

BASUDEV GODABARI DEGREE COLLEGE , KESAIBAHAL

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- Subject Name : Political Science
- Paper Name : INTRODUCTION TO COMPARATIVE GOVERNMENT AND POLITICS

UNIT - 2 : STRUCTURE

- 2.1 Capitalism : Meaning and Development
- 2.2 Globalization : Features & impact

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Definition of Capitalism:

The starting point of Marxian philosophy is capitalism. In fact capitalism is the by-product of Industrial Revolution and Marx's philosophy centres around the development of capitalism and its consequence. It is, at first, necessary to define capitalism, though the task of defining is not an easy one.

It is said that capitalism is a social system based on the exploitation of wage labour by capitalists in whose hands the means of production are concentrated as their property. So the term capitalism is associated with three notions.

One is, capitalism means exploitation. Second is, the ownership of the means of production is concentrated in the hands of few persons. Thirdly, majority people are deprived of the ownership of the forces or means of production.

The chief elements of capitalism are capital, means of production and labour. But these three elements do not normally constitute capitalism. The capitalist or the owner of capital brings them under one umbrella to manufacture something and this is commodity.

In Bottomore's book capitalism has been defined in the following language. The term capitalism denotes "a mode of production in which capital in its various forms is the principal means of production. Capital may take the form of money or credit for the purchase of labour power and materials of production of physical machinery." The suffix "ism" can be used to denote a phase of history, a movement, a system of ideas or some combination of them.

Capitalism is the highest form of commodity production. Mere production of commodity is not capitalism. It is produced not merely for use, but also for sale from which comes profit. Hence the notion of profit is connected with the production of commodity.

There is another side which is to be explored. If the commodities are produced under the guidance and authority of the whole society and the means of production under its control the production will not give rise to capitalism.

One typical feature of capitalism is the domination of few persons in commodity production. Commodities are produced under the absolute authority of the owners of capital.

Capitalist production is the production of commodities. Commodity production is the production of goods for exchange or sale it replaced the

natural economy that was the dominant form of production under slavery and feudalism.

Commodity production arose in the period of disintegration of the primitive communal society and gradually acquired increasing importance.

The Industrial Revolution signified the establishment of the material base corresponding to capitalist production relations. Capitalism becomes the prevailing mode of production.

The capitalist mode of production requires that labour power is to be purchased or hired to facilitate production. The purchaser offers an amount to the labourer for the labour power and it is called wage.

There is a gap between what the capitalist receives in the form of revenue from the sale of the commodity produced by worker and what he gives him in the form of wage. This gap is so wide that it forms the basis of exploitation.

The Concept of Political Capitalism

Political capitalism is a concept introduced by Max Weber (1922) to describe the political and economic systems in ancient Rome. However, Love (1991: 4) argues that Weber did not fully develop the concept: "Whereas Weber developed the ideal type of rational capitalism to a high degree, . . . unfortunately the same cannot be said of his concept of political capitalism." Love defines Weber's concept as "the exploitation of opportunities for profit arising from the exercise of political power (ultimately violence)." In a more modern setting, Kolko (1963) adopted the term to describe the American political and economic systems that developed during the Progressive Era, which he dates from 1900 to 1916. The conventional wisdom on the Progressive Era is that government imposed regulation on business to limit the ability of those with concentrated economic power from using it to the detriment of the masses. According to Higgs (1987), the Progressive Era represented a change in American ideology. Prior to the Progressive Era, Americans viewed the role of government as protecting individual rights. Progressives expanded that view and held that government should look out for people's economic well-being in addition to protecting their rights

What is Commodity?

It is now quite clear that commodity and commodity production are vital aspects of the rise and development of capitalism. It is, therefore, necessary to know what is commodity. In Capital Marx analyses the concept in details.

From his analysis it appears that not every product of labour is a commodity. If the product of individual's labour satisfies his own needs or those of his family, then it is only a product, a thing, but not a commodity.

A product of labour becomes a commodity only when transferred to another for consumption through exchange. A commodity has a two-fold character. The capacity to satisfy some human want gives a commodity its use value. The capacity of a commodity to be exchanged for another commodity gives it exchange value.

The use value of some commodities is important. Whereas the exchange value of some is important. However, the common characteristic is that they are all products of human labour. From this point of view, all commodities represent crystallized human labour.

So a commodity is an object outside us, a thing that by its properties satisfies human wants of some or another. The wants spring from the stomach or fancy.

Neither are we here concerned to know how the object satisfies the wants, whether directly as means of subsistence or indirectly as means of production.

Commodity Fetishism:

G. A. Cohen in Karl Marx's Theory of History defines fetish or fetishism in the following words:

"To make a fetish of something or fetishize it is to invest it with powers it does not itself have. The fetish then manifests itself as endowed with a power which in truth it lacks. It has the power not in the real world...but in a world of illusion".

