



Cape Peninsula
University of Technology

**THE FUNCTIONAL RELATIONSHIP BETWEEN
GLOBALISATION, INTERNATIONALISATION, HUMAN
RESOURCES AND INDUSTRIAL DEMOCRACY**

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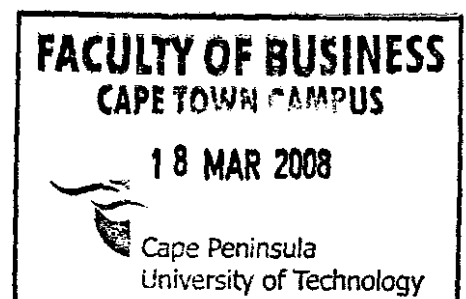
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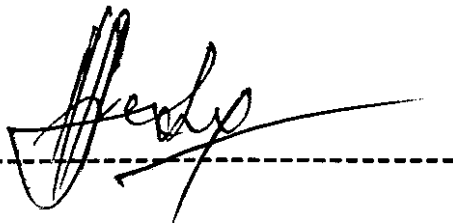
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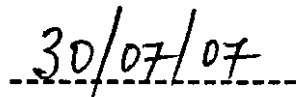
DECLARATION

I, **Wilfred Isioma Ukpere**, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed

A handwritten signature in black ink, appearing to read 'Wilfred Ukpere', is written over a horizontal dashed line.

DATE

The date '30/07/07' is handwritten in black ink above a horizontal dashed line.

Financial support and author's note

The financial support of the *Cape Peninsula University of Technology* towards this research is hereby gratefully acknowledged. Views expressed in this Dissertation and the conclusions arrived at, are those of the *Author* and should not necessarily be attributed to the *Cape Peninsula University of Technology*.

Note: In terms of referencing, page numbers are generally provided, except in cases where the broad focus of an author's argument is over several pages/chapters, and where an article does not have page numbers. In such cases, the in-source reference only indicates date of publication.

Glory be to God

Abstract

With the collapse of the Soviet Union in 1998 and the fall of the famous Berlin Wall, the final victory or triumph of capitalism over its alternatives, heralded a neoliberal economic system known as globalisation, which was postulated to address the problem of humankind, including workers, on a global scale. This postulation led many nations to rush to infuse themselves into the capitalist global system, which is reflected by the opening up of borders to the transnational juggernauts of globalisation. However, a few years into the euphoric global capitalist triumphalism, globalisation and internationalisation seems to have produced some negative consequences for human resources and industrial democracy, both in the North and South. As capital proceeds with its accumulation, expansion and profitability, unemployment has burgeoned, as the government's power to create lasting employment has been supine owing to the privatisation of the public sector, retrenchment in the private sector, as a direct result of automation, re-engineering, outsourcing and the disastrous effect of global competition, which has eroded labour unionism. In the present state of affairs, labour has been requested to bear the burden of global capitalist hegemony, and the pro-globalist argument, that in the long-run the benefit of globalisation would yield a *trickle-down* effect to the worst affected workers, has turned a mirage, while the discontentment of the average working class and the majority who have lost out in the global economy, is the cause of renewed widespread global tensions.

The current state of affairs has had a polarising effect on people's view, and has resulted in the development of two schools, namely

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the pro-globalist and the anti-globalist camps. With the former persistently asserting that globalisation and internationalisation have positive repercussions for workers and industrial democracy, the latter strongly opposes the above assertion. The author of this study aligns more with the latter's view. Therefore, the aim of this research is to prove, beyond reasonable doubt, that there is actually a negative functional relationship between globalisation, internationalisation, human resources and industrial democracy, and to postulate some ameliorating mechanisms, which could enhance the putative negative relationship, so that a higher human, social and economic order is realised.

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Glossary of terms

The key terms used in this thesis have been adapted from a number of reference sources for the purpose of this study. As these terms are referred to in the context of this study, it is imperative that they are clearly defined in order to avoid any ambiguity. Therefore, where the ensuing terms are used, the following explanations apply:

- ❖ **Advertisement and sales promotion:** - Advertisement is any paid and non-personal form of presentation and promotion of ideals, goods or services by an identified sponsor, media and message. Sales promotion helps to secure the greatest effectiveness for advertisement. It is essentially a direct and immediate inducement that adds extra value to a product, so that it prompts buyers to patronise the merchandise.
- ❖ **Affirmative action:** - Affirmative action means a deliberate and planned placement of previously disadvantaged competent or potentially competent persons to occupy positions, which were denied them in the past owing to circumstances beyond their control, so that the past wrongs of marginalisation and inequities within the society, can be redressed. Therefore, affirmative action entails active government intervention and supervision in order to impress upon all stakeholders and businesses to correct the previous wrongs of economic and social exclusion.
- ❖ **Alienation:** - Alienation refers to a state of feeling estranged or separated from ones milieu, work and product of work or

self. Karl Marx spoke of workers being alienated from their work and its product under capitalism. Alienation also suggests a sense of powerlessness, meaninglessness and normlessness, social isolation brought about by the lack of fit between individuals need or expectation and the social order.

- ❖ **Amalgamation/Merger and acquisition:** - The term amalgamation means the merger of one or more companies with another company or merger of two or more companies to form one company. The income Tax Act, 1961, of India, uses the term amalgamation for merger, which is also a combination of two or more companies to form one. Acquisition, on the other hand, is the act of acquiring control over the management of other companies.

- ❖ **Americanisation:** - Americanisation refers to the dominance and the frenetic spreading of American culture, ideas and behaviours to other parts of the world by all tactics possible.

- ❖ **Anxiety disorder:** - Anxiety disorder is a feeling of dread, fear or apprehension, often with no clarification and defers from true fear in that it is typically the product of subjective, internal, emotional states rather than a response to clear danger. It is marked by psychological signs such as sweating, tension and an increased pulse, by doubt concerning the reality and nature of the perceived threat, and self doubt about one's capacity to cope with it.

- ❖ **Anarcho syndicates:** - A movement advocating direct action by the working class to abolish the capitalist order, including the state, and to replace it with a social order, which is based

on syndicates, a free association of self-governing producers such as the one developed by the leaders of the French trade union movements at the end of the 19th century, which was strongly influenced by the traditional anarchism and antiparlamentarianism of the French working class.

- ❖ **Apartheid:-** Apartheid is the former political system in South Africa in which only white people had full political rights, while others, especially black people, were forced to live away from white people, go to separate schools, etc. In Afrikaans, apartheid means apartness or separateness.
- ❖ **Assembly lines:** - Assembly lines refer to the arrangement of machines, equipment and workers for continuous flow of work- processes in mass production operation.
- ❖ **Bourgeoisie:** - Bourgeoisie refers to the capitalist class. They represent the middle class that amassed capital and invested in big factory systems of production to gain surplus.
- ❖ **Capitalism:** - An economic system in which a country's business and industry are controlled and run for profit by private owners rather than by government.
- ❖ **Child labour:** - Employment of children (boys and girls) below the age of fourteen in occupations that are deemed unfit for them.
- ❖ **Collective bargaining:** - Collective bargaining is essentially a process in which employees act as a group in seeking to shape conditions and relationships in employment.

- ❖ **Commodification:** - Commodification is a process whereby everything, including human beings, are reduced to commodities which are bought and sold. It is drawn from the Marxian understanding of commodities as the objects through whose production and exchange surplus is created, extracted and amassed. Therefore, resources are commodified when they are incorporated into the capitalist processes of accumulation.

- ❖ **Communism:** - Communism is a political movement that believes in an economic system in which the state controls the means of producing everything on behalf of the people.

- ❖ **Complementary ideological order:** - Complementary ideological order refers to a marriage between capitalism and socialism on a complementary bases, rather than of the previous set standard of competition.

- ❖ **Corruption:** - Corruption refers to improper and usually unlawful conduct intended to secure a benefit for oneself or another. Its forms include bribery, extortion and the misuse of *inside information*.

- ❖ **Crimes and criminality:** - Crime is the intentional commission of an act usually deemed socially harmful or dangerous and specifically defined, prohibited and punishable under criminal law. Criminality is an involvement in crime or criminal activities.

- ❖ **Cultural homogenisation:** - It is a tendency towards making other people abandon their cultural heritage and embrace the

dominant world culture. It is caused by increased communication, technological convergence, and their impact upon marketing.

- ❖ **Cut-throat competition:** - Cut-throat competition occurs when there is an unhealthy rivalry between firms or organisations in a given market. The consequence of this type of competition is that most organisations resort to all cost cutting measures, which might affect the workers and organisation's profit.

- ❖ **Consumer control:** - Consumer control is a conscious effort by the authorities or government to regulate the consumption pattern of consumers in a given society in order to curtail the negative influence of consumerist culture. It is a measure of controlling the consumer behaviour of people from becoming too dependent on foreign products, taste and fashion.

- ❖ **Democracy:** - Fair and equal treatment to everyone in an organisation or country and their right to participate in decision making. It is a system of government by the people, for the people and of the people or a government by a majority of the people.

- ❖ **Deregulation:-** Deregulation refers to the discontinuation of all forms of previous regulations that hindered the flow of finance and capital; it also to stops the regulation of labour laws, the labour market and environmental standards, so that companies can maximise profit at a reduced cost.

- ❖ **Despotism:** - Despotism means the rule of a despot. A despot is a leader who rules by absolute power and, in most case, uses his power wrongfully.
- ❖ **Deterritorialisation:** - Deterritorialisation entails a reconfiguration of geography, so that social space is no longer wholly mapped in terms of territorial places, distances and borders.
- ❖ **Developmental State:** - A developmental state is a state, which is democratic in nature, with the capability of regulating the operations of the market forces.
- ❖ **Division of labour:** - Division of labour implies the division of the total task in order to lighten the total burden and promote specialisation in such a way that one person does only one thing rather than doing everything himself. The idea is that complex jobs could be less expensively completed by a larger number of people, each performing a small number of specialised tasks, than by one person attempting to complete the entire job.
- ❖ **Downsizing/rightsizing:** - Downsizing/rightsizing is a new management strategy in the global economy whereby the numbers of employees are decreased in order to reduce the excess cost within the organisation through an introduction of technology so that the organisation can compete globally.
- ❖ **Ecological disorder/degradation:** - Ecological disorder/degradation refers to the alteration of the

atmospheric, hydrospheric, geospheric and biospheric conditions of the eco-diversity owing to human activities.

- ❖ **Econocide:** - Econocide was coined and referred to by Slabbert (2005:737) as economic suppression, which is a more refined and subtle form of genocide/democide, which is prevalent and active in modern societies.
- ❖ **Economic empowerment:** - Economic empowerment refers to the government's concerted effort to alleviate the economic situation of previously disadvantaged members of society.
- ❖ **Economic exclusion:** - Economic exclusion takes place when a group of people, within a given society, are consciously or unconsciously denied the right or excluded from taking part in the sharing of the economic progress of the nation by some other section.
- ❖ **Economic welfare:** - Economic welfare revolves around the general activities of the government in order to improve the economic wellbeing of every member of the society. Economic welfare includes, among other things, maintenance of a minimum living standard for all citizens, production of social goods and services and control of business cycles.
- ❖ **Effective integration:** - Effective integration refers to the current strong interrelatedness and connectedness existing amongst nations and propelled by technological revolution, since the beginning of globalisation.

- ❖ **Efficiency:** - Efficiency means the quality of doing something well without wasting time, money and resources, in order to save costs and money for the organisation.

- ❖ **Exclusionary Tendency:** - Exclusionary tendency refers to the propensity to circumvent some people from benefiting from national resources.

- ❖ **Feudalism:** - Feudalism is the social system that existed during the Middle Ages in Europe in which people were given land and protection by a nobleman, for example, and had to work and fight for him in return.

- ❖ **Flexibilisation and casualisation of employment:** - Flexibilisation and casualisation is a new employment paradigm within the global economy in which permanent works are replaced by temporary or contract jobs. Under the present conditions, workers are expected to be flexible with respect to hours, wages, benefits and health and safety standards. Flexible jobs are often casual, part-time and temporary, with few, if any, which benefit beyond the (often low) wages that are offered. The workers who are involved, frequently lack collective bargaining arrangements and other union protection. Under these conditions, many households have needed more than one wage to make ends-meet.

- ❖ **Forced labour:** - Forced labour refers to any form of work or duty forced or coerced upon a person without his will or consent, such as those witnessed in the land of Egypt, when the Israelites were pressurised to work, by force, against their will. In America, presently prison workers are forced to work

against their wills. In the sweat shops, in China, and other EPZs, workers are made to work long hours, compulsively.

- ❖ **Global capitalism:** - Global capitalism refers to the spread of capitalism to other non-capitalist parts of the globe, as a direct consequence of triumphant capitalism. Simply put, it means the globalisation of capitalism.
- ❖ **Global competition:** - Global competition refers to the international rivalry between organisations to win a substantial part of the global market through cost reduction, efficiency and quality production within the global village. Global competition has been triggered by the current porosity in the borders of countries owing to globalisation.
- ❖ **Global consciousness:** - This refers to a state of being able to use your senses and mental power to perceive that the globe exists. In fact, it is a quality or state of being aware of the existence of a single globe.
- ❖ **Globalisation:** - Globalisation is a process of interaction and integration among people, companies and governments of different nations, and is a process, which is driven by international trade and investment and aided by information technology. This process effects the environment, political systems, economic development and prosperity, as well as human, physical well-being in societies around the world.
- ❖ **Global unemployment:** - Global unemployment refers to the sum total of those who are able to work, seek jobs, but not able to find any on a global scale. It means unemployment of

global proportion and dimension, and refers the numbers of unemployment around the globe.

- ❖ **Global slums:** - Global slum refers to the overcrowded and dilapidated living conditions of workers who have left rural areas in search of employment in the global city centres. Global slums are densely populated areas of substandard housing, usually in a global city centre, characterised by unsanitary conditions and social disorganisation.
- ❖ **Global warming:** Global warming refers to the potential increase in global average surface temperatures, resulting in an enhancement of greenhouse effects by air pollution.
- ❖ **Hegemony:** - Control by one country/ organisation/ideology over other countries/organisations/ideologies.
- ❖ **Humane approach:** - Humane approach refers to a kind and peaceful way of approaching things or issues so that the second person is not adversely or detrimentally affected.
- ❖ **Human relation approach:** - Human relation approach refers to a personnel policy adopted in industrial organisations to develop a sense of belonging amongst the workers, improves their efficiency and treats them as human beings, by making them partners in industry and not impersonal factors of production.
- ❖ **Human resources/science technology:** - Practices and methods of doing, making and implementing strategies, which

are based on human resources/science theory, in order to improve the quality of work life.

- ❖ **Humanism:** - A school of thought that considers that solving human problems with the help of reason, is more important than religious beliefs. It emphasises the fact that the basic nature of human beings is good, and places emphasis on self-direction, self actualisation and growth.
- ❖ **Human rights:** - Human rights refer to the rights that are accorded to an individual as a consequence of being human.
- ❖ **Human stratification:** - Human stratification refers to the conscious or unconscious segregation of individuals in a given society, according to their fortunes or misfortunes within the community. It is a form of polarisation.
- ❖ **Industrial action:** - Industrial actions are measures, which are taken by workers and their representatives to push forward their demands. It includes strike action, protest and picketing.
- ❖ **Industrial democracy:** - As democracy upholds free participation for all, industrial democracy upholds the free participation of all workers in an industry in the decision-making process, namely that democracy should extend to the industrial floor/workplace.
- ❖ **Industrial humanism:** - Industrial humanism refers to the best humane approach to deal with workers in the place of work. It emphasises the fact that, like the organisation and the management, workers are in a place of work for development

and self actualisation and should be encouraged or assisted in that direction.

- ❖ **Industrial relations:** - Industrial relations refers to the relationship between management and employees or among employees and their organisations that arise or grow out of employment.
- ❖ **Industrial Revolution:** - The word Industrial Revolution is used to describe a series of changes in the industrial field in England during the period around 1760 to 1850. It also refers to the process of change from an agrarian and handicraft economy to one, which is dominated by industry and machine manufacture.
- ❖ **Inequality:** - Inequality, sometimes called inequities, refers to the general level of disparity or disequilibrium between individuals and regions in a given society.
- ❖ **International economic Darwinism:** - International economic Darwinism is a set of relationships between countries and people on the principle of survival of the fittest, whereby some countries and individuals have tried to keep other countries and people dependant on them, forever.
- ❖ **Internationalisation:** - Internationalisation simply means to bring something under the control or protection of many nations. It is also the process of undertaken business ventures across borders of nations.

- ❖ **Job destruction/losses:** - Job destruction/losses refers to the elimination of certain jobs owing to certain circumstances in a given organisation. It could occur as a result of automation, re-engineering, outsourcing and retrenchment.

- ❖ **Job enrichment:** - The term job enrichment refers to providing opportunity for an employee's psychological and material growth. Division of labour has created problems of monotony, boredom and frustration in the minds of workers. In order to make their work pleasurable, job enrichment becomes a panacea.

- ❖ **Job rotation:** - Job rotation is a strategy whereby variety at work is expanded by allowing workers to move from one set of tasks to another according to either a fixed schedule or an informal arrangement.

- ❖ **Job security:** - Job security means a guarantee that one will keep one's job. It revolves around the tenure and permanency of a particular job.

- ❖ **Labour directors:** - It is a scheme under industrial democracy, which upholds that one or more of the directors on the board should be elected from the workers to represent the interest of the workers.

- ❖ **Labour mobility:** - Labour mobility connotes the propensity of labour or workers to move from one location to another without hindrances, problems and barriers.

- ❖ **Laissez-faire:-** A policy of allowing private businesses to develop without government control, namely non-interference of government.
- ❖ **Liberalisation:** - Liberalisation means the removal of governmental interference in financial markets, capital markets and barriers to trade.
- ❖ **Market Mechanism:** - Market mechanism refers to the economic law of demand and supply. It is the wish of neo-liberals that every economic decision should be left to the wind of demand and supply, namely market mechanisms.
- ❖ **Marxists:** - Marxists are those socialists who believe, adopt and uphold Karl Marx's ideas and philosophies.
- ❖ **Mercantilism:** - Mercantilism is an economic theory and policy, which was influential in Europe from the 16th to the 18th centuries that called for government regulation of a nation's economy in order to increase its power at the expense of rival nations.
- ❖ **Monopoly:** - Monopoly refers to the exclusive possession of a market by a supplier of products or services for which there is no substitute. In fact, it is that situation of market in which there is a single seller of a product.
- ❖ **Odious Debt:** - Odious debt is an unfair debt resulting from illegitimate loans, particularly to dictatorial governments that use the money to oppress people or for personal purposes. Moreover, in cases where borrowed money was used in a way

contrary to the people's interest, with the knowledge of creditors, the creditors may be said to have committed a hostile act against the people. They cannot legitimately expect repayment of such debt (Jubilee, 2000).

- ❖ **Oligopoly:** - Oligopoly is a market situation in which producers are so few that the action of each of them has an impact on price and on competitors. Thus, it is a market in which there are few producers of a product.

- ❖ **Oppression:** - Oppression occurs when a group of people are treated cruelly and unfairly, particularly when they are not afforded the same amount of freedom and rights as other groups of people.

- ❖ **Nationalisation:** - It simply means to bring an industry or a company under the control of the government, which becomes its owner, namely as in the public sector.

- ❖ **Neo-liberalism:** - Neo-liberalism is an economic philosophy which holds that, on the whole, the market mechanism works well in satisfying human wants and in allocating productive resources to alternative uses. Neo-liberalists prefer as little government intervention in economic affairs as possible.

- ❖ **Outsourcing:** - Outsourcing occurs where firms take advantage of both the low wage costs of relatively labour-abundant countries and modern production techniques, whereby the process of manufacturing a product can be broken down into a number of discrete activities- by moving the low

skill intensive parts of production abroad, but continuing to carry out the high-skill intensive activities themselves.

- ❖ **Parsimonious:** - The principle that the best theoretical model amongst all satisfying models, is that with the least number of parameters necessary to account for the facts.

- ❖ **Pauperisation:** - Pauperisation refers to a deliberate action to push certain sections of a population, within a given society, into poverty. For example, deliberate retrenchment, outsourcing and re-engineering have pauperised innumerable workers.

- ❖ **Planning:** - Planning may be defined as the determination in advance, a line of action by which certain results should be achieved. It is the deciding of a course that is required for achieving an end.

- ❖ **Poverty:** - Poverty is state of being poor, which is characterised by a lack of essential materials for a happy living.

- ❖ **Poverty alleviation:** - Poverty alleviation is a conscious and determined effort by the government to raise the standard of poor people in a society, by providing certain basic facilities and assistance that could generate employment and reduce the level and scourge of poverty within a society.

- ❖ **Privatisation:** - Privatisation implies the conversion of state run industries into private ones or the sale of public enterprises to private individuals.

- ❖ **Profit motive:** - The profit motive is one of the most potent symbols of capitalism. It means that the aim of business is not charity, but a profit making venture. In this case, any business that does not yield the required return in terms of financial profitability is not fit to exist. Hence, every effort should be directed towards the making of profit irrespective of the means.

- ❖ **Progressive taxation system:** - Progressive taxation system is a system whereby people, in a given society are taxed according to their wealth. In this sense, the rich are taxed heavily while the poor are taxed according to their endowment.

- ❖ **Proletariat:** - Working class or class of ordinary people who earn money by working, especially those who do not own any property.

