

Globalisation and the Free market Economic Unification related to Foreign Capital

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Abstract:-

This paper focuses on the concept of globalization and free market economics. Foreign capital is helpful in development of developing countries. Foreign capital is important in globalization. This paper clears the idea that globalization affects culture.

Introduction:-

The three dominant forces shaping societies and economies around the world are globalization, privatization, and liberalization. Since, these processes are interrelated, they must be addressed collectively. The contributors to the volume show that globalization, privatization and liberalization are multidimensional phenomena that impact not only the economic considerations of governments, but also the sociocultural and environmental aspects of societies. The result is a cogent discussion of these powerful global forces, for the academic community, professionals in economic development, banking, finance, international investment and global commerce.

Objectives:-

- 1) To study importance and impact of globalization
- 2) To study free market economic concept and its importance.
- 3) To study effects of Foreign Capital on Globalization.

Hypothesis:-

- 1) Globalization is necessary in development of developing nations.
- 2) Globalization affects the culture.
- 3) Free market economic is necessary in current global situation.

Methods and materials:-

Method used for this paper is secondary method. Magazines and books are used for this paper. Information is taken from various sites.

Globalization refers to the worldwide phenomenon of increased technological, economic, and cultural interconnectedness between nations. It is essentially capitalism on a global, rather than a national, scale. In a globalized economy, economic activity is unrestricted by time zones or national boundaries. There is an international exchange of labor forces, ideas, knowledge, products, and services. This trend has accelerated dramatically

since the 1980s, as technological advances (most notably the rise of the Internet and advances in telecommunications infrastructure) have made it easier for people to travel, communicate, and do business internationally.

The expansion of international trade and foreign investment was sparked not only by technological progress but also by two major sociopolitical developments of the 1980s. One of these was the collapse of global communism. The fall of the Berlin Wall and the subsequent dissolution of the Soviet empire freed some 400 million people from the shackles of closed, centrally commanded economic systems. The second development was the demise of the Third World's reliance upon import substitution - a trade and economic policy founded on the idea that a developing country can increase its wealth by importing as few goods as possible and relying instead on locally produced substitutes. When import substitution proved to be a colossal failure, struggling countries all over the world began opening their markets and welcoming foreign investment.

Opponents of globalization characterize the phenomenon as a form of Western expansionism and cultural imperialism, claiming that it will merely increase the opportunities for wealthier nations (and their multinational corporations) to take advantage of poorer ones. This happens, the critics say, because multinational corporations can exploit the cheap labor and lax regulations typical of developing countries where there are no labor unions. Believing, despite overwhelming evidence to the contrary, that a planned economy ensures the greatest economic benefit to the poor, the anti-globalization movement tends to favor socialism over capitalism. It also warns that globalization could eradicate regional diversity and lead to a homogenized world culture where "native" cultures are swallowed up by Western traditions.

Supporters of globalization respond by pointing out that since the 1980s, every nation that has experienced an increase in its manufacturing output has also seen its per capita income rise; that nations open to trade tend to be much more prosperous than nations with closed economies; and that the increased wages spawned by globalization correlate with reduced poverty and improved living conditions for all. The most impressive gains in this regard have been realized in East Asia.

The two most prominent pro-globalization entities today are the World Trade Organization and the World Economic Forum. The former, consisting of 144 members, was created to establish a set of rules to govern global trade through the process of member consensus. The latter is a private foundation that does not possess decision-making power but is a powerful networking forum for many of the world's business, government, and not-profit leaders.

Economic globalization is the increasing economic integration and interdependence of national, regional, and local economies across the world through an intensification of cross-border movement of goods, services, technologies and capital. Whereas globalization is a broad set of processes concerning multiple networks of economic, political, and cultural interchange, contemporary economic globalization is propelled by the rapid growing significance of information in all types of productive activities and marketization, and by developments in science and technology. Economic globalization primarily comprises the globalization of production and finance, markets and technology, organizational regimes and institutions, corporations and labor.

While economic globalization has been expanding since the emergence of trans-national trade, it has grown at an increased rate over the last 20–30 years under the framework of General Agreement on Tariffs and Trade and World Trade Organization, which made countries gradually cut down trade barriers and open up their current accounts and capital accounts. This recent boom has been largely supported by developed economies integrating with majority world through foreign direct investment and lowering costs of doing business, the reduction of trade barriers, and in many cases cross border migration. While globalization has radically increased incomes and economic growth in developing countries and lowered consumer prices in developed countries, it also changes the power balance between developing and developed countries and affects the culture of each affected country. And the shifting location of goods production has caused many jobs to cross borders, requiring some workers in developed countries to change careers.