Marx identifies several fetishes in the sphere of economy. The commodity fetish is most famous. "The essence of commodity fetishism is that, in measuring the output of energy by labour-time, we introduce into the products of labour the measure which originally relates to the life-process itself commodity fetishism is the inability of human beings to see their own products for what they are, and their unwilling consent to be enslaved by human power instead of wielding it. Fetishism contains in embryo all other forms of alienation" (Kolakowski, There are two phases of commodity fetishism).

One is separation of exchange value from its material basis. The other is attachment of exchange-value to the substance of commodity.

A commodity appears, at first sight, a very trivial thing. Its analysis shows that it is, in reality, a very queer thing, abounding in metaphysical subtleties and theological niceties. Too far as it is a value in use, there is nothing mysterious about it. But as soon as it steps forth as a commodity it is changed into something transcendent. The mystical character of commodity does not originate in use value.

“A commodity is a mysterious thing because in it the social character of men’s labour appears to them as an objective character stamped upon the product of that labour, because the relation of the producers to the sum total of their own labour is presented to them as a social relation. This is the reason why the products of labour become commodities, social things whose qualities are to once perceptible and imperceptible by the senses. The existence of things qua commodities, and the value-relation between products of labour which stamps them as commodities, have absolutely no connection with their physical properties and with the material relation arising there-from. Here it is a particular social relation between men that assumes, in their eyes, the imaginary form of a relation between things. To find an analogy we must have recourse to the mist-enveloped regions of the religious world, where the productions of the human brain appear as independent beings endowed with life, and entering into relation both with one another and with human race. So it is in the world of commodities with the products of men’s hands. This we call the Fetishism which attaches itself to the products of labour, as soon as they are produced as commodities and which is inseparable from the production of commodities”.

Features of Capitalism:

Capitalism has certain features. The first one is, it is characterized by the private ownership over the means of production. The state ownership is never a guarantee of economic development; rather, it hinders the growth.

The private ownership is supported by another reason. The libertarian view is that the state control of the means of production ultimately leads to the control of private life of individuals; the classical thinkers of capitalism are of opinion that in a state control system the proper progress of science and technology is really a far cry. To sum up, private ownership is the only way and objective of capitalism.

Capitalism is called market-economy. Before the emergence of capitalism people generally produced their own requirement and the exchange system, as a means of meeting the demands, was unknown to them.

The invention of market-economy by capitalism is a great landmark. This type of economy is normally credited with the introduction of two systems system of division of labour, and production of commodities more than the requirement.

For the sale of the commodities the capitalists develop a well-knit and well organized distribution system under their own guidance and control. Another aspect of the market economy is that manufacturers produce the articles required by the consumer.

The consumer sovereignty is the determiner of the movements of the market economy. The capitalists impose their decision upon the consumer.

They also dislike including the welfare motive into the economy. The decision of the consumer is final and that is to be accepted as the real guideline of production. The producers will always act according to the preference of the consumers.

The market economy, in this connection it is to be noted, admits of crises and in that case it approves of state interference and even that on a very limited scale. In a word, market economy is to be encouraged and safeguarded.

The students of political science are sometimes misled by the argument that capitalism and its market-economy are analogous to the fascist system, because in fascism private ownership is the characteristic feature of economy. But the fact is that the fascist economy is called command economy. The government decides the manner and principles of employment, pricing, production and distribution.

The producers are hardly left with any freedom. Capitalism's market economy is, again, different from communism in the sense that in the latter the decision of the authority or party is final.

Economy of communist society is also planned. That is, there is enforcement and no place of persuasion which characterizes capitalism.

Another feature of capitalism is competition among the manufacturers. Since the consumer is sovereign, capitalists compete among themselves to satisfy the consumers. Thus the principle of consumer sovereignty leads to the competition among the manufacturers.

The champions of capitalism believe that consumer sovereignty and the competitive market economy are sufficient to safeguard the consumers' interests. The government regulations over production and distribution of commodities are against consumers' interests. Competition has also other

good effects. Producers, in order to survive and develop, always try to reduce the cost of production.

Experience tells us that the capitalists spend a lot of money for research and this is one of the many causes of the progress of science and technology in capitalist's countries. After the Second World War the miraculous development of technology in Japan and Germany is normally treated as contribution of capitalism.

We can call profit making and profit motive as important features of capitalism. Profit acts as the greatest impetus of expansion. Moreover, out of the surplus value the capitalists build up the investment fund. Hence the survival of capitalism without profit is impossibility.

During the Middle Ages both profit and interests were highly condemned and because of that reason industry could not develop at all.

In capitalism this profit is the main source of dissension between capitalists and proletarians. Through the system of profit or surplus value capitalists exploit the workers. The emergence of proletarians as a class-for-itself confronts it with the capitalists and the struggle between the two classes becomes inevitable.

We can, therefore, hold that we cannot imagine capitalism without class struggle. The bourgeois theoreticians have also admitted the existence of class conflict, though they speak of class collaboration.