- ❖ **Quality of work life:** - The following are significant predictors of QWL, as reported by the Delphi panel members:
 - degree to which superiors treat employees with respect and display confidence in their abilities; variety in daily work routine; amount of challenge in work; the degree to which present work leads to good future work opportunity; self-esteem; extent to which life outside of work affects life at work; and the extent to which work contributes to society.

- ❖ **Race to the bottom:** - A race to the bottom occurs when organisations, in their effort to cut costs move from one country to look for the cheapest available workers,

environmental concessions and tax exemptions. As they move from one country to another,, workers in different countries underbid themselves with regard to wages and working conditions, while governments underbid themselves with regard to taxation, environmental standards and other concessions. These trends lead to a race to the bottom.

- ❖ **Rationalisation:** - Rationalisation is concerned with the use of the most efficient method of production, distribution and transportation. It is concerned with taking all steps, which promote efficiency, increase production, avoid wastages and reduce production costs.
- ❖ **Red-tapism:** - Red-tapism is the same as bureaucracy in the public sector whereby official rules are made more complicated than necessary and prevent things from being done quickly.
- ❖ **Re-engineering:-** Re-engineering amounts to the use of a variety of methods, to transform a weak organisation into a dynamic and responsive one. It entails putting aside much of the received wisdom of two hundred years of industrial management, forgetting how work was done in the age of mass marketing and deciding how it can best be done at present.
- ❖ **Retrenchment:** - Retrenchment refers to the laying-off of a certain group of workers who have become redundant owing to some organisational rearrangements. Retrenchment has now become a cost cutting measure within the global economy amongst global corporations.

- ❖ **Regulation:** - Regulation simply means to control things by means of rules. In an economic sense, regulation means that government should play an active role in the management of economic, business and labour relations.

- ❖ **Scientific management:** - Scientific management is a management school belief that the resources in an organisation should be managed scientifically instead of being based on rule-of-thumb and guess work. Therefore, scientific management means knowing exactly what you want employees to do and ensuring that they do it in the best and the cheapest way (Sharma and Gupta, 1994:318).

- ❖ **Social Darwinism:** - Social Darwinism is a doctrine, which is based on the Darwinian Theory of the survival of the fittest. As a principle of nature, it was asserted by Darwin that the best competitor in the struggle for survival, will win (Klein, 2003:393).

- ❖ **Socialism:** - Socialism is a set of political and economic theories, which are based on the belief that everyone has an equal right to share in the country's wealth and that the government should own and control the main industries.

- ❖ **Social responsibility:**-Social responsibility means that the businesspersons should oversee the operation of an economic system that fulfils the expectations of the public. This means that the economy's means of production should be employed in such a way that production and distribution should enhance the total socio-economic welfare (Kumar, 1993:11).

- ❖ **Social security:** - Social security refers to public provisions toward the economic security and social welfare of all individuals and their families, especially in case of income losses owing to unemployment, work injuries, maternity, sickness, old age and death.
- ❖ **Solidarity:** - Solidarity means support by one person or group of people for another because they share feelings, opinions, aims values and so on.
- ❖ **Specialisation:** - Specialisation is the act of masterminding one particular trade or work and becoming an expert in it. It entails the spending of more time on one area of work than another and is synonymous with division-of-labour.
- ❖ **Speculative capital:** - Speculative capital refers to capital that is meant for speculative purposes such as the purchase of securities when the price is low, and when it should be sold, when the price is high. Speculative capital does not create much investment for productive workers.
- ❖ **Supraterritorialisation:** - Supraterritorialisation is a situation where social geography is non-territorial or what can be termed, alternatively, as transworld or transborder.
- ❖ **Supreme Mandate:** - Supreme mandate refers to the notion of a mandate from God to man to globalise, namely, to spread around the world and take possession of it (Genesis, 1:28).
- ❖ **Taylorism:** - Taylorism is based on the ideas of F.W. Taylor's scientific management style. Taylorism believes in employing

the best scientific way of doing work, which would yield a maximum output and profit without considering the emotions of workers.

- ❖ **Technological revolution:** - Technological revolution occurred towards the end of the Second World War. It was marked by the introduction of numerically-controlled machinery and computers into the world of work (Section 5.3).
- ❖ **Third worldization:** - Third worldization simply refers to the deliberate ploy by the First World to keep some countries backward. For example, there is a growing belief that a conspiracy exists amongst the advanced nations to keep Africa backward. Presently the Second World ceased to exist when the Soviet blocs became third-worldized.
- ❖ **Trade union:** - A trade union is a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working life (Tripathi, 1999:392).
- ❖ **Transnationalisation:** - Transnationalisation refers to organisational relationships or business undertakings that are done above national identity. A company is transnationalised when it is difficult to identify the national character of that company. For example, global corporations are transnational corporations.
- ❖ **Transborder:** - Transborder simply means a borderless relationship. Globalisation and technological revolution have accelerated transborder relationships.

- ❖ **Triumphant capitalism:** - Triumphant capitalism refers to the spread of capitalism to different part of the globe owing to the demise of contending alternative ideologies.
- ❖ **Turbo-capitalism:** - Fast-capitalism, forceful capitalism or running capitalism.
- ❖ **Transnational corporations:** - Transnational corporations are firms with a base in one nation but with operations and facilities that extend beyond that nation. They are financial or industrial organisations whose ownership, management, economic outlook and political loyalties, transcend the boundaries of any one country.
- ❖ **Unemployment:** - Unemployment arises in a society when there are able-bodied men and women, who are willing and actively ready to work but who are without a job.
- ❖ **Utilisation of labour:** - Labour utilisation simply means the ways that labour has been employed or used in the process of production.
- ❖ **Virtual Corporation:** - A Virtual Corporation is a temporary network of independent companies, suppliers and customers, even erstwhile rivals that are linked by information technology to share skills, costs and access to one another's markets (Prasad, 2004:112).
- ❖ **Welfarism:** - Welfarism refers to all concerted efforts by the government to promote the welfare of everybody in a giving society as a sign of goodwill to the people.

- ❖ **Window dressing:** - Window dressing means to paint a rosy picture of something that is not actually good.

- ❖ **Work committee:** - This is also known as a joint, consultative committee. It is a form of industrial democracy, whereby representatives of labour and management are constituted within the organisation at different levels, to discuss general conditions of work.

List of acronyms

ABC	American Broadcasting Company
AI	Artificial Intelligence
AIDS	Acquired Immune Deficiency Syndrome
ANC	African National Congress
AOL	American Online
ASEAN	Association of South East Asian Nation
ATM	Asynchronous Transfer Mode
AT&T	American Telephone and Telegraph Company
ATTAC	Association for Tobin Tax in Aids for Citizens
BBC	British Broadcasting Corporation
B.Com	Bachelor of Commerce
BIS	Bank for International Settlement
CBN	Central Bank of Nigeria
CD	Compact Disc
CEO	Chief Executive Officer
CIS	Commonwealth of Independent Countries
CNN	Cable News Network
COSATU	Congress of South African Trade Unions
CPUT	Cape Peninsula University of Technology
CSGR	Centre for the Study of Globalisation and Regionalisation
DRC	Democratic Republic of Congo
DDT	Dichlorodiphenyltrichloroethane
DVD	Digital Videodisc
EDVAC	Electronic Discrete Variable Automated Computer
ENIAC	Electronic Numerical Integrator and Calculator
EPZ	Economic Processing Zones
EU	European Union
FDI	Foreign Direct Investment

FT	Financial Time
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
G7	Group of Seven Nations
HIV	Human Immunodeficiency Virus
HRA	Human Relation Approach
IBM	International Business Machine Corporation
IC	Integrated Circuit
ICFTU	International Confederation of Free Trade Unions
ID	Industrial Democracy
ILO	International Labour Organisation
IMF	International Monetary Fund
ISDN	Integrated Service Digital Network
IT	Information Technology
KBE	Knowledge Based Economy
KBS	Knowledge Based Society
KFC	Kentucky Fried Chicken
LFS	Labour Force Survey
M&A	Merger & Acquisition
MBA	Master of Business Administration
MBE	Management by Exception
MBO	Management by Objective
MDG	Millennium Development Goals
M.Com	Master of Commerce
MTN	Mobile Telephone Network
MNC	Multinational Corporation
NAFTA	North American Free Trade Agreement
NBER	National Bureau of Economic Research
NEPAD	New Partnership for Africa Development
NICs	Newly Industrialised Countries
NLC	Nigeria Labour Congress

NPPD	New Penguin Political Dictionary
NSPMC	Nigerian Security Printing and Minting Company
NEPRU	Namibia Economic Policy Research Unit
OALD	Oxford Advanced Learner's Dictionary
OECD	Organisation for Economic Corporation and Development
OPEC	Organisation of Petroleum Exporting Countries
OTC	Over the Counter
PBUH	Peace Be Upon Him
PC	Personal Computer
PGD	Post Graduate Diploma
PhD	Doctor of Philosophy
QWL	Quality of Work Life
ROS	Return on Shares
RSA	Republic of South Africa
SA	South Africa
SAA	South African Airways
SABC	South African Broadcasting Corporation
SAP	Structural Adjustment Programme
SAPS	South African Police Service
SACP	South African Communist Party
SATAWU	South African Transport and Allied Workers' Union
SCC	Sequence Controlled Calculator
SSI	Small Scale Integration
TMS	Theory of Moral Sentiment
TNC	Transnational Corporation
TNPs	Transnational Practices
TREB	The Revised English Bible
TUC	Trade Union Confederation
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UN	United Nations

UNDP	United Nations Development Programme
UNRISD	United Nations Research Institute for Social Development
UNISA	University of South Africa
UPN	Unity Party of Nigeria
US	United States
USA	United States of America
USSR	Union of Socialist Soviet Republic
WB	World Bank
WEF	World Economic Forum
WHO	World Health Organisation
WN	Wealth of Nation
WSF	World Social Forum
WTO	World Trade Organisation

Chapter 1

Introduction

1.1 Introduction and background to the problem

The world is presently experiencing a new economic order in which change is inevitable. The world of business and commerce is in a new era again. In the words of Werner Schwab (cited in Martin and Schumann 1997:1), "*The whole world is changing into change, as it once was in an earlier life*". According to Cohen and Zysman (1987:79), "*The world economy is changing in fundamental ways. The changes add up to a basic transition, a structural shift in international market and in the production base of advanced countries. It will change how production is organised, where it occurs, and who plays what role in the process*". In fact and indeed, the world economy is not changing; it has already changed, in its foundation and in its structure, and, in all probability, the change is irreversible (Drucker, 1986:768).

The most palpable indicators of change from the viewpoint of individual citizens are those, which encroach most directly on their daily activities of making a livelihood and consuming the luxuries and necessities of life. From the perspective of those currently employed in a job, what matters is job security and the wages/salary received or anticipated. From the viewpoint of the unemployed, job availability is crucial. However, on all counts, the situation seemed to have become increasingly precarious. In the industrialised countries for example, there is real fear that dual and connected forces of technological change and geographical shifts in location of manufacturing and service activities, are transforming the

employment scene in adverse ways for many people, notably less educated and less skilled blue-collar workers, although there has also been considerable job volatility among white-collar workers as well. As consumers, the most apparent indicator of change is the vast upsurge in the number of products whose origins are on the other side of the world but which are now either literally on our doorsteps through superstores or symbolically in our homes, through the all-encompassing television commercials (Pasricha, 2005:2). The present phenomenon is indeed the product of forces that operate on a larger geographical scale.

These turbulent changes currently taking place in the world, have been triggered by the latest extreme internationalism, namely globalisation. Globalisation and internationalisation are fundamental forces that cannot be denied, as they permit obvious benefits to a large number of people but, conversely, threaten life in its broadest sense. Society manifests diverse ills, and it is postulated that protracted civil disturbance and revolutions could isolate governments from their subjects (Slabbert, 2005:738).

Globalisation (extreme internationalisation) is endorsed as the worldwide remedy for worldwide problems. However, globalisation as a worldwide remedy, is perceived from the viewpoint of the globalisers, but viewed with pessimism among the proletariat (workers). Thus, the new economic scenario has intensified the divide between the haves and the have-nots, the poorest poor and the richest rich, capitalist globalisers and the proletariat, (Bataoel 2003:1; Martin and Schumann, 1997:23; Sklair, 2002:48). Moreover, not only are people's opinions polarised but, their states of existence have witnessed polarisation in both north and south as reflected in *Table 1.1* and *1.2* below:

Table 1.1: Polarisation in the Third World

- In Sao Paulo (Brazil) and Accra (Ghana) death rates from infectious disease are twice as high for those living in the poorest areas compared with the richest areas.
- In the Philippines, South Africa, and Nepal infant mortality rate for the poorest 20% of children is twice as high as for the richest 20%.
- In NE and SE Brazil the under-5 mortality rate for the poorest 20% of children is over six times that of the richest 20% of children.
- In Peru, rates of underweight and stunting amongst the poorest 20% are about five times those amongst the richest 20%.
- In Indonesia only 21% of births of the rural poor and 49% of births of the urban poor were attended by medical personnel, compared with 78% and 93% for the rural and urban rich.
- 59% of deaths among the poorest 20% of the world population were caused by communicable diseases, for the rich 8%.
- In India, 15–19-year-olds from the richest 20% of households have completed on average ten years of schooling, children from the poorest 40% of households have on average no schooling.
- 39% of poor 6–14-year-olds in Nigeria were in school, compared with 91% of rich 6–14s; in Madagascar, 47% compared with 90%.
- In Ecuador, 75% of households among the poorest fifth lack piped water, compared with 12% among the richest fifth.
- In Sao Paulo the 9% living in the richest areas consume five times as much water per capita as the 41% living in the poorest areas; in Accra water consumption per capita is three times higher for the one-third of people living in the richest areas compared to those living in the poorest areas.
- In Guatemala, the richest 20% of under-5s have a 47% rate of stunting, whereas the poorest 20% have a 70% rate of stunting; 25% of the richest 20% of children under 5 are underweight, compared with 41% of the poorest 20%.
- In Morocco, 15% of the wealthiest under-5s quintile suffer from stunting, 39% of the poorest quintile; 6% of the richest children under 5 in Morocco are underweight and 23% of the poorest are underweight.
- In Peru, 10% of the richest children under 5 suffer from stunting, compared with 51% of the poorest; 5% of the wealthiest quintile of children under 5 are underweight, 22% of the poorest.

Source: Adapted from <http://worldbank.com/poverty/date/trends/social.pdf>

Cited in Sklair 2002:51.

Table 1.2: Polarisation in the USA

- The *Washington Post* carried an article on 1 March, 1998, saying that the richest 1% of the US population possesses more wealth than the total wealth of 90% of the total population.
- The bottom 25% of US families witnessed a 9% decline in income between 1979 and 1995, with the richest 25% of families enjoying a 26% increase during the period, according to a *USA Today* report in 1997.
- The income of the richest 5% of families was 5.7 times that for the bottom 20% of families in 1995.
- Official statistics released in 1997 show that the top 20% of US families shared 49% of the country's total income in 1996, with the income level for the bottom 20% families falling by 1.8%.
- The current income level for the top 20% of the population is nine times more than the figure for the bottom 20%, up significantly from the 3.5 times figure in 1979. In addition, some 75% of American workers earn less today than in 1979.
- 16% of the US population lived below the poverty line in 1974, with the figure rising to 19% in 1997.
- Results from the most recent census show a disparity in the economic status of blacks, with the average net property value of black families standing at only a tenth of the level for white families. A *USA Today* article published in April 1997 noted that the income level for Afro-American families stands at only 63% of the level for white families.
- The *Wall Street Journal* (3 Sept. 1997) reported that the income level for a black person is 19% lower than that for a white person with the same education level. It also noted that the proportion of poverty-stricken black families is 15% higher than for poor white families, with the total number of the former more than double the figure for the latter.

Source: Yanshi (1999:1).

Opposition voices are rising daily in protest against capitalist globalisation. Sklair (2002:1) has observed: *“However, by the beginning of the twenty-first century, in the aftermath of the battle of Seattle and many other challenges to capitalist hegemony, it is difficult to deny the centrality of the struggle between the forces for and against capitalist globalisation”*.

1.2 Statement of the research problem

Previously, it was postulated that globalisation would bring general prosperity to the working class. However, from north to south, east and west, globalisation has ravaged the labour markets with adverse consequences (Martin and Schumann, 1997:103; Bloch, 1998:14; Sklair, 2002:126). Currently, labour is required to bear the burden of global competitiveness and capitalist hegemony. The pro-capitalist argument, that in the long-run the benefit of globalisation

would yield a *trickle-down* effect to the worst affected workers, is becoming a mirage and the discontentment of the average working class and the majority who have lost out in the new global logic, is the result of renewed widespread global tensions.

From the foregoing statements, the following research problems were identified:

- Capitalist globalisation and internationalisation have adverse consequences for labour.
- Globalisation has extreme consequences for industrial democracy.
- Globalisation accelerates the concentration of economic power in a few hands, thereby exacerbating the disparity between the capitalist and the working classes.
- Technological development and advancement leads to job destruction, retrenchments, temporary jobs and unemployment.
- Globalisation has placed more emphasis on capital and competition instead of human resource development and growth.

1.3 Objectives

The following were the objectives of this research:

- To provide an intellectual discourse on the phenomena of globalisation and internationalisation.
- To examine different social-economic ideologies, and to pay particular attention to their impact on people in the workplace.

1.4 Sources of research information

An extensive study of related literature on the topic was undertaken. Previous researches on the subject, including local and international research on the topic, were reviewed. A multidisciplinary approach was adopted, whereby literature from the area of industrial relations, management, industrial psychology, sociology, public administration, economics, theology and human resources, were consulted. This led to the compilation of a synoptic history of the research topic. Since the research study dwelled on recent global issues, the Internet was a major source of information. Other sources were textbooks and journals. University and public libraries were visited for relevant literatures. Experts in the field of social sciences were contacted to gain additional advice on special issues pertaining to the research. Radio, television and business news were also crucial sources of information.

1.5 Research methodology

This research is not an empirical study. It is a meta-analytical study, which is based on philosophical/conceptual analysis, with theory building and literature reviews. In this context, the reader is referred to the work of Babbie, et al (2001:78), for a fuller understanding of meta-analysis. Babbie, *et al.*, (2001:53) has distinguished qualitative research from quantitative research in terms of the following key features:

- Research is conducted in the natural setting of social actors.
- There is a focus on process rather than outcome.
- The actor's perspective (the 'insiders' or 'emic' view) is emphasised.
- The primary aim is in-depth ('thick') description and understanding of actions and events.

- The main concern is to understand social action in terms of its specific context (idiographic, motive) rather than attempting to generalise to some theoretical population.
- The research process is often inductive in its approach.
- The qualitative researcher is seen as the main 'instrument' in the research process.

Thus, the qualitative approach was utilised in this research. Qualitative research is especially appropriate for the study of those attitudes and behaviours that are best understood within their natural setting, as opposed to the somewhat artificial setting of experiments and surveys (Babbie, et al., 2001). A quantitative approach was not used in the study. However, graphs, diagrams, symbols and tables were used to present most of the economic indicators.

1.6 Conclusion

There have been dire consequences for workers world-wide since the advent of globalisation. Across the globe, the power of workers to participate and negotiate their terms of employment has been demoted, which has resulted in weakened unions, strife and litigation, as well as poor industrial relations. This has adversely impacted on the quality and standard of worklife (Martin and Schumann, 1997:23-28; Slabbert, 1996:42). Hence, a redirection of globalisation away from pure capitalist policy is, therefore, desirable (Scholte, 2000: 287). Capitalism may not be in a true position of advancing a uniform world, and, should not be taken as the only feasible option to propel a global economic agenda. For clarity sake, it is imperative to explore some of those inherent tendencies of capitalism. This exploration is covered in the next chapter under the topic: *Capitalism*.

Chapter 2

Capitalism

2.1 Introductory historical appraisal

The word Capitalism tells that it has something to do with the economic notion of capital. This means that capitalism, as a concept, had originated from the word capital. Capitalism is a difficult, problematic term that applies to a diversity of phenomenon spread across disparate historical cultures with substantially variable world-views (Hooker, 2004:1). Capitalism is characterised by a long and difficult history (Ho, 2001:1). However, it is an enlightenment European term, which is used to describe European practices. Thus, the term capitalism means more than a mere body of social practices that are easily applied across geographical and historical distances; it is also a “way of thinking” and, as a way of thinking, does not necessarily apply to earlier European origins of capitalism, as practiced in other cultures (Hooker, 2004:1-2).

Before broadening the discussion on capitalism, perhaps a few words about what capitalism is not. The use of money is not capitalism. Coins have been found in the ruins of ancient Greek cities and antique Chinese coins have long been prized possessions. Money has been at the heart of any society that buys or sells things: from centrally planned economies to anarcho-syndicates. Nor is the process of trading, the essence of capitalism. Trading has for all time; been part of human culture, right from Arabian caravans to the

trading sagas of Marco Polo (Ho, 2001:1; Hooker, 2004:1; Legrain, 2002:81). Also, colourful Middle Eastern Bazaars cannot be taken as examples of proto-capitalist states. Neither is money lending, capitalism. The lending of money predates capitalism. Indeed, early Babylonian loans were transacted at local temples. At other times, money lending was despised as an immoral act. One of Shakespeare's remarkable villains was '*Shylock the Jew*', the money lender. Judaism, Islamism and Christianity have, at one time or another, made moral prohibitions against money lending with interest (usury) (Exodus, 22:25). The accumulation of wealth is also not capitalism. The rich have always been around. However, before capitalism, the materially rich were rich precisely because they were religiously, militarily or politically powerful. Wealth was intimately tied to the existing social structure (Peet, 1991:89; Ho, 2001:1).

