

Socio-economic Dimensions of Globalization in India

S.K. Mishra and P. Nayak

Introduction: After Independence, the managers of the Indian economy took very cautious steps. They found the world sharply divided into two blocs: the one led by the capitalist economies (the US in particular) and other led by the communist economies, primarily the then USSR. There was a cold war between these two blocs. Less-developed economies had no option than to join either of the two and invite the ire of the opposite bloc. Especially those economies that were under the British Empire and won freedom in the near past faced a difficult choice. India chose to keep a safe distance from both the blocs by inventing the idea of a mixed economy. In doing so, India invited as much favor as suspicion from both the blocs. Some economists hold the opinion that the Indian economy was pro-capitalism in its core that wore the façade of a socialistic economy. The state-managed economic endeavors facilitated capital formation in the private sector, often at the cost of the public sector and resources, preparing for a smooth transition to open capitalism in future when the conditions were ripe for such a transition. Bardhan (1984) has given a vivid picture of this possibility. Nevertheless, the officially proclaimed management policy of the national economy of India was modeled on the socialistic pattern, primarily that of the USSR.

It is relevant to note that since the 1970's, the growth rate of the USSR economy had slowed down substantially. Extensive economic development, based on vast inputs of materials and labor, was no longer possible; yet the productivity of Soviet assets remained low compared with other major industrialized countries. Product quality needed improvement. Soviet leaders faced a fundamental dilemma: the strong central controls of the increasingly conservative bureaucracy that had traditionally guided economic development had failed to respond to the complex demands of industry of a highly developed, modern economy.

Conceding the weaknesses of their past approaches in solving new problems, the Russian leaders of the late 1980s were seeking to mold a program of economic reform to galvanize the economy. Mikhail Gorbachev was experimenting with solutions to economic problems with an openness never before seen in the history of the USSR economy. One method for improving productivity appeared to be a strengthening of the role of market forces. Yet reforms in which market forces assumed a greater role would signify a lessening of authority and control by the planning hierarchy, as well as a significant diminution of social services (Wikipedia, Soviet Union).

India was watching these developments closely. At home, the Indian economy also was facing a difficult time. The efficacy of economic management on socialistic pattern had led to serious malaise. Although we observe high growth rates of the Indian economy during the 1980's, much of this owes to a very large amounts of foreign borrowing. Joshi and Little (1994) attribute the high growth during 1980's period to the fiscal expansion financed by external and internal borrowing. This is also the view expressed indirectly by Ahluwalia (2002) that growth in the 1980's was unsustainable, "fuelled by a build up of external debt." (Panagaria, 2004). Hence, India had no much alternative than to opening of its economy to the international market forces.

The official pronouncement of the New Economic Policy (NEP) on stabilization and structural adjustment programs could have possibly taken longer if the events in the dusk of the said decade and dawn of the subsequent one would have allowed its postponement any further. The dawn of 1990's came with the great debacle of the USSR. This was an ideological disaster to the principles of economic management in India and one of the decisive events that brought India under the gravitational force of the capitalist bloc.

The agriculture sector performed miserably in 1987-89. Following the assassination of Rajiv Gandhi, PV Narsimha Rao came to power in June 1991. At that time, India's condition on foreign exchange reserves was poor and precarious. India made a proposal for a loan of US\$ 2.26 billion from the IMF. In view of the destitution that the country was in, it had no alternative than to succumb to the World Bank-IMF prescription in embarking on the so-called stabilization and structural adjustment programmes as a precondition to loan. The World Bank was ready with its proposed 'Strategy for Trade Reform'. As a result, thus, India introduced the New Economic Policy (NEP) in 1991.

The NEP can be divided into two parts: the *stabilisation programmes* and the *structural adjustment and reform programmes*. While the former part basically aims at reducing macroeconomic imbalances (such as fiscal and current account deficits) by restraining aggregate demand, the latter essentially aims at increasing growth, by eliminating supply bottlenecks that hinder competitiveness, efficiency and dynamism to the economic system.

Effects of Globalization on Macro-economic Balances: Analyzing the data in pre-globalization and post-globalization periods, Olekalnsa and Cashin (2000) concluded: Indian government revenue and expenditure data indicates that adherence to the inter-temporal budget constraint has not characterized Indian fiscal policy. These results provide support for the moves towards fiscal consolidation, which occurred since the early 1990s. However, it is important to note that the reforms are unlikely to have led to a sustainable path for the debt stock. This is despite the fact that the size of the budget deficit as a proportion of GDP has fallen since 1991. Following the reforms, deficits have been financed through borrowings in a relatively less regulated financial market. As domestic markets have been liberalized, the cost of domestic borrowing has increased and concessional external financing has become a smaller proportion of total borrowing. This has led to a major increase in interest liabilities and to an increase in the debt-to-GDP ratio. Further fiscal consolidation may well be required if Indian public finances are to be consistent with debt sustainability (Fig 1 & 2).

Effects of Globalization on the Foreign Sector: The immediate cause to launching of NEP was the foreign sector, the foreign exchange reserve and trade imbalance. If we look at the statistical trends, we find that the post-globalization period exhibits a comfortable position of India.

Gold reserves jumped from 300 million US \$ to around 4000 million US dollars (Fig 3). There was steep growth in foreign currency assets (Fig 4) and foreign currency reserves (Fig 5), well near 1000 times. The outstanding repurchase obligations to IMF reduced steeply (Fig 6). Exports as well as imports shot up manifold (Fig 7); percentage of

import to export reduced substantially (Fig 8). Trade in international sector as a percentage to the national income increased and became much more stable than what it was in the immediate past to globalization (Fig 9).

Effects of Globalization on Some Macro-economic Indicators in the Domestic Sector: The foreign sector is as yet a tiny part (about 5-6 percent) of the national income of India. The growth of gross domestic product, although impressive, did not take up any significant acceleration. If we measure the logarithm of GDP against time, we observe a linear growth (Fig 10). Thus, the impact of globalization on structural changes so as to accelerate the growth rate of GDP has been meager. Contribution of agriculture to the GDP continued falling at the pre-globalization rate and thus we find a linear trend in the fall of the percentage contribution of agriculture. The percentage contribution of the secondary sector to the total GDP continued increasing at more or less constant rate, indicating that the post-globalization era did not bring in any structural change (Fig 11).

The statistical trends in gross savings and capital formation (Fig 12) indicate that the traditional log-linear growth, set in the early sixties of the last century, continued (Fig 13). However, indications are there to structural changes as to the source of savings. Rate of savings (as percentage to GDP) in the household sector accelerated, while the said rate of savings (as percentage to GDP) in the public sector decreased. Savings in the Private corporate sector have shown an increase. Gross fixed capital formation has lagged behind the gross domestic savings (Fig 14 & 15).

Agriculture after Globalization: The statistics of area under 12 major crops in India covers about 95 percent of area under cultivation. The data indicate that after globalization, the area under cultivation has increased (Fig 16). However, the area under food crops as percent to the total area under cultivation has decreased. More so, the area under coarse (food) crops as percentage to total area under cultivation (as well as the total area under food crops) has decreased (Fig 17). This trend indicates a shift of the Indian Agriculture to cash crops and in the food grain sector to the finer crops. As pointed out by Swaminathan (2002), such changes have affected the poorer section of the society adversely.

Components of Agricultural Growth: We use Minhas-Vaidyanathan decomposition scheme with 1991-92 prices (W_i) of major crops for decomposition analysis of agricultural growth. Among the percentage contributions of different components of agricultural growth, the contribution of area under cultivation after globalization remains as prominent as before globalization (Fig 18).

$$\begin{aligned}
 P_t - P_0 &= (A_t - A_0) \sum_{i=1}^n Y_{i0} C_{i0} W_i + A_0 \sum_{i=1}^n (Y_{it} - Y_{i0}) C_{i0} W_i + A_0 \sum_{i=1}^n Y_{i0} (C_{it} - C_{i0}) W_i \\
 &+ (A_t - A_0) \sum_{i=1}^n (Y_{it} - Y_{i0}) \cdot C_{i0} \cdot W_i + A_0 \sum_{i=1}^n (Y_{it} - Y_{i0}) (C_{it} - C_{i0}) \cdot W_i \\
 &+ (A_t - A_0) \sum_{i=1}^n Y_{i0} (C_{it} - C_{i0}) W_i + (A_t - A_0) \sum_{i=1}^n (Y_{it} - Y_{i0}) (C_{it} - C_{i0}) W_i
 \end{aligned}$$

or, $\delta P = \delta A + \delta Y + \delta C + \delta A \delta Y + \delta Y \delta C + \delta A \delta C + \delta A \delta Y \delta C$

