GLOBALIZATION AS IF THE ENTIRE GLOBE MATTERED: THE SITUATION OF MINORITY GROUPS

S. P. Udayakumar
University of Minnesota, Minneapolis, USA

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Summary

Globalization affects different people differently and its benefits are not evenly spread among all of humanity. In fact, the lopsided socioeconomic development, skewed opportunity structures, and huge disparities in wealth and income are getting worse. The poor people of color, especially the racial and ethnic minorities, tend to lose out badly as they often rely on public institutions and services for their welfare. However, the antilabor practices, deprioritized government and the states’ fiscal discipline assertions lead to cutbacks in social services such as education and health care, income support, and the state employment sector. This trend affects the racial, ethnic, and other minorities adversely as they are more vulnerable to socioeconomic-political susceptibilities.

1. Introduction

The ongoing globalization, which is marked by privatization, financial liberalization, and structural adjustment programs, affects different people differently. At the more systemic level, its benefits are not evenly spread among all of humanity. In fact, the lopsided socioeconomic development, skewed opportunity structures, and huge disparities in wealth and income are getting worse. Many vulnerable groups of people are not only left out but also adversely affected by the ongoing globalization.

The ones who lose out in the globalization scheme are the poor people of color, especially the racial and ethnic minorities. The pro-capital and antilabor stance and practices of the powerful globalization actors compromise the socioeconomic-political interests of these people. Quite often racial and ethnic minorities rely on public institutions and services for their welfare. However, the antilabor practices, deprioritized government (that protects capital but leaves citizens out in the cold), and fiscal discipline assertions lead to cutbacks in social services such as education and health care, income support, and the state employment sector. This trend renders the racial, ethnic, and other minorities even more vulnerable to socioeconomic-political susceptibilities.

The overall attitude of the market seems to be that competition, "efficiency," and prosperity are all intricately linked and if one does not make it in this environment, one is either inherently inadequate or intentionally avoiding taking initiatives. And hence such people are not considered worthy of any special consideration or help. Consequently, there are more and more overt manifestations of bias and discrimination such as the 1994 California law (Proposition 187) excluding immigrants from public education and social services, consolidation of racial and ethnic hatred through the Internet, racial discrimination and violence, police harassment, and so forth. The minority groups such as migrant workers and refugees are often pushed to the wall also.

However, the global market does not fail to appropriate the gems of traditional knowledge and cultural heritage of indigenous peoples and other ethnic minorities for patenting and profiteering. While their "ethnic food," "ethnic music," and other such "ethnic" products are marketed for profit, they are increasingly deprived of a say in deciding their own fate.

Taking a broader look at the commissions and omissions of the global market would also reveal some of the in-built racial and ethnic biases on which current globalization has been erected. For instance, in the health-care field, The efficiency-minded market spends more money and energy on rich countries' ailments such as cardiovascular diseases and cancer rather than on poor countries' problems such as malaria, tuberculosis, and AIDS. The disparities in scientific know-how and technological do-how are simply overlooked. In short, the "invisible hand" of the market conveniently hides the crucial factors of race, class, gender, and generation in redistributing the resources generated by globalization.

2. Globalization, Financial Liberalization, and Structural Adjustment

Globalization often means different things to different people just as an elephant meant different things to the proverbial group of blind people who probed different parts of the elephant. Jong-Sung You identifies four dimensions of globalization: economic, political, technological, and cultural. While political globalization refers to the fact that political decisions are increasingly taken at the global level in multilateral forums, technological globalization points to the changes brought about by the advancements in information and communication technologies. Cultural globalization, on the other hand, alludes to the spreading of similar consumption patterns, lifestyles, and entertainment habits throughout the world. Although all the four dimensions of globalization are linked to each other and reinforce one another, it is economic globalization that leads the pack in close congruence with technological globalization (see Chapter *Building "Real" and "Virtual" Human Communities in the Twenty-first Century*)
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Although the terms "globalization" and "globalism" are often used interchangeably, a certain transitivity can be discerned in the former as much as an intransitivity delineated in the latter. Globalization, as Ulrich Beck posits, "denotes the *processes* through which sovereign national states are criss-crossed and undermined by transnational actors with varying prospects of power, orientations, identities and networks." Globalism, on the other hand, means "the view that the world market eliminates or supplants political action." This ideology of rule by the world market, or neoliberalism, reduces the multidimensionality of globalization to a single, economic dimension and places other dimensions such as ecology, culture, politics, and civil society, if mentioned at all, under the sway of the world-market system.

Thus the most common definition of globalization is "increased world-wide movement of goods, ideas, capital and people." It is also described as "the process which involves growing economic 'interdependence' of countries worldwide." Taking globalization to mean "global restructuring of capital," Rosemary Coombe contends that it:

> is a rather opaque phrase that attempts to encompass a multiplicity of phenomena—the emergence of a globally interconnected economy, the dispersion of manufacturing production to ever-shifting sites around the globe-largely from so-called First World to so-called Third World areas, the proliferation of export-processing zones in indebted areas facing World Bank and IMF pressure, the growth of international finance markets, the increasing feminization of the global manufacturing labor force, new migration patterns and the development of a global network of factories, service outlets, and capital investments.