Then, what is capital? In short, capital is the money and machinery, which is required for business to produce goods or services. This definition, could lead one to conclude that there has always been capital. What is then new about capitalism? Of course, money and machinery have been around for a long time but capitalism is not capital. Capitalism refers to the particular organisation of society such that capital becomes the central driving force of society, especially in terms of the kind of laws and institutions that frame it (Ho, 2001:1).

The capitalist ideology supports private ownership of the means of production, the inevitability of material inducement for maximum output, free venture and free competition on the basis of market mechanism (the law of demand and supply), the sovereignty of the

consumer and, as much as possible, a minimum of state intervention in the affairs of business (Hooker, 2004:2; Newcombe, 2004:5).

Historically, the concept and ideology of capitalism cannot be said to have begun on a particular date as is the case with socialism; neither did it begin as a revolution like in the case of modern communism. Unlike the two other mentioned ideologies, the ideology of capitalism was evolutionary (Stokvis, 2001:3). The development of capitalism is inherently natural and emerged gradually without anyone making a plan of what it should become (Donaldson and Pollins 1978:18-19; Weiss, 1998:1; Newcombe, 2004:5). In fact, this may be the reason why the scope and modus of capitalism seemed boundless.

Capitalism was even believed to have existed in Rome, the Middle East, Egypt and other parts of Asia. However, it existed on a diminutive scale within this period, and it was in the form of '*mercantilism*'. Under mercantilism, goods were bought at one site for a certain price and moved to another site where they were sold at a higher price. The first phase of mercantilism expanded with the expansion of the Roman Empire and contracted when the empire declined (Hooker, 2004:1).

2.2 Origin and stages in the development of capitalism

There is, in fact, no tentative date for the origin of capitalism. However, it emerged late in the phase of economic history. A chronological review of economic systems would have to begin with '*Subsistence Economy*.' Under this system, each family produced for self-consumption by hunting, gathering, rearing of livestock and ploughing the land. There was no division of labour (specialisation), excessive production and trade in any substantial magnitude. During

this momentous period there was a near complete economic equality of every member within a given community (Viljoen, 1952:11). To quote Leacock and Lee (1982:1) also cited in Peet (1991:86), *“During most of human history everyone helped, according to their age and sex and to the resources of their environment, in acquiring food, in making tools and utensils, in building shelters, and in obtaining and working materials for clothing in climates where it was needed... people shared food; there were no rich and poor. They made decisions collectively; some people were more influential than others, but there were no powerful chiefs”*. For more than a million years humankind maintained life without earning (Slabbert, 1996:41).

A high proportion of the great ancient civilisations proceeded from a subsistence agriculture economy to a *Slavery Based Economy*. Slaves are human beings that were bought and sold, humiliated to work for their owners under shackles, duress and inhuman conditions. At times they were treated worse than animals to induce their maximum performance in the field of production. Slavery was cruel but thought to be inescapable for centuries if a higher level of development would be attained (Leatt, *et al.*, 1986:1; Alvey, 1998:1429). Smith (1776, cited in Alvey, 1996:3) has denounced the institution of slavery. According to him, *“... as slaves do not live comfortably, the institution of slavery is incompatible with nature”*.

Subsequent to the slavery economy was the *Feudal Economy or Feudalism*. The system of feudalism divided society into the aristocracy, namely landlords who own great acres of farmlands and the common people, namely peasants, who were later joined by craftsmen. These groups of labourers owed complete loyalty to the

landlords and worked the land of their masters, while in return they received protection and justice, were fed by their masters and, most times, had a share of the produce. Adam Smith spoke of how the institution of feudalism, to a certain extent, benefited even the labourers. According to Smith (cited in Klein, 2003:388), "*The proud and unfeeling landlord although concerned only with his own consumption, unwittingly benefits his subjects, owing to the fact that his capacity for consumption is considerably more limited than his desires... his subject, will derive from his luxury and caprice, that share of the necessities of life, which they would in vain have expected from his humanity or justice... the rich consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own convenience... they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the necessaries of life which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advanced the interest of society*". The feudal system was based on the stratification and classification of human beings in a given society, according to wealth. It was a system whereby every individual had an innate position in society, with certain privileges and responsibilities (Leatt, *et al.*, 1986:1).

The next and most crucial stage in the history and development of capitalism, was the era of full *Mercantilism* also known as *Pre Industrial* or *Merchant Capitalism*. This form of capitalism appeared shortly before the end of the middle Ages owing to the expansion of the woollen industry, predominantly in England (Baechler, 1975; Donaldson and Pollin, 1978; Hooker, 2004). Hirschman (cited in Kumar, 1988:39) gave a brief account of what

had led to the adoption of full-force mercantilism. According to him, *“... ever since the end of the middle ages, and particularly as a result of the increasing frequency of war and civil war in the 17th and 18th centuries, the search was on for a behavioural equivalent for religious percept, for new rules of conduct and devices that would impose much needed discipline and constraints on both rulers and ruled, and the expansion of commerce and industry was thought to hold much promise in this regard”*.

The nation states became more powerful owing to commercial expansion within these periods, accelerated their power and strength and protected their interests on the international front; colonies were created and exploited; trade routes were monitored; worldwide empires were built at length and colonies provided vent for the excess populations from home countries (Leatt *et al.*, 1986:5). It was at this stage that Voltaire (1764 cited in Encyclopaedia Britannica, 2005) opined: *“it is clear that a country cannot gain unless another loses and it cannot prevail without making others miserable”*. The policy implications of this social philosophy were trade wars and territorial invasions. In that case, if a nation wanted to be wealthy, it could only be possible by making others wretched.

The producers, who produced above normal production within these periods, invested the surpluses in the development of trade routes, shipbuilding, warehousing and, after some time, machines and factories. Unknown continents were discovered and their resources plundered (Leatt *et al.*, 1986:1; Kumar, 1988:25; Donaldson and Pollin, 1978:16). During this period, trade began to expand considerably. The influx of precious metals particularly from the mines in Peru, Mexico, India and Bolivia resulted in a severe price inflation that lasted for several decades. Landlords were seriously

affected because their rent did not keep pace with living costs and labourers endured hard times because their wages failed to afford the barest livelihood. However, those who benefited from this crisis were the merchants and manufacturers, who sagaciously reinvested their surpluses. Systematically they metamorphosed into a formidable and economically influential *middle class*. Adam Smith (1723-90) described the circumstances that led to the demise of the European landlords, in this way: *"In the usual European case, when foreign manufactures became available, the Lords eagerly purchased these and gradually lost control of their estates: luxury led to the economic and political decline of the Lords"* (Cited in Alvey, 1998:1430).

The Napoleonic wars (1799-1819) and the French revolutions stampeded the last remnants of the feudal system and crushed the power of the landed gentry. The capitalists obtained, as a result, a free hand to develop their full potential. Liberal economists such as Adam Smith, J.S. Mill, Bentham, Cobden and others, demanded for the dismantling of state intervention in economic affairs and for a free play of the market mechanism, which permits a balance between demand and supply, to locate its own ground (Donaldson and Pollin, 1978:23-24; Leatt, *et al.*, 1986:4; Newcombe, 2004:5). In response, the politicians decided to create conditions that were favourable to the capitalists, since they became conscious of the fact that their own potency depended on the prosperity of the capitalist class. Internal duties were ceded to allow domestic free trade; tariffs were imposed to protect the manufacturers and merchants from foreign competition; anchorage and transportation means were provided; insurance was evolved to protect goods on shore; internal stability and external security developed and advanced (Leatt *et al.*, 1986:4; Donaldson & Pollin, 1978:16). Through this process, capital greatly

accumulated in the hands of the middle class. The middle class, on their part, did not consume the surpluses from business, but instead, reinvested it (*ploughed back their profit*) and thus the wealth created by factory labourers was not totally consumed but transmuted into greater productive capacity. The result of which was steady economic growth (Leatt, *et al.*, 1986:4; Donaldson and Pollin 1978:29).

Inventions toward the end of the eighteenth century brought about new ways for more successful and well-organized methods of production, and for the fact that the requisite capital had accumulated; the full-force introduction of these new inventions became very feasible. These formidable inventions-cum-innovations prompted the *industrial revolution* that began in England, and later trickled down to other parts of Europe and its satellites (Slabbert, 1996:42; Ho, 2001:4). This era heralded the idea of F.W. Taylor's *scientific management* and Taylorism was acknowledged to be fundamental to industrial opulence. These new trends of advancement led to the beginning of early *Industrial Capitalism*. Industrial capitalism, once started, was irreversible and spread gradually throughout the economy. Nineteenth century Britain became the major industrial country of the world and capitalism was triumphant, spreading from country to country (Donaldson and Pollin, 1978:22; Kumar, 2000:40; Sharma, 2000:15; Prasad, 2004:41-45).

As the manufacturing process moved from household to urban factories, craftsmen were reduced to becoming wage labourers alongside impoverished peasants because their maximum efforts could not contend with the output of machines (Kumar, 2000:40). This scenario triggered an exodus movement of workers from the

countryside (rural areas) to the cities (urban centres) where they (workers) lived in slum conditions and worked long hours for deplorable wages (Ho, 2001:6). Herein is a passer-by's typical report on conditions of working-class life in Edinburgh, the capital of Scotland, in 1836: "*He had never before seen such misery, where people were without everything, two married couples often sharing one room. In a single day he had visited seven houses in which there was not a bed, in some of them not even a heap of straw. Old people sleep on the board floor, nearly all slept in their day clothes. In one cellar room he found two families from a Scotch country district; soon after their removal to the city two of their children had died and a third was dying at the time of his visit*" (Callinicos, 1987:80). The trend of movement within this period led to a tremendous population explosion, which worsened the whole situation and exacerbated the general crisis (Donaldson and Pollin, 1978; Mandel, 1983; Braudel, 1985). During this period, most commercial ventures and new factories were in the hands of a small (few) capitalist class, the bourgeoisie, whose economic power and political influence surged progressively (Marx, 1979:929).

The demands for new production techniques, the accumulation of resources and the concomitant positive progressive worldview, triggered a strong upsurge in the area of science and technology. In the words of Leatt, et al (1986:5): "*It seemed... as if human progress was boundless*". Even Queen Victoria (then Queen of England), on her visit to the great exhibition in 1851, of the latest inventions, described her impression in her diary in the following words: "*June 7. To the exhibition: went to the machinery part, where we remained 2 hours, and which is excessively interesting and instructive, and fills one with admiration for the greatness of man's mind, which can carry out and devise such wonderful*

inventions, contributing to welfare and comfort of the whole world...we are capable of doing anything. Here indeed was the concrete evidence of what capitalism could do. Here were displayed the means by which economic growth was being achieved, how production was expanding to increase the nation's wealth" (cited in Donaldson and Pollin, 1978:28).

Massive progress and profit caused the working class to demand a share in the progress. The idea of egalitarianism and democracy, and the necessity for social services, and a *human relations approach*, as enunciated by Elton Mayo, gathered momentum and was experimented, as well as appreciated, in the workplace (Kumar, 2000:305; Prasad, 2004:55). The Marxist critique of capitalism was elaborated theoretically, and attracted the attention of innumerable people (Bright, 2000:272). Emigration, social turbulence, the formation of potential trade unions, which could have almost equal bargaining power with employers, from a position of strength, and a series of revolutions, were socially transforming and ameliorating factors for the underprivileged in Europe (Mills 1994; Ballot 1996). A good combination of a capitalist system with a sound variant of socialist principles and practices produced the western democratic order (Leatt, *et al.*, 1986:5; Martin & Schumann, 1997:8-9; Callinicos, 1987:58).

Following industrial capitalism, is what most writers describe as *Twentieth Century Capitalism*. It emerged as a result of overwhelming structural changes. The great depression, which had begun around 1929, and extended to the major part of the 1930s, exposed the weaknesses of the capitalist system and devastated the whole system to its very foundation. The World Wars had weakened leading European countries; they degenerated and eventually

collapsed (Leatt, *et al.*, 1986:5; Donaldson and Pollin 1978:45; Heng, 2000:4; Ho, 2001:7). The United States of America (USA) became the uncontested economic and military superpower of the west, while Europe and Japan become its closest allies. Roberts (1999, cited in Heng, 2000:3-4) observed: *“Europe at the turn of the twentieth century was the centre of the world in terms of military power, political dominance, technology and finance. It was the creditor of America, and in manifold ways the source of intellectual and cultural inspiration to the new nation America. However, within a few decades, the position was drastically changed. By the 1940s, Europe toppled from its pre-eminent position. It lost to America in all major aspects and had to rely on America to rebuild its economies and military protection”*.

Russia had undergone a communist revolution since 1917 and China also followed suit in 1949. Other colonies began to gain their independence and acquire more political power. These new independent nations were later influenced by Russia and China to progressively challenge the western sphere of domination in the Third World (Avineri, 1968; Leatt, *et al.*, 1986). However, owing to the vigorous advancement of the Union of Soviet Socialist Republic (USSR) as a second superpower, and China metamorphosing into another formidable force, the world was divided into two economic blocs, each having its own allies (Leatt, *et al.*, 1986:5; Sklair, 2002:243; Newcombe, 2004:3-4).

Therefore, as at independence, beginning from 1947 onward, various third world nations adopted some form of socialism, while some embraced the mixed economic pattern. Moderate socialism was introduced in a number of European countries and in others, social institutions such as unemployment and old-age insurance, free

education, medical schemes and trade unions developed astronomically (Sklair, 2002; Bataoel, 2003; Newcombe, 2004). The state entered the realm of economic endeavour and became the largest national investors of capital, in competition with private enterprises, and the state developed an arduous bureaucratic machinery to supervise and regulate the economic activities of the nation (Leatt, *et al.*, 1986:8; Newcombe, 2004:5).

Within the private sector, there were fundamental changes that took place as well within this momentous period. Smaller firms amalgamated/merged to form huge Multinational/Transnational Corporations, which have extended their control of productive capacity far beyond the capitalist world (Ho, 2001:8). Although third world countries are politically independent, their economies are, to a large extent, manipulated in the metropolitan centres of the world (Donaldson and Pollin, 1978; Leatt, *et al.*, 1986; Martin and Schumann, 1997; Sklair, 2002). The idea that a large number of entrepreneurs should compete with each other in a free market, became a past event. Modern mechanised production and distribution methods necessitate gigantic organisations because small firms are less competitive (Leatt, *et al.*, 1986:6; Sharma and Gupta, 1999:33).

The current market began to dominate by monopolies (with a single entity in control) or by oligopolies (with a few in control). Ingenious salesmanship and aggressive advertising became the order- of- the-day (Hooker, 2004:3). Capital ownership spread out to thousands of shareholders, with limited control in the administration of the company, and a hierarchy of professionally-paid managing directors who exercised virtually all the decision-making power (Kumar, 2000:5; Ho, 2001:4). Investments, therefore,

were no longer turned a matter of private savings, as big firms regularly ploughed back most of their profits (Sharma and Gupta, 1996:743). Scientific research and technological innovations were no longer left to the ingenuity of individuals, but became institutionalised by the state and large corporations (Leatt, *et al.*, 1986:6).

A culture that began on the bases of the audacious initiative of rapacious individuals, has become an institutionalised world religion (Hilfiker, 1998:2). Present-day capitalism bears little resemblance to early capitalism. The world is now under pressure of a new form of capitalism, which most scholars/authors refer to as *Late Capitalism, Advance Capitalism or Mature Capitalism*. These forms of capitalism have triggered another impetuous kind of capitalism, known as *Global Capitalism* (detail in proceeding chapters), following the defeat of communism in Russia, Eastern Europe, East Germany and other communist bloc countries (Mandel, 1983; Leatt, *et al.*, 1986; Slabbert, 1996; Martin and Schumann, 1997; Sklair, 2002; Bataoel, 2003).

This latest form of capitalism is characterised by massive automation, sophisticated electronic controlled machines, for example, computers, which triggered a new era of information explosion (Slabbert, 1996:42), dangerous nuclear powers and the concentration of economic and productive capacity in few global centres, which are beyond competition from peripheral areas (Leatt, *et al.*, 1986:6), increased outsourcing of factors of production including labour (Feenstra and Hanson, 1996:3; Anderton and Brenton, 1998:2), unabated migratory characters of Multinational/Transnational corporations (Ho, 2001:8; Klein, 2001), accelerated exploitation of workers, local people and earth's limited

resources and the pollution of the environment; the development, stockpiling and proliferation of exceeding destructive weapons and toxic-waste, an increasing gap between the rich and the poor nations of the world and between regions and people in all countries around the globe (Choudry, 2003:3-5). Another visible scene is the techno-demographic divide. Whereas rich nations are undergoing industrial explosion, poor nations are experiencing a permanent population explosion (Turner, 2001:24). Communal crises is on the rise in different parts of the world, while local people are protesting over the destruction of their land and forest, the source of their livelihood and the pollution of their environment; the battle of Seattle, the struggle of indigenous people in Mexico and many others, the protest of the Ogoni people in Nigeria and the hanging of Ken Saro Wiwa, are all reflections of the destructive tendencies of Capitalism (self interest) and transnational practices (Martin and Schumann, 1997; Klein, 2001:383-385; Sklair, 2002; Choudry, 2003).

Twenty first century capitalism has triggered other societal maladies, in the form of unemployment, crime, exploitation and abuse of women workers, child labour, ugly industrial warehouses (packed with workers), pathetic conditions of work, low quality of worklife, poor living standards and ill-feelings all around the world. While some experts envisage that the system is flexible enough to meet new demands, others predict a global chaos and catastrophe within a few years to come, if this trend of capitalism continues unchecked. Slabbert (1996:42) cautioned: *"If this process is not halted, the reverberations might ring through centuries to come"*. The present author harmonises with Slabbert's view and feels that capitalism should be properly monitored owing to its immoral and

artificial characteristics. These inherent characteristics are the focal point of the next discussion.

2.3 Nature/Characteristics of Capitalism

According to Hooker (2004:2), capitalism, as a practice, is characterised by the following:

- The accumulation of the means of production (materials, lands, tools) as property place in a few hands; this accumulated property is called *capital* and the property owners of this means of production, are called *capitalists*.
- Productive labour is the human work necessary to produce goods and to distribute them, which takes the form of wage labour. That is, human work for wages rather than for products. One of the aspects of wage labour is that the labourer tends not to be invested in the product. Labour also becomes *efficient*, that is, it becomes defined by its *productivity*. Capitalism increases individual productivity through 'the division of labour', which divides productive labour into its smallest components. The result of division of labour is to lower the value (in terms of the skill and wages) of individual workers (also see Boonzaier, 2001:20). This has created immense global social problem in the nineteenth and twentieth centuries.
- The means of labour is manipulated by the capitalist use of rational calculation in order to realise a profit, so that capitalism, as an economic activity, is fundamentally technological.

Capitalism, as a way of thinking (ibid), involves the following: -

- As a way of thinking, capitalism is fundamentally individualistic, which means that the individual is the centre

of capitalist endeavour. This idea draws on the enlightenment concept of individuality; that all individuals are different, that society is composed of individuals who pursue their own interests; that individuals should be free to pursue their own interests (this, in capitalism, is called '*economic freedom*'), and that in a democratic sense, individuals pursuing their own interests, will guarantee the interests of society as a whole (also see Alvey, 1998:1426; Sun, O'Brien and Jang, 2001:527; Klein, 2003:388-389; Newcombe 2004:5).

- Capitalism, as a way of thinking, is fundamentally based on the enlightenment idea of progress; the large-scale social goal of unregulated capitalism is to produce wealth in order to make the national economy wealthier and more affluent than it normally would be. Therefore, the entire structure of capitalism, as a way of thinking, is built on the idea of '*economic growth*'. This economic growth has no prescribed end; the rationale is for nations to grow steadily wealthier.
- Economics, the analysis of production and the distribution of goods, should be abstracted out of other areas of knowledge. In other words, capitalism, as a way of thinking, divorces the production and distribution of goods from other concerns such as politics, religion and ethics and treats production and distribution as independent human endeavours. In this view, the fundamental purpose and meaning of human life is productive labour.
- The economic worldview treats the economy as if it were mechanical, which is subject to certain predictable laws. This means that economic behaviour can be rationally calculated, and these rational calculations are always future-directed. Therefore, the mechanistic view of the economy leads to an

exclusively technological world picture; capitalism, as a manipulation of the 'machine' of the economy, is always directed towards the future and intentionally regards the past as of no concern. This, in part, is one of the fundamental origins of modernity, the sense that the cultural present is discontinuous with the past.

- The fundamental unit of meaning in capitalist and economic thought, is the object, that is, capitalism relies on the creation of a consumer culture (also see Sklair, 2002:164-165), a large segment of the population that does not produce most of what it consumes. Since capitalism, like mercantilism, is fundamentally based on distributing goods- moving goods from one place to another- consumers have no social relation to the people who produce the goods, which they consume. In non-capitalist societies, such as tribal societies people have real social relations with producers of the goods that they consume. But when people no longer have social relations with others who make the object they consume, that means that the only relation that they have, is with the object itself. Therefore, capitalism, as a way of thinking, is that people become 'consumers', that is, they define themselves by the objects they purchase rather than the objects they produce (also see Martin and Schumann, 1987; Dowd, 2002; Sklair, 2002).