The capitalists are panegyric of democracy and they feel proud that capitalism creates an atmosphere for the affluent blossoming of democracy. But, in fact, the picture of democracy in any capitalist society is absolutely gloomy.

Rather, capitalism and democracy are contradictory. Real democracy exists in a society where there is no gross economic inequality and the state is not ruled by a particular class.

In capitalism the elites control the power of the state. So the fruits of democracy are enjoyed by the elites. The majority people are deprived of democracy. The elites always represent the economically dominant class and the laws are formulated at the behest of the elites. The capitalist democracy is called the democracy of the elites.

The most important characteristic of capitalism is that here the state is an instrument of exploitation. The capitalist class uses the state machinery for its own purposes to suppress the agitation or movement of workers.

It is a puppet at the hands of the bourgeoisie. In Anti-During Engels wrote, "The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The state is the representative of the bourgeoisie."

Capitalism admits of multiplicity of opinions and views. For this reason we find numerous groups and organizations and more than one political party in any capitalist system. There are also conflicts among groups and parties. There is, in capitalism, an economically dominant class, but there are also other classes and each class is represented by one party.

Since the whole economic system is under the full control of the bourgeoisie the workers' party has hardly any scope to change their lot.

The party of the powerful class controls both economics and politics. Again, the bourgeois parties have no ideological difference. In USA, the Republican Party and Democratic Party are two sides of the same coin.

The writer of the article published in Bottomore's book has summarized the features of capitalism in the following way:

1. Capitalism is characterized by production for sale rather than own use by numerous producers.
2. In capitalism labour power is bought and sold like any other commodity. In capitalism it is called labour market.
3. In capitalism the capitalists control the purchase of labour, production of commodities, the sale of these commodities, working hour and everything which is connected with production.
4. Capitalism also controls the entire financial system.
5. In capitalism there are various types of competition among the capitalists.
6. To tide off the undesirable effects of competition the capitalists spend huge amount of money for the invention of new machinery and improvement as well as innovation of the existing one.

Development of Capitalism:

1. Collapse of Medieval Economy:

From the standpoint of historical materialism the rise of capitalism as a social system was inevitable. During the second half of the fifteenth century medieval society, based on small-scale production, was in the active process of decay. The monetary economy replaced the old exchange system. This gave rise to mercantile capital. Trade and commerce developed at a rapid pace.

A number of technical improvements in the realms of metallurgical production, textile manufacture, navigation, armaments, clock making, astronomical instruments, invention of printing, all these gave a mighty impetus to the growth of productive forces, and encouraged persons to take new initiative and venture. So the growth of mercantile capital and productive forces resulting from scientific inventions and technical improvements accelerated the disintegration of medieval economy.

The merchants and manufacturers competed among themselves to capture new markets in different far flung areas. Transport through navigation developed in an unprecedented way. The dark continent of Africa, regions of America and Asia were mapped by the brave navigators.

"Thanks to the voyages and discoveries, the world market was greatly extended to absorb the growing production of the sixteenth century, the century which was the birth of contemporary capitalism."

Plundering, exploitation and extermination of native population by the conquerors started almost from the beginning of the sixteenth century. The purpose originally was to expand and consolidate commercial interests and subsequently assumed the form of exploitation and colonization.

With this also started the slave trade and it has been aptly observed by Marx that it was upon the foundation of the slave trade that Liverpool became a great city.

The expansion of slave trade also reached North America, and by the nineteenth century slavery was treated as a national institution. The growth of manufacturing industry both in Europe and America and the development of agriculture were chiefly due to the slave trade. Because slaves were cheap labourers big industrial units were set up in several parts of Europe and America.

The small scale and cottage industries of medieval period were incapable of competing with these comparatively big manufacturing industries having worldwide markets and expansive commercial interests. So the economy of the Middle Ages declined and on the foundations of its ruins the structure of capitalism was built up.

2. Industrial Revolution:

The manufacturing industries of the sixteenth and seventeenth centuries helped the progress of industrial capitalism. The Industrial Revolution of the second half of the eighteenth century provided a further impetus to the growth

of industrialization. Large scale industrial production was made possible by a system of scientific management.

The fundamental contradiction between workers and capitalists from the moment of industrialization was not industrial capital itself, but the fact that the workers were not the owners of the means of production, and were therefore exploited.

The workers of the time were able to grasp of the new situation in general, a considerable amount of capital and they were certainly eager to meet it in the future and the industrial revolution opened the way.

The scientific methods of earlier periods also found friends with the newly formed capitalist bourgeoisie class. The collapse of feudalism did not help the cause of operations. On the contrary, the direct impact of industrial revolution fell on it.

Agriculture was fully industrialized. Modern method of rational crop was introduced. The whole agriculture was mechanized. In fact, agriculture became a part of industrial capitalism. Capitalists also invested their money in agriculture.