There are two distinct phenomena in the ongoing economic globalization: the globalization of production and the globalization of finance. Facilitated by the structural adjustment programs of the World Bank and the International Monetary Fund (IMF), and the multilateral agreements enforced by the General Agreement of Tariffs and Trade (GATT, now World Trade Organization, WTO), rapid globalization of production has taken place during the 1980s and 1990s. Owing to stagnant demand and sharp rise in production costs, transnational corporations (TNCs) shift their production bases to the South countries where raw materials and labor are cheap, production costs are low, and the domestic markets for goods and services keep growing.

The globalization of finance has assumed greater significance and power than that of production in recent years. It is no longer complementary to international trade and investment, two sectors that have necessitated trading in foreign exchange. Financial flows today are rarely associated with the flows of real resources and long-term productive investments; instead they are largely liquid and are attracted by short-term speculative gains. Currency trade, new financial instruments such as bonds, mutual funds, Global Depository Receipts and derivatives play important roles in the globalization of finance.

Financial liberalization, meaning unfettered flow of capital within and among nations, is an important aspect of ongoing globalization. In the mid-1980s the International Finance Corporation (IFC) of the World Bank tried to generate investor interest in a "Third World" investment fund. Since "Third World markets" did not sound too appealing, they came up with an alternative "emerging markets fund" in 1986 and the investment craze began. Pension funds, mutual funds, other stock purchasers, and foreign banks piled into the emerging markets. In 1980 less than 1% of pension fund assets in the United States was invested abroad, but by 1997 the figure shot up to 17%. In 1996 investors bought US$50 billion worth of stocks and bonds in emerging markets, and international banks poured US$76 billion into these countries.

Consequently, on any given day, the total amount of money changing hands just in the world's foreign exchange markets has become US$1.5 trillion, which is an eightfold increase since 1986 and equivalent to total world trade for four months now. The amount of investment capital has also increased substantially. By 1995, mutual funds, pension funds, and other institutional investors controlled US$20 trillion, 10 times the figure of 1980. Thus the global economy has come to be dominated by trade in stocks and bonds and currencies rather than trade in corn, cars, or computer chips.

Structural adjustments programs (SAPs) are another important aspect of the ongoing globalization. Countries that import more than they export need loans for financing imports and debt-servicing, and they often turn to international financial institutions such as the World Bank and the International Monetary Fund that offer such short-term loans as balance of payments support. These loans are provided on condition that the debtor government adopts a program of economic "stabilization" and structural economic reforms in line with the demands of the international institutions. Governments are expected to implement substantial reforms even before any structural adjustment loans are negotiated.

The IMF explains that such loans enable these countries to participate in international trade, and that SAPs increase such participation. The specific conditions of SAPs vary from country to country but the basic economic remedies applied all over the world are the same. Structural adjustment is divided into two specific phases. The first is short-term macroeconomic stabilization that involves currency devaluation, price liberalization, and budget austerity. The second is the implementation of more fundamental structural reforms such as trade liberalization, liberalization of the banking system, privatization of state-owned firms, tax reform, land privatization, labor market reforms and so forth. Quite often both the phases are implemented at the same time.

The fiscal correction that stabilization and structural adjustment seek to carry out can be seen in the various policies of the concerned government. The fiscal policy strives to restore fiscal discipline in the form of reduction of fiscal debt, reduction in subsidies and non-plan expenditure, and new schemes to mop up illicit funds. The trade policy is often geared to encourage free trade, and liberalization of import of technology. Industrial policy includes large-scale delicensing; removal of restrictions on expansions, mergers, acquisitions, and appointment of directors; raising foreign equity investments in various industries; and automatic clearance of investment of both internal and international companies under the new arrangement. The focus shifts from import substitution to export promotion. Along with public sector reform, the private sector is given a greater role in industrial development. As far as financial policies are concerned, liberalization of financial markets, reform of credit, reserve and other regulatory measures, encouragement to mutual funds, and control over stock exchanges to remove imperfections and drawbacks of stock markets are carried out. In agricultural policy, improvements in technologies of production, storage, and marketing are given greater attention.

The assumption is, of course, that an economy restructured along the prescribed lines will function efficiently, produce economic growth and stability and may even bring about or enhance electoral democracy. However, as a result of all these structural adjustment programs imposed by the World Bank and the IMF, there ensue drastic budget cuts, across-the-board price increases, rise of utility charges, import liberalization, and so forth. Fueling inflation and increasing hardship, the structural adjustment programs hit the subaltern classes and underprivileged sections of the national societies hardest and most directly. Large-scale export production hits the small producers and farmers; labor rights get overlooked; women and children become more vulnerable to further exploitation; and the poor get even poorer.