From the above characteristics, one can deduce some of the advantages, as well as disadvantages of capitalism for workers. Thus, whether capitalism is practiced in a developed or developing economy it has certain inherent advantages and disadvantages, particularly towards labour.

2.3.1 Advantages of capitalism towards labour

Capitalism motivates individuals in societies in order to venture into areas that have not been exploited previously. In other words, it has the inherent tendency to promote discovery, innovation and efficiency. The main advantages of capitalism may be briefly explained as follows:

- First and foremost, capitalism promotes competition between individuals and companies in a particular society, and increased competition leads to innovation, development and efficiency (Stokvis, 2001:3). Efficiency brings about a reduced cost of production and, therefore, many people, including workers and the poor, can afford to purchase goods and services within the market at reduced prices. However, at times efficiency is achieved at the expense of workers when most of them are shed to lower the cost of production (Bloch, 1998:18).
- Secondly, capitalism promotes a hard-working workforce, as weak workers are threatened with retrenchment, while the efficient ones are promised retention. Hence, the fear alone of losing one's occupation has become a powerful motivator under capitalist societies (Bloch, 1998:20). Therefore, the punitive threat of capitalism produces hard-working workers, which goes a long way to building strong human capital within any nation.
- Thirdly, competitions and innovations, under capitalism, will bring different varieties of products into the market, and consumers will be the main beneficiaries of the multi-choices within the market. Multi-choices will promote a perfect market competition and monopolistic tendencies can be well curtailed. This will bring the highest satisfaction to the workers, as consumers, and, thereby, fulfil the marketing

concept, which asserts that, "*consumer satisfaction is the topmost agenda in our organisational chart.*" (Kumar, 2001:8).

- Fourthly, capitalism woos and attracts foreign direct investment into nations, since it opens doors of opportunity and ways of making profit to entrepreneurs from other nations. FDIs, from foreign countries, come along with sophisticated technology, which increases the productivity, wealth and general development of the society (Kirkbride, 2001:54). Hence, the forces of production, or those that are involved in production for domestic and export use, undergo rapid development, while workers rapidly acquire the technical know-how and social skills that are needed to function in the new economic environment.
- Fifthly, capitalism abhors the nationalisation of industries and promotes the development of the private sector. This reduces the corruption, bureaucratic huddles and red-tapism that characterises the public sectors (Leatt, et al, 1986:10). Therefore, economic losses and wastages could be minimised, if not avoided, and fund generated from these avoided losses and wastages can be channelled to create other investments, which benefit workers and the society at large.
- Finally, capitalism promotes commercialisation or commerce, as members of the society busies themselves with commercial activities (Went, 2000:43). This will discourage laziness and crimes within society, since more work is created in the process and everybody is interested in some business or the other. It would promote happy workers, good citizenship and adventurous society.

These are the main reasons why some sections believed that capitalism is the best economic system that guarantees optimum satisfaction for workers. However, in spite of the many advantages, capitalism has its shortcomings as explained below.

2.3.2 Disadvantages of capitalism towards labour

As mentioned earlier, although capitalism has innumerable advantages, it also has many pitfalls. The main disadvantages of capitalism can be explained as follows:

- In the first place, the capitalist system has adverse consequences for the working class. Just as workers are subjected to faster, harder and longer work, so are their wages depleted at a time when they are making huge profits for their employers (Leatt, et al, 1986:13). Under capitalism, employers are not genuinely interested in the welfare of their employees, while all their interest is profitable and competitive. Hence, driven by these objectives, capital owners continuously seek new ways of intensifying the exploitation of labour (Dowd, 2002:22; Lebowitz, 2004:1).
- Secondly, since workers are not properly remunerated, they cannot function properly in their role as consumers, even when prices of goods and services are brought down (Slabbert, 1996:44). In this present era of computerisation and robotisation, the divide between what workers produce (or can produce) and what their low incomes permit them to consume, has resulted in overproduction, stock piling and wastage of productive capacity, which is capable of causing retrenchments, economic recession and depression.
- Thirdly, owing to the unutilised industrial capacity and stocks of unsold goods lying wasted in warehouses, a huge

percentage of machines are relegated to idleness and many workers are shed. This leads to the unemployment of both human and material resources, since machines and raw material are available, but using them to satisfy the needs of people who do not have the money to pay for what is produced, might not accrue profit for capital owners and, under such circumstances, no further investment can be created simply because the capitalist economy is based on profitability,

- Fourthly, the issues of depleted wages, exploitation of the workers, high capitalist profitability and massive unemployment leads to growing social and economic inequality whereby the rich become richer and the poor become poorer (Haines, 2001:865),
- Fifthly, with such disparity between the rich capitalists and poor workers, egalitarian social relations become impossible, since wealthy people begin to think of themselves as better human beings and look at the poor and workers with contempt, while the poor on their own side experience a mixture of hatred, envy and anger towards the rich (Leatt, et al, 1986:12). Additionally, the rich also begin to exercise a disproportional political influence, which is used to protect and assist them to accumulate more wealth at the expense of workers.
- Sixthly, the amassing and accumulation under capitalism also accelerates the rate of corruption in almost all the sectors of the society and increases the power of the rich and strong ones over the poor and weak who may have no option other than to result in bribery in order to reduce the domination at a severe disadvantage. This may lead to an increase in all forms of economic crimes, with people trying

to acquire wealth illegally when proper channels are not available or even sometimes available.

- Seventhly, capitalism does not take into consideration the essential needs of the people, such as public health, public education, rural area development, generation of employment, general quality of worklife and poverty alleviation but focuses mainly on those areas that yield maximum shareholders' returns (Martin and Schumann, 1997:128). Hence, investment decisions are distorted at the expense of large sections of society under capitalism.
- Eighthly, the capitalist economy is one that decreased expenditures on social benefits and welfare. However, social and welfare benefits are used to ameliorate the plights of the poor, unemployed and retrenched workers (Scholte, 2000:240). Although capital has always argued that any social safety net deducted from taxes affects their profitability, and makes workers lazy and fearless about job loses, as a disciplinary measure and, consequently, are less willing to do anything to keep them from losing their jobs. Nevertheless, they failed to consider the fact that without a social safety net, many people will move to crimes and criminality in the face of huge unemployment, retrenchment and hopelessness, while society, as a whole would bear the brunt.
- Ninthly, the desire to explore and experiment, discover and develop and innovate and test under capitalism, has worsened the ecological degradation of the globe. The earth has become a danger zone with depleted ozone layers and a black hole (Scholte, 2000:83; Went, 2000:41). The capitalists do nothing to control or stop pollution around the world, most certainly because environmental standards

affect their profitability and capitalism is all about profit irrespective of what happened to human health and life.

- Tenthly, the same capitalist practice breeds a set of anti-social attitudes and emotions as people become narcissistic and are only interested in themselves- '*me first*', '*money is all that matters*'. Hence, '*triumphing in the competitive race no matter the cost to human beings*' becomes the only important issue that matters. Under these circumstances, anxiety and insecurity become the order-of-the-day, as people become afraid of losing their jobs, homes and businesses, while they worry all the time about money. This situation does not permit the spirit of cooperation and mutual concern for one another becomes seriously suppressed if they ever exist because, under capitalism, it is against one's personal interest to cooperate with others.
- In addition, with people's thought and emotions effected in this way by their life in a capitalist economy, it becomes difficult for the leader to say the actual economic position of their nation, and resolve to feed people illusions of endless economic growth and lies of how they can also become rich. Indeed, capitalism has made economic '*window dressing*' the best option to attract foreign investments. With much of the economy relying on "*favourable market psychology*", the government cannot, as a matter of fact, afford to be totally sincere either with its own citizens or the rest of the world, in terms of what happens in the country.
- Finally, and the most critical disadvantage of capitalism, is that it is characterised by recurring and periodic economic crises. The business cycle is the product of the unregulated invisible hand of the market forces. Therefore, within every

ten years (although some experts say 5 years) (Went, 2000:65), there occurs a recurring up-and-down capitalist wave or movement, which finally leads to economic crises. The upward movement of this cycle is known as the progression and finally boom, while the downward spiral is called regression or recession and finally depression. The Great Depression of 1929 was a severe kind of this depression, which finally resulted in the Second World War. The Mexican crises and the East Asia crises are other notable examples of this kind of crises. Therefore, the capitalist economy is never stable and people may not be able to predict the outcomes of the decisions they make today because everything is invisible with capitalism.

Thus, although capitalism has many advantages, which can motivate a person to defend the doctrine with vehemence, however, it also has innumerable disadvantages, which, if well considered, could deplete the strength of those advantages. That said, it is now of great necessity to consider the fundamental postulations of capitalism.

2.4 Fundamental postulations of capitalism

Capitalism is based on the principle of *laissez-faire* (French word for '*leave it alone*'), namely the policy of allowing private business to develop and flourish without government intervention (Heilbroner, 2003:4). In short, the main assumptions of a free enterprise system, may be listed and discuss under the following headings:

- The private ownership of the means of production;
- The sovereignty of the consumer;

- The free competition and free trade; and
- The free play of market mechanisms, namely the law of demand and supply (Leatt, et al, 1986:8-9; Donaldson and Pollin, 1978:23-25; Klein, 2003:38).

The aforementioned points will be discussed in order to explicate and censure, in detail, the underlying suppositions of capitalism.

2.4.1 Private ownership of business (self-interest)

Capitalism pre-supposes the private ownership of business or the means of production. Each individual has the right and sole obligation to look after himself/herself, make his own good or bad economic decisions, work hard and make use of all his resources to the best advantage (Leatt, et al, 1986:8). All individuals are different and society should be composed of individuals who pursue their own interest freely (*economic freedom*) with nobody stopping them from doing so (Hooker, 2004:2-3; Mohr, et al, 2004:39). Self-interest is the necessary ground of good relationships. Only by 'looking at number one', can one relate to each other (Hilfiker, 1998:3). A country's prosperity depends on all people pursuing their own acquisitive self-interest (Donaldson and Pollin, 1978:23). This will lead to an increase in the country's wealth: people trying to better themselves and better the country at the same time. Each individual, *"...neither intends to promote the public interest, nor know how much he is promoting it. But self-interest is in the national interest: a person is led by an invisible hand to promote an end, which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it"* (Smith (WN), 1776:423, cited in Donaldson and Pollin, 1978:23; Heilbroner, 2002:3; Klein, 2003:389).

The invisible hand works within the harmony of nature and nature itself (the 'invisible hand'), guides self-interested individuals in a manner, which is beneficial to society (Klein, 2003:388). Smith explained: *"it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their self-interest"* (Smith (WN), 1776:14, cited in Klein, 2003:392; also see Manicas, 2000:4). Thus, the 'invisible hand' described the fact that manufacturers produced goods because it paid them (*profit motive*) to do so (Donaldson and Pollin, 1978:23).

Accordingly, all resources in the form of land, labour and capital would be privately owned and controlled. The state was asserted as inefficient in the running of business (Mohr, *et al*, 2004:41). Business should be left for businessmen, and the state should cease to interfere. This argument is harmonised with the maxim: *"The government that governs least governs best"* (Klein, 2003:394). According to Smith (in (TMS) II.ii.35; VI.i.15-6; VI.iii.13, cited in Alvey, 1996:2), *"...the greatest human beings are not produced by government edict: generals, statesmen, legislators, gentlemen, and philosophers combine prudence and self-command"*. Alvey (1996:2) included: *"The combination of virtue found in the great human types is the result solely of personal achievement"*. Every individual can in his local situation, judge much better than any statesman or lawgiver can do for him (Smith, cited in Donaldson and Pollin, 1978:23). However, Smith did not argue that the government should adopt a completely 'hands-off' approach, but advocated for the government to limit their role and to concentrate their investments in those areas, which private interests might neglect owing to a lack of profit, for example, the provision of national defence, the administration of justice and the provision of certain

socially desirable services, such as education (Mohr, et al, 2004:41; Donaldson and Pollin, 1978:24; Newcombe, 2004:5)

The reward a person receives in an endeavour will be roughly proportionate to the productivity of his resources, namely the skill with which he can make the most efficient use of what is at his disposal. This assumption of individualism/self-interest is also maintained with the idea of '*natural selection*'- that in nature the healthy survive and the weak dies off- this notion was also believed as a means to complement to economic ideas. The terms '*struggle for existence*' and '*survival of the fittest*', according to '*social Darwinists*' (cited in Klein, 2003:394), is that "*as a principle of nature, the best competitor will win, and this process of human competition leads to continuing material and social improvement. Thus an attempt to help the loser in the human struggle for survival would interfere with the wisdom of nature and as such retards progress; sentimental, emotional ties to the unfit are counterproductive.*" Samuel Smile (1859, cited in Donaldson and Pollin, 1978:30) in his book *Self Help*, stated: "*Whatever is done for men and classes to a certain extent takes away the stimulus and necessity of doing for themselves. No law, however stringent, can make the idle industrious, the thriftless provident, or the drunken sober. Such reform can only be affected by individual action, economy and self-denial, by better habits rather than by empowering them*".

The clear implication of this statement was that the government was not duty-bound to come to such people's assistance. Hence, every kind of redistribution and adjustment should follow the natural law of nature, namely the '*invisible hand*', which moves every individual in the pursuit of self-interest, in the interest of all. It

was on this premise that, capitalists advocated for privatisation and individualism. However, are these arguments attainable? This will be tackled later in this chapter, under discussion of the critical evaluation of capitalist natural assumptions. From the private ownership of the means of production, focus will now shift to the second assumption of capitalism, namely the sovereignty of the consumer.

2.4.2 Sovereignty of the consumer

The second assumption of capitalism is the sovereignty of the consumer. This postulation also goes well with the axiom: *'consumer is the king,' 'consumer is never at fault' and 'consumer is always right'*, which is also reflected in the modern marketing concept. Consumer is at the top of the organisational chart (Kotler, cited in Kumar, 2001:9). Consumer-oriented marketing approach points out that the primary task of business enterprises is to study the needs, desires and values of potential consumers and on the basis of the latest and accurate knowledge of market demand, the enterprise should produce and offer products, which will give the desired satisfaction and service to consumers (Kumar, 2001:8). Bean, (cited in Kotler and Armstrong, 2001:19) remarked: *"What is a customer? A customer is the most important person ever in this company- in person or by mail. A customer is not dependent on us, we are dependent on him. A customer is not an interruption of our work; he is the purpose of it. We are not doing a favour by serving him, he is doing us a favour by giving us the opportunity to do so. A customer is not someone to argue or match wits with- nobody ever won an argument with a customer. A customer is a person who brings us his wants- it is our job to handle them profitably to him and to ourselves"*.

According to Stanton (cited in Kumar, 2001:8), *"In its fullest sense, the consumer-oriented concept is a philosophy of business which states that the consumer's wants and satisfaction is the economic and social justification of business existence"*. People should use their earnings to satisfy their needs and desires. Thus, producers will only supply goods and services for which there is a demand on the free market (Leatt, et al, 1986:8). Manufacturers produce goods because it pays them to do so; consumers purchase the goods because it is the consumer who has really decided what should be produced (Donaldson and Pollin, 1978:22). Business both begins and ends with the consumer. Consumers make up their own minds and producers try to meet their wants as expressed in their spending, while consumers get what they want at prices they can afford (Donaldson and Pollin, 1978:10; Kumar, 2001:9). Moreover, it worked because of competition between manufacturers: no single manufacturer had or should have, control of the whole production of any commodity, for if they did, they might be able to exploit consumers by charging high prices. Competition between producers ensures that no consumer is exploited in a perfect market (Donaldson and Pollin, 1978:23).

The more successful producers are in finding the gaps within the market and satisfying consumers, the more money they will make (Leatt, et al, 1986:9). The quantity and quality of products, therefore, are determined by the needs and wishes of those (consumer) who want to make use of it. To quote Kumar (2001:9): *"We have to produce goods which are demanded by people, and not which we can sell"*. Prices of goods and services fluctuate depending on the desire of the consumer (Newcombe, 2004:5). Consumers and not products are the heart/centre of the business system and all business operations should revolve around consumer

satisfaction and service (Kumar, 2001:8). Therefore, every effort of the producer is directed towards the well being of consumers and producers are also whipped by the '*invisible hand*' to protect the interests of consumers within a free atmosphere. In terms of the sovereignty of the consumer, the author would like to proceed to the third assumption of capitalism, namely free competition and free trade.

2.4.3 Free competition and free trade

Free competition and free trade amongst people in domestic and international markets comprises the third assumption of capitalism. Producers and workers should compete with each other in a free market. The person who is able to offer more in terms of quantity and quality at lower prices than his counterparts will be at an advantage (Leatt, *et al.*, 1986:9). Manicas (2000:3) states it thus: *"In a 'free market', prices will fall until there are buyers for everything: the vendors all go home with money in their pocket but no commodities: the market 'clears.' But market does not clear. Buyers go home disappointed (annoyed); sellers go home with 'inventories.' That is, there is no time at which everything 'even out'..."* Fierce competition leads to maximum effort to outwit and outdo all others. In this way, people will think imaginatively and work efficiently, while better techniques and products will be developed, otherwise they will be forced out of the market (Leatt, *et al.*, 1986:9). Also, from a labour perspective, higher qualifications and more efficient work are rewarded with higher salaries because they lead to higher productivity (Leatt, *et al.*, 1986:9).

Capitalism implies a certain kind of freedom and competitiveness. People are free to buy what they want; businesspersons produce or do not; employees can freely decide to change their jobs in the face

of competition if they wish. In the same manner that businesspersons acts in their desire to make profits, employees would also try to move into jobs, which give them a higher wage. A person who receives a wage might by his free will, seek a better paying job elsewhere. A farm-worker, although having what most people would consider a worthwhile job of producing food, might decide to work in the factory making what might be regarded as useless plastic ornaments, most of which ends up in the dustbin very quickly. He takes the job because he acts in a similar way to the capital owner who wants to make a profit. The farm worker, in a comparable way, tries to obtain more money. In seeking greater profit or higher wages, they are both imbued with the spirit of acquisitiveness, the desire to increase their income and wealth under a free competition, which is basic to capitalism (Donaldson and Pollin, 1978:12).

According to Schumpeter (1976, cited in Stokvis, 2001:3), *“Capitalism is an evolutionary process. The dynamics of this process comes from the competition between entrepreneurs and the firms they have established”*. The outcome of their competition is an enduring gale of creative destruction (Stokvis, 2001:3). The free competition is not merely in terms of prices and the quantity of products and services, but in all aspects of the activities of enterprises that can give those advantages over other firms. Schumpeter (1976:81) distinguishes five areas of potential competitive advantages: products, production processes, markets, resources and organisation and concluded that any area in which a firm may acquire an advantage over other firms, is relevant to their competition. Therefore, in order to achieve growth, every firm as well as individuals, should be allowed to compete freely amongst themselves. Competitive commercial society is free and (by

promoting economic growth) serves the natural end of preservation and procreation (Buchanan, 1976:6; Noell, 1989:30; Alvey, 1996:7).

The sovereign should provide the framework within which production occurs and then allow the natural desire to better one's condition in order to produce prosperity (Smith in WN, cited in Alvey, 1996:7; Lamb, 1987:338). Thus, the sovereign is completely discharged from the duty of superintending the industry of private people and of directing it towards employments that are most suitable to the interest of society (Smith, in WN cited in Alvey, 1996:7). Consequently, government should not direct the choice of business and occupation that people enter: the 'natural course' is where the labourer is 'perfectly free both to choose what occupation he thought proper...[and] to change it as often as he thought proper' under a free competition (Smith, in WN cited in Alvey 1996:7; Rae, 1965:73-4). Occupational restrictions on manufacturing were bad for workers and employers. These restrictions were adopted in varying degrees of severity and were a violation of the individual's 'sacred right' to freedom (Smith in WN, cited in Alvey, 1996:7; Noell, 1989:30). The power of strong central governments should be weakened; power should be diffused to individuals who operate competitively through the markets (Cropsey, 1957: xii; Alvey, 1996:7).

Smith (cited in Newcombe, 2004:5) has argued that the government should not only promote free trade within country but should also promote free trade between countries. Empirical evidence suggests that countries, which adhere to free trade practices generally, experience stronger growth than those who adopt more protective strategies, while some countries with liberal trade policies have experienced higher growth rate in gross domestic products than

those countries, which use restrictive trade policies (Piderit, 1998:1688). Hence, no industry should be protected from both domestic and international competition.

Alvey (1996:8) has argued: *“Like the domestic economy, the international trade of a country does not require detailed supervision by the sovereign”*. The mercantilist’s view held that a ‘*sagacious statesman*’ would intervene in trade flows to promote the prosperity of the society (Hollander, 1973:57-8) whereas, contrary to the mercantilists, Smith argued that international free trade automatically promoted efficiency and economic growth (Alvey, 1996:8). Thus, the state was required to arrange the most unbounded freedom of exportation amongst nations. Free trade promotes a bond of union and friendship among nations and commercial states still aim at unlimited acquisition (Smith, cited in Alvey, 1996:8).

In summary, consistent with domestic economic policy, in the best regime (according to the libertarians), international trade should be free. It is only through free trade that the ends of comfortable preservation, procreation, order, freedom, happiness and perfection, can be met (Alvey, 1996:9). A free market creates natural balance and equity (Klein, 2003:392). From free competition and free trade, the next discussion focuses on the fourth assumption of capitalism, namely the free play of the market mechanism (the law of demand and supply).