Economic globalization is one of the three main dimensions of globalization commonly found in academic literature, with the two other being political globalization and cultural globalization. Most of the global economic powers constructed protectionist economic policies and introduced trade barriers that slowed trade growth to the point of stagnation. This caused a slowing of world-wide trade and even led to other countries introducing immigration caps. Globalization didn't fully resume until the 1970s, when governments began to emphasize the benefits of trade. Today, follow-on advances in technology have led to the rapid expansion of global trade.

Three suggested factors accelerated economic globalization: advancement of science and technology, market oriented economic reforms, and contributions by multinational corporations. Multinational corporations reorganized production to take advantage of these opportunities. Labor-intensive production migrated to areas with lower labor costs, later followed by other functions as skill levels increased.

According to the International Monetary Fund, growth benefits of economic globalization are widely shared. While several globalizers have seen an increase in inequality, most notably China, this increase in inequality is a result of domestic liberalization, restrictions on internal migration, and agricultural policies, rather than a result of international trade. The spread of multinational corporations has accompanied the rise of globalization. One of the many changes they have brought to developing countries is increased automation, which may damage less-automated local firms and require their workers to develop new skills in order to transition into the changing economy, leaving some behind. The necessary education infrastructure is often not present, requiring a redirection of the government's focus from social services to education.

Capitalism, also known as the free-enterprise or free-market system, is the economic structure that permits people to use their private property however they see fit, with minimal interference from the government. Under capitalism, people are free to work at jobs of their own choosing, to try to sell their products or services at whatever prices they wish, and to select from among various product- and service-providers for the best value.

It should be noted that "pure" capitalism, unencumbered in any way by government, exists neither in the United States nor anywhere else in the world. Moreover, the capitalist system of present-day America differs in significant ways from other capitalist systems around the globe, just as it differs

from the capitalism that existed in the U.S. at the turn of the 20th century. While private-property rights and certain amounts of economic freedom have always been part of American life since that time, those rights and freedoms have become increasingly weighted down by heavy governmental regulation. New technologies (if entrepreneurs have freedom to create new technologies), changes in consumer taste (if consumers have freedom to pursue their tastes), and innumerable variables that can affect production, distribution, and consumption of everything from newspapers to lawnmowers on national or international scale are simply not 'manageable' in the way socialist planners like to think they are. Second, the planning bias completely misunderstands the role of profit and loss in a market economy. Far from being arbitrary, a company's 'bottom line' indicates whether an entrepreneur is doing what makes sense: if his product is one that people want and if he is using his resources in the best possible way."

The rise of modern capitalism changed all this. The fortunes of the big businessmen who emerged under capitalism no longer depended upon the patronage of a few wealthy clients. Rather, these entrepreneurs began catering to the needs and desires of a newly empowered working class consisting of millions of people. By meeting those needs and desires, businessmen greatly increased their own wealth and influence.

Workers organized into unions that protected their interests and changed capitalism itself, pressuring it to evolve from its early exploitative model to a more human one. As a result, capitalism helped improve the lives of people in every social stratum. Environmentalists blame free-market industrial pursuits for poisoning the air and water, and for triggering the "climate change" that allegedly threatens the well-being of every form of life on earth. Peace activists blame war on greedy capitalists and their insatiable thirst for wealth and empire. Consumer-advocacy groups allege that capitalism encourages business to put "profits over people," and thus to be inattentive to the needs and the safety of consumers. And moralists decry the commercialization associated with capitalism.

Economic globalization may affect culture. Populations may mimic the international flow of capital and labor markets in the form of immigration and the merger of cultures. Foreign resources and economic measures may affect different native cultures and may cause assimilation of a native people. As these populations are exposed to the English language, computers, western music, and North American culture, changes are being noted in shrinking family size, immigration to larger cities,

more casual dating practices, and gender roles are transformed.

Results and conclusions:-

- 1) Globalization is helpful for the development of developing countries.
- 2) Financial problems are solved by the globalization of underdeveloped and developing countries.
- 3) Culture is affected because of globalization.
- 4) Foreign capital is important for development.
- 5) Developed countries take advantages of lower labor cost.
- 6) Free market economics is necessary for current global situation.

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