2.1 Adulation, Admonition, and Third Perspective

Proponents of ongoing globalization applaud the positive results and advocate a rapid pace. Citing a cross-country study by the Organization for Economic Cooperation and Development (OECD), *The Economist* details the contribution of foreign firms to national economies and applauds the benefits of foreign investment and globalization. Foreign firms account for a growing share of production and employment in most OECD countries. Moreover, they pay more than the national average, create jobs faster, spend more on research and development, and tend to export more.

John Micklethwait and Adrian Wooldridge go one step further and hail globalization as "an inevitable process," and "the most important phenomenon of our time." Although they acknowledge that globalization "leaves *some* people behind," they are enthused that "it helps *millions more* to leap ahead" (emphasis added). The connection between the *some* and *millions more* can be discerned when they argue that "globalization increases efficiency and thus prosperity." In other words, the *some* who are left behind are inefficient and hence do not qualify to be prosperous. According to these authors, "the simple fact is that globalization makes us richer—or makes enough of us richer to make the whole process worthwhile."

Another globalization enthusiast, Thomas Friedman, quotes a study of how globalization has affected 34 developed and developing countries (published by A. T. Kearny, early 2000), to prove "what economists have long known." According to the report, the "fastest globalizing countries have enjoyed rates of economic growth that averaged 30 to 50% higher over the past 20 years. The same countries also enjoyed greater political freedom…more social spending and received higher scores on the UN Human Development Index, an indicator of longevity, literacy and standard of living." The report adds, however, that "rapid globalizers have witnessed a growing gap between rich and poor…rising corruption and higher levels of environmental pollution."

In his latest book, *The Lexus and the Olive Tree: Understanding Globalization*, Friedman dates today's globalization system "from the fall of the Berlin wall" and hence it is about to enter its second decade. When some small and weak states such as

Bosnia, Albania, Algeria, Serbia, Syria, and many in Africa are unable to make the transition to the globalization system, the system builds a firewall around them. To those who believe that globalization is an American conspiracy to keep others down, Friedman replies: "we [in Washington, DC] aren't thinking about you at all! Not for a second. We don't give a flying petunia about you." People around the world can build "an Islamic bridge," or "a Maoist bridge," or "a Jeffersonian bridge" to globalization and they must make sure they build a bridge "because this train will leave without you." For Friedman, the United States is the best model for a healthy global society that balances the Lexus ("all the anonymous, transnational, homogenizing, standardizing market forces and technologies that make up today's globalizing economic system") and the olive tree (culture and identity). He argues that "for globalization to be sustainable America must be at its best-today, tomorrow, all the time. It not only can be, it must be, a beacon for the whole world."

Critics of globalization point out its negative aspects. They identify it with the structural adjustments programs of the World Bank and the IMF and oppose the external imposition. Others employ theories of imperialism and dependency, and problematize the increased subordination of the South to the North, weakened indigenous capitalism in the South, impoverishment of the poor and minorities, and so forth. Many fear that the nation-state is losing its preponderance in international affairs. Environmentalists problematize the environmental effects of globalization, the North's attack on the South's biological and other resources. Globalization is also seen as an attempt at cultural homogenization, the "McDonaldization" of the world, in which a single, commercialized, competitive, individualized capitalist culture seeks to wipe out the indigenous cultural expressions.

Globalization brings in new systems of capital and trade but gives rise to dangerous imbalances. The missing link is, of course, democracy and governance. Focusing on the "democratic deficit" of globalization and its impacts on governance, many critics also point out the divisive aspects of globalization. Defining globalization in terms of what it is not, John Gray posits that "A universal state of equal integration in worldwide economic activity is precisely what globalization is not." Michel Chossudovsky argues that globalization perpetuates colonial patterns and practices, bars national planning and meaningful democracy, undermines programs that benefit underprivileged sections of the society, and establishes a framework for a world of growing inequality and legitimizes lopsided development as something normal.

Besides the above adulation and admonition, there emerges a "third perspective" with the intervention of Amartya Sen, who insists that globalization be accompanied by social spending, especially on education and health as the basis for an economy's success in the modern world. Thus the debate on globalization seems to be shifting from ideologically heated positions to sober discussions of policies. The major question in this "negotiated globalization" is not which policies are necessary but how to implement them politically.

Amartya Sen looks at the practical effects of development, and its impact on the way people actually live as the main measures of economic well-being instead of more quantifiable things such as income levels, gross national products, the availability of primary goods, and so forth. Sen develops the crucial concept of “capabilities” meaning the capabilities that development should provide for people to live the way they want to. Sen cites African Americans in the United States as an example. They are much richer than Chinese citizens or the inhabitants of the southern Indian state of Kerala but have lower life expectancies than people in either places. For Sen, poverty is not simply a low income level but “capability deprivation.” Similarly, famines are not the result of food shortages but people have lost the “economic power and substantive freedom” to buy food. Sen argues: “Capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations (or, less formally put, the freedom to achieve various life styles).” The remedy then lies in “systematically recreating a minimum level of incomes and entitlements for those who are hit by economic changes.”

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Biographical Sketch

S. P. Udayakumar is research associate and co-director of programs at the Institute on Race and Poverty, University of Minnesota. He can be contacted through email <spudayakumar@yahoo.com>.