2.4.4 Free play of the market mechanism, namely the law of demand and supply

The fourth assumption of capitalism is the free play of the market mechanism, namely the law of demand and supply. According to the neo-liberals, in a situation of free competition, the price of anything

and everything is determined by the relative strength of demand and supply (Leatt, et al, 1986:9). Demand and supply are likened to the two blades of a pair of scissors that interact to determine the equilibrium price and the equilibrium quantity within the market (Mohr, et al, 2004:124). If more products are brought to the market than demanded, the price of the product will automatically fall. On the contrary, if fewer products are supplied than are demanded, prices are bound to rise. Thus, a decrease in price will prompt producers switch to other products that are needed by consumers and gradually prices will start to increase on the former product owing to less production. This will attract producers back to previously abandoned products in order to reap the benefits of rising prices once again (Leatt, et al, 1986:9). According to Klein (2003:391-392), *“The natural price is compared to the centre of gravity. Supply and demand motivated by self-interest, create an equilibrium, which can be compared to the equilibrium produced in physical nature by gravity. If the market price is higher than the natural price, competition for higher profits will stimulate production, which then reduces the market price. The reverse occurs when the market price is lower than the natural price; supply falls, demand, relative to supply, increases, and thus the market price increases”*.

This theory is also applicable in respect of various skills within the labour market. If there are more accountants than required in the labour market, some will be underemployed (decrease in remuneration), while others will remain unemployed. However, in a situation where there are fewer accountants than required, all accountants in the labour market will be gainfully employed and salaries for accountants, will increase. High qualifications are well paid because they are generally scarce, whereas unskilled labour is

'cheap labour' because there is an abundant supply of it (Leatt, *et al.*, 1986:9; Klein, 2003:392).

Competition attracts labour and capital when the market price of a commodity is above its natural price and causes labour and capital to move somewhere else when the market price of a commodity is below the natural price (Klein, 2003:392). Thus, the quantity of the production of various commodities, '*ceteris paribus*', will be proportionate to the demand for these products. Decisions about whom to produce things for are determined by supply and demand, by relative income. The distribution of goods and services, therefore, is determined by distribution of private wealth because wealth is private property (Hilfiker, 1998:2). The market mechanism leads to great rationalisation, and in every sphere, the market mechanism ensures that the right quantities and qualities are supplied at the right price and that everybody is rewarded according to the relative contribution that he is able to make towards satisfying the needs of society (Leatt, *et al.*, 1986; Klein, 2003; Jain, 1998; Mohr, *et al.*, 2004).

Capitalism is an economic system, a particular method for allocating resources by price and ability to pay. Hence, in order to make economic decisions, everything should have a price, including human labour. Money provides the measuring rod of value (Hilfiker, 1998:2). The system is based on a maximisation of profit. Hilfiker (1998:2) reiterated that, "*the profit motive drives economics. The only basis for making economic decision is what brings the greatest profit*". Of course all this pre-supposes that the state does not interfere, and that amongst producers, consumers or customers, employers, workers or landowners, nobody has the power to dictate the price or volume of goods and services of a particular kind,

through holding a monopoly. The state should ensure free competition. However, are these assumptions practicably in the interest of all within a given society or a majority of the peoples around the world? This begging question will be discussed in the proceeding paragraphs when taking a critical evaluation of the natural assumptions of capitalism.

2.5 Critical evaluation of the natural assumptions of capitalism

Perceptibly, the capitalistic natural assumptions has brought with it enormous progress and achievements. Karl Marx and Friedrich Engels, though ardent critics of capitalism, were among the first to pinpoint the achievements of the capitalistic assumptions. Marx (in 1848, cited in Donaldson and Pollin, 1978:26) has acknowledged: *“The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generation together... the bourgeoisie, by rapid improvement of all instruments of production, by immensely facilitated means of communication, draws all even the most barbarian, nations into civilisation... the bourgeoisie has subjected the country to the rule of towns. It has created enormous cities, has greatly increased the urban population as compared with the rural, and has thus rescued a considerable part of the population from the idiocy of rural life”*. It was these achievements that also permitted Queen Victoria’s earlier statement in this chapter.

Beyond doubts, these capitalistic assumptions have assisted in the development of science and technology, which are based on individual reasoning, extremely efficient methods of production and distribution, in order to attract consumers, different forms of organisation, management techniques and allocation of resources in

order to maximise profits and minimise losses, as well as the large-scale accumulation of productive capital for re-investment, which would create more jobs and general economic progress.

The incredible growth in technological capability and productive capacity, which is found in modern industrialised countries and without parallel in world history, may be ascribed to these beliefs, values and norms (Leatt, *et al.*, 1986:10). Capitalistic assumptions and ideas of economic development generate prosperity and market mechanism can actually be a powerful engine of innovation and progress, which has characterised modern society (Grossman, 1967:49; Alvey, 2004:3). The self-interest in the capitalist assumptions encourages individual initiative and promotes economic growth (Sun, *et al*, 2001). These assumptions accelerate efficiency and material development of the society. According to Sun, *et al* (2001:533-4), "*material development includes, but is not limited to:*

- *Freedom from physical hardship brought upon by the natural environment;*
- *Increase degree of self assertion and individuality;*
- *Perfection of scientific methods; and*
- *Greater material enjoyment and personal possessions".*

Smith asserted that a commercial society, propelled by capitalist assumptions, is likely to produce a universal opulence that will extend itself to the lowest ranks of the people (Skousen, 2001:1; Alvey, 1996:3). Personal freedom will lead to satisfaction derived from achieving one's goal and this achievement will also affect future generations and leads to incessant creativity and discovery (Leatt, *et al*, 1986; Sun, *et al*, 2001). The capitalists believed that in an atmosphere of freedom and the free-play of the market

mechanisms, rapacity and self-aggrandisement are preferred to group compulsion and that some degree of material inequality is better than forced equality.

Yet, with all its vigour and virtues, the capitalist natural assumptions has been found wanting and is the consequence of innumerable malaises. This is the very reason why these assumptions may not be attainable. From a moral point-of-view, these assumptions have failed the test of time.

According to Kumar (1988:43), *“Capitalism by itself is essentially amoral and anomic. Individual outcomes are the result simply of the free play of the market. But no social system can work without morality”*. Hilfiker (2004:2) concurred with Kumar’s view and has asserted that: *“The idea of capitalism, as a new religion, promotes values that are morally questionable and that capitalism celebration of a philosophy of self-interest, and the use of money as the measuring stick for everything including people undermines the dignity of work and life”*. Adam Smith, was (himself) fully alert to the spiritual and moral deficiencies of the capitalistic assumptions, and acknowledged an inevitable material decline in which, to the cheerful and progressive state, there would succeed a dull stationary state and a *melancholy* declining one (Kumar, 1988:37). Even at its most successful, capitalism, as an economic system, runs the risk of undermining its own cultural and political props. Its emphasis on pecuniary goals and possessive individualism steadily drives out all capitalist residual of moral restraints that are an essential part of its effective functioning (Kumar, 1988:111; Klein, 2003:395).

The neoclassical assumption that each individual knows best what his or her preference ordering is, while each person will naturally attempt to maximise his/her well-being, given a particular preference ordering, which is indeed, subject to verification. Recent workfare indicates similar misgivings about the ability of individuals to make the proper decisions to improve their own well-being. Invariably, people may realise what they are supposed to do, but because of human weakness they are unable to take the necessary steps toward implementation, as such, the preference ordering hypothesis becomes unattainable (Piderit, 1998:1695).

The *property right* and the *doctrine of freedom*, as enshrined in the capitalistic natural assumption, may instigate someone to think that everything at his disposal are his and no one has any right to question the way that those things are put to (good or bad) use. Thus, it is possible for the property owner to say that someone can only enter his premises after his consent is given, or as Robe (1996:60, also cited in Gill, 2000:9) puts it: *"I am the owner of my plant, and it will produce what I want (whatever the consequences over the environment, understood in general sense) together with whom I want (thus, without all those I will not hire or will fire), the way I want (however despotic I am towards those I command). Positive laws create only partial exception (to these rules)... Economic power thus always has certain aspects of the sovereignty of property. It remains unilateral and discretionary even when it applies to considerable quantities of people and goods"*. Hilfiker (1998:3) has accentuated on this issue when he concluded that, *"The assumption of private property, as nestled into our very being, has eroded our consciousness of the ties that link us to family, community, nation, and world. My thing, my education, my abilities, and my ideas-- they all belong to me. My possession and I*

becomes an island, separate from everyone else's island. Selfishness becomes a norm and greed a virtue".

Pope John Paul II (cited in Piderit, 1998:1684 and 1689) emphasised the primacy of the human person in a community. He pointed out that: "*the person is not... an isolated nomad, but rather as someone nurtured by supporting a family; living in a community and bound to a local community by economic, family and business ties; and eager to develop closer relationships with people in his or her local community*". The Holy Father's assertion boils down to the 'Aristotelian' position that, "*human beings only flourish in community*". In their informal reasoning, economists propose that primordial people first banded together because they realised that they could more efficiently secure food and protection if they collaborated (Leacock and Lee, 1982:1; Peet, 1991:86). They might also have first bonded together, because togetherness is comforting and stimulating (Leatt, *et al.*, 1986; Peet, 1991; Kumar, 2000). To claim that food, shelter and money, should take precedence over human beings in a community, is a redundant approach, which can only be asserted but not demonstrated. The feelings of obligation, as derived from the significance of human bonds among different individuals, are basic and cooperation and collaboration is a fundamental human value that must be respected by all individuals (Piderit, 1998:1689).

Moreover, capitalist assumptions of private property and self-interest have brought about the concentration of wealth in the hands of a few individuals (the already wealthy ones) at the expense of the masses. Thus, under capitalism, the gifted and the privileged are rewarded in addition to their gifts, while the handicapped are punished in addition to their handicap (Leatt, *et al.*, 1986:13).

Hence, capitalism does not create a uniform world (Weiss, 1998:5; Donaldson and Pollin, 1978:10). At the very outset of the capitalist era, therefore, there is a fundamental ambivalence and anxiety about the capacity of the capitalist system to fulfil the various cosmic goals (Leatt, *et al.*, 1986:13; Kumar, 1988:38).

Another contradiction of the neo-liberals' view is its assumption of the *sovereignty of the consumer*. However, in order for consumers to be sovereign, they need some ways to express their wants independently of what is made available to them. This is, of course, sometimes true. It is certainly, the whole point of market research and ultimately the best argument in favour of entrepreneurs (people who can identify some consumer needs and who have the means to respond to it). Conversely, not only are wants shaped and sometimes created by producers (Manicas, 2000:5), but, in addition, '*entrepreneurs*' cannot easily enter the market to compete with the already established giant corporations. Hence, the market is abandoned to the '*whip of monopoly*' or '*oligopoly*' (Manicas, 2000:4; Dowd, 2004:143). In a monopolised market, new needs can be created artificially, which would induce consumers to consume additional products that are marketed, and products are made in such a way that they do not last long (sub-standard products). In this *planned obsolescence* by the producer, new models and fashion replace obsolete ones in rapid sequence to the point that the *sovereignty of the consumer* is turned into a mere illusion (Hooker, 2004:4).

Under the '*free competition and free trade*' assumption, the classical theorists recognise that, where there is no parity of 'market power,' markets are not free. However, based on the capitalist assumption of private property, free enterprise, massive

capital accumulation and wealth concentration, there will always be the visible tendencies of *'monopoly capital'*. Consequently, giant corporations (TNCs) can (and do) dominate production and sales; they can better control costs, spend millions on advertising, manipulate workers and use other means to restrict competition (Dowd, 2004:143). According to Leatt, *et al.*, (1986:13), ***"by 1980 about 300 large multinational corporations control three-quarters of the world manufacturing assets"***. Moreover, because of their size and power, new enterprises are obstructed from entering the market, which these giant corporations dominate. In that case, as Engels (cited in Dowd, 2004:135) has commented, ***"free competition and free trade has reached the end of its road"***. Thus, instead of *'market forces'* determining organisations, organisations determine the nature of the market. In other words, as Chandler (cited in Manicas, 2000:4) states: ***"The visible hand replaces the invisible hand"***.

There is also the claim that the ***"invisible hand"*** has also assured that production would be accomplished *'efficiently,'* where, *'efficient'* means that there is no alternative ways of allocating resources (input), which will improve outputs. However, a moment's thought will suggest that an economy could produce efficiently and at the same time, wastefully or destructively. Destructive but efficient production, for example, destroys the environment (Manicas, 2000:5). Wasteful but efficient production generates commodities, which fail to serve human needs or wants. For example, the introduction of numerically controlled machinery that destroys jobs, the acceleration of the culture of consumerism, poor quality housing and star wars technology, which is the cause of great concern around the world at present (Rifkin, 1995; Slabbert, 1996; Martin and Schumann, 1997; Manicas, 2000; Sklair, 2001).

In fact, people may abuse technological change and use new product to undermine relationships instead of enhancing it (Piderit, 1998:1690). Thus, the strength of the neoclassical model is its analysis of production and efficiency in production, not its depiction of consumer behaviour. Valuing the human person signifies providing sufficient weight to the values considered as important by humans (Piderit, 1998:1696). Moreover, the assertion that free international trade promotes efficiency, growth and happiness, is still to an extent, which is subject to great investigation. The Great Depression of the 1930s, the Asian crises, and the dilapidation of the Mexican economy and the resultant falls in the value of the Mexican currency (peso), is a sign that in most cases free trade does not guarantee economic opulence, as asserted by the neo-liberals.

According to Adam Smith (cited in Alvey, 1996:8-9), "*international trade automatically promoted efficiency and economic growth*". However, this assertion may only work if both trading nations are equal and the contract to trade is not prejudicial to any of the parties that are involved to the contract. For example, most of the international trade between the First and the Third World nations have never been so rosy with the latter. Free trade has never created a natural balance between the two worlds as asserted by the classical school of thought. Open trade, freedom of movement and the breaking down of trade barriers, has been beneficial to the elite of the advanced nations of the first world, who are already endowed with great accumulation (monopoly capital) based on self-interest, which would propel their transnational ventures. Some of their practices extend to the beggaring of their own labour force and, as such, their consumers, while migrating to exploit other nations'

labour forces and natural resources (Martin and Schumann, 1997; Klein, 2001; Sklair, 2002; Choudry, 2003).

Hence, it is not a panacea that free trade is beneficial to all nations that are participants of free trade. Therefore, free trade enhances the interest of the ruling class of the First World at the expense of the helpless and unsuspecting global masses. Of course, free trade may lead to unemployment, underemployment and exploitation of workers, to the advantage of the capitalists. However, even Britain and the United States, the heartland of capitalism cannot boast of an all-round free trade. There are still varying degrees of trade protections and restrictions in these capitalist nations, which protect their local manufacturers. The trade wars between the United States of America (USA) and Japan, is a case-in-point to prove that full scale, unbounded free-trade is unattainable.

The assumption of the *free play of the market mechanism*, which stated that the decision about whom to produce things for are determined by '*supply and demand*' and '*relative income*', is contrary to the common goal of human development. To assert that goods and services should be left to the law of demand and supply based on relative income, means that the distribution of goods and services is determined by the distribution of wealth, namely those who have more money, can obtain more things. As such, the essential principle of the free-market system is, in fact a formation of injustice, since the rich get what they want and the poor get little or nothing. This assumption may not be the best one upon which to build an economic system (Hilfiker, 1998:2).

The capitalistic assumption of '*profit motive*' leads to the exploitation of the consumers and the working class. It should be

noted that, based on capitalistic assumption, profit does not include the wages of workers, from entry-level position to managers. Wages are paid before profit is calculated. The guiding principle for all economic activity is to maximise profit for 'investors' (those who are wealthy enough to have assets to invest). Only those who place money into the system are considered investors, and it follows, therefore, that workers do not naturally "invest" by working (Hilfiker, 1998:2). This incidence always aggravates into tension between the capitalist and working classes. Kumar (1988:112) noted: *"The capitalist reduction of all relationships nakedly to the 'cash nexus' releases, in particular, the full energy of the organised working class- but in a capitalist, rather than a socialist, direction. The working class schooled by capitalist ethics and capitalist practice, comes to feel increasingly uninhabitable in the use of its industrial power in the market place. It demands its due; the strike weapon is its bargaining counter. The result is endemic industrial conflict and, with leap-frogging wage settlement, endemic inflation"*.

This focus-on profit, on earning, has mushroomed beyond the sphere of economics to become central to the capitalist system (Martin and Schumann, 1997:48). Consequently, those activities that are not financially remunerative, but essential to societal well-being, are not valued (Leatt, *et al.*, 1986; Hilfiker, 1998). The profit motive has exacerbated this perception, which has seeped into every area of society, indicating that getting something for nothing, is really the way the world works. What a person receives has nothing to do with the sweat and equity that was put into an effort, but rather with wealth and the right kind of 'luck'. For example, Bill Gates' fortune of well over US\$10 billion in twenty-five years, is seen as a positive

example of American (capitalism) ingenuity and success rather than a warning of a warped system (Hilfiker, 1998:2).

Finally, and above all, is the capitalistic natural assumption of *'laissez faire'* (leave business alone), namely non-interference in economic activity by government, whose functions would be limited to that of a *'night watchman'* which is a mere protector of life and property and enforcer of contracts (Macewan and Weisskopf, 1970; Grossman, 1974; Hooker, 2004; Newcombe, 2004). This assumption may not only be far-fetched but it is naïve to assume that government should hands-off from areas of business. It was said that *"market is 'free' when the government is not 'interfering'"*. Manicas (2000:4) rebuffs this assertion and accentuates that, *"this is an odd way to think since without the government and its laws and regulations there could be no market. It is the government which establishes the rule of the game"*.

According to Turner (2001:20), *"the belief of capitalism and economic development helped generate the ideas, as well as the prosperity, which characterises the developed world today, but, en route, they generated the inequality and insecurity, which almost blew up this post facto progressive path, but capitalism was only saved by the emergence in the late 19th and 20th centuries of a countervailing force, which many capitalists opposed: a state powerful enough to redistribute economic opportunities and to provide collective goods, and intellectually competent enough to absorb and apply Keynes's intellectual revolution- a state, which was the product of ideas and political will, rather than a natural and automatic product of capitalist system itself"*. Thus, business has come to accept the active intervention of government in the economy for the sake of enhancing economic stability, promoting

growth, reducing insecurity and softening the economic inequalities, which is generated by the market system and exacerbated by inequalities in individuals' endowments or bargaining power (Grossman, 1974:29). Based on these contentions, the laissez faire or non-interference assumption may be regarded as *Passé*. Thus, any nation that embarked on the full-scale adoption of these capitalistic natural assumptions, will in the long-run, fall from the heights of prosperity to the depths of misery and unemployment for the masses of its population (Kumar, 1998:37).

It is on the grounds of these vicious cycles of unemployment, underemployment, inequality, insecurity, exploitation, poverty and the inhuman treatments meted out to labour, based on these capitalistic natural assumptions that the focus will now advance to the concept of '*capitalistic labour relations*'.

2.6 Capitalistic labour relations

This section explores the impact of the capitalistic mode of production on labour, which would verify the fate of the working class under capitalism, namely whether capitalism is beneficial to the working class or not. First and foremost, the effect of division of labour under capitalism on the working class, would be elucidated before investigating the general capitalistic labour relations.

2.6.1 Capitalism and division of labour

Capitalistic division of labour in most societies and especially in recent business environment, is hugely complicated. The way jobs are assigned to a particular worker and the manner or reason for such an assignment, is also multifaceted. Economic scrutiny has a tendency of accepting division of labour as a product of economic

and social relations by explaining it in terms of allocation of each individual to particular jobs according to an individual's inclination and dexterity (or according to an expertise acquired through investment in '*human capital*'). The inputs and efforts of workers tend to be ignored and incorporated under technology, which is assumed to evolve superficially as a technical advancement (Miles, 1987; Dowd, 2002). According to Fine (1982:35), "*Economics has become oblivious to the fate of workers in the jobs that they undertake and the division of labour is taken for granted as a desirable source of increased productivity and growth*".

The celebrated work of Adam Smith (1776 cited in Stoner and Freeman, 1992:312; also see Boonzaier, 2001:18) on '*division of labour*', may be considered as a major step in the productive and optimal utilisation of human resources. Adam Smith (1850, cited in Hackman and Oldham, 1980:47; Giddens, 1995: 493; Boonzaier, 2001:18) presented one of the clearest and oldest illustrations of the application of division of labour. While analysing the pin-making process in his famous writings, '*Wealth of Nation*' (WN), Smith explained: "*A person working alone could perhaps make twenty pins per day. But by breaking down the task into a number of simple operations, however, ten workers carrying out specialised job in collaboration with one another could produce 48000 pins per day. The rate of production per worker, in other words, is increased from 20 to 4800 pins, each specialist operator producing 240 times as much as he or she was working in isolation*". Thus, Smith has suggested that the increase in productivity is itself a result of three processes: an increased dexterity that accompanies the confinement of workers to a specialised task, a saving of time for workers from passing from one tool to another and the

possibility for the creation and introduction of machinery that the division of labour provokes.

Charles Babbage (the inventor of the earliest form of computer) subsequently incorporated Smith's thought of efficient labour utilisation into his analysis. According to Babbage (1835, cited in Giddens, 1995:493), *"Technological progress in production can be measured by the degree to which the tasks of each worker are simplified and integrated with those of other workers. This process reduces the price employers have to pay for hiring workers and the time needed to learn each job, as well as weakening the workers' bargaining power and thus keep wage costs down"*.