As a result the society was divided into two major classes bourgeoisie and proletariat. The bourgeoisie put the whole economy under its control. The bourgeoisie exploited the workers by giving minimum wages and retaining their large fortunes for long. They had no scope for recreation and were made subservient to machine.

With the growth of industry the division of labour was introduced and the high standard and dehumanisation both went ahead. The greater the development of capitalism the greater the exploitation. Simultaneously there arose contradictions within capitalism. Again, the growth of capitalism accompanied with it class antagonisms.

The progress of capitalism revealed another feature of its class division. At the initial stage, the bourgeoisie was not a well articulated class. That is, it was to some extent subservient to feudal lords. But the rapid growth of capitalism enabled it to a clearly defined class and it immediately overthrew the feudalist social order, and set up a bourgeois system in the place of the old.

The bourgeoisie also organized the workers as a class. Capitalism did many things for them, but the good thing it did not do that was it aroused political spirit among the workers.

3. Manufacturing System:

According to Marx there is a very close relationship between industrialization, progress of capitalism, and setting up of manufacturing industries. Capitalism is the greatest manifestation of establishment of manufacturing industries.

Marx says: "Along with the development of the factory system and of the revolution in agriculture, production in all other branches of industry, not only extends, but alters its character."

The owners of manufacturing industries exploited the workers in various ways. The workers could not keep pace with the rapid technical progress of the manufacturing industry. Many of them were treated as unskilled workers and were given minimum wages.

Large number of children and women were employed and they were subjected to poisonous gas and were forced to work in unhealthy atmosphere and environment. Any protest was accompanied by dismissal. These persons left their ancestral village home in search of better living.

With the introduction of new machinery capitalism makes a new stride in its own development. Marx says "If machinery is the most powerful means for increasing the productiveness of labour i.e., for shortening the working time required in the production of commodity, it becomes in the hands of capital the most powerful means, for lengthening the working day beyond all bounds set by human nature. The lengthening of the working day allows the production on an extended scale without any alteration. Mechanization helps the growth of capitalism in a double way. It reduces the cost of production and enhances the volume of products. On the other hand, in most cases, at the same wage it prolongs the working day. Capitalism thus strengthens its position. Machinery also produces larger amount of surplus value which swells the quantum of investment."

The capitalist employment of machinery supplies new and powerful motives to an excessive lengthening of working day, and radically changes, as well as the methods of labour, as also the character of the social working organism, in such a manner as to breakdown all opposition to this tendency.

On the other hand, it produces, partly by opening out to the capitalist new strata of the working class, previously inaccessible to him, partly by setting free the labourers it supplants a surplus working population, which is compelled to submit to the dictation of capital.

Machinery sweeps away every moral and natural restriction on the length of the working day. The paradox is that instead of shortening the working day machinery lengthens it and places workers at the mercy of the capitalist.

4. Revolutionary Character of Capitalism:

In the Manifesto Marx and Engels announce "The bourgeoisie cannot exist without constantly revolutionizing the instruments of production and thereby the relations of production and with them the whole relation of society".

Capitalism cannot fix its position at a particular point. It must go ahead. Its *raison d'être* is to create favourable conditions for its rapid expansion. To achieve that supreme goal the capitalists constantly revolutionize the modes of production and throw away the out-dated and irrelevant ones. Capitalism makes all efforts to change the base and corresponding to it the superstructure.

Analysing the revolutionary character of capitalism Marx says in *Capital* "So long as the handicraft and manufacture form the general groundwork of social production the subjection of the producer to one branch exclusively, the breaking up of the multifariousness of his employment is a necessary step in the development. On that groundwork each separate branch of production acquires empirically the form that is technically suited to it, slowly perfects it, and so soon as a given degree of maturity has been reached, rapidly crystallizes that form. What induces change here and there is a gradual change in the instrument of labour".

"The technical basis of modern industry is therefore revolutionary, while all earlier modes of production were essentially conservative. By means of machinery, chemical processes and other methods, it is continually causing changes not only in the technical basis of production, but also in the functions of the labourer, and in the social combinations of the labour-process. At the same time, it thereby also revolutionizes the division of labour within the society, and incessantly launches masses of capital and work—people from one branch of production to another".

The capitalists revolutionize not only the means of production by introducing new machinery, but also the outlook, attitude and behaviour of people. Progress of capitalism will be seriously affected if people always feel antagonism to it.

Capitalism constantly reorients law, philosophy, art, literature etc. through its paid theoreticians and intellectuals. Government controlled machinery is being progressively used by the capitalists to propagate the ideology and objectives of capitalism.

While the owners of capital are hesitant to spend a paltry amount of money for the benefit of workers, a fabulous amount is being spent for propaganda purposes. They are utilizing the revolution in communication and technology for the advancement and consolidation of capitalism.

5. Capitalism's Conquest over Nature:

The bourgeoisie felt that the growth of capitalism would be faced with the retardation if it failed to conquer nature and with the avowed purpose to accelerate the progress of capitalism concerted efforts were made to harness nature. It is to be noted here that capitalists did it not with a mind to society's welfare.

