand multi-lateral trade system. In a global system, the market is one. All barriers and tariffs are removed. This is objective, but it has not yet been achieved — there has been significant progress since the 1990s (e.g., import duties in India have been reduced to 5%)
- Protection: Developed countries can protect some industries for preserving their std. of living; developed countries can protect some for their growth

- Developed countries have the advantage of better tech, better mgmt, better mktg and better financial techniques; developing countries have the advantage of cheap labor and natural resources
- The issue of the new world economic order is leading us to the conclusion that the traditional policies of "export more, import little" or "produce more by ISI and remain isolated" creates stagnation (no change, no growth, modernity difficult to come). So, all countries in the world must have a comprehensive economic strategy that integrates fiscal, monetary, education and training goals and they must do so in accordance with the basic guidelines and rules about which there is some kind of consensus on th egrowth of the world trade.
- The new economic global order is based on the multi-lateral trade system — political policies are centered around this.

GATT and WTO

- GATT was created after WW-II to promote trade between nations w/o any barriers
- Trade relations could not be discriminatory and w/o export subsidiaries. The non-discriminatory principle was effected through MFN (Most Favored Nation) clause.
- MFN disallowed offering better trade treatment to any country than what was given to the signatories of the GATT
- This means that GATT members were to be treated in the same manner as the MFNs were treated
- Exceptions were to be made to free trade areas and customs union, where members of the area or unions could all be treated more favorably than non-members
  - Customs unions have a common tariff system — like the EU (European Union)
  - Examples of free trade areas: NAFTA (North American Federation of Trade Agreement) and SAARC
- 45 countries joined GATT
- GATT's success is measured by the reduction in tariffs of the developed countries from 40% to 4% and the proportion of industrial products entering in the developed countries duty-free increased from 20% to 40%.
- So, GATT had made a beginning for free trade, but it is not an institution — just an agreement between the member countries
- It was felt that a secretariat should exist: therefore, WTO was created
- WTO is a chartered trade orgn. and has more coverage than what GATT had (about 145 member countries)
- WTO has 11 subjects:
  1. Agriculture
  2. Services
  3. Non-agri products (industrial products)
  4. IP rights
  5. Trade and investments, competition policy, govt. procurement and trade facilitation
  6. Trade rules
  7. Dispute settlement
  8. Trade and environment
  9. Trade, debt and finance
  10. Trade and technology transfer
  11. Electronics transfer
- WTO gives binding decision on the members; GATT was only giving suggestions / recommendations
- WTO is like a supranational governemtn like the IMF and WB
- WTO is the supreme authority on trade — it checks restrictive trade practices adn thus helps in promoting world trade.
- The new global trading system under the WTO has given rise to sharp increase in Regional Trade Agreements (RTAs)
  - About 265 RTAs exist and 90% of them are for free trade areas and 10% in the form of customs unions
  - RTAs are agreements amongst 2 or more countries in which reciprocal preferences are exchanged to cover a large spectrum of the parties' trade in goods
  - Customs unions are RTAs with common external tariffs in addition to the exchange of trade preferences
  - RTAs are expected to liberalise trade and create greated econmoic efficiencies
  - But RTAs have 2 kinds of effects: Trade Creation and Trade Diversion
  - Trade Creation takes place when a country's domestic production is replaced by lwoer cost imports from a partner country
  - Trade Diversion occurs when low cost imports from outside the RTA are replaced by high cost imports from partner countries
  - Thus, trade creation increases the welfare of a country; whereas trade diversion decreases the welfare of a country
- WTO member countries regularly meet to discuss problems in the 11 areas mentioned earlier
- Most controversial areas today are:
  1. Agriculture
  2. Trade Related Aspects of Intellectual Propery Rights (TRIPS) (e.g., patents on basmatic and turmeric)
  3. Trade Related Investment Mesaures (TRIMS)
- WTO disputes are resolved democratically
- from a develoment perspective, the developing countries are unlikely to benefit from agricultural negotations. Develope countries will not reduce subsidies to their farmers and they will protect their markets and compete in the 3W markets depriving developing countries from their market share.
- Developed countries will dump their products into the poorer countries. The impact of subsidized food such as maize, rice, tomato, chicken, etc. from EU and US into Africa, South America and Asia is very adverse to agriculture.
- The developing countries can defend them through tariffs; they cannot afford to give subsidies to their agriculture. They cannot also violate WTO's prohibition on quantitative restrictions.
- Most of the developing countries have defensive interests in agriculture and their main priority has been to protect the interests of small farmers whose livelihoods and incomes are at risk from having to compete with imports.
- NAMA (Non-Argricultural Market Access): Non-agricultural here means industrial products. The current framework of NAMA is inappropriate for meeting the desired goals of facilitating industrial development in developing countries.
  - The std. tariff reduction formula to apply to all affected members is inappropriate and extremely damaging to the industrial prospects of the developing countries; while develope countries had used high tariffs to protect their industries during their industrialization phases. But they would not permit developing countries to use high tariffs for their industrialization. The ability to use tariffs for industrialization has been constrained by WTO rules such as TRIPS and TRIMS. For developing countries, customs revenue (from import duties) constitutes about 20 to 30% of govt. revenue, while for devloped countries, it is less than 1%.
  - Cutbacks on govt. revenue by devleoping countries would result in decreased social spending such as on health and education.
- Services: Services is called GATS (General Agreeement on Trade in Services)