**Percentage Contribution of Changes in
Area, Cropping Pattern and Yield Rate to Agricultural Growth in India**

Year	δA %	δY %	δC %	$\delta A\delta Y$ %	$\delta Y\delta C$ %	$\delta A\delta C$ %	$\delta A\delta Y\delta C$ %	δP
1961	92.7	7.96	2.12	-1.34	-1.31	-0.36	0.22	-373223
1971	87.38	11.81	3.08	-1.01	-1.1	-0.26	0.09	-201291
1972	89.16	10.39	2.4	-1	-0.79	-0.23	0.08	-223309
1973	90.71	9.45	1.81	-1.18	-0.64	-0.23	0.08	-284606
1974	85.76	13.25	3.32	-1	-1.17	-0.25	0.09	-180820
1975	90.35	9.62	1.95	-1.06	-0.71	-0.22	0.08	-252190
1976	87.4	11	3.32	-0.79	-0.75	-0.24	0.05	-169719
1977	89.69	10.13	1.97	-0.97	-0.7	-0.19	0.07	-220074
1978	86.94	12.26	2.32	-0.75	-0.66	-0.14	0.04	-145906
1979	83.45	15.53	2.53	-0.69	-0.74	-0.11	0.03	-109972
1980	86.4	13.35	1.98	-1	-0.63	-0.15	0.05	-179019
1981	83.97	14.65	2.91	-0.71	-0.71	-0.14	0.03	-119185
1982	69.88	25.81	6.11	-0.5	-1.21	-0.12	0.02	-56981
1983	85.69	13.25	2.48	-0.65	-0.68	-0.12	0.03	-118334
1984	61.87	29.8	9.79	-0.33	-1.03	-0.11	0.01	-37085
1985	88.91	9.35	2.8	-0.45	-0.51	-0.14	0.02	-111821
1986	92.42	6.55	1.94	-0.35	-0.48	-0.11	0.03	-120560
1987	91.65	5.95	2.96	-0.37	0.01	-0.19	0	-140711
1988	95.5	3.99	1.03	-0.33	-0.12	-0.09	0.01	-179490
1989	388.26	-64.09	-237.16	-0.16	13.73	-0.61	0.04	1358
1990	103.39	11.39	-14.97	0.1	0.22	-0.13	0	17854
1991	99.56	5.51	-5.1	0.1	0.02	-0.09	0	37083
1992	0	0	0	0	0	0	0	0
1993	77.55	30.85	-8.05	0.18	-0.47	-0.05	0	15304
1994	71.67	35.27	-6.5	0.2	-0.6	-0.04	0	16558
1995	76.17	23.86	0	0.34	-0.36	0	-0.01	38082
1996	73.69	21.43	4.48	0.22	0.13	0.05	0	28630
1997	81.66	15.16	2.35	0.49	0.25	0.08	0.01	82350
1998	89.2	8.01	2.61	0.25	-0.14	0.08	0	72435
1999	86.48	10.76	2.28	0.47	-0.08	0.1	0	103683
2000	69.91	23.77	5.52	0.4	0.3	0.09	0.01	49035
2001	197.22	-71.36	-26.07	0.64	-0.67	0.23	0.01	-9360
2002	46.33	43.77	10.57	0.28	-1.01	0.07	-0.01	28463
2003	104.24	-1.99	-2.59	0.16	-0.02	0.2	0	-155585
2004	65.48	31.83	3.99	0.55	-1.89	0.07	-0.03	54371

Agricultural Policy and its Impacts: With India's membership in the WTO, Indian agricultural policies underwent significant changes. Agriculture became more integrated into the world commodity market and conformal to the liberal policy regime advocated by the IMF. The gradual abolition of input subsidies on fertilizers, irrigation, electricity and credit, removal of trade restrictions on agricultural commodities so that the domestic prices are not out of tune with world prices, unification of prices so that the current system of dual markets in food grains and other agricultural commodities disappears, drastic curtailment of food subsidy confining the Public Distribution System only to the deserving poor, removal of all restrictions on the choice of what to produce, where to sell etc, freedom of operations for agri-business and so on, the Indian

agriculture began assuming a new structure, markedly in contrast with the pre-1990 one. The structural changes have been observed in the land-use pattern for raising different crops. But fragmented small landholdings and poverty among the farmers severely limit the cultivation of crops for the market. The infrastructure for storage, transport, processing, grading and rating quality-standards are underdeveloped. Farmers are ignorant of the sophistication of global markets, as their experience is limited to primitive operations. The demand for most of the Indian farm products is very low on account of poor quality and quality control system. Therefore, with the poor prospects and scope for the export of Indian agricultural produce, the exporters face difficulties both in the domestic and foreign markets. For instance, Indian tea is a high-cost product. When cheaper tea comes into the market, the country's high-cost tea producers lose out. Yet, export oriented agriculture is gradually reducing the area of food cultivation, as more and more land is being used for cash crop production. The growing costs of agricultural inputs and shrinkage of the market for agricultural produce are not only causing problems for farmers, but are also affecting rural employment severely. There is widespread migration of agricultural workers to other states and to cities. With these changes, the agro-based industries have not been able to pick up momentum so as to provide a thrust to the industrialization process.

The Rural Economy and the Common Man after Globalization: The Indian agriculture has two main roles to play in the overall economy; first of providing food to the mass within the economy, and the second, to provide the commodities - food grains, fibers, oilseeds and other cash crops that make the inputs to the industries in the economy as well as the stuff that would earn the foreign exchange. In an economy where no less than the one third of the population is below poverty line, the first role of the Indian agriculture is not to be brushed aside in the dazzle of the flourishing multinationals-led industries and the drizzle of the foreign lucre.

It is estimated that nearly 40 percent Indians do not have access to regular and adequate quantities of food. Hunger, malnutrition and under nourishment are widespread. In some parts of the country many persons are stalked by death due to starvation, although the quantum of food grains in the stores or even produced annually does not warrant that. Such unusual hunger amidst plenty can be attributed to a host of reasons, many of which are direct or indirect consequences of the structural adjustment and stabilization programmes India adopted at the start of the nineties. The government set out to reduce subsidies and fiscal deficit by cutting state expenditure on rural development, cutting food subsidies, reducing priority credit to agriculture and allowing Indian agricultural prices to move closer to world prices, which led to increased food prices. All of this however meant falling rural employment and real wages for the landless, and more insecure and volatile incomes from cultivation for small farmers. Simultaneously food prices in the Public Distribution System (PDS) went up because of the reduction in food subsidies. Very few could purchase food grains at such high prices. The government was left with huge stocks, and it ran up enormous storage costs. Structural adjustment and stabilization programmes failed to reduce subsidies and fiscal deficits. The only effect has been on poverty and its consequences - hunger, malnutrition, infant and neonatal mortality and deaths due to starvation. India now has 360 million people below the poverty line, of which 50 million are the poorest of the poor, those living in conditions of extreme deprivation (<http://www.kisanwatch.org>).

In the 1990s, food grain output in India fell below the population growth rates. The last time such a situation occurred was in the 1960s. The opening up of Indian agriculture to trade boosted the demand for non-food crops for export. Although total agricultural output still rose during the 1990s, liberalization reversed the recovery the country was making in per capita food availability, undermining the food security of the country.

Within the first half of the 1990s, growth of food output had decelerated to 1.7 per cent compound every year. During the same period population grew at 1.9 per cent compound every year. The thrust on exports of agricultural produce has resulted in a significant change in cropping patterns. Indian producers have been diverting more and more cultivable land from food grains and pulses to the production of oilseeds, cotton, horticultural crops, prawn culture, animal husbandry etc.

In addition, the land on which no well-defined property rights exist (for example, the village commons) are being fenced off and export crops are being sown either directly by the agri-businesses or by farmers they contract. A rapid increase in prawn culture has made many nearby plots saline and unsuitable for cultivation, forcing their owners into the ranks of the landless labour. Rapid growth of exports of animal products implies that a greater proportion of the declining grain output is being used as fodder. Area under food grain cultivation in 1999-2000 was 4.6 million hectares less than in 1990-91. The most severe decline has been in coarse grains and pulses, which are the main food grains of the poor. Gross area under coarse grains fell by almost 6.8 million hectares between 1990-91 and 1999-2000. For pulses the area fell by 2.4 million hectares. However, area under rice in 1999-2000 was 1.9 million hectares higher than in 1990-91 and area under wheat went up by 4.4 million hectares during the same period (<http://www.kisanwatch.org>).

Area and Production of Basic Food Crops in the Post-Globalisation Decade						
Year	Coarse Cereals		Pulses		Total	
	Area (m hectares)	Production (m tonnes)	Area (m hectares)	Production (m tonnes)	Area (m hectares)	Production (m tonnes)
1990-91	36.3	32.7	24.7	14.3	61.0	47.0
1991-92	33.4	30.0	22.5	12.0	55.9	42.0
1992-93	34.4	36.6	22.4	12.8	56.8	49.4
1993-94	32.8	30.8	22.3	13.3	55.1	44.1
1994-95	32.2	29.9	23.0	14.0	55.2	43.9
1995-96	30.9	29.0	22.3	12.3	53.2	41.3
1996-97	31.8	34.1	22.3	14.2	54.2	48.3
1997-98	30.8	30.4	22.9	13.0	53.7	43.4
1998-99	29.5	31.5	23.8	14.8	53.3	46.3
1999-2K	29.5	29.4	22.3	13.6	51.8	43.0

Source : Mediabase, FAO; m = million

Per Capita Annual Availability of Food Grains (in kg.)				
Item	1989-92	1992-95	1995-98	1998-2001
Cereals	159.3	156.5	156.6	149.1
Pulses	14.2	13.6	12.7	11.8
Food grains	173.5	170.1	169.3	159.9
Source: M.S. Swaminathan, 2002.				

Per capita availability of food grains decreased drastically during the 1990s. Rising population, decline in output of coarse cereals, stagnation in pulses production, rising use of cereals for animal feed purposes, rising stocks in FCI storage, etc. are some of the most prominent reasons that led to the said decline. Besides, poverty became more widespread and intensified. During 1989-90 to 1991-92, the annual average adjusted per capita food grains availability was 173.5 kg. It fell to 159.9 kg during the period 1998-99 to 2000-01. While cereals availability fell by 11.2 kg per head, pulses fell by 2.4 kg. (Swaminathan,2002).

In India, food security for the poor is closely linked with the PDS. After globalization, the issue prices for the PDS have risen very sharply. In 1997, while the targeted PDS (TPDS) was introduced, the government reduced the off-take from the PDS quite substantially. Consumers were divided into *below poverty line* (BPL) and *above poverty line* (APL). The government calculated the economic cost as a sum of the procurement cost (Minimum Support Price or MSP) and storage, transportation and administrative costs. The economic cost thus calculated worked out to be more than the market prices in most areas. The MSP has been rising continuously and since 1998 it has exceeded the prices recommended by the CACP. The government has also to protect the interest of the farmers as well as respond to the pressure generated by the farmers and their sympathizers in the political circles. This compulsion on the part of the government led to a rise in the economic cost of the public stocks. Under the 1997 policy, APL consumers were to purchase grain from the PDS at a price equal to the economic cost, while the BPL consumers were expected to pay half the APL price. No wonder if the prices that fully cover the said economic cost are higher than the free market prices. This led to the total withdrawal of the APL consumers from the PDS, while for the BPL consumers the issue prices were too high, making the purchase from the PDS beyond their means. The off-take of rice and wheat taken together fell by about 10 million tonnes in 2000-01, adding further to the already burgeoning grains stockpiled with the Food Corporation of India (FCI). We witness this paradox in our country - about 70 million tonnes of wheat and rice in Government stocks and over 200 million children, women and men chronically undernourished (Dev, 1996).

Under the prevailing circumstances one cannot suggest to scrap the Public Distribution System (PDS), it should rather be further extended to the rural areas. It requires creating more employment opportunities for the rural people. There is a need to ensure that the cultivators get stable prices. More strategies for water harvesting should be evolved for cultivation in rain-fed areas and agricultural research should be directed towards providing food for the masses, and not towards generating profits for the agri-multinationals. To survive, India has to look at agriculture differently as it is the very

backbone of our livelihood and ecological security systems, as well as our national sovereignty (Patnaik, 2001).