The manifold discoveries expanded industry and created industrialism. The chemical science with its discoveries revolutionized agriculture. Through the conquest of agriculture capitalism conquered nature.

Marx says in Capital:

"Capitalist production completely tears asunder the old bond of union which held together agriculture and manufacture in their infancy. But at the same time it creates the material conditions for a higher synthesis in the future, i.e., the union of agriculture and industry on the basis of the more perfected forms they have each acquired during their temporary separation."

Agriculture was not only industrialized, it was put under constant and active surveillance. Science was used to raise the fertility of soil. When natural manure was insufficient, artificial manure was used. In this way the deficit in nature was compensated by the discoveries of science.

The main purpose of the bourgeoisie was to harness nature with all its resources for the advancement of its own interest. Thus it raised nature from what it is to what it ought to be. Nature must help the progress of capitalism.

With the help of science and technology distant parts of earth were brought under cultivation. Irrigation system was improved. The capitalists were not willing to depend on the whims of nature.

The evils of natural calamities were lessened through various efforts. In all the capitalist countries agricultural production was raised to a very high level. Marx and Engels have shown with profuse statistics how through the conquest of nature agricultural sector was improved.

Before the development of capitalism the navigation system did not develop considerably, Waterways were old-fashioned. The capitalists found this incapable of meeting their growing demands.

So they focused their attention to the digging of new canals, like the Suez and Panama, and improving the old ones. Ryazanoff says, "The development of canals was due to the urgent needs of a growing commerce. As the technique of canal construction improved, the channels were deepened and widened to such a size as to accommodate sea-going ships. These ship canals have mostly been constructed either to shorten the voyage between two seas by cutting through an intervening isthmus, or they have been made in places to sea-ports."

6. Capitalism as a Global Phenomenon

It has been diagnosed by Marx and Engels that by the seventies of the 19th century the expansion of capitalism turned out to be a global phenomenon and capitalists can be credited with it. It spread its branches in the every nook and corner of the world.

Why and how let us see in the Manifesto

"The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, and establish connections everywhere. Bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old fashioned national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilized nations, by industries that no longer work up indigenous raw materials, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In the place of the old wants, satisfied by the productions of the country we find new wants, requiring for their satisfaction the products of distant lands and climes. In the place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations."

We have quoted a lengthy passage from the Manifesto which exposes the global character of capitalism. The urge for survival led the capitalists to establish markets everywhere in the world. The home market of the bourgeoisie was not sufficient to consume all the products.

That is why the bourgeois class was forced to set up new markets. Not only capitalism created new markets, but it imposed a civilization which it embodies upon the people of new markets. The sole purpose of capitalism was to change both the base and the superstructure.

New commodities were exported which ultimately destroyed the indigenous markets and productive system. The old fashioned industries were also destroyed. The capitalism of the late eighteenth century assumed a world character in the late nineteenth century.

Capitalism annihilated all the national and geographical barriers through its concerted efforts. The old fetters of transport and communication were thrown away and with the help of new technology the transport and communication system was revolutionized.

All nations even the most barbarians were drawn together by the worldwide influence of capitalism. There was competition among the capitalists of various nations, but the character of capitalism was the same everywhere.

European capitalism forced all nations to follow it in all respects, i.e., to adopt the capitalist mode of production, the capitalist way of life, and capitalist technique of exploitation. Capitalism exports both products and civilization. In the words of Marx and Engels, capitalism creates a world after its own image.

The poor countries came to be dependent on the developed capitalist countries of the West. The indigenous sources of production were destroyed by the capitalists. These nations had no means or managerial acumen to set up modern industries. Capitalism in its global appearance created havoc.

It changed the mode of living, outlook and taste. People of various parts of the globe come nearer to each other and this changed almost everything of human life. This was possible because of the rapid progress of transport and communication. The mode of living and outlook of the people of the Third World changed remarkably.

7. Imperialist Stage of Capitalism:

For exploitation and accumulation capitalism expands which is not unlimited. However, it reaches a final stage of its expansion and this stage has properly been named by Lenin as imperialism.

In his famous and classic definition he has said that imperialism is the highest stage of capitalism. We have already mentioned that capitalism in its mature phase of development becomes a world phenomenon.

The capitalists, in order to keep the momentum of expansion and consolidation of power, seek to set up markets in the far-flung areas of the globe. But the economic interests cannot be fully safeguarded without the capture of political power.

a very logical anti-imperialist was not. The government of the capitalist country subjugates the governments of other countries. Weakening of the existing political system and the destruction of indigenous economy go hand in hand.

Lenin has also said that if it is necessary to give the briefest possible definition of imperialism we should have to say that it is the monopoly stage of capitalism. Let us explain it. The concentration of production and capital developed to such an advanced stage that it creates monopolies which plays a decisive role in economic life.