Taylorism went further to explicate how industrial processes could be broken down into simple operations that could be precisely timed and organised (Worsfold, 2004:1). Taylor was only concerned with improving industrial efficiency, but gave little consideration to how products should be marketed. *'Mass production necessitates mass markets'* and the industrialist, Henry Ford, was among the first to take notice of this and exploited its possibilities. Fordism was designated to the system of mass production and tied to the cultivation of mass markets, as enunciated by Henry Ford.

The industrial mogul, Henry Ford, established his first plant at Highland Park, Michigan, in 1913 and made only one product- the Model T Ford- thereby allowing the introduction of specialised tools and machinery that was designed for speed, precision and simplicity of operation. The most spectacular innovation of Ford was the construction of a *'moving assembly line'*, which was inspired by Chicago slaughterhouses, where animals were disassembled section-by-section on a moving line. Each worker on Ford's assembly line

had a specific task, such as fitting the right-side door handles, while the car bodies moved along the line. The result of this system was astronomical, since prior to 1929, when production of the model T ceased, fifteen million cars were made and 80 per cent of the cars in the world were registered in the United States (Giddens, 1995:494).

Emile Durkheim, a French sociologist in his writing towards the end of the 19th century, believed that the greater the division of labour, the more people would have to depend on each other, and the closer they would become (Hawthorn, 1981:33). Thus, Smith and his associates, without considering the negative impact of this system on workers, believed that division of labour leads to efficiency and growth, thereby tracing the wealth of the nation to the interaction between a growing division of labour and the scope of market relations.

However, contrary to the abovementioned views, Marx (1818-83, cited in Hawthorn, 1981:33) contended that: *“division of labour impoverishes the worker and makes him a machine...for as soon as labour is distributed, each man has a particular exclusive sphere of activity, which is forced upon him and from which he cannot escape”*. It was on this grounds that Marx (1818, cited in Fine, 1982:40) went further to rebuff Smith and his cronies: *“Now it is quite possible to imagine, with Adams Smith that the difference between the above social division of labour and the division in manufacture, is merely subjective, exists for the observer who in the case of manufacture can see at a glance all the numerous operations being performed on one spot, while... the spreading-out of the work over great areas and the great number of people employed in each branch of labour obscured the connection. But*

what is it that forms the bond between the independent labour of the cattle-breeder, the tanner and the shoemaker? It is the fact that their respective products are commodities. What, on the other hand, characterises the division of labour in manufacture? It is the fact that the specialised worker produces no commodities". Since the system of division of labour in the production process may be gratifying to the capitalists in their respective factories, the social organisation of division of labour is intolerable in its totality. Towards this, Marx (1845, cited in Fine, 1982:41) opined: *"division within the workshop implies the undisputed authority of the capitalist over workers, who are merely the members of the total mechanism, which belong to him"*. Thus, in Marx's view, division of labour, under a capitalist mode of production, leads to incessant exploitation of the working class.

The capitalist system of division of labour leads to the creation of surplus value through productivity increases, which reduces the value of labour (Marx, Cap.v1, 1976:33-4). According to Marx (1844, cited in Greave, 1984:212), *"The source of man's immediate difficulty is the division of labour. Division of labour was the very essence of all that was wrong with the world. It is contrary to man's real essence"*. The effect of division of labour on the working class is the creation of a hierarchy of skills and wages in correspondence to the increasing specialised tasks that are undertaken. In many instances, however, the detailed labour becomes increasingly simple even though certain dexterity is gained with practice. Accordingly, hand-in-hand with the creation of skilled specialised labour, there is an overwhelming amount of simple, unskilled jobs that are formed to which a large section of the working class is assigned (Worsfold, 2004:1). Marx traced the introduction of machinery that eroded jobs to the increasing

division of labour and went further to show the extent to which machinery production utilises the division of labour to weaken the role of workers in the field of production.

According to Marx (Cap.v1, 1976:548), *“whereas manufacture adopted existing methods of production and transformed them through the utilization of the co-operation and division of labour, machinery took on much greater significance and transformed the role played by labour as a whole in the production process. In manufacture, the division of labour brings a range of specialist tools for the workman to use in his detailed task. Machinery production brings the displacement of the worker from the handling of his own tools and instead he becomes a tool of the machine. He becomes robbed even of the simple and specialised task that has been left by the manufacture. The pace of the machine dictates the pace of work. In short, machinery seizes the division of labour created by manufacture, intensifies it and transforms it into a division of tasks between the parts of the machine to which labour becomes an appendage”*.

Therefore, it is no longer the labourer that employs the means of production, but it is the means of production that employs the labourer, since labour has taken the position as one of the limbs of the machine, which he has created (Leatt, *et al*, 1987:204). As a result, not only will labour continue to be inferior to capital economically, but it will also be subordinated to capital technically. Thus, capitalist division of labour is the creation of a class of wage-labourers dispossessed of means of production and compelled to the side of the machine (Marx v1, 1976; Fine, 1982; Leatt, *et al*, 1987; Miles, 1987). Marx sees the introduction of machinery (a by-product of division of labour) as a stage in the development of capitalism

and accentuated that as manufacture compelled different capitalists to accumulate, this force was strengthened with the introduction of machinery that necessitates huge funding costs, which was once beyond the power of raising fund through savings and capital accumulation. The reorganisation of capital through liquidation, acquisition and amalgamation/merger, became the new trend and credit system through banking, which was utilised as another instrument of such accumulation (Fine, 1882:45).

Thus, the greatest fillip to production by huge automation, is only achieved by eradicating the possibility for competition from capitals, which continued to be realised through backward methods (*retrenchment, downsizing, re-engineering and international division of labour*) but remain profitable through imposing long working hours and low wages (Fine, 1982:45, Slabbert, 1996, Klein, 2001).

Moreover, as the division of labour develops, the source of value and surplus value become more deeply obscured. Firstly, increasing productivity is associated with the power of collective labour organised in co-operation with division of labour that mars the skills of many workers. There is nothing exclusive to capitalism in the power of collective labour, as the construction of the pyramids illustrates. Nevertheless, capitalism took this great innovation of humankind to the highest point, owing to the fact that wage-labour makes collective labour freely available. In that case, it is capital that increasingly appears to be the source of wealth, since what is a gain for the productive power of capital through collective labour, is a loss to the labourer in terms of depleted skills, functions and control. With the growing use of fixed and constant capital and the displacement of the labourer by machine, the significance of labour,

as a source of value is increasingly denied, and regarded as one source of value amongst other things (Marx, Cap.v1, 1979:35). Hence, this is how division of labour in production obscures the role of labour in the production of value and surplus value under capitalism. In the social division of labour, the concealment is reinforced. The confinement of each worker to a particular task, within a particular sector, renders impossible a direct vision of the performance of surplus labour. Therefore, as the social division of labour develops, the source of profit in surplus labour will continue to be less transparent.

Adam Smith himself, even later wrote, with discernment, about the intellectual degradation of the worker in a society in which the division of labour has proceeded exceedingly far. Smith (1776, cited in Heilbroner, 2002:5) remarked: *“for by comparison with the alert intelligence of the husbandman, the specialised worker generally becomes as stupid and ignorant as it is possible for a human being to become”*. Smith went further to assert that there is a tendency in commercial society, owing to advanced division of labour, to corrupt the intellectual, social and martial virtues of its citizens (WN V.i.f.51 cited in Alvey, 1998:1433). This *‘leprosy’* (division of labour) is so great a public evil that it leaves people *‘mutilated’* and *‘deformed’* in their character (WN V.i.f.60-1, cited in Alvey, 1998:1433).

Therefore, increasing division of labour (specialisation) narrows the range of choice of ways of making a livelihood for workers (Pasricha, 2005:233). The outcome of division of labour is the lowering of value (in terms of dexterity and remuneration) of individual workers (Hooker, 1999:2). By way of increasing division of labour, workers’ activities become more and more narrow and

monotonous and instead of developing man's creative powers, it evaporates it, degenerating people into 'idiocy' and 'cretinism' (Leatt, et al, 1987:204; Heilbroner, 2002:5).

It is not a hidden fact that highly monotonous jobs shrink workers' alertness, decreases their sensitivity to sensory input and, in many cases, impairs their muscular co-ordination. Consequently, simple and habitual, non-challenging work is responsible for extraordinary job dissatisfaction, fatigue, boredom, monotony and high rates of labour turnover, which is part of the dysfunctional aspect of industrial psychology and, at the same time, very much peculiar to capitalism (Kumar, 2000:80; Boonzaier, 2001:20).

It may be easy to show how the growing international division of labour helps to boost world economic performance, while at the same time ignoring its effect on the working class, namely the distribution of this performance. In this regard, Martin and Schumann, (1997:231) opined: *"World market integration is economically very efficient. But in the absence of state intervention, the global economic machine (division of labour) is anything but efficient in distributing the wealth so produced; the number of losers far exceeds the number of winners"*. Division of labour introduces inequality between occupations and generates disunity amongst workers, which results in social inequality that divides society into haves and have-nots, rulers and the ruled, exploiters and exploited (Leatt, et al, 1987:205). In Marx's view, division of labour pits a man against his fellow man; creates class differences and destroys the unity of the human race (Greave, 1984:212-3).

In summary, division of labour, a subset of capitalistic labour relations, may be surmised as one form of capital exploitation of labour, both locally and globally. As the name implies, it is actually the multiplication (\times) of capital and the total division (\div) or fragmentation of labour. The rapid automation of the workplace that has eroded jobs, the growing outsourcing of labour that has rendered many workers redundant and, as such, retrenched, the unabated migratory character of transnational corporations, the undemocratic work atmosphere and the almost total concealment of the efforts of labour around the world, which is the source of renewed discontentment among workers, may be attributed to the growing global division of labour. In line with the above-pinpointed arguments, the present author supports the social views that *division of labour* is a form of capitalistic labour exploitation, in general, capitalistic labour relations. Hence, at this juncture, the focus will turn towards the concept of *general capitalistic labour relations*.

2.6.2 The general capitalistic labour relations

General capitalistic labour relations are characterised by an uneven and inequitable relationship. Under this relationship, as workers become poorer, the capitalists become wealthier and the more production increases in power and range for the capitalists. *“As the worker becomes an ever cheaper commodity the more commodities he creates and with the increasing value of world of things proceeds in direct proportion to the devaluation of world of men. Labour produces not only commodities; it produces itself and the workers as a commodity...and does so in proportion in which it produces commodities generally”* (Marx, 1844, cited in Kreis, 2000:1).

“The history of all hitherto existing societies is the history of class struggle. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended in a revolutionary reconstitution of society at large, or in common ruin of the contending classes” (Karl Marx, 1848, cited in McLellan, 1980:42; Callinicos, 1987:106). Similarly, the history of the ‘*general capitalistic labour relation*’ is characterised by class struggle (between capitalists and proletariat workers), alienation and total exploitation of the working class.

Originally, capitalist labour relations is a constituent of two contending classes, namely the working class and the capitalist class. The working class are those who have been dispossessed of their invest-able capital owing to previous pauperisation by the other class and, as such, have little/nothing to invest, while the capitalist class are those in possession of more than enough accumulated capital for reinvestment, owing to previous exploitations of labour. Lebowitz (2004:1) has remarked: *“what you see when you look at capital is the result of past exploitation”*. Based on this correlation, it can easily be said that capitalists are the owners of capital and the physical and material means of production, but whose ‘*selfish interests*’ are only directed towards the expansion of their wealth, through proper rationalisation of every resources (human and material) at their disposal. According to Dowd (2002:19), *“Capitalists purchase commodities with the goal of gaining more money, additional value, surplus value: and that is the point, profits. As capitalists, all that matters to them is the growth of their capital”*. In addition, this ‘*surplus value*’ is realisable from the impoverished working class who do not have

invest-able money, and the relevant resources of manufacturing their own needs, but relied only on one resource for survival, namely the sale of labour. For example, the rise of mining capitalism created a class of people who own the mine, the capitalist and a growing impoverished class of workers who have had only their labour to sell (Callinicos, 1987:58).

The only difference between capitalist labour relations and slave master relations, is that under the capitalist labour relation, the labourers may be free to sell "labour power" to anyone that bargains better (Donaldson and Pollin, 1979:12), whereas under the slave master relationship, the slaves have no alternative/choice of whom to sell their working potentials, but are only obliged to work for their masters (Leatt, *et al.*, 1986:1). Thus, it could be asserted that whereas the capitalistic labour relationship is characterised by perfect competition and freedom, the slave master relationship may be regarded as imperfect because slavery is "*the vilest of all states*" (Smith, cited in Alvey, 1998:1429). However, in both cases the labourer has one common objective, namely survival.

Another distinctive feature of the capitalist labour relationship is that, unlike the slave master relationship, the capitalist labour relationship has two requisite (essential) commodities, namely 'money' and 'labour power'. In Marx's view, there are two possible prerequisites inherent in the capitalistic labour relations, namely that workers should be free to sell their labour-power (have property rights in their ability to perform labour) and also they should be free of the means of production (labourers should not be in the possession of the means of production). In that case, capitalistic labour relations are characterised by the existence of people who, lacking the resources of production, are merely only

capable and compelled (for 'survival sake') to sell the property right over their labour power for monetary consideration (Dowd, 2002:19).

Without hesitation, it is greatly imperative to explore those inherent tendencies in capitalistic labour relations. From the nature of the relationship, it becomes conspicuous that, as far as the sole objective of the capitalist is the optimisation of profit, he only hires workers to that optimal level that guarantees surplus value. According to Marx (cited in Dowd, 2002:22), "*the necessary condition for generation of surplus value was the performance of surplus labour-the performance of labour over and above the labour contained in what the capitalist pays as wages*". By combining his control of production and ownership of the product of labour, the capitalist acts to ensure that workers add more value in production than the capitalist has paid them (Dowd, 2002:22).

Another distinctive feature of capitalistic labour relations is that it is characterised by a vertical (non-horizontal) relationship. In that sense, workers work under the direct supervision and control of the capitalist. As such, an autocratic and undemocratic norm governs the capitalist labour relations of production. Consequently, the supremacy of capitalists' interest (and not that of the workers), determines the nature and purpose of production. Moreover, it is a command system, which Marx called the '*despotism*' of the capitalist workplace. Hence, within capitalist labour relations, in spite of the fact that there seemed to exist freedom and perfect competition, capitalists have the instinctive tendency of tyrannically manipulating workers and the workplace in order to accomplish their selfish ambitions (Bloch, 1998:15; Dowd, 2002:21). Sassoon (1996:6) has pointed out: "*The ...capitalist*

system is unfair. Its fundamental relation, the wage relation, is based on a contract between judicially equal parties, but this disguises a real inequality: the capitalists 'cheat' the workers by appropriating far more than they pay in wages and other necessary production costs. This special and statistically unquantifiable appropriation, called 'surplus-value' by Marxists, gives the owners of capital great wealth and control over the economic development of society. They thus appropriate not simply wealth but also power".

Within the capitalist labour relationship, there is always this general notion that the capitalist has purchased the right to exploit workers in the field of production (Lebowitz, 2004:1). It is common sense that if productivity rises, then fewer hours of labour would be necessary to meet the required level of production. However, the capitalist is not interested in a situation whereby workers work only sufficiently to meet the standard labour. Their main interest is that workers perform surplus labour, namely the duty assigned to workers (the capitalist work-day) should surpass the level of necessary labour. Marx (cited in Dowd, 2002) observed that "*the ratio between surplus labour and necessary labour is the rate of exploitation (or, in its monetary form, the rate of surplus value)*".

Capitalism is a system in which the means of production are owned or monopolised by a privileged minority. The great masses of producers live by selling their labour power for wages or salaries. The minority class of the capitalists, including the ruling class of the state capitalist countries, live on the surplus wealth, which is produced by workers. Goods take the form of commodities, which are produced for sale on the market with a view to making a profit. Capital accumulates through the exploitation of workers: no

employer hires workers without the prospect that new wealth will be produced to values that are greater than that paid in wages (United Kingdom Socialist Party Pamphlet, 1994:2). Thus, in every instance, the capitalist interest is not about the welfare of the workers, but only in the expansion of his estate through profit maximisation, at the expense of the working class. The basic assumption of the capitalist is that workers are merely a means of realising their goals of acquiring super-normal profit.

Thus, in order for the capitalist to realise his ambition, he uses his control over production in order to increase the work that the labourer performs, by extending and also intensifying the work-day by speeding up the pace of work, subject workers to work harder, tougher and faster in a given time period, by making sure that there is no wasted motion and slack time. Accordingly, every moment workers rest, is a moment they are not working for capital. The worker is always manipulated by capitalists to work over and above the wage paid, so that capital will continue to flourish.

Furthermore, the capitalists, in their bid to lower wages, hover from place to place, jump from border to border in search of cheaper labour and encourage competition amongst workers to seek out those who are willing to work for less remuneration. This is the rationale behind the outsourcing of labour and the quest for huge tax exemptions from poorer nations (Scholte, 2000; Klein, 2001; Sklair, 2002). For example, major coffee processors, like Nestle and coffee shop chains that are emerging across the world, refuse to pay more to primary producers for their beans, while charging premium prices for their beverages. In this case, many workers lose out when firms close factories and make relatively well-paid (unionised) employees redundant in one place and relocate to other places where they pay

lower wages and avoid unions. Big capitalists, however, often make substantial profits from these forms of economic restructuring. This is where the new international division of labour meets the race to the bottom (Frobel et al. 1990, Brecher and Costello 1994 cited in Sklair, 2002:85).

Choudry, (2003:19) has noted: *“The capitalist agreement guarantee corporations access to low-waged, non-union labour, lower or no environmental cost and new markets to dominate”*. Of course, that is the nature of capital. The inherent logic of capital is the impoverishment of the local indigenous people and the working class. According to Marx (1848, cited in Ahuja,1995:889), *“the capitalist is constantly tending to reduce wages to their physical minimum and lengthening the working day to their physical maximum, while the working man constantly presses in the opposite direction”*.

Thus, this is the point of dispute and struggle in capitalist labour relations. Kumar (1988:112) has opined: *“The capitalist, by reducing all relationships blatantly to the ‘cash nexus’, releases in particular, the full energy of the organised working class- but in a capitalist rather than a socialist direction. The working class, schooled by the capitalist ethics and capitalist practice, comes to feel increasingly uninhabitable in the use of its industrial power in the market place. It demands it’s due; the strike weapon is its bargaining counter”*. Hence, within the framework of capitalist labour relations, just as the capitalists struggle to push down wages and increase the work-day both in length and intensity, workers also struggle to increase wages and to reduce the work-day from a different progression (Trotsky, 1940:105; Ahuja, 1995:889). Of course, this was the rationale behind trade unions, which could

bargain from a position of strength. It was the kind of struggle of the working people that brought about the '*Ten-Hour Bill*', namely the law that reduced the length of the work-day in England to ten hours and which, according to Marx, was a victory for working people. A great victory over '*the blind rule of the supply and demand laws*', which form the perspective of the capitalist class; it was the first time that in broad daylight the political economy of the capitalists succumbed to the political economy of the working class (Marx, cited in Dowd, 2002). In other words, workers can only achieve their demands from the capitalists by force.

However, in spite of the workers' achievements through struggle, the capitalists are relentless in finding other exploitative mechanisms to pauperise workers, by engaging much of their time through an increase in work hours and schedules, thereby ignoring the fact that workers also need time for themselves, for example, time for leisure, education and intellectual development, the fulfilment of social functions, social intercourse and the free play of the vital forces of the body and soul. Adam Smith, while emphasising the importance of time, remarked: "*Time is the original currency by which we purchase from nature all our wants and necessities; a moment of it squandered is lost for ever*" (quoted in Cockshott and Cottrell, 2004:18). Time is the room of human development. A man who has no free time to dispose of, whose whole lifetime, apart from the mere physical interruptions by sleep, meals and so forth, is absorbed by his labour for the capitalist, is less than a beast of burden (Marx, 1848 cited in Dowd, 2002:24).

Another critical apology, which is inherent in the capitalistic labour relationship, is the concept of the '*alienated Man*'. First and

foremost, man is alienated from the product of his labour under the set relationship. He puts his life into the object he produces within a capitalist society. Man is, thereby, estranged from his very life in the product because he cannot use for his own needs that which he has produced. It enters into somebody else's control, becomes independent from him, and confronts him as an alien power. He cannot even recognise his products once they are alienated from him and although he needs them for his consumption, he has no control over them, since they usually serve the greed of the capitalist (Leatt, *et al.*, 1986:204). Also, man is again alienated from his productive activities, through the increasing division of labour, which diminishes his creative power.

Furthermore, man is alienated from his species. Though man, being a higher species, distinct from other living creatures, conscious, versatile and aware of what he is doing, but under the estrangement of capitalism, these advantages of human being over animals turn-out to be disadvantages, and all these attributes of man are frustrated, since labour, under capitalist conditions, becomes a means of staying alive. Man simply vegetates. This state is made worse since he is conscious of his species, of what he is capable of doing (Leatt, *et al.*, 1986:205; Hawthorn, 1981:34). Man is further alienated from his fellow men. Man is a cooperative being. But, in a capitalistic relationship, one man produces for another man who controls the product. As the worker is alienated from his product, so he becomes alienated from the capitalist, for whom the product serves as an instrument of power (Hawthorn, 1981:34).