Globalization of the Indian economy in general and the rural economy in particular will necessarily be modified in view of the forces and structures mentioned above. It is true that the Globalization forces will also modify these structures in due course, but it is unlikely that it will occur in the short run. What is most likely in the short run is the reinforcement and streamlining of the dualistic structure, and further deepening of the hiatus between the rich and the poor and between the rural and the urban. Today, in the post-globalization era, one is not surprised if an employee (in the top rung) of a private concern (or a privatized organization in which the government has 51 percent stake) gets Rs. 3 lakh/month or more as salary plus hefty perks, but the agricultural labourers' minimum wage rates fixed by the government lie in the range of Rs. 50-100 per day, well below the subsistence wages as per the ILO criteria (ILO, 1996).

Impacts of Globalization on the Urban Sector: Mathur (2003) observes: "Reviews of the post-1991 city-level changes show interesting results. One: expansion in trade, capital flows, and consistently high economic growth as embodied in GDP, has not led to any acceleration in the overall urban growth or growth of large cities. Two: globalization has not resulted in any expansion of overall employment opportunities. It has selectively led to expansion of opportunities in retail trade, communications, and financial, banking, and real estate services. Third: globalization has meant an increased demand for residential, office and commercial space. On a limited scale, residential space has been converted into commercial malls; new shopping plazas have sprung up, and townships with quality infrastructure have been developed around major cities to accommodate the branch offices of multinational and domestic companies. Four: globalization has influenced city-level policies wherein new institutional and financial arrangements are being forged to improve service delivery and management and enhance city-level productivity. An overall assessment of city-level changes is that these are few and limited. City transformation has not occurred. With the exception of new physical development and some special restructuring, no landmark shifts have occurred in urban form. Moreover, the changes appear to be isolated and "add-on", rather than signaling a structural shift in the economy of cities. The basic postulate that major improvements in infrastructure services can occur only if they are undertaken within the context of city economies is still in an infant stage"

Business process outsourcing and Call Centres that flourished in Indian metropolises in the last few years run in the nights to coincide with the daytime office hours in the West. This working at nights requires adjusting the biological clock and social practices to a different time, which is turning out to be a major cause for health-related and social problems.

Noticeable changes are occurring in family structure, especially in the urban centres, and fertility is falling due to a weakening of traditional family controls and a declining value given to procreation. Marriage is being considered as economic transaction, leading to serious threat to young women. The declining value of their procreative power puts women at the mercy of impersonal, market-driven economic forces with which they are ill equipped to deal.

Dualistic Structure and Globalization: Although economic in the core, globalization has pervasive effects on the society (Bauman, 1998 and Castle, 1999). It has its impact on the social structure, values, social institutions and attitudes. India is a multilingual, multiethnic and multi-cultural society. Globalization has impacted noticeably on cultural identity and social harmony among various social groups. The Indian social structure is extremely categorized; replete with a multitude of enclaves of several types and strata. There are enclaves making rural-urban, men-women, caste-dalits, organized-unorganized, formal-informal, and so on.

As Boeke (1953) has put it, it is possible to characterize a society, in the economic sense, by the social spirit, the organizational forms and the technique dominating it. These three aspects are interdependent and in this connection typify a society, in this way that a prevailing social spirit and the prevailing forms of organization and of technique give a society its style, its appearance, so that in their interrelation they may be called the social system, the social style or the social atmosphere of that society. Less developed economies, especially with a history of prolonged colonial rule, often exhibit a simultaneous existence of two (or more) enclaves of socio-economic systems, characteristically and conspicuously different from each other, and each dominating a part of the society, the economy and the polity. These enclaves markedly differ in matters of ownership of resources, production relations, the social spirit, institutions, customs, mores and attitudinal structure, socio-economic and political organization, technological know-how and its application and so on. Of course, between these enclaves there exists a gray zone where distinction may not easily be perceived. This gray zone might be the crucible for integration, but it is equally likely that a colloidal admixture of heterogeneous elements persists for long and camouflages integration process. In any case, the rate of integration is extremely slow such that these enclaves persist for long. The said enclaves often resist the functioning of each other. They function not in harmony but in conflict with each other. Frictional losses are significantly large. Dutta (2002) has highlighted that India has a structural dualism at the very aggregate level. This means that India has two different socio-economic-technological environments, the organized (or modern) segment (predominantly capitalistic) and the unorganized (or traditional) segment (predominantly pre-capitalistic), co-exist within its geographical boundary.

A step farther, India is an instance of pluralistic society. Basic loyalties are to families, villages, or groups held together on the basis of religion, language, ethnic origin, or caste rather than to the community as a whole, whether on the local or the national level. A wider loyalty to country, backed by firm rules and punitive measures, is the necessary foundation for modern western and communist mores, by which certain behaviour reactions are kept apart from consideration of personal gain. In India, the stronger loyalty to such smaller groups invites nepotism, in itself a form of corruption, and in general encourages moral laxity. The prevalence of corruption is another aspect of the soft state and generally implies a low level of social discipline.

The nature of organization and decision-making in less developed economies is far distinct from those in the developed economies. The most fundamental unit of organization and decision-making is the household. In the developed economies places of work are separated from households. Not merely is official money and materials distinguished from the private property of the head of the enterprise and his staff, but no

confusion is permitted between decision relating to the running of the enterprise and the decisions of households. That, in almost all cases, the workplace and the private dwelling-place are in different places, is the reflection of this fact. This separation is one of the important features of the developed economies. But in the less developed economies matters are quite different. These economies have not fully shed off the superstructure of their traditions. In the less developed economies even today, agricultural workers are employed, who are engaged for a fixed period of time for wages, live under the roof of the employer, are supplied with clothing as well as food by him, and are put to work of cultivating or at other tasks at the master's command. That blurs the separation pointed out above, so vivid in the developed economies. From the point of view of economics, the failure completely to separate the enterprise and the household is most note-worthy in the case of agriculture and the private business and these two make the larger part of the Indian economy. Because of the fragile basis on which the farmer and the owner of the private firm conduct their businesses, it is difficult for them to resort to the modern capital market for finance, and they must therefore supply the greater part of their needs for finance from their own savings. They differ from company officials, government officials and workers; they are not in a position to make large consumption decisions until they have considered the disposal of the funds relating to their business operations. Their household consumption plans and their business investment plans are mutually interlinked and determined simultaneously, and in this sense the household is not independent of the business. (Morishima,1976).

A larger part of the Indian economy is yet to become fully market-oriented. The pecuniary culture has not yet pervaded the psyche of the people (in the rural area in particular) that makes the basis of savings and investment in the modern economies. In that sense, economic rationality is yet to charge the minds of the mass. Poverty is intense and widespread. It may be noted that until man has reached a fairly high level of attainment, the systematization of his varied wants and the ordering of preferences within the possibilities permitted to the individual are not possible. Where this high level has not been reached, man's behaviour will be determined entirely according to custom or impulse. In that case a person's behaviour always fits a fixed pattern, which is decided by custom. Even where it is possible for him to follow a course whose outcome would clearly be more favourable than that given by custom-dictated behaviour, being unaware of it, he will behave as he himself did in the past, and as other people are doing at present. On the other hand, in the absence of any custom, a person's conduct is subject to no rule whatsoever; from the various possibilities confronting him he simply adopts randomly whatever enters his head. In short, the decisions are made either under customs or under impulse. These are two extreme cases, but they have this in common: there is no surveying of the totality of possibilities facing a person; there is no comparative consideration taken of them. People who are unable to order their wants and to exercise self-control will probably belong either to the type, which is ruled by blind obedience to custom, or to the type governed by impulse. They are unable to behave with objective rationality. In juxtaposition, developed economies have a fully developed educational system. As a result every single man is educated, at least up to the point where he can arrange his wants in his own preference order. When people are able to order their wants, what has to be done to be best able to satisfy those wants becomes clear. A person's behaviour may change in the face of each change in circumstance, but the conclusion to be drawn from this is not that he is arbitrarily changing his mind, but that he is adopting his behaviour to changing circumstances in

order to carry through the principle of maximum satisfaction of wants. (Morishima, 1976). Hence the choice between various types of wants, between the present and the future, between various avenues of investment, etc. in the less developed economies are rarely guided by the economic rationality so pervading in the developed economies.

Social Implications: Gender-based dualistic enclaves are particularly important to mention. Globalization has widened the gap between the two enclaves. It may be noted that women workers are mostly employed in the unorganized sector. They may frequently be found in vast numbers in the mining activities and the export industries which earn the foreign exchange to service the country's external debt, stitching garments, assembling electronic circuits, cleaning shrimp, plucking tea, working at subsistence or below-subsistence wages. Globalization, mostly discriminating against the unorganized sector, has pushed them farther to the margin (Hensman (2001), Saptari (2001), Revolutionary Publications).

The percentage of workers in manufacturing in urban areas has decreased since 1977, a trend that has continued apace between 1987-88 and 1993-94, while two sectors that have experienced systematic increases in employment share are wholesale and retail trade and community and other services. Kundu (1997) explains the loss of manufacturing employment in terms of jobs being subcontracted out by large manufacturing units to smaller ones which are often household units that classify themselves as service units (Dutt and Rao, 2000).

The caste-based social enclaves are the next instances. A great majority of the *dalit* workers are still connected with agriculture, out of which a large chunk makes landless labourers. In the urban areas, they work mainly in the unorganized sector. The increasing gulf between the urban and the rural sectors, the terms of trade being in favour of the urban sector, would affect them most harshly. The tribals of India have been further marginalized during this period of globalization (Revolutionary Publications).

Globalization has also added to the disparities among the states, with private capital only concentrating on those developed states that have the infrastructure that guarantees quick returns.