The merging of bank capital with industrial capital creates the foundation of a new system which has called 'finance capital'. This is the new aspect. The industrialists of capitalist countries are not always in a position to provide necessary capital for the rapid growth of industries.

Banks come forward to help the industrialists. This gives rise to a new dimension of capitalism. A holy alliance is effected between the banking authority and capitalists. Lenin calls it financial oligarchy. Banks and capitalists monopolies the entire capitalism.

At the commencement of capitalism as a world phenomenon it started to export commodities. But when it reached the monopoly stage it began to export capital. This is a distinguishing feature of capitalism.

The national liberation movement of the Third World countries created impediments to the export of foreign goods. The capitalists then started export of capital.

This feature of capitalism appeared towards the beginning of the twentieth century. In the export market of commodities the capitalists were faced with stiff competition from various quarters. When Marx and Engels were writing they were not fully aware of it.

Crises of Capitalism:

The contradictions lead to crises and finally to the collapse of capitalism. Here we are concerned with the crises. The capitalist production process reproduces the social conditions that estrange the worker from his own labour and its product and perpetuates itself by depriving the producers of a share in the values they create. But the capital accumulation cannot proceed indefinitely.

The tendency of growing capitalism is falling rate of profit and this induces capitalists to curtail the quantum of investment and retrench the workers. This measure further aggravates the crisis of capitalism.

In the industrial market an artificial over-population is created. The capitalist adopts various measures to reactivate capitalism from recession. The paradoxical result is that the whole industrial market is flooded with an excess of capital and excess of workers.

Explaining the origin and nature of crisis in capitalism Marx and Engels have said in the Manifesto "Modern bourgeois society with its relations of production of exchange, and of property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells. For many a decade past the history of industry and commerce is but the history of the revolt of modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and of its rule. It is enough to mention the commercial crises that by their periodical return put on its trial, each time more threateningly, the existence of the entire bourgeois society. In these crises a great part not only of the existing products, but also of the previously created productive forces, are periodically destroyed. In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity the epidemic of overproduction" Marx and Engels call it "monetary barbarism".

The materialist interpretation of history reveals that the emergence of capitalism and rise of bourgeoisie as a potential power have completely changed the social-economic-political environment of society. The capitalist society and civilisation are completely different from feudal society and civilisation. A new civilisation appears, and it is a great civilisation.

It is far greater than all earlier civilisations. Commerce, industry, transport and communications all have advanced tremendously. The conditions of the bourgeois society are too narrow to comprise the wealth created by new industries.

Naturally contradictions and crises are bound to crop up. It would be quite wrong to assume that the capitalists took no measures to fight the contradictions and crises.

What measures did they take? On the one hand by enforced destruction of a mass of productive forces, on the other by the conquest of new markets, and by the more thorough exploitation's of the old ones.

Kolakowski says that the economic crises involve the squandering of the community's wealth on a vast scale, demonstrating that capitalism cannot cope with its own contradictions. They are the expressions of a conflict between the technological level and social conditions of technical progress, between the forces of production and the system within which they work.

If the capitalists were not engaged in squandering the wealth of the society for their own interest, there would have been no crises or contradictions. Some of the spokesmen of the working class argue that the crises could be averted by raising the wages and enabling the market to absorb the excess products.

To put it in other words, by raising the purchasing power of the workers and other common people the economic crises could be arrested. But Marx in Capital has said that this is not the case. Crises and contradictions are the inherent characters of capitalism. They regularly occur after a period of prosperity.

Interpreting Marx's view Kolakowski maintains that the greed for expansion is such that the market cannot possibly go on absorbing the products of capitalism especially the bulk of these. Lenin has said capitalist production cannot develop except by fits and starts two steps forward and one step sometimes even both back.

Collapse of Capitalism:

In the Manifesto Marx and Engels have said the weapons with which the bourgeoisie felled feudalism to the ground are now turned against the bourgeoisie itself. Let us add few words to this famous comment.

In feudalism the productive forces developed to such an extent that the feudal system and economy could not cope with this and the bourgeoisie used this development in its own favour to destroy the feudal system and to establish its domination.

The capitalists, during the critical period of feudalism, asserted themselves as a basic class and, naturally, it was an easy task for them to destroy feudalism. It is to be noted that the credit should go to the seeds of destruction inherent in feudalism.

In the same way the collapse of capitalism is inevitable. The striking difference is the bourgeoisie played the leading part in the destruction of feudalism and the working class has come forward in overthrowing capitalism.

It is not true that capitalists are quite indifferent to problems, crises and contradictions. The reverse is true capital seeks frantically for new markets

and endeavours to expand into non-capitalist areas, but the more the productive capacity increases, the more obvious is its conflict with the narrow limits of consumption.

According to Marx the collapse of capitalism is inevitable because of the economic reasons. These economic factors cause class struggle. The workers are not responsible for the contradictions. For this reason Marx has ruled out the enhancement of wages as a way of averting crisis.