- What are services?
    1. Computer-related services
    2. Audio/Visual
    3. Distribution
    4. Education and training
    5. Environmental
    6. Financial
    7. Telecommunications
    8. Tourism
    9. Transport
    10. Postal
    11. Recreational, cultural and sporting
- Liberalisation in these services is essential to accelerate growth in developing countries
- There is a resistance rom develope countries for agreeing to the request of developing countries for greater market access
- Under GATS, India's taken commitments in the areas of its economic interests which include srevices like financial, telecomm, health, business, construction, travel and tourism,. India's poicy regarding these services is in consonance with the policy on foreign direct investment (FDI). 26% allowed ownership; will increase to 49%)
- China has grown faster because of FDI. In India, FDI in certain sectors needs to be increased to 49% because FDI is needed in these sectors.
- 2 types of investment: direct and portfolio. When we get FDI, no problem of forex rates.

Adv of Globalisation: Globalisation will help in raising the property of the indiviudals. This is possible because globalisation will widen the market and wider the market, the greater the specialization in production and greater the spl. in production, greater will be the factor in efficiency.
World output will increase along with world trade. There will be better sharing (distribtuion) of the production. The std. of living of people will rise with rise in income.
Evidence of this can be seen in the growth of East Asian countries such as Singapore, Hingkong, Thailand, Malaysia, South Korea, Indonesia, Taiwan — they embraced EOI and have progressed very fast. A country becomes more modernized as imports and exports increase.
As against this, India adopted ISI and remained isolated for a long time. However, India's share in the world trade has increased after liberalisation.

Global Trade : Changing paradigms:
Need to look at 2 periods: 1950 to 1980; and from 1980 onwards.
In the period from 1950 to 1980:

- After WW-II, there was some revival of trade among industrialized countries
- America facilitated the economic reconstruction through food aid — there was also reduction in transportation costs
- GATT was signed among 44 countries. This enabled gradual reduction in the trade barriers (tariff and non-tariff)
- Currency convertibility

From 1980 onwards:

1. A number of East Asian countries (T, S, K, Tai, M, HK) embarked on an export-laid growth (EOI) — export is the engine of growth
2. They also opened their economies (liberalised) and followed outward oriented policies on the ground of effecient resource allocation
3. Infusion of new technology
4. Promotion of economies of scale — lead to cost reduction
5. Access to international capital markets

Before this time, Indian industries wer eprotected with high trade tariffs therefore, there wer high cost and high prices; exports were uncompetitive — forex reserves were depleted — this lead to liberalisation measures in the form of:

1. Scrapping of industrial licensing
2. Scrapping of import licensing
3. MRTP Act was removed
4. FERA was removed
5. Import duties were slashed one-by-one
6. Export subsidies were removed except where necessary
7. Free exchange rate (floating) — free convertibility on current transaction account

Because of these measures, India's trade has been growing 12 to 13% annually and growth rate has gone up from 3% to 8%

Change in world trade composition: Because of above reasons, there is a structural change in the world trade as follows:

1. Noticable increase in Asia's share in the world trade vis-a-vis EU countries and America (Asia's increased from 13% to 26%, whereas Western's decreased from 90% to 77%) (However, India's share decreased from 2% to 0.8%)
2. Asian countries have started transforming the exports of commodities — now mfg goods are being exported
3. These Asian coutnries have also increased export of technology-intensive goods (e.g., electronics)
4. There is an increase in trade amongst themselves