Thus, globalization has differential impact on different categories of people. Plainly, globalization throws up winners and losers. Generally, big businessmen, professionals and the young living in cities benefit from it; the rest lose. The percentage figure of winners is abysmally low: a mere 3% of the population! Those who suffer most, are Dalits, tribals, women, poor peasants, unorganized workers and minority populations. Globalization, in short, increases economic and political inequalities (Bhargava, 2003)

The Consumers' Concerns: After globalization, the consumer goods industries have become ever more aggressive advertisers and sellers. While the sale is highlighted, consumers' safety, health or well-being is of no concern. Most packaged foods, cosmetic aids and fashion accessories being aggressively sold may not be exactly harmful, but one can certainly debate whether the resulting benefits are commensurate with the levels of social labor and investment that went into their creation. Of course, from the perspective of the "free market" anything that can be sold for a profit is a "valuable" product - but it may not be necessarily so from the perspective of an

unbiased consumer. The barrage of advertising pressure that every one is subjected to in these times allows little room for most consumers to make truly intelligent choices. In today's "free market", consumption (under the powerful gun of sophisticated advertising) is hardly of any-ones "free choice" or natural volition (South Asian Voice, 1999, 2001).

Concluding Remarks: The process of globalization not only opened up the economy and accelerated cross-border mobility of persons, goods, capital, data and ideas but also opened up the society to infections, diseases and pollution, drugs, criminalization, etc (UNESCO).

The mixed picture that emerges on economic performance and on changes in employment, inequality and poverty makes it extremely difficult to generalize on what the impact of globalization has been. In part, this is because globalization is a complex phenomenon. Observed outcomes such as changes in the level of unemployment and of poverty reflect the combined results of a complex of factors of which globalization, however broadly defined, is but one. Domestic structural factors such as the degree of inequality in the distribution of income and wealth and the quality of governance are often important fundamental influences on these outcomes. It is important to avoid the common error of attributing all observed outcomes, positive or negative, entirely to globalization (The Financial Express, 2004).

References

Ahluwalia, M.S (2002) "Economic reforms in India since 1991: Has Gradualism Worked?," *Journal of Economic perspectives* 16(3), 67-88.

Bardhan, P (1984) "The Political Economy of Development in India", Basil Blackwell, Oxford, 1984. Expanded Edition, Oxford University Press, New Delhi.

Bauman, Z (1998) "Globalization: The Human Consequences". Columbia University Press, New York.

Bhargava, R (2003) "India in the face of Globalisation", www.openDemocracy.net

Boeke, J.H (1953) "Economics and Economic Policy of Dual Societies, as Exemplified by Indonesia". International Secretariat, Institute of Pacific Relations, New York.

Castles, S (1999) "Development, Social Transformation and Globalisation" Delivered at workshop in Centre for Asia Pacific Social Transformation Studies, University of Wollongong, Australia, 23-25 June.

Cochhar, K (2004) "India: Macroeconomic Implications of the Fiscal Imbalances". Conference on Fiscal Policy in India National Institute of Public Finance and Policy (NIPFP) and the International Monetary Fund (IMF), New Delhi.

Dev, SM (1996) "Food Security: PDS vs. EGS: A Tale of Two States", EPW, July, pp. 1752-1764.

Dutt, AK and Rao, JM (2000) "Globalization and its Social Discontents: The Case of India", Working Paper No. 16, CEPA Working Paper Series I: Globalization, Labor Markets, and Social Policy. Center for Economic Policy Analysis, New School University, New York.

Dutta, D (2002) "Effects of Globalisation on Employment and Poverty in Dualistic Economies: The Case of India", School of Economics and Political Science, University of Sydney.

Hensman, R (2001) "The Impact of Globalisation on Employment in India and Responses from the Formal and Informal Sectors" IIAS/IISG, CLARA Working Paper, No. 15, Amsterdam.

ILO (1996). "Wage workers in agriculture: Conditions of employment and work". (Report for discussion at the Tripartite Meeting on Improving the Conditions of Employment and Work of Agricultural Wage Workers in the Context of Economic Restructuring). International Labour Organization, Geneva.

Joshi, V and Little, IMD (1994) "India: Macroeconomics and Political Economy: 1961-91", World Bank, Washington, DC.

Kundu, A (1997). "Trends and Structure of Employment in the 1990s. Implications for Urban Growth", Economic and Political Weekly, June 14, 1399-1405.

Mathur, O.P (2003) "Impact of Globalization on Cities and City-Related Policies in India" Occasional Paper no. 4, Urban Partnerships Foundation, Inc.

Morishima, M (1976) "The Economic Theory of Modern Society", Cambridge Univ. Press, Cambridge, London.

Olekals, N and Cashin, P (2000) An Examination of the Sustainability of Indian Fiscal Policy, at www.economics.unimelb.edu.au/research/workingpapers/wp00_01/748.pdf

Panagariya, A (2004) "India in the 1980s and 1990s: A Triumph of Reforms" : revised paper, originally delivered at IMF-NCAER Conference, "A Tale of Two Giants: India's and China's Experience with Reform," November 14-16, 2003, New Delhi.

Patnaik, U (2001) "Falling Availability of Foodgrains for Human Consumption in Reform Period", People's Democracy, September 30.

Revolutionary Publications (200-?) "Globalisation: An Attack on India's Sovereignty" www.peoplesmarch.com/publications/globalisation/chapter14.htm, date of Publication not mentioned, viewed on March 12, 2006.

Saptari, R (2001) "The Impact of Globalization on Employment in India and Responses from the Formal and Informal Sectors", Seminar of CLARA fellow: Rohini Hensman, Bombay.

South Asian Voice (1998) "Liberalization: Where it has led us and where it is headed" South Asian Voice, July, 1998.

South Asian Voice (1999) "Liberalization, Infrastructure and Quality of Life", South Asian Voice, May, 1999.

South Asian Voice (2001) "Economic Growth and Social Well-being", Market-Driven Economic Policies and Social Ramifications, South Asian Voice, July, 2001.

Swaminathan, M.S (2002) "Food for Peace and Development", The Hindu, January 10. Viewed on 21/4/2006.

The Financial Express (2004) "Social Impact: Good Or Bad, It All Depends On How You See It", Excerpted from the document, A Fair Globalization: Creating Opportunities For All, brought out by the World Commission on The Social Dimension of Globalization, The Financial Express, Feb. 27, 2004.

UNESCO (2002) "Globalisation, Drugs and Criminalisation: Final Research Report on Brazil, China, India and Mexico" UNESCO, Available at UNESCO's Website http://www.unesco.org/most/globalisation/drugs_1.htm