In Capital Marx says:

"It is sheer tautology to say that crises are caused by scarcity of effective consumption or of effective consumers." Engels once said (in an article in Democratic Review, March 1850), "We have had many of these revolutions, happily overcome hitherto by the opening of new markets (China in 1842) or the better exploiting of old ones, by reducing the cost of production (as by free trade in corn). But there is a limit to this, too. There are no new markets to be opened now, and there is only one means left to reduce wages, namely radical financial reforms, and reduction of the taxes by repudiation of national debt. It is evident that, with no chance of further extending markets, under a system which is obliged to extend production every day, there is an end to mill-lord ascendancy. And what next? Universal ruin and chaos, say the free traders. Social revolution and proletarian ascendancy, say we."

Here Engels repudiates the palliatives of the crises of capitalism. The capitalists take all measures to avert crises and contradictions. But there are limits to these measures.

Marx and Engels have asserted that no outside force is required to destroy capitalism root and branch. There are contradictions within capitalism and when they reach the stage of maturity capitalism will automatically collapse. This was, of course, the prediction of Marx and Engels. Inconsistencies or contradictions are numerous, types are also many. However, the destruction of capitalism cannot be checked.

In Capital Marx writes:

"Capitalist production seeks continually to overcome the immanent barriers, but overcomes them only by means which again place these barriers in its way and on a non-formidable scale."

The means of getting rid of contradictions are only of limited purposes. So the conflict between private ownership and the development of instruments of production and technical co-operation continues.

Lenin has beautifully explained how the collapse of capitalism for political reasons is inevitable. Because of the inadequacy of the internal market the

capitalist countries proceed to capture territories and set up new markets. This creates an unhealthy competition among the capitalist countries creating all the potentialities of war. For the absence of an authority with sovereign power in international arena, the disputes among the competing powers remain, in most of the cases, unsettled.

In fact, the countries belonging to the Third World are thrown into turmoil, instability and a situation of armed conflict. Lenin has said that the First World War is a war among the capitalist powers.

Taking the opportunities of the competition and conflict among the capitalist states the people of the Third World countries accelerate their national liberation movement, i.e., to liberate themselves from the shackles of colonial power.

At the rudimentary stage of the development of capitalism the bourgeoisie propagated the messages of liberty, equality and fraternity. Now the liberation seekers use the same values and principles against the bourgeoisie.

The capitalists are, therefore, confronted with two-fold dangers self-destructive war and mounting liberation movements. The capitalists have hardly any weapon at their disposal to fight these two "evils".

At the imperialist stage capitalism faces the greatest disintegration, because all the avenues of progress are closed. That stage has been called by Lenin imperialism. The crises and contradictions are not only mature but on the point of explosion. The proletarians are waiting for this situation.

Now it is their duty to use these for their liberation. It is to be noted here that the workers are not responsible for the crises, but they must be alert for their proper use. The limit and scope are to be decided by the proletarians. The moribund capitalism is to be thrown in a single assault. The integument is burst asunder. The death knell of capitalism sounds. Expropriators are expropriated.

Criticism and Evaluation of Capitalism:

Marx and Engels published the Manifesto in 1848. During this last 160 years and more capitalism throughout the world has undergone radical changes and the picture portrayed by Marx and Engels in many a case appears to be irrelevant.

The orthodox supporters of capitalism are of opinion that there may be contradictions and crises in capitalism, but these do not necessarily lead to the disintegration of capitalism. It will never reach the moribund stage.

Why? It is generally argued that systems including capitalism have their own regulatory mechanisms and whenever any crisis arises these self-regulatory mechanisms save the system from crisis. Because of this self-regulatory mechanism capitalism has been able to save itself.

This is particularly applicable to animal body. In the 1950s a number of behaviouralists had emphasized this through the input-output model. Because of this self-regulating mechanism, capitalism of Britain and USA has been able to withstand the crisis.

We, therefore, conclude that contradictions and crises do not lead to the collapse of capitalism. Lenin is hundred per cent correct when he says that the imperialist powers are involved in armed conflict among themselves. But we are of opinion that the capitalist world of Lenin's time or of the post-Lenin period has undergone sea changes.

The capitalists have fully realized that competition and war cannot help the progress of capitalism. In order to consolidate capitalism and also to make it effective the capitalists of today's world are united. They have not completely eschewed the path of attrition (e.g. the Iraq War), but it is not a frequent one. There is polycentrism in the capitalist world, though we cannot treat it as the product of conflict.

Marx has repeatedly asserted that it is the first and foremost duty of the proletarians to utilize the crises and contradictions of capitalist society and in this way it will be able to dislodge the bourgeoisie from power and to establish their dictatorship.

Emancipation or revolution will not fall from the sky. Marx and Engels were very much confident of the willingness of proletarians to launch a revolution and continue the class struggle until the classless society was established. But today, critics plead, the situation has changed.

