Globalization related theories

Capitalism:

Marxism is a social, political, and economic philosophy named after Karl Marx. It examines the effect of capitalism on labor, productivity, and economic development and argues for a worker revolution to overturn capitalism in favor of communism. Marxism posits that the struggle between social classes specifically between the bourgeoisie, or capitalists, and the proletariat, or workers defines economic relations in a capitalist economy and will inevitably lead to revolutionary communism.

Class conflict and the demise of capitalism:

Marx’s class theory portrays capitalism as one step in the historical progression of economic systems that follow one another in a natural sequence. They are driven, he posited, by vast impersonal forces of history that play out through the behavior and conflict among social classes. According to Marx, every society is divided among a number of social classes, whose members have more in common with one another than with members of other social classes.

Following are elements of Marx's theories on how class conflict would play out in a capitalist system.

- Capitalist society is made up of two classes—the bourgeoisie, or business owners, who control the means of production, and the proletariat, or workers, whose labor transforms raw commodities into valuable economic goods.

- Ordinary laborers, who do not own the means of production, such as factories, buildings, and materials, have little power in the capitalist economic system. Workers are also readily replaceable in periods of high unemployment, further devaluing their perceived worth.

- To maximize profits, business owners have an incentive to get the most work out of their laborers while paying them the lowest possible wages. This creates an unfair imbalance between owners and the laborers whose work they exploit for their own gain.

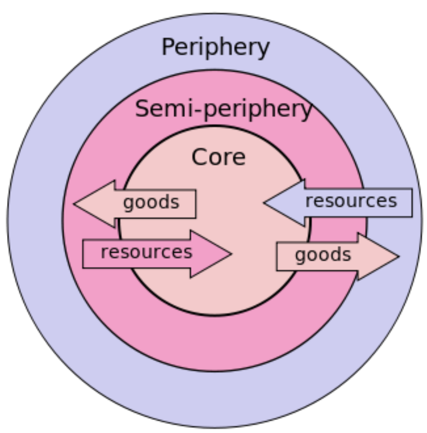
- Since workers have little personal stake in the process of production, Marx believed they would become alienated from it and resentful toward the business owner and their own humanity.

- The bourgeoisie also employ social institutions, including government, media, academia, organized religion, and banking and financial systems, as tools and weapons against the proletariat with the goal of maintaining their position of power and privilege.
- Ultimately, the inherent inequalities and exploitative economic relations between these two classes will lead to a revolution in which the working class rebels against the bourgeoisie, seizes control of the means of production, and abolishes capitalism

Dependency theory

Dependency theory, an approach to understanding economic underdevelopment that emphasizes the putative constraints imposed by the global political and economic order. First proposed in the late 1950s by the Argentine economist and statesman Raúl Prebisch, dependency theory gained prominence in the 1960s and ’70s.

According to dependency theory, underdevelopment is mainly caused by the peripheral position of affected countries in the world economy. Typically, underdeveloped countries offer cheap labour and raw materials on the world market. These resources are sold to advanced economies, which have the means to transform them into finished goods. Underdeveloped countries end up purchasing the finished products at high prices, depleting the capital they might otherwise devote to upgrading their own productive capacity. The result is a vicious cycle that perpetuates the division of the world economy between a rich core and a poor periphery. While moderate dependency theorists,



Industrialization

Industrialization is the process by which an economy is transformed from a primarily agricultural one to one based on the manufacturing of goods. Individual manual labor is often replaced by mechanized mass production, and craftsmen are replaced by assembly lines. Characteristics of industrialization include economic growth, the more efficient division of labor, and the use of technological innovation to solve problems as opposed to dependency on conditions outside of human control.

Modes of Industrialization:

Different strategies and methods of industrialization have been followed at different times and places with varying degrees of success.

The Industrial Revolution in Europe and the United States initially took place under generally mercantilist and protectionist government policies that fostered the early growth of industry but was later associated with a more laissez-faire or free-market approach that opened markets to foreign trade as an outlet for industrial output.

In the post Second World War era, developing nations across Latin America and Africa adopted a strategy of import-substituting industrialization, which involved protectionist barriers to trade coupled with direct subsidization or nationalization of domestic industries.

Nearly at the same time, parts of Europe and several East Asian economies pursued an alternative strategy of export-led growth. This strategy emphasized the deliberate pursuit of foreign trade to build exporting industries, and partly depended on maintaining a weak currency to make exports more attractive to foreign buyers. In general, export-led growth has outperformed import-substituting industrialization.

Lastly, socialist nations of the 20th century repeatedly embarked on various deliberate, centrally planned programs of industrialization almost entirely independent of either domestic or foreign trade markets. These include the first and second five-year plans in the Soviet Union and the Great Leap Forward in China.

While these efforts did re-orient the respective economies toward a more industrial base and an increase in output of industrial commodities, they were also accompanied by harsh government repression, deteriorating living and working conditions for workers, and even widespread starvation.

New international division of labour

The **new international division of labour** (**NIDL**) is an outcome of globalization. The term was coined by theorists seeking to explain the spatial shift of manufacturing industries from advanced capitalist countries to developing countries—an ongoing geographic reorganisation of production, which finds its origins in ideas about a global division of labor.[1] It is a spatial division of labor which occurs when the process of production is no longer confined to national economies. Under the "old" international division of labor, until around 1970, underdeveloped areas were incorporated into the world economy principally as suppliers of minerals and agricultural commodities. However, as developing economies are merged into the world economy, more production takes place in these economies.

This has led to a trend of transference, or what is also known as the "global industrial shift", in which production processes are relocated from developed countries (such as the US, European countries, and Japan) to developing countries in Asia (such as China, Vietnam, and India), Mexico and Central America. This is because companies search for the cheapest locations to manufacture and assemble components, so low-cost labor-intensive parts of the manufacturing process are shifted to the developing world where costs are substantially lower. Companies do so by taking advantage of transportation and communications technology, as well as fragmentation and locational flexibility of production. From 1953 to the late 1990s, the industrialised economies' share of world manufacturing output declined from 95% to 77%, and the developing economies' share more than quadrupled from 5% to 23%.

The resultant division of labor across continents closely follows the North–South socio-economic and political divide, where in the North—with one quarter of the world population—controls four fifths of the world income, while the South—with three quarters of the world population—has access to one fifth of the world income.

Modernization Theory

In this context, in the late 1940s, modernisation theory was developed, which aimed to provide a specifically **non-communist** solution to poverty in the developing world – Its aim was to spread a specifically industrialised, capitalist model of development through the promotion of Western, democratic values.

There are two main aspects of modernisation theory – (1) its explanation of why poor countries are underdeveloped, and (2) its proposed solution to underdevelopment.

Modernisation theory explained the underdevelopment of countries in Asia, Africa and Latin America primarily in terms of cultural '**barriers' to development'**, basically arguing that developing countries were underdeveloped because their traditional values held them back; other modernisation theorists focused more on economic barriers to development.

In order to develop, less developed countries basically needed to adopt a similar path to development to the West. In order to do this they would need help from Western governments and companies, in the form of aid and investment.

Modernisation theory favoured a capitalist- industrial model of development – they believed that capitalism (the free market) encouraged efficient production through industrialisation, the process of moving towards factory based production.

Industrial –refers to production taking place in factories rather than in the home or small workshops. This is large scale production. (Think car plants and conveyer belts).

Capitalism – a system where private money is invested in industry in order to make a profit and goods are produced are for sale in the market place rather than for private consumption.