So, global economic integration is taking place under the liberalisation of trade and capital controls. Tech. revolution has furthered the integration process.
Trade and liberal capital account policies allow countries to epxloit comparative cost advantages in production; promote lower cost products and import goods with embedded advanced technology and deploy a larger variery o intermediate and capital goods to enahcne the productivity of its own resources. So, the changing paradigm today is that coutnries that have acheived the highest grwoth are the coutrnies having hte highest ratio of exports + imports to GDP.
Earlier, those countries which produce capital goods grew faster — used this to create volumes of consumer goods.
The new paradigm tells us to give more importance to exports and imports.

Globalisation and govt. policies:

- Globalisation has reduced govt. power in some traditional areas. Sophisticated communications and vast amount of capital in the hands of multinational companies make it impossible for any govt. to control international capital movements. Capital movements were controlled by the govt. in the days when exchange rates were fixed. Today exchange rates are determine by the demand / supply free markets. Globalisation of the capital markets was responsible for the break-down of the IMF-ruled world monetary system. All macro-economic policies are getting restricted due to the expansion of markets. There is increasingly deownsizing of the govt.
- While the govt's pwoeres are becoming restricted, they are getting more access to data about individual citizens and firms. The technological revolution is neabling them to have a greater surveillance over the lives of the citizens.
- Genetic revolution which is taking place may help the govt. in providing better health services . It can also help the govt. in crime prevention and detection (e.g., DNA tests)
- Modern technologies are giving the govt. wide range of pwoers. Whether the govt. should use them for macro economic mgmt. or for micro issues is a question to be addressed.

- The powers of the national govts. are increasingly transferred to supra-national boides upwards and to local self-govts. downwards (decentralization). These supranational bodies are the IMF, WB, WTO, free trade areas (NAFTA, SAARC, ASEAN, EU)
- Globalisation requires an indirect supervision of the international level of many issues involving trade and investment. Foreign investment rules ar also being liberalised. Some of the multinational cos. have their annual income much bigger than the GDPs of the developing countries.
- Govt. policies concerning labor practices, industrial competition, R&D support, IP protection, subsidies, etc. are becoming internationalized
- Now, question arises what kind of future govts. will be needed by the developed and the devloping countries.
- The future govt.:
  - The govt. should be lean and flexible — it should be downsized
  - Because we do not want to pay bribes to govt. officials, what is the value addition performed by the govt. officials
  - Local Self Govt is needed; people are taking care of themselves
  - Minimum reqd. size of govt. can be kept at each level
  - Some role for judiciary and executive (minimum) and major for legislature
  - Govt. should be anticipatory of change
  - New paradigm of the govt. is to eschew negative words like command, intervention, regulation and replace them by words such as empower, coordinate, cooperate
  - The relationship between the govt. and the pvt. sector should be very close as it exists in countries like Japan, Korea, Taiwan, Singapore
  - Govt. can adjust ti the civil order depending on civil services. The constitution of the country can be rewritten so as to make the govt. adaptive to changes in life.
  - Success of such a govt. would depend on the institutional support. Institutions should have competencies in adminsitering their fns. withe minimum suppor from the govt.
  - The govt. should be minimized in new economic and political order
  - The govt. has to change constantly with the change in technology. Technological change in the fields of IT, communication, finance and trade will gradually reduce the role of the govt.
  - The future govt. will have to play a secondary role to the institutions and to the supranational orgns. like WTO, WB, IMF

Lec. 9 : Marxism v/s Capitalism

- Globalism is a wider form of capitalism; capitalism can be nationalist or globalist. Globalism is not contrary to nationalism.
- Disadvantages of globalism:
  - Globalisation may result in unemployment (e.g., farmers commiting suicide)
  - Poor countries cannot offer subsidies (budget, deficit) — they can only protect their industries by raising tariffs
  - Inequality in the distribution of wealth

Misc. Info:

- Today India's forex reserves are about 192 billion USD. This increase is because of software exports and services.
- 60% of India's GDP is from services; agriculture is lagging (stagnating and no technological change)
- WTO is of the consensus that each country must have 5% import and 5% export of agricultural products
- India needs to remove surplus labor from agriculture and deploy them in industries. 70% people are working in agriculture, but contribution is only 25%. Industrial contribution is 15% and services contribution is 60%.