1. Working Paper (2006), Department of Economics, NEHU, Shillong

2. The authors are associated with the Department of Economics, NEHU, Shillong, Meghalaya, India

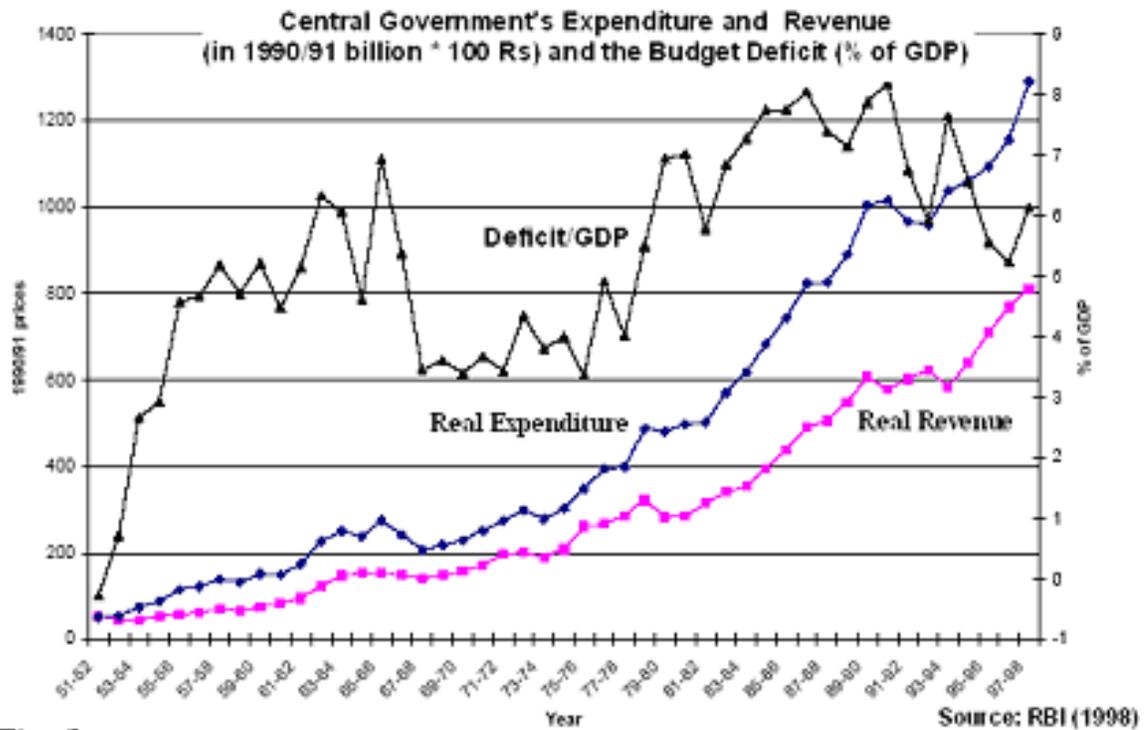


Fig. 1

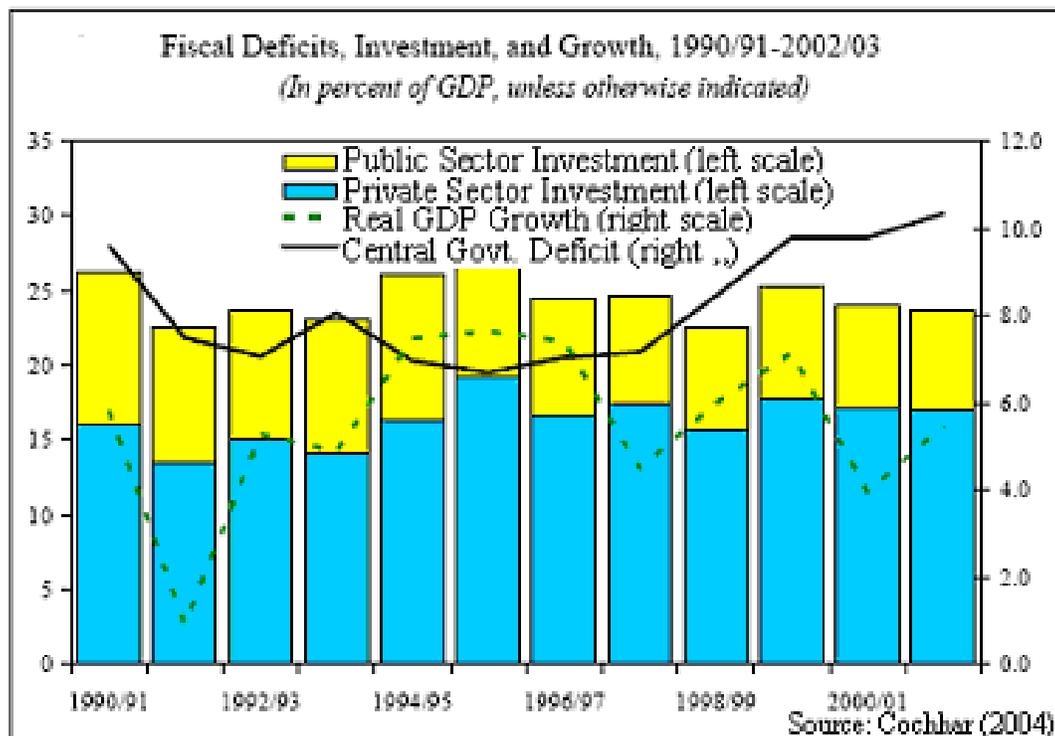


Fig. 2

Gold Reserves (US \$ million) of India