The workers want to change their economic lot not by resorting to class struggle, but by parliamentary tactics. Bernstein's revisionism succeeds in changing the outlook of working class towards class struggle.

Moreover, capitalists have revised their attitude towards workers. They are more sympathetic. Simply through collective bargaining workers have been able to get a number of concessions.

We now look at the present situation of capitalism. The antagonism between the two basic classes of capitalist society, according of Marx, will be the cause of the collapse of capitalism.

Chapter 1

INTRODUCTION

Globalisation is a very common theme of discussion and analysis these days. It has become a major concern of thinkers on development and those connected with development policies in government, particularly in the developing countries, as it has the potential of having a deep impact on their lives.

One hears the loud voices of the proponents of globalisation who proclaim that it has infinite potential for the development and welfare of mankind. They say that it is an inevitable and irreversible process in any case, and thus one should endeavour to make the best of it.

On the other hand, the opponents, who are equally loud and persistent if not more, assert that globalisation is a veritable evil, out to drive the poor countries back to their colonial days and the poor of these countries to abject poverty. Powerful arguments are placed by both sides in support of their respective claims.

As it will be explained later, globalisation has particularly adverse impacts on the poorer and weaker sections of society and on small business enterprises. Hence, a proper awareness of its nature, implications and impacts is necessary in the developing countries, where poverty is rampant and business activity is almost entirely limited to small and household units. It should be relevant for people to know how globalisation influences the development process and what impact it has on poverty.

Main features

Globalisation broadly means fully-free economic operations across the borders of countries, without any impediments by governments of countries. There are broadly two types of such economic operations, viz., one, the flow of goods and services from one country to another, and two, the flow of capital from one country to another. A possible combination of these two types of activities could exemplify another type of economic operation i.e., the production of goods and services.

The flow of goods across the borders means export and import of goods. Examples of the flow of services across borders are banking, insurance, telecommunication and similar services provided from one country to another. The flow of capital takes place, for example, by the establishment or acquisition of factories or by the investment of capital in deposits and share markets in other countries.

An example of the globalised production of goods is a factory established in a country through the capital invested from another country and the use of inputs from other countries in the production process or targeting the production to the consumers of other countries. As is obvious, the various types of cross-border economic activity mentioned earlier should not be considered watertight, as in most cases the activities are a mixture of these elements.

Import and export of goods

Let us now see what is meant by free operations across borders in these cases. In the case of the flow of goods, i.e., export and import, it means that a country should not apply restraint or regulation at its border for the goods coming in or going out; and thus any product can be imported or exported in any quantity. It implies that the government should not limit the quantity of the import of any product, and preferably it should also not impose

establishing a factory, will be totally free to determine from where to get the inputs and where to sell the products, i.e., whether the inputs, including the raw materials, should be imported or procured domestically and whether the product of the factory should be exported or sold in domestic market.

Underlying assumptions

The underlying assumption is that the economic operators, like manufacturers, traders, service providers, banks, etc., work with great efficiency and their unhindered operations will bring benefit to the society along with them getting profits from their operations.

It is further assumed that any interference by government reduces their efficiency, thereby reducing the benefit to society. The firms, in the course of open competition among themselves, are supposed to improve their performance continuously. Any slackness on the part of a firm is punished by open competition, in the sense that the weak ones get weeded out by the strong ones. This line of argument and thinking presumes that free operation of the market is beneficial to society and its people.

A further assumption is that an intervention by the government reduces free competition and thereby reduces the efficiency of the economic operation. It is argued that governments act with political motives, and their intervention will harm the economic process.

These arguments attach a lot of significance to the wisdom of private business. It is presumed that the market determines the preferred economic operations in the most efficient and best manner. This type of thinking may be the best for the interest of private business, but it is doubtful if it is also the best for the people, in particular for the poor and weak sections of society.

In the best of its form, private business works for profit, which, of course, is quite understandable and in some ways also desirable.

Impact of Globalization on Agricultural Sector:

Agricultural Sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve and any change in its structure is likely to have a corresponding impact on the existing pattern of Social equity. The liberalization of India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan with certain conditions attached which relate to a structural change in the economy. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). Globalization has helped in:

- Raising living standards,
- Alleviating poverty,
- Assuring food security,
- Generating buoyant market for expansion of industry and services, and
- Making substantial contribution to the national economic growth.

Impact of Globalization on Industrial Sector:

Effects of Globalization on Indian Industry started when the government opened the country's markets to foreign investments in the early 1990s. Globalization of the Indian Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail, and BPO.

Globalization means the dismantling of trade barriers between nations and the integration of the nations economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country. The benefits of the effects of globalization in the

QUESTIONS

1. What is capitalism? write its features.
2. Write an analysed note on development of capitalism.
3. What is globalization? Write its features.
4. What are the impact of globalization?
5. Write a note on advantages and disadvantages of globalization.