The capitalists derive their power from the products of labour and, ironically, turn this power and products against the working class simply because they have no interest in the general human

development and are of the opinion that workers and indeed, all human beings, are only a means to an end, but not an end in themselves. Therefore, if satisfying the goal of capital requires the employment of racial discrimination, division of labour, influencing the state to ban or '*annihilate*' unions, shatter peoples lives and futures by closing down operations and migrating to other parts of the world, where the people are helplessly poverty-stricken and unions barred, nobody cares; after all, capitalism is not a system whose priority is human beings and their needs (Matthews, 1998; Dowd, 2002).

Moreover, the capitalists, in their bid to magnify the rate of dehumanisation and exploitation, proceeded to introduce '*division of labour*', a new form of social cooperation under their control in an altered production process. The effect of which was an increased productivity that fostered the growth of capital. Nevertheless, even within the new relationship characterised by '*division of labour*' within the work place, there remained barriers to the growth of capital. This new form of production remained dependant upon skilled workers, with their long period of apprenticeship, and was subject to the resistance of those same skilled workers to the rule of capital within the workplace.

Marx had chronicled how, by the middle of the nineteenth century, capital had proceeded to grow beyond these barriers by altering the mode of production further by introducing '*machinery*' and the '*factory system*'. With this development of what Marx called '*the specifically capitalist mode of production*', capital subordinates workers not merely by its power to command within the workplace, but by its real domination of workers in the form of machines. Therefore, rather than workers utilising the means of production,

the means of production utilises the workers. Marx described the emergence of large automated factories, the organic combination of machinery, which performs all the intricate operations of production. According to Marx (cited in Dowd, 2002:26), *“In these ‘organs of the human brain created by the human hand’, all scientific knowledge and the products of the social brain appears as attributes of capital rather than of the collective workers; and the workers employed within these ‘automated factories’ themselves, appears insignificant, stepping to the side of production process instead of being its chief actor”*.

The transformation of production, through the incorporation of the products of the social brain, not surprisingly, generates a potential for enormous productivity increases. A good thing obviously since it has the potential to eliminate poverty in the world and to make possible a substantially reduced work day. Yet these are not the goals of the capitalists, and this is not the reason why capital introduces these changes in the mode of production. Rather than a reduced work day, what capital wants is reduced, necessary labour; what it wants is to maximise surplus labour and the rate of exploitation.

Similarly, because it is not increased productivity, but increased profit, that motivates capitalists, the particular technology and technique of production selected is not necessarily the most efficient; rather, given that workers have their own goals, the logic of capital points to the selection of techniques that will divide workers from one another and permit easier surveillance and monitoring of their performance (another case in point for division of labour). It is, of course, of no concern to the capitalists whether the technology chosen permits workers to find any pleasure and

satisfaction in their work, or what happens to people who are displaced when new technology and new machines are introduced. If workers skills are destroyed, if their jobs evaporate, nobody cares, after all, capitalism is not a charity ideology.

Capitalism by its unnatural constraint on the free flow of wealth, decreases the quality of life for most (workers), while only increasing it for a few (Kowalski, 2000:2). Marx (cited in Dowd, 2002:27) observed: "*within the capitalist system, all methods for raising the social productivity of labour, is put into effect at the cost of the individual worker*".

Another important implication of the introduction of machinery is that workers were displaced by the substitution of machinery and adds to what Marx has described as '*the reserve army of labour*'. The existence of this reserve army of unemployed workers permits capital to exercise discipline within the workplace and also keeps wages within limits that are consistent with profitable capitalist production (Fine, 1982; Dowd, 2002).

The constant replenishing of the reserve army ensures that even those workers who, by organising and struggle, may achieve a certain quantitative participation in the general growth of wealth, but would not succeed in keeping real wages rising as rapidly as productivity. Thus, in every case, Marx believed that the rate of exploitation would continue to expand and that even with rising real wages, the '*abyss*' between the life situation of the worker and that of the capitalist, would keep widening. This is a view, which the present author harmonises with and believes that as long as capitalism continues, the rate of struggle, alienation and total exploitation of the working class, will intensify. Thus, Marx and the

Marxist contentions of a hundred years ago on capitalistic labour relations, still hold well until presently. But one question that requires pondering, is how could a system that has excluded the majority of people endure to triumph? How rooted is the foundation of this system? And, what is the future of this system? The questions will be considered in the next section, which takes a deeper look at *'the present state and future of capitalism'*.

2.7 The present state and future of capitalism

The present state of capitalism seemed alluring as the doctrine distends like a wild-fire on a global scale. *"The late 1990s and first half of 2000 marked the apogee of a sort of market triumphalism, a confidence- at least among the Western elite- that capitalism and, in particular, American free market capitalism, was the universal answer to economic problems"* (Turner, 2001:1). Twenty first century capitalism shows little resemblance of the early form of capitalism and, as such, full blown global capitalism has shown its monstrous face after the fall of the contending alternatives in Russia, Eastern Europe and other parts of the world. Sklair (2002:22) commented: *"By the early 1990s, ruling groups in all the countries of Eastern Europe had abandoned communism and were trying, in a variety of ways, to insert themselves into the capitalist global system"*. Presently, as predicted, capitalism has broken every wall of resistance and penetrated societies and nations as never before (Dowd, 2002:33).

Even nations like India and China, which were one time sworn enemies of a pure capitalist system, have finally succumbed to the political ideology of capitalism. After years of trade restriction and protectionism, followed by a series of euphemistic economic policies, the Chinese government has finally decided to liberalise

and have opened its borders to the transnational juggernaut of capitalism. The first Prime Minister of India, Jawaharlal Nehru (1889-1964), vowed at independence, that the Indian economic policy would uphold the socialist economic pattern that would promote an egalitarian society (Dhar, 2003:13). When the great Indian statesman was giving his outstanding independence speech of how Indians could include the excluded within the society, he could not imagine that any Indian government would deviate from the aspirations of the founding fathers of India. However, five decades after his famous speech, a socialist (labour) Indian party (BJP led Government), abandoned the Indian course and surrendered to the economic practices of the bourgeoisie. Evans (1995) put it this way: *“By the 1990s, even an Indian government claiming economic nationalist credentials, had succumbed to the economic transnational practices of capitalist globalisation and had opened up its economy”*.

In France, a socialist government privatised more state assets in four years than any other government had done previously in economic history. The visit of the former US President, Bill Clinton, to Vietnam in November 2000, and his advice to the Vietnamese to embrace the ‘force of nature’ (capitalism) was welcomed with a thunderous applause. From elites of the First and Third World, the slogans at present are deregulation, liberalisation and privatisation. Major governments have heeded to these calls to the extent that the Nigerian government has contemplated privatising the Nigerian Security Printing and Minting Company (NSPMC) popularly known as the Mint (where currencies are printed and, which is a symbol of the nation’s security and pride) (Onwuka, 2003).

Perhaps some governments may decide to privatise their central banks or the armed forces of their nation. These occurrences have symbolised that the triumph of capitalism over socialism was as complete as was the success of American shareholder capitalism over Rhineland stakeholder capitalism (Turner 2001:15).

Different authors have expressed their views about the present scenario and while some have dubbed it as global capitalism (Ross & Trachte, 1990; Hutton & Giddens 2000), others have called it globalisation of capitalism or capitalist globalisation (Sklair, 2002; Petras & Veltmeyer, 2000). Hall, et al (1998:1) in concordance with many authors believe, has reported that: *“our world is being remade. Mass production, the mass consumer, the big city, big brother state, the sprawling housing estate, and the nation-state, are in decline: flexibility, diversity, differentiation and mobility, communication, decentralisation and internationalisation are in the ascendance. In the process our own identities, our sense of self, our own subjectivity, are being transformed and we are in transition to a new era.”* Enthusiasts, such as Francis Fukuyama, have gone to the extent of asserting that the triumph of capitalism over its rivals has signalled the end of history (Keegan, 1992:1; Giddens, 1995; Turner, 2001). However, the Harvard Professor, Samuel P. Huntington, feels that the present scenario could best be captured by the clash of civilisation. In his view, *“the future will be decided not by a confrontation between social theories and political orders, as in the days of the Cold War, but by conflicts of religious and cultural origin between civilisations”* (Huntington, 1996; also see Martin and Schumann, 1997:26). The above assertion, could presumably be linked to the current resistance in many parts of the world as presently witnessed in Iraq, Iran, Russia, North Korea, Afghanistan and Somalia although these could best be

regarded as '*pockets*' of resistance in the face of '*turbo*' triumphant capitalism (Martin and Schumann, 1997; Turner, 2003). Hence, to a certain extent, capitalism seemed unchallenged and has become the goose that lays the golden egg or some sort of a demigod. Therefore, it can easily be asserted and concluded that the present state of capitalism is, indeed, glamorous.

However, a critical analysis of incidents that have taken place around the world, may as well lead a reasonable thinker to a new conclusion that capitalism is void of foundation and, as such, lacks future and may not be the true goose that lays the golden egg. Its future is frighteningly bleak and precarious. A period of huge increases in productivity, while real wages lag behind, is a receipt of over accumulation of capital and its effects (as occurred in the Great Depression of the 1930s). How far is the present world from that now- with a gargantuan increase in productive capacity around the world in countries with low wages and massive unemployment seen around the world? The ability of capital to relocate to low-wage countries, in order to manufacture products that are exported back to the more developed world, increases the disparity between productivity and real wages.

According to the International Labour Organisation (1994, as quoted in Slabbert, 1996:42-43), "*Global unemployment is at its highest level since the dark days of the depression. A total of 800 million humans are either underemployed or unemployed, which represents a structural unemployment statistic of approximately 30 per cent*". The UN has estimated that the world labour pool of 2.8 billion people in the early 1990s, included about 800 million unemployed (120 million of them officially registered as such) and over 700 million underemployed (Simai, 1995:4). Moreover, apart from the

newly industrialised countries (NICs), most countries in the south have suffered dire shortages of opportunities for waged labour, and the end of central planning has also brought large-scale unemployment to the so-called '*countries in transition*' (Scholte, 2000:219). On an international level, it is the exception rather than the rule to identify companies, which have not endured the traumas of retrenchment. Ultimately, retrenchments are self-destructive: buying power is eroded and products cannot be sold, which leads to further retrenchments in order to maximise profit (Slabbert, 1996:44).

Capitalism is, in fact, at another crossroad and futuristically heading to another formidable crisis. How else could we describe a system that places phenomenal wealth in the hands of few while a significant number of earth's inhabitants are left to freeze in the coldest element known to man- human indifference? Capitalism, by its unnatural constraint on the free flow of wealth, decreases the quality of life for many people, while only increasing it for a few individuals (Kowalski, 2000:2). Yet, neo-liberals considered it sensible politics to defend a social order, which has degenerated to such destructive madness, while they have always condemned the socialist fight against such madness as destructive utopianism. It is high time indeed to replace the welfare capitalist conception of needs with a complementary socialist conception of human rights and responsibilities (Sklair, 2002:22).

2.8 Conclusion

In summary, as mentioned earlier, capitalism has passed through a long and difficult history. From a mere idea that originated on the basis of the daring inventiveness of voracious individuals and diminutive mercantilism, capitalism has broken all barriers and

finally emerged as an unchallenged global ideology. Its philosophy of self interest/individualism and free venture has greatly enhanced the development of science and technology as witnessed by humankind today. Its reliance on competition and competitiveness, backed by the profit motive, has triggered rational behaviours within the area of commerce that has accelerated growth.

The great successes achieved in the USA, Britain and other nations that have profitably practiced the capitalist doctrine and the demise of nations that have embraced its alternatives, may give a powerful credence that neo-liberal capitalism was the best of all options and, as such, should be adopted by all nations that desire progress. In other words, capitalism is the best and only option that would propel any global economic agenda.

However, in terms of the escalating problems of endemic unemployment (Martin & Schumann, 1997), low quality of work-life, retrenchment and re-engineering, transnational movement of funds and corporation, abrasion of state power, crimes and revolution (Kaplan, 2000), the vicious circle of chronic poverty and economic suppressions (Econocides) (Slabbert, 2005), environmental degeneration and moral decadence, which are all associated with capitalist transnational practices (TNPs), a new opinion seemed inevitable.

Global capitalism appears to be running out of control towards some sort of abyss (Greider, 1997:12). It produces class polarisation as there are underprivileged individuals and groups in the First World as well as the Third World owing to expanding capitalism (Sklair, 2002:26). Capitalism, indeed, has calamitous consequences for economic security (Scholte, 2000:27). Hence, it is erroneous to see

economic empowerment as a South African phenomenon that exists solely to redress the legacy of apartheid. In a world where one billion people own 80% of the globe's Gross Domestic Product (GDP) and two-billion people earn less than \$2 per day, economic empowerment should rapidly become a global issue. As organisations expand, manufacturing is moved out of developed economies into developing economies and the digital divide narrows, the need for global economic empowerment is ubiquitous. The notion of moving manufacturing facilities to countries where labour is 'cheap', is no longer sustainable. It is a matter of time before organisations that have relocated their manufacturing operations, will be faced with the demand for empowerment and progressive redistribution- not only as a result of government pressure, but through the realisation that to disregard human potential, is to commit productivity suicide (Sawubona-inflight magazine, April 2005:76).

Thus, a democratic and just human society on a global level, however utopian, seems to be the best long-term guarantee of the continued survival of humanity (Sklair, 2002:45). This is the reason why the triumph of capitalism may not be conclusive evidence of the end of socialism and the final victory of capitalism. Singer (1999:1) remarked: *"The year 1989, with East European regimes tumbling in quick succession, could have been greeted as a sign that people do count and that obsolete systems are, ultimately, swept away. Instead, it was hailed, illogically, as proof that our system (of socialism) will go on forever"*. Thus, as opposed to Francis Fukuyamas' assertion, history has not actually ended and capitalism may not be the last-man-standing. There could still be the possibility of a complementary relationship between capitalism and socialism. The silent moments of a particular system should not

be construed as the end of that system. Otherwise, a battle-line could be drawn, and it may as well not be incongruous to assert that, '*positive socialism*' lurks at the corner waiting to mock the circumstantial, inexplicable fall of capitalism. Hence, at present, it is indeed imperative to circumnavigate those essential elements of *socialism* in the next chapter.

Chapter 3

Socialism

3.1 Introduction and historical overview

The word socialism has always been used loosely to portray economic concepts ranging from those that hold that only certain public utilities and natural resources should be owned by the state, to those holding that the state should assume responsibility for all economic planning and direction. As a doctrine, socialism is ill-defined, owing to the fact that since inception, there have been innumerable, differing socialist programs. However, its main purpose, the establishment of cooperation instead of competition, remains paramount (The Columbia Electronic Encyclopaedia, 2003).

For many centuries socialism was one aspect of this relatively amorphous inspiration, which was evident in romantic evocations of primitive innocence, millenarian prophecies of future perfection, Protestant Reformation, secular utopias and the French Enlightenment (Dictionary of the History of Ideas, 2003:2). As a concept, socialism can be discerned much earlier in mythic, philosophical and theological thoughts (King, 1996:20; Dictionary of the History of Ideas, 2003:1). In the simplest sense, socialism amounts to a belief that all producers should share equally in the fruits of combined labour (Kreis, 2000:2). On a deeper level, socialism is more than an economic formula, and even more than a prescription for justice. It is an expression of faith in the capacity of the mass of mankind to overcome what is found to be alienation or estrangement from its own essential nature, of which socialist argument has been found to be far more creative, pacific and

altruistic than capitalist experience might indicate (Hawthorn, 1981:34; Leatt, *et al.*, 1986:204).

The strength in socialistic thoughts gathered momentum during the 19th century into elaborate arguments for social change, which assumed two forms: one school of thought held that cooperative communities are within the realm of possibility, provided that they are constructed with careful attention to individual and social needs. Another school of thought (where the likes of Karl Marx belong) conceived of socialism as a stage of historical development, which was destined to be achieved after a worldwide revolution by the working class against private property and its beneficiaries. According to Arblaster (cited in King, 1996:8), *“Socialism..., as the very term suggests, belong to that family of ideologies. And they were, in origin, an attempt to create a modern, post-industrial vision of community, which would not only replace nostalgia for hierarchical pre-industrial society, praised and upheld by Burke and the conservatives, but also provide an alternative to the miserably atomised and conflict-ridden conglomeration, which capitalism was producing in place of the old feudal order”*.

The concept of socialism was first used in France and England during the 1830s as a counter-concept to private property, being born from the critiques of liberalism and laissez-faire capitalism. It was a promising alternative to respond to the exploitation, misery and degradation suffered by the working class under the condition of the early Industrial Revolution (capitalism). The working environment, within this period, was characterised by family and community life disruption, low wages and social insecurity, long working hours, female exploitation and child labour, as well as a generally low quality of work-life. Sharma and Gupta (1994:37-8)

gave a vivid description of the scenario at the dawn of the Industrial Revolution: *“The development of factory towns resulted in insanitation, overcrowding and a creation of slums. The living conditions of workers were bad. The wages of workers were low and the conditions of work were non-congenial. The workers became slaves of machines. They slowly lost their craftsmanship. Two classes developed in society, one was of capitalists and the other of workers. A tug-of-war developed between the ‘haves’ and ‘have-nots’. Large scale industrialisation resulted in a concentration of economic power in a few hands. Producers started monopolising various trades through business combinations”*. While rapid wealth came to the factory owners, the workers became increasingly miserable (Brown, 2000:2).

With the spread of this capitalist industrial exploitation of workers, reaction in the form of socialist thought increased proportionately. Thus, in order to rapidly respond to these social vices of individualistic drive of the *‘social Darwinist survival of the fittest syndrome’* and uncontrolled free market capitalism, socialism was then laudable and seemed to be the better alternative, as well as become a plea of the oppressed workers, for a condition worthy of living and re-enforced in them a vision of community of producers, in which the working class would own and control the means of production.

Socialism is a general expression for the political and economic theory that advocates a system of collective or government ownership and management of the means of production and distribution of goods. The collectiveness in the nature of socialism is what distinguishes it from the doctrine of the sanctity of private property, which characterises capitalism. Whereas capitalism

stresses competition and profit, socialism calls for cooperation and social welfares. Moreover, as opposed to capitalism, socialism can guarantee more optimum production, allocation and distribution of income and resources (Seth, 1994:674). This is where capitalism seemed less attractive to socialism. Socialism secures optimum production, eliminates the business cycle, prevents unemployment, results in equitable distribution of national income, liquidates social parasitism and provides social security to citizens, reduces the crime rate, puts an end to class struggle, social friction and exclusion and, finally, achieves social optimum. The main similarity that it shares with other ideologies, is that it also has difficult historical stages of development.

3.2 Stages in the development of Socialism

“At the beginning of recorded time, there does not appear to be rich or poor. In primitive societies, the concern was the survival of the group, and the solution was the cooperation of everyone in hunting for and gathering food, which was shared more or less equally among everyone. There was no income in the modern sense; there were just goods that were obtained and used for the benefit of the whole community” (Haines, 2001:864). The concept of the socialisation of the resources required to maintain the life of people in a given society, as an innate and essential condition for social harmony and well-being, can be traced in many cultures. The origination of this concept can hardly ever be established, though they often find expression in the myths of a *Golden Age*, which is also difficult to recall. *Greek Myths*, recorded as early as the 8th century BC and derived from an even older oral tradition, recalled an original state- the *Age of Cronus*- when people shared equally in common lot, private property was unheard of, and peace and harmony prevailed unhampered. These myths, as Lovejoy and Boas

have pointed out, describe either a 'soft' or a 'hard' primitivism: some portrayed a time of abundance and luxury in which human labour was uncalled for because the earth produced its bounty spontaneously; others portrayed a time of simple needs and satisfactions. Poetic renderings contrast the innocence of the original condition with the degeneracy of current society. The Golden Age, so the accepted interpretation went, "*was enjoyed by a different breed of mortals, in different conditions of the world and (in one version) under different gods, and no practical morals could, therefore, consistently be drawn from it for the guidance of the present race, and it was, by implication, irrecoverable at least by men's own efforts*" (Lovejoy and Boas, 1935:16).

There was substantial radical speculation in Athens about the concept of socialism during the fifth century and the beginning of the fourth century BC. Aristophanes' satirical play, *Ecclesiazusae*, was believed to ridicule Athens under a system of a community of wives and property. More spectacular was Phaleas of Chalcedon's proposal of a model-state, which was based on equalisation of property in land to relieve the economic suffering of the poor, and on the equality of access to a common form of education. The absence of the first, according to Phaleas, is a major source of civil conflict (Barker, 1906:44 also see Kings, 1996:18). Phaleas' remedy of redistributing land from rich to poor was advocated on numerous occasions during successive centuries and was far more attractive to landless labourers and poor peasants than common ownership.

Plato's Republic portrayed a more radical and original scheme than Phaleas' had. It was based on the establishment of a two-class system, namely a dominant class of guardians, divided into rulers and warriors and a subordinate labouring class of farmers and

artisans. The Guardians, it was supposed, would live in common barracks, eat together at common tables and own no personal property of any kind. Male and female Guardians would only be allowed to mate under strictly controlled conditions, which would guarantee an adequate reproduction of unsurpassed children that would be groomed to serve as future ruling elites. Children were separated from their parents to the extent that no parent would know their child and no child their parents.