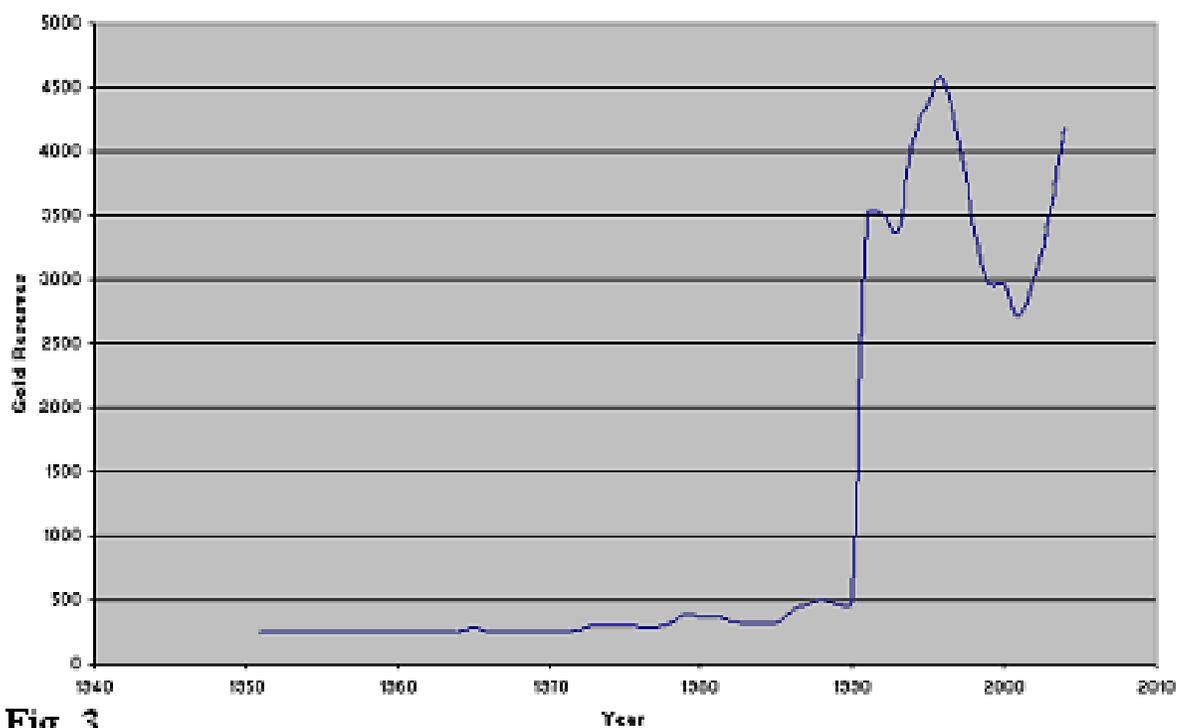


Fig. 3

Foreign Currency Assets (US \$ million) of India

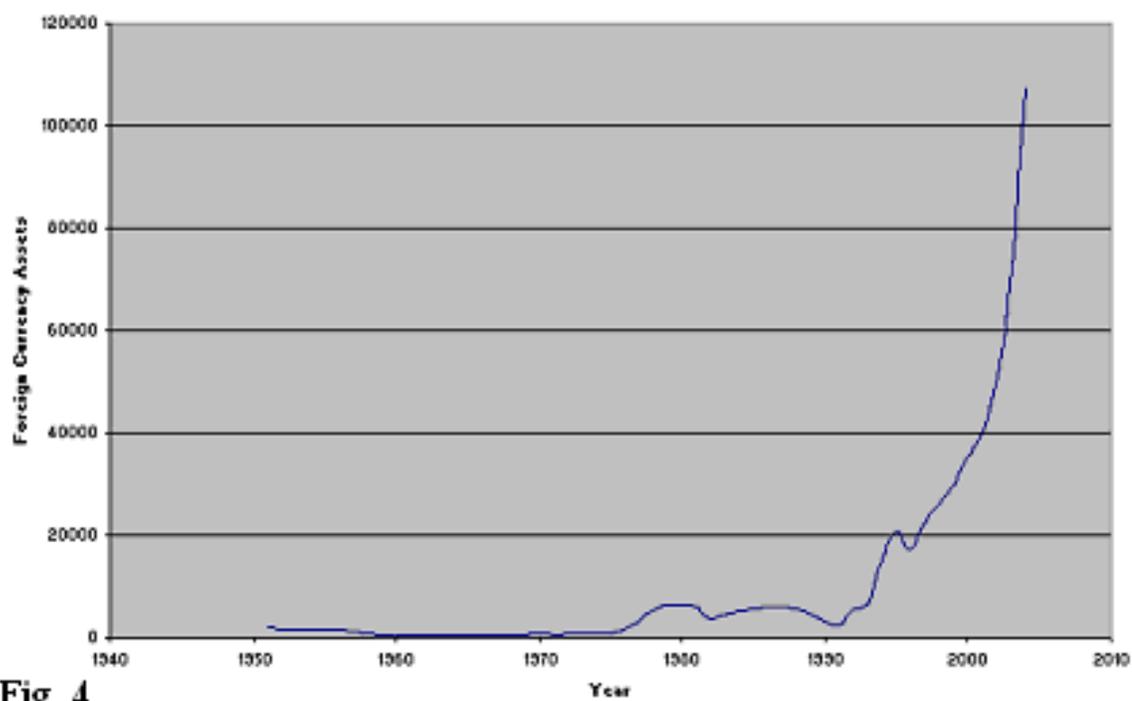


Fig. 4

Foreign Exchange Reserves (US \$ million) of India

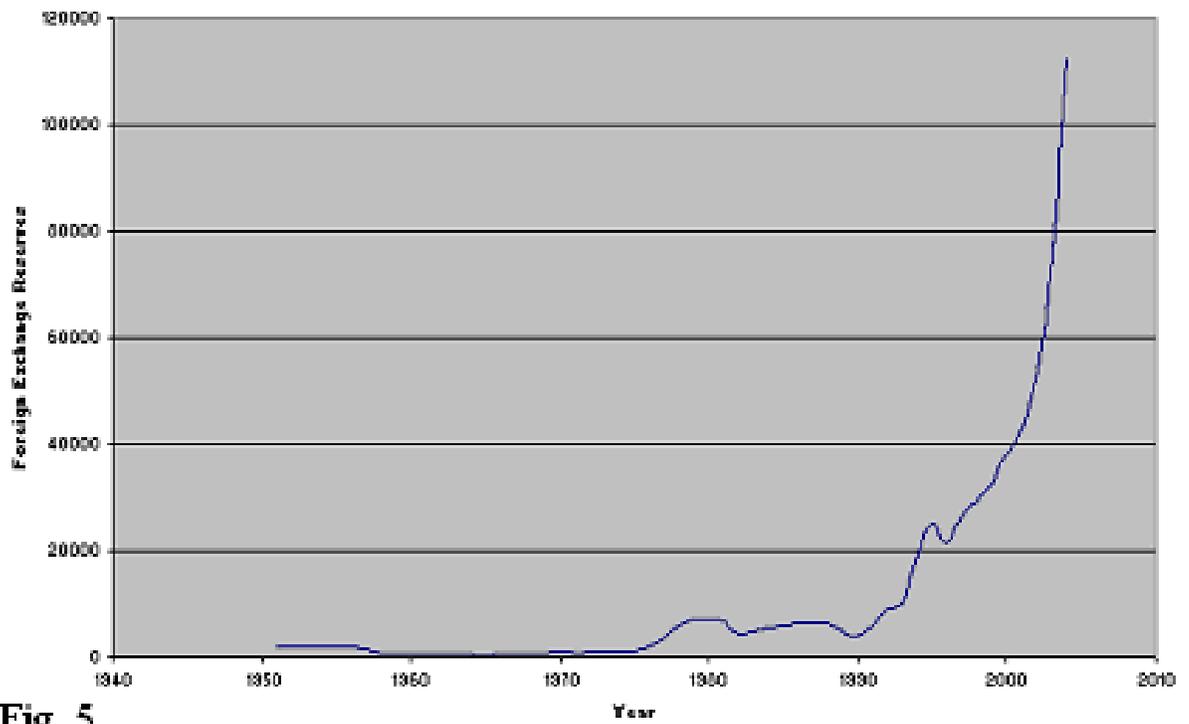


Fig. 5

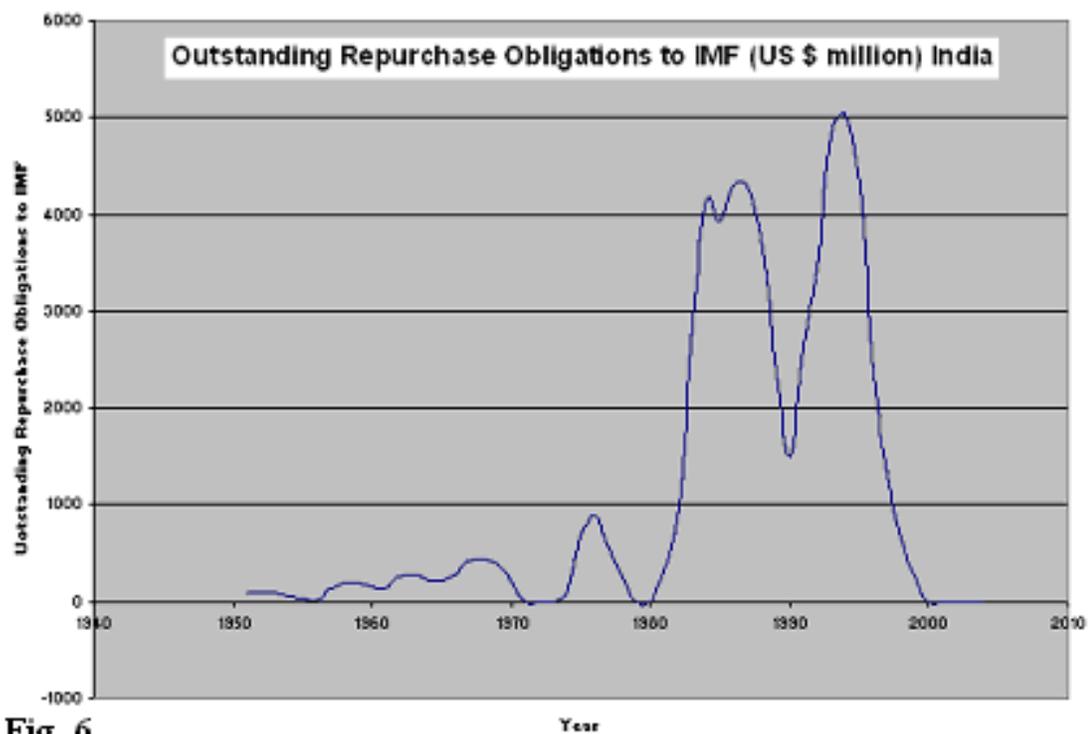


Fig. 6

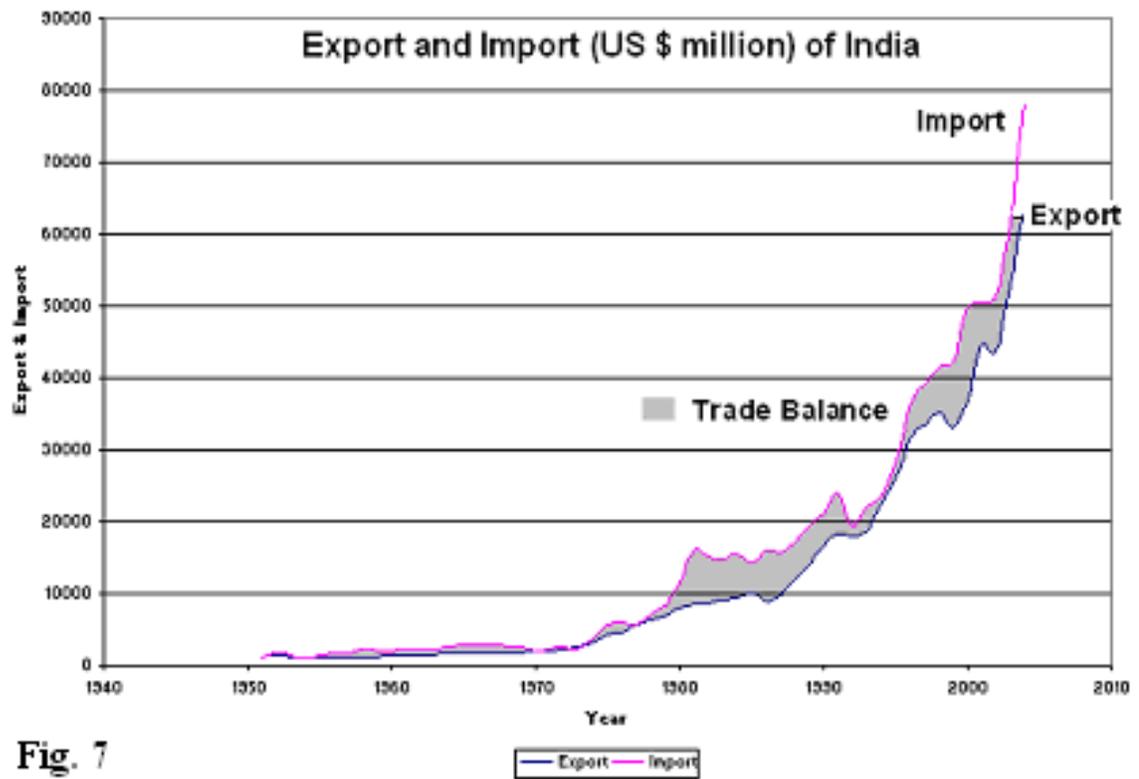


Fig. 7



Fig. 8

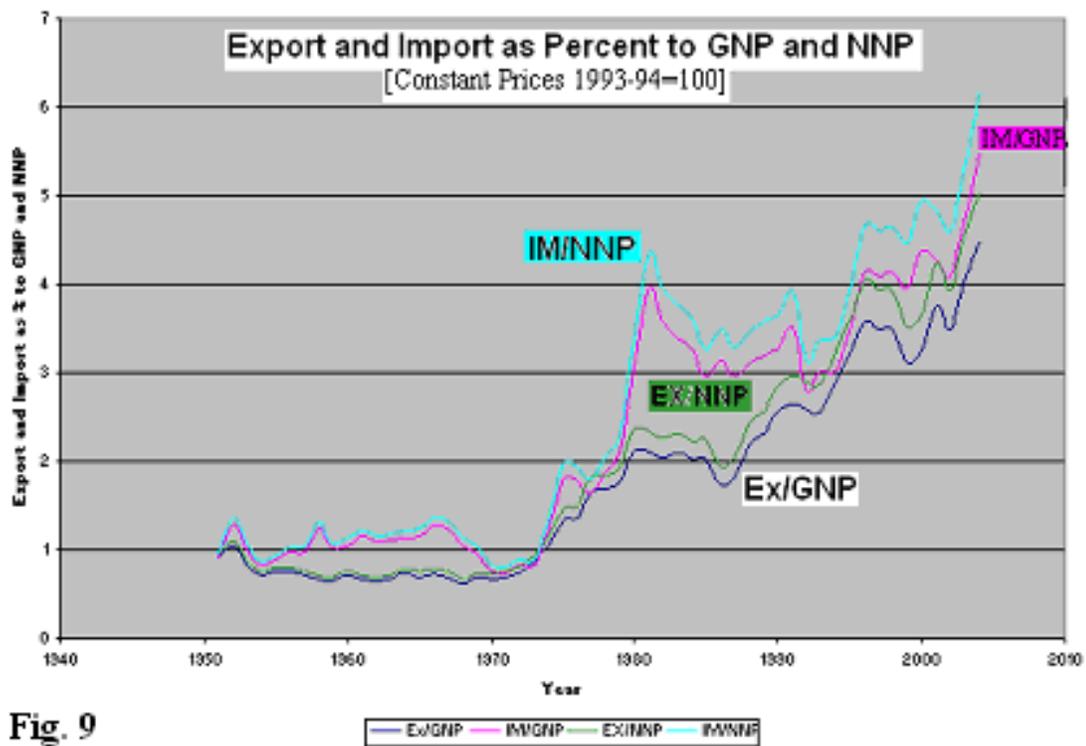


Fig. 9

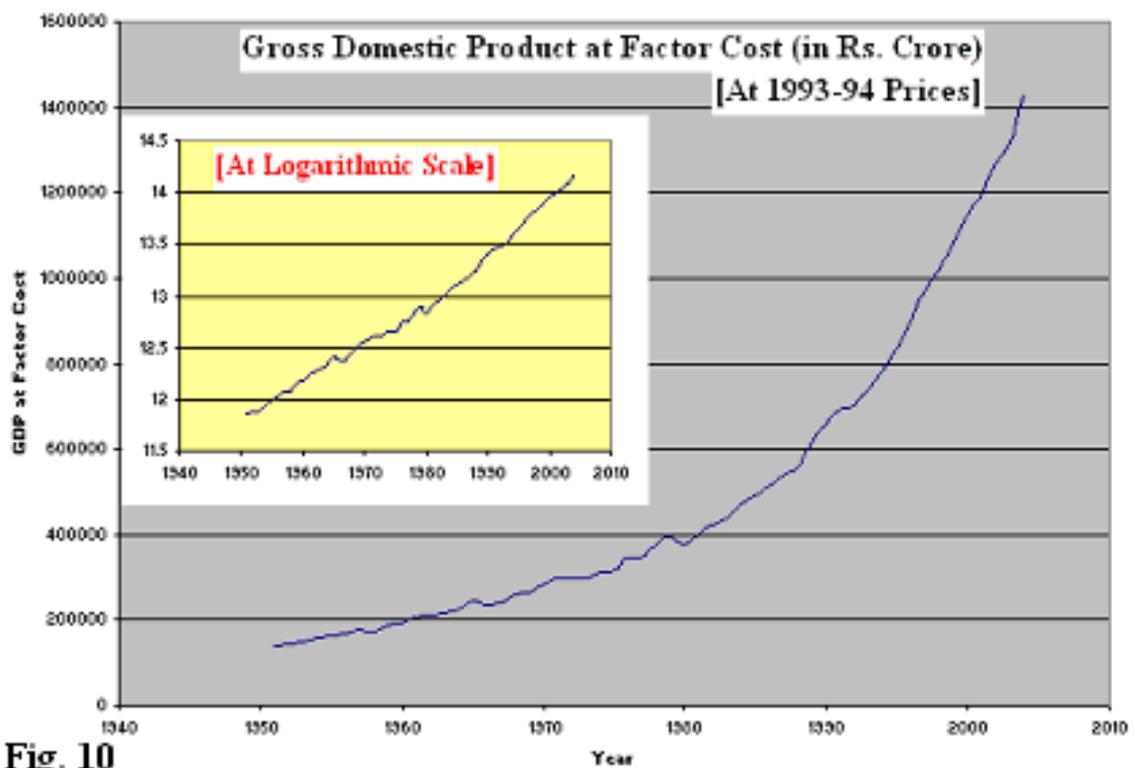


Fig. 10

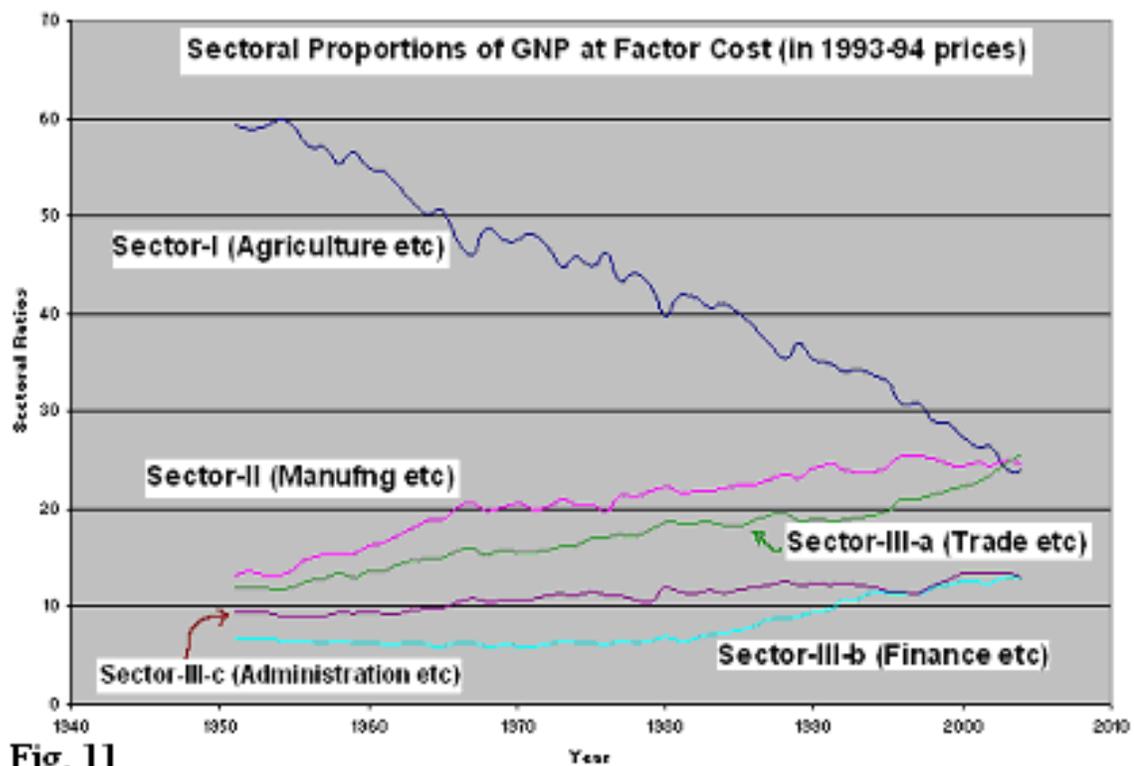


Fig. 11

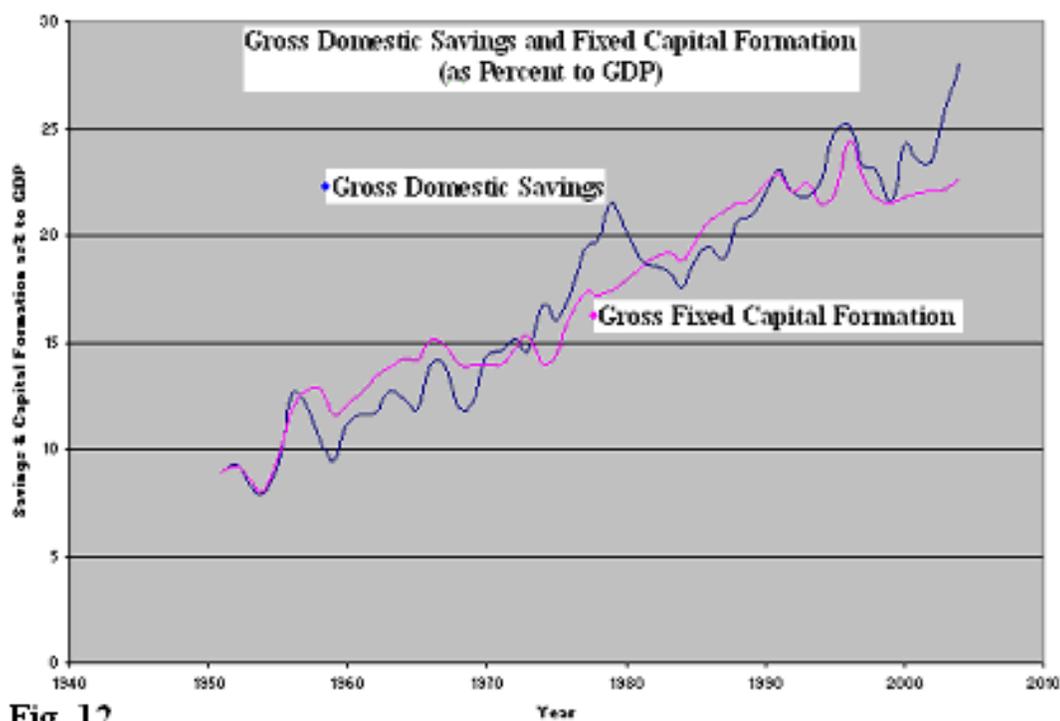


Fig. 12