The Guardian, removed from the temptations and distractions of family and possession, would be able to devote themselves wholly to promoting the good of the state. Although *Plato's Republic* is widely regarded as the most important early model of a society based on common ownership and common sharing (Koinonia), its community of property is restricted to the Guardians class. There is no common ownership of land or other property, all of which remains in the private possession of individual farmers and artisans, who are required to hand over part of their produce to supply the Guardians' common table and other needs. It was private and not communal ownership that governed the state, which was proposed by *Plato*, which is quite strange to those of latter-day communitarians and socialists (Leatt, *et al.*, 1986:195; King, 1996:18; Dhar, 1999:426).

In his *Politics*, Aristotle was sceptical of all proposals for communism, including the limited version advanced in *Plato's Republic*. Collective ownership flouts the most fundamental axioms of human nature; property held, in common, is likely to remain untended and uncultivated. Far better in Aristotle's view is the practice followed in Sparta, where goods were privately owned but made available by their owners for public use. The rightly ordered

polis will apply the principle of distributive justice, or proportional equality (Dictionary of the History of Ideas, 2003:3).

In Western Europe, the call for the socialisation of property during the successive centuries, owed very little to *Plato's Republic* and virtually everything to Christian teachings on wealth and poverty (Leatt, *et al*, 1986:195). This was taken from Christ's own message in the Gospels that wealth is a hindrance to salvation, when He exclaimed: "*Truly I tell you: a rich man will find it hard to enter the kingdom of heaven. I repeat, it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of God*" (Matthew, 19:23-24, quoting from The Revised English Bible (REB), 1989). In his letter to the Galatians, Apostle Paul wrote that there is no more distinction between Jew and Greek, slave and freeman, male and female because all are one person in the eyes of Christ (Galatians 3:28, cited in REB, 1989). The Acts of the Apostles, according to Saint Luke, revealed that the early church had, to a certain extent, practised socialism (communism). It was stated that "*none of the new converts claimed any of his possessions as his own, but everything was held in common... there was never a needy person among them, because those who had property in land or houses, sold it, brought the proceeds of sale, and laid the money at the feet of the apostles; it was then distributed to anyone who stood in need*" (Act 4:32-35 cited in REB, 1989).

However, there is no evidence, outside Judea, of Christian communities being organised on a communal basis, but as time went by, prominent Christian teachers urged the need to return to the communal practices of the early church. During the fourth century, John Chrysostom of Antioch, asserted: "*For 'mine' and 'thine'*,

those chilling words which introduce innumerable wars in the world should be eliminated from the holy church. The poor would not envy the rich because there would be no rich. Neither would the poor be despised by the rich; for there would be no poor, for all things would be in common" (Avila, 1983:86; also see King, 1996:19).

The influence of Acts 4 was reinforced in a weird development, around 850 AD, when a French Monk incorporated them into a fifth Epistle of Pope Clement, a first-century Bishop of Rome believed to have been a pupil of St Peter. In The Epistle, Pope Clement held that *"just as the air cannot be divided up, nor the splendours of the sun, so the other things, which are given in this world to be held in common by all, ought not to be divided up, but really ought to be held in common"*. The false Fifth Epistle had great authority and influence until it was discredited in the 16th century.

Conventional, early Christian theologians did not regard private property as natural or God-ordained, but viewed it as a result of human wickedness, which has come to frustrate the intention of God (Dictionary of the History of Ideas, 2003:4). St Ambrose and St Augustine, two of the most distinguished early church fathers, believed that God had made the world in a way that nature's fruits would be accessible to all humans for their common ownership and satisfaction. It was private avarice and usurpation of common rights, which gave rise to private property.

Since it was not possible to return to the blessed natural condition of common possession that existed before the fall of man, those who possessed wealth were strictly admonished to use it for common good; in particular, to relieve the poorest of the poor through

charity as a Christian responsibility. According to St Augustine (as quoted in Avila, 1983:133; King, 1996:20), *“he who uses his wealth badly, possesses it wrongfully and wrongful possession means that it is another’s property. You see then how many there are who ought to make restitution of another’s goods”*. Later during the twelfth century, Saint Thomas Aquinas, one of the most renowned Christian theologians of the Medieval Ages maintained that *“a man might openly or secretly take another man’s property in case of need, whether of himself or others, since in a case of necessity all things are, by natural law, common.*

From the 11th century onward, monastic communities were established in many parts of Europe, with their members dedicated to leading a simple, Christian way of life, of prayer, devotion and works, sharing under conditions of voluntary poverty such as the early Christians were believed to have practiced (King, 1996:20). In 1221, Saint Francis of Assisi, had ordered all Franciscan candidates to sell all their personal belongings and hand over all proceeds to the poor. However, it was not vividly clear whether his intention was as well a renunciation of common and individual possession, or retention of only what was necessary for simple survival (Coleman, cited in Burns 1928:19).

Around the 14th century, religious protests, such as those led by John Wyclif and John Bull, unfolded in England (Dictionary of the History of Ideas, 2003:6). John Wyclif proclaimed at Oxford to have established that all things should be socialised. According to him, *“only common ownership made it possible for all men to be in a state of grace, since in that state, a man is master of the whole world and all it contains”* (King, 1996: 21). At Cambridge University, within the same period, the Chancellor was found giving

a powerful lecture, in which he portrayed the last judgement as the day of vengeance of the poor and weak against their powerful opponents. It was based on this backdrop that Reverend John Ball affirmed that *“things cannot go well in England nor ever shall until all things are held in common and there is neither villain nor noble, but all of us are of one condition”* (Cohn, 1952:210; Dictionary of the History of Ideas, 2003:6).

Around the year 1419, some millenarian religious movements and sects emerged, announcing that, the second coming of Christ was at hand. Prominent, among them, was a group of radical Hussites, called the Taborites (or the Saints), which surfaced in Bohemia and who were by the belief that the way should be paved for the second coming of Christ, in the form of destruction of all sinners, the powerful lords, nobles and rich town merchants who have oppressed the poor. They asserted that after the completion of the cleansing in Bohemia, the mighty warrior Christ would then descend from heaven, lead his army to join the armies of the Saints to defeat the forces of the anti-Christ and establish the Millennium on earth.

In that sacred condition there would be neither authority nor government, neither taxes nor private property- ‘all shall live together as brothers, none shall be subject to another’. This conviction led the Taborites to establish a community of the chosen based on common ownership and sharing, which motivated countless numbers of peasants and artisans throughout Bohemia and Moravia to sell their private belongings and surrendered the proceeds into collective coffers, intending to create an egalitarian community. In the stronghold city of Tabor, the capital of the Taborites and where it was believed that Christ would appear, none was allowed to

possess anything, and, in fact, private property was seen as taboo (Cohn, 1952:230).

The Taborite Movement faded away after a military setback in 1434, but its principles lived on, finding stunning manifestation during the German peasants' war of 1524. The aims of the of peasants, as stated in the 'Twelfth Article of March 1525', were mainly restricted to the redress of grievances on such matters as tithe payments, rents, labour services and appropriation of common lands. A former lieutenant of Martin Luther, Thomas Muntzer, who also led the Thuringian peasants, called on the league of the elect to incite the poor to eliminate lords and princes who used the law to protect the property, which they had expropriated from the common people. Muntzer's mandate provoked the lords and he was arrested and executed after a battle in which more than 5,000 Thuringian peasants were massacred. He was succeeded by Hans Hut, a leader of the radical militant form of Anabaptism, which emerged during this period.

Hut intensified the message of the social doctrine of common ownership of property; a doctrine, which was accepted by the more than 40 independent Anabaptist groups, and which was sanctioned by most of them in their respective communities. Hut announced that God had chosen him as a prophet to proclaim the second coming of Christ, which would take place at Whitsuntide in 1528. Hut further announced that Christ would employ the hands of re-baptised Christian (Saints) to punish wicked priests and pastors, kings and nobles, and establish a millennium of free love and community of possessions. In 1527, Hut was captured and murdered, forcing his followers to retreat to Munster to join other Anabaptist members. In February 1534, in a highly charged atmosphere of religious hysteria

and apocalyptic vision, the town was overthrown by the Anabaptists and Lutherans and Catholics who would not accept adult re-baptism were chased out, while their properties were sequestered and given to the poor and a law, which prohibited private ownership of money, buying and the sale of goods and working for money was passed, residential property was taken over for camping immigrants, direction of labour was introduced, the cathedral was ransacked and, with the exception of the Bible, all other books, files and diaries were destroyed.

In the same year Jan Bockelson became the spiritual dictator and leader of Munster and was committed to realising a society in which private property and private labour was disapproved, and everybody would share common possessions (King, 1996:23). Bockelson later instituted polygamy in Munster, which is now called the New Jerusalem, declaring that, his decision was based on a divine revelation. Bockelson soon married fifteen wives and persecuted anyone who opposed his new marriage decree. In September that year Bockelson had Dusentchur, a goldsmith-turned-prophet (false) to proclaim him as the King of the New Jerusalem and the Messiah of the '*Last Days*', who would be a spiritual and temporal ruler of the whole world. Dusentchur then seized the sword of justice from the elders and presented it to Bockelson whom he anointed as sovereign.

The new King subsequently addressed the populace: *"In like manner was David, a humble shepherd, anointed by the prophet, at God's command, as King of Israel. God often acts in this way; and whoever resists the will of God, calls down God's wrath upon himself. Now I am given power over all nations of the earth, and the right to use the sword to the confusion of the wicked and the*

defence of the righteous. So, let none in this town stain himself with crime or resist the will of God, or else he shall, without delay, be put to death with the sword" (quoted in Cohn, 1957:296; O'Neil, 1994:119).

However, his great power ended when the besieged Munster finally succumbed to the Bishop forces, which massacred almost all surviving Anabaptists in June 1535 (O'Neil, 1994:120). The militant, millenarian Anabaptist movement diminished and faded out by the end of the century. However, remnants of Anabaptist communities, most of them based on common ownership, survived by reverting to pacifist principles and accepting the need to pay taxes to authorities. In that case, the Anabaptists presented no threat to the established secular order; nevertheless, numerous Protestant and Catholic authorities alleged that mere adherence to sacrilegious philosophies constituted a threat to society and persisted in their persecution of the Anabaptists (King, 1996:23).

In the 17th century, the revolution and civil war in England was a period of religious, communal and political turmoil; turmoil, which was, particularly reflected in the October 1647 army debate at Putney. Here for the first time, some radical Levellers united, and proposed to the authorities to bring about major extensions of the franchise so that at least all free-born Englishmen, above 21 years of age, would be allowed to vote, which would open up possibilities of securing economic and social reforms through a parliament, which represented a much wider range of social groups.

In response, General Ireton attacked the Levellers' demands and argued that the extension of franchise would threaten property, since a Parliament composed of representatives who were property-

less, could enact laws to 'vote against all property'(Woodhouse, 1938:443-5). Such arguments were disgusting to the Levellers and their supporters, while the Levellers subsequently declared that no parliament would have power 'to level man's Estates, destroy Property or make all things common', however, the Levellers criticised the existing Parliament for its failure to open up the recently enclosed low flat wet lands, and put them to the benefit of the poor (King, 1996:24).

The cause of common ownership was taken up by the Diggers, the true Levellers, under the leadership of the crusading pamphleteer, Gerrard Winstanley. Around 1648-51, he developed an idea of England as a true commonwealth, based on common property, as the only remedy for the desperate position of the poor. This is the battle that was fought between these two powers, which is property on the one hand, called the devil or covetousness, and community on the other hand, called Christ or universal love (Hill, 1973:268). Community was the term used in England from the late fourteenth century to refer to a condition where property was held more or less completely in common (Bester, 1948, cited in Kings, 1996).

Winstanley expected that the example set by the tiny, scattered bandit of Diggers who had taken over and cultivated wasteland, might spread throughout England, one third of which he estimated to be uncultivated since the Norman Power took it from the people after the conquest. He appealed to all Englishmen in March 1650, *"to take Plough and Spade, build and plant, and make waste land fruitful, that there may be no beggar nor idle person among us, for if the waste land of England were made fertile by her children, it will become, in a few years, the richest, the strongest, and the most flourishing land in the world"* (Winstanley, 1650 cited in

Sabine, 1965:408). He further portrayed a true Commonwealth of Freedom based on common ownership, which has an anarchistic flavour: *"If everyone did but quietly enjoy the earth for food and raiment, there would be no wars nor gallows and this action, which man calls theft, would be no sin"* (Winstanley, 1650 cited in Hill, 1973:192).

The breaking up of the Diggers' settlements by physical force and legal eviction, and the failure of Parliament to redress the grievances of the poor, led Winstanley, in desperation in November 1651, to petition Cromwell, as protector of the Realm: *"Use the power in your hand... to see all burdens taken off your friends, the commoners of England' by giving effect to the proposals contained in The Law of Freedom"* (Winstanley, 1650 cited in King, 1996:24). In the Platform, Winstanley set out, for the first time, a political programme for an alternative society, which was based on the socialisation of property, to replace the existing society, which was based on private property and greed. Although Sir Thomas More in Utopia had portrayed a society that was based on common possession, it was not similar to the one that was proposed by Winstanley (Kenny, 1983:20). In Winstanley's commonwealth, all members would work in common fields or workshops under the supervision of elected overseers who were responsible to work in conformity with laws that related to such matters as the organisation and control of work and the conveyance of goods that were produced, as well as running of common storehouses and shops, to which all families would have free access. Moreover, there would be laws against idleness, buying and selling and hiring labour. Private property would be restricted to the family house and personal possessions. Clergies would not be allowed in the commonwealth, but education would be a priority.

In his letter to Cromwell, Winstanley stated that the new commonwealth's land should be restricted to 'the ancient commons and waste land, and the land newly obtained from the oppressors (the Royalists) by the Armies' victories, should be open to use by all who wished to come into the commonwealth and obey its laws. Those who were unwilling to join would be left behind with their lands and possessions 'till they are willing' (Winstanley, 1650, cited in Hill, 1973:290). Winstanley was, as ever, concerned to stress that he would not countenance violence or coercion in order to realise his goals. He relied on the power of intuition and example to move men to follow the path of community and mutual aid, as instructed by Christ and to forsake covetousness and self-seeking, which were the province of the devil. His appeals to Cromwell were ignored and Winstanley and his writings disappeared from the scene, only to be rediscovered and popularised in the late nineteenth century by among others, German Marxist revisionist, Eduard Bernstein. Significantly, Bernstein attested to the influence of New Testament teachings on common ownership in attracting workers and artisans to support the socialist case presented by German Marxist speakers (Bernstein, 1899, cited in Tudor, 1993:160).

John Locke lived as a young man through the years of the Civil War and the Commonwealth, but his writings show little, direct evidence of experience. Locke's theory of property has been presented by Professor C.B. Macpherson as a justification for individual appropriation of property, providing 'a positive moral basis for capitalist society' (Macpherson, 1962:220-21). However, Locke's Second Treatise of Government not only echoes some of the demands put forward thirty years earlier by the Levellers for the franchise to be given to all men of property, but provides, in his

concept of natural rights and his labour theory of value, foundations for radical proposals for redistributing wealth and relieving property, such as those put forward by Thomas Paine in the 1790s and by Hall, Gray and Hodgskin in the 1820s (King, 1996:26).

Locke's justification for property was that since the earth and all its fruits had originally been created by God and nature for the use of all men in common, each man was entitled to appropriate such fruits and land, as were the products of his own labour subject to there being no waste and 'enough goods left in common for others'. Although Locke claimed that the limitation of waste was removed by the invention of money, which enabled wealth to be stored, he provided no argument for the removal of the 'sufficiency-for-others' condition. It might, therefore, be argued that this condition could be brought into play if civil society, established to protect men's life, property and estates, was unable or unwilling to secure to the mass of poor persons, the means of sustaining themselves through their own labours. Locke asserted that the property rights that were established by law in civil society, are necessarily subject to regulation by law, enacted with the consent of majority and designed to serve the common good (Tully, 1980:170). In these terms redistribution of land or taxation of wealth, through legal enactment, could be justified as necessary to secure the elimination of poverty and insecurity, therefore, furthering the common good.

The conception of common good and ownership found powerful expression in the writings of Jean Jacques Rousseau, who insisted that it can never be realised until the gross inequalities of wealth, which divide society into the starving, subservient poor and the idle dominant rich, are removed. A free society requires that no man shall be economically dependant on another. The model society he

proposes in the Social Contract (1765) appeared to shift away from the model of a democratic society of small property owners when he declared: *"Far from wanting the state to be poor I should like... for it to run everything and for each individual to share in the common property only in proportion to his services."*

However, the creation of communal society would require the confiscation of the property of existing owners, which was unacceptable to Rousseau when he asserted: *'No law can despoil any private citizen of any part of his property; the law can merely prevent him from acquiring more'* (Watkins, 1953:317-24). Rousseau's bold support for communal ownership was reduced to a modest proposal to build upon, in each parish or region, an area of community land from reclaimed waste land, land purchases and through changes in the law of succession. This community land would be made available either for private cultivation by individuals without land or for collective cultivation by members of the parish or region concerned. He remained committed, however, to the principle, which was proposed in a Discourse on Political Economy (1758) that proclaimed that the rich should be heavily taxed to relieve the poverty of the poor and reduce inequality.

In late 18th century, England radical reformers were concerned to improve the economic conditions of the poor and believed that the remedy lay in political reform. John Thelwell, for example, claimed that *"the representative nature of Parliaments was responsible for the situation in which nine-tenths of the population were condemned to be beasts of burden in order to maintain the privilege position of the other tenth"* (Dickinson, 1977:256). Universal suffrage would result in the representation of the poor and, in consequence, greater attention to their needs. The few

radical reformers such as William Ogilvie and Thomas Paine, who saw the need to make changes in the English property structure, had no wish to replace private ownership by common ownership but preferred to redistribute wealth and land to the benefit of the labouring classes. Ogilvie proposed government purchases of estates for division into small farms for renting, while Paine advocated state action to secure a more even distribution of the burden of taxation and the curtailment of land wealth (King, 1996:27).

In *Agrarian Justice* (1795) Thomas Paine uses the traditional argument that in the original state of nature, the earth was common property, and claimed that *“every man was thereby born to a joint life partnership in the property of the soil”*. From this he deduced the first principle of civilisation that, *“the condition of every man born into the world after a state of civilisation commences, ought not to be worse than if he had been born before that period”* (King 1996; Brown, 2000). However, while private appropriation and improvement of land had brought about an enormous increase in overall wealth, it has left millions of Europeans worse off than the Indians of North America who live in a state of nature. Since it was only the value of the improvement to land deriving from cultivation, and not the land itself, which could be claimed as private property, Paine asserted the right of each of those millions who were deprived of their natural inheritance to the land, to indemnification for their loss. On the assumption that cultivation had increased the value of the land tenfold, and using official figures of national capital value, Paine estimated that a 10% tax on the capital values of property would produce sufficient revenue, which would enable every person, on reaching the age of 21, to receive £15, and every person over the age of 50 to receive £10 a year (about half an agricultural worker’s annual earnings), as ‘a compensation, in part, for the loss

of his or her natural inheritance by the introduction of landed property' (Foot and Kramnick, 1987:475; Claeys, 1989:86-99). The ineffectual, moral right of the poor to inadequate and ill-distributed charity had to be replaced by the state's assumption of legal obligation to relieve poverty. In a way, he was the first to propose the idea of property tax and, more importantly, the socialist idea of welfare (Brown, 2000:2).

Thomas Spence (1750-1814) was another theorist on agricultural equity and one of the few English radical, social reformers who advocated the redistribution of land from rich to poor as a remedy for poverty. Although his agrarian scheme provided that the land is communally owned, it would not be communally cultivated, as in Winstanley's scheme, but leased out as small-holdings to tenant farmers (Kings, 1996:28; Brown, 2000:2). Spence believed that once redistribution was completed, England would be and remain a contented land of small peasant farmers. Like other reformers of this period and later, he failed to take account of the growing importance of rapid commercial and industrial development, as well as population increase (Dickinson, 1977:267-8). The promotion of small holder tenants farming on state land, found powerful expression in Chartist Programmes of the 1840s and in the objectives of European peasant Movements. The radical 1906 programme of the ill-fated Russian Social Revolutionary Party, for example, demanded appropriation of all privately owned land and its handover to local, rural bodies for distribution amongst peasants and farm labourers on a need basis.

The right to property, which was embodied in the 1789 French Declaration of the Right of man and of citizens, was regarded by the leaders of the French Revolution as a right of all men to possess

property. It was a right, which offered nothing to the poor, although the Jacobins took up their cause by demanding that the burden of taxes should be shifted entirely onto the shoulders of the rich. The defeat of the Jacobins, and the resulting disenchantment of wide sections of the urban poor with the outcome of Revolution, encouraged Babeuf and his followers to plot a seizure of power to give effect to the radical proposals, which were set out in the *Manifesto of the Equals* (1796). The Manifesto provided for all property belonging to corporations and enemies of the people to be taken into communal ownership and administered by locally elected officials. The right of inheritance to all remaining private property would be abolished so that, within a generation, all property would be communal. Labour would be compulsory for all and the age-old division into rich and poor, would reach an end. The plot failed miserably and the conspirators were executed or deported, but their revolutionary 'communist' ideals found political expression in the years after the 1830 French Revolution.

Although many thinkers in the past had expressed ideas that were similar to later days of socialism, the first theorist who may properly be called socialist, was Francois Noel Babeuf, who came to prominence during the French Revolution. Babeuf propounded the doctrine of class war between capital and labour, which later became known as Marxism. Other socialist writers that emerged after Babeuf were more moderate