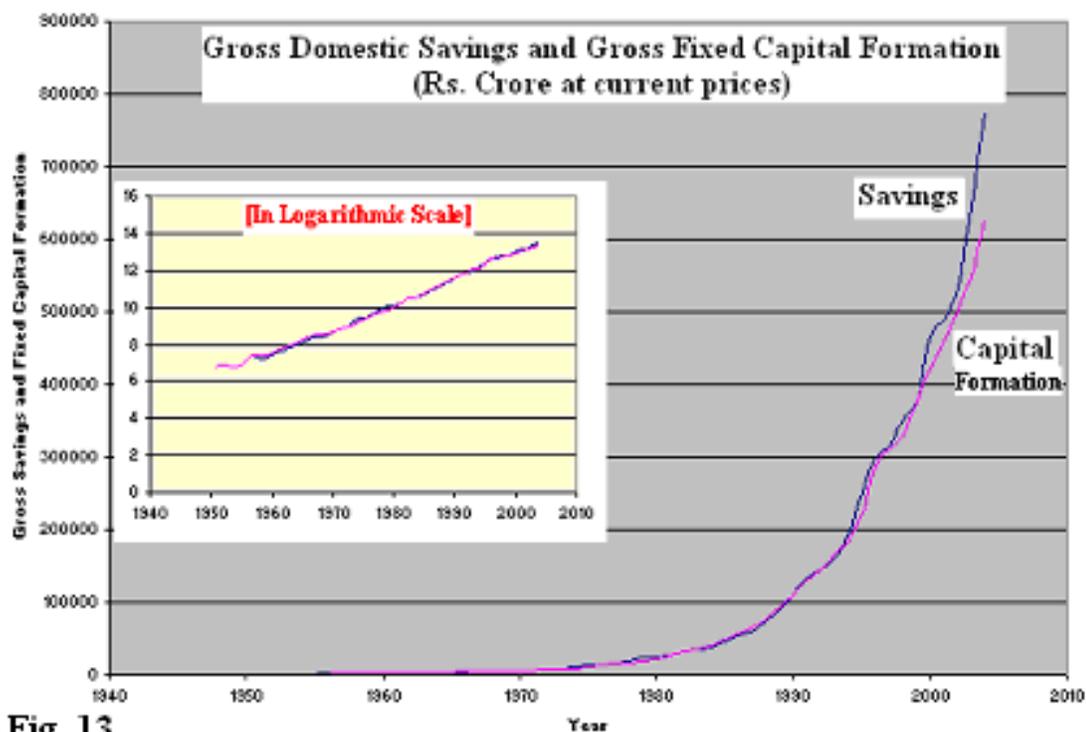


Fig. 13

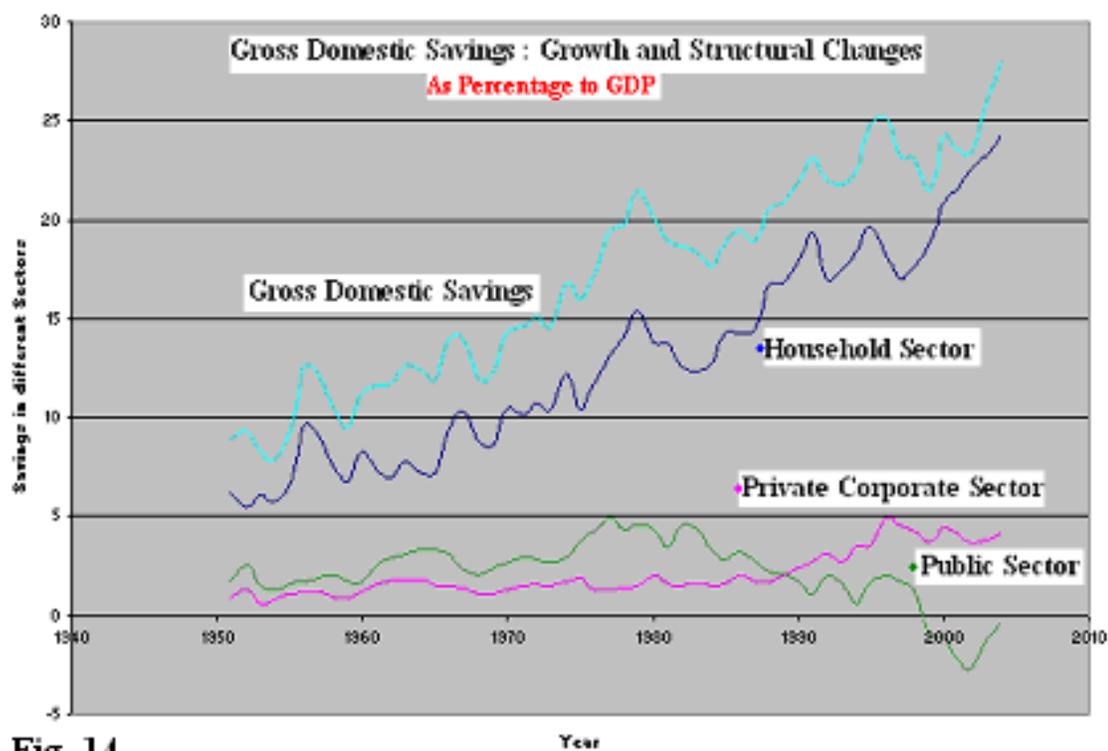


Fig. 14

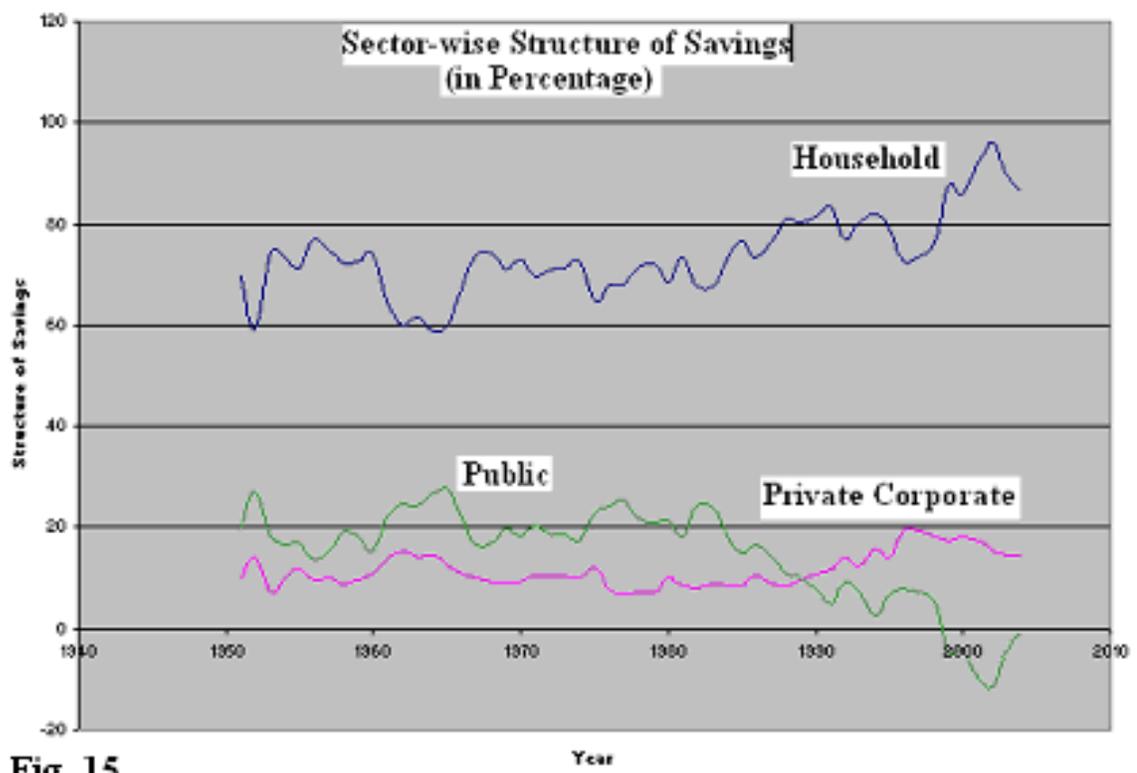


Fig. 15

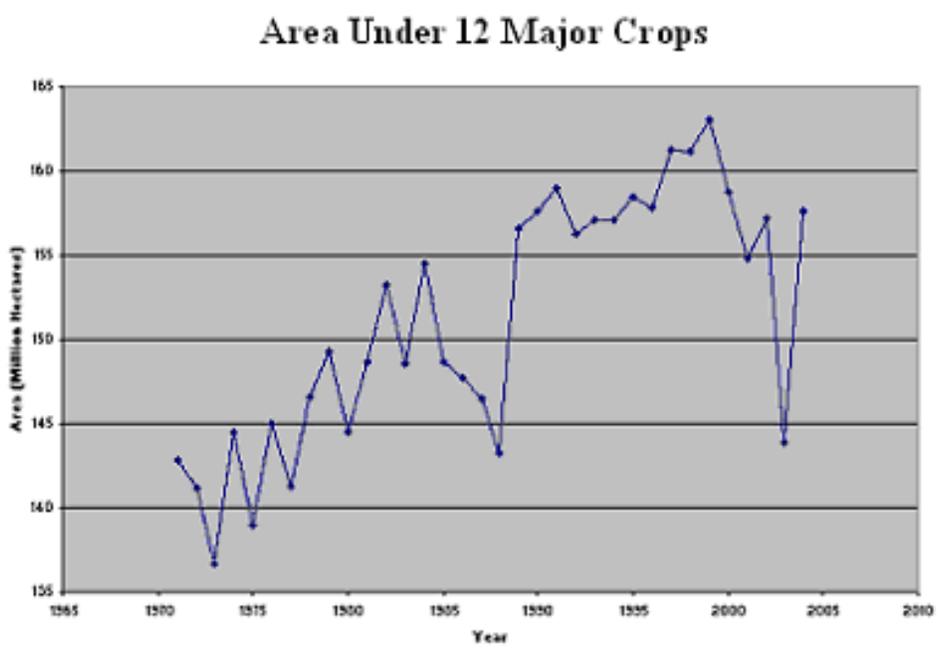


Fig. 16

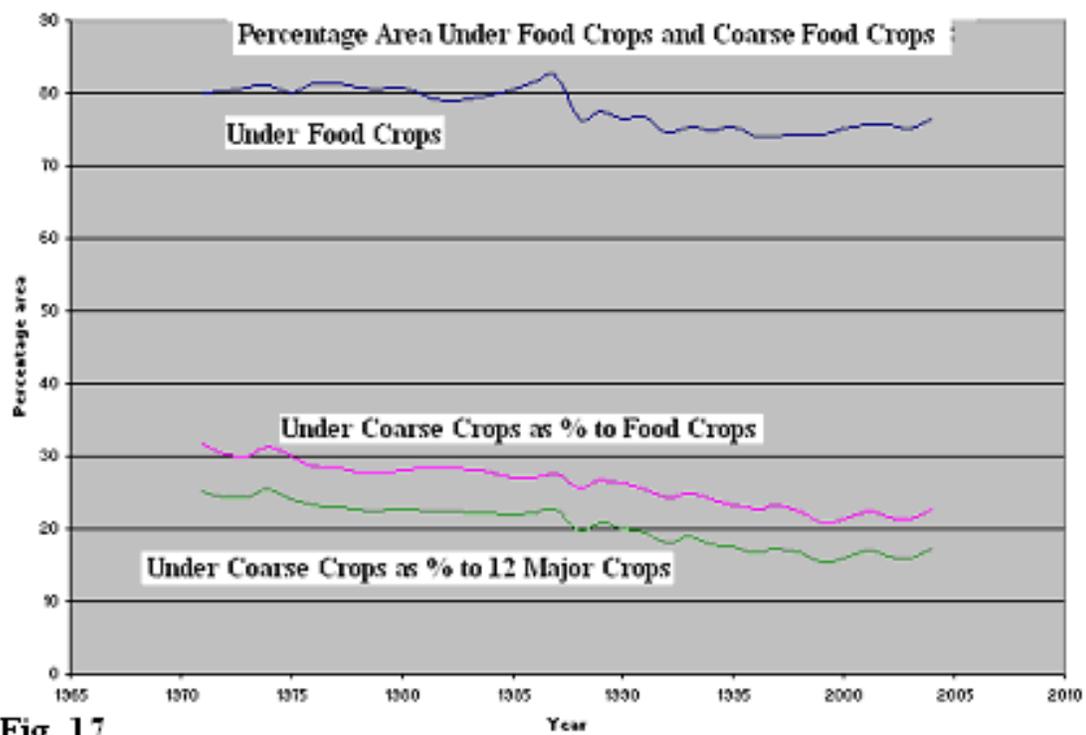


Fig. 17

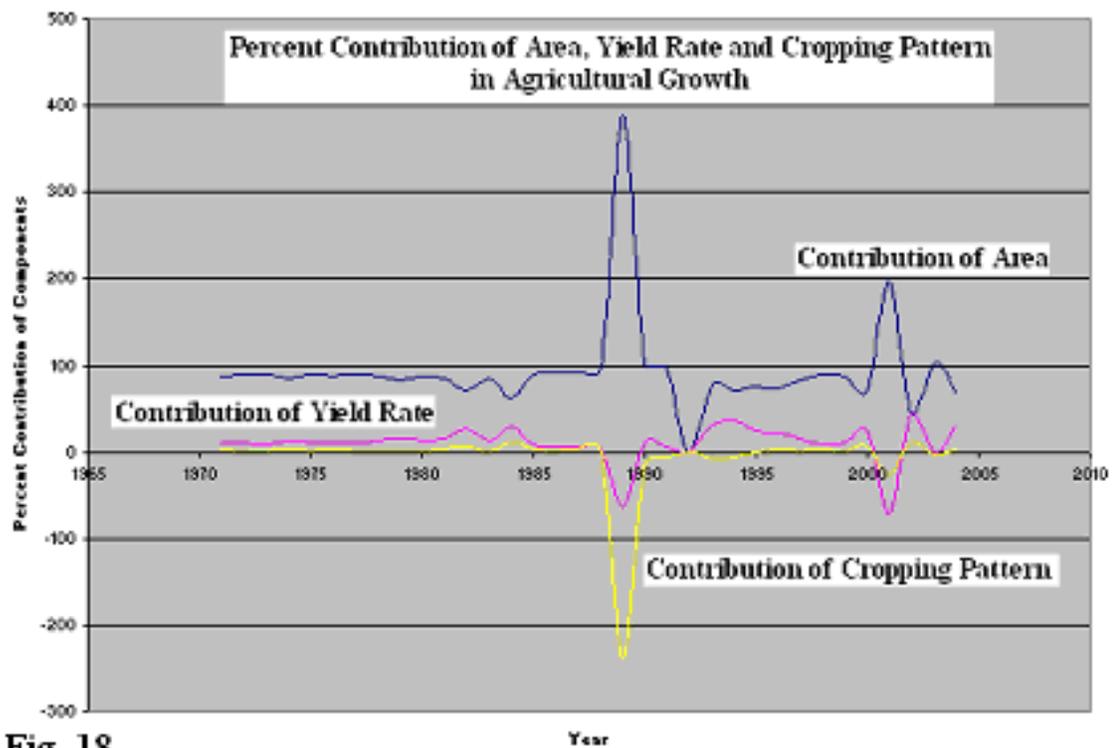


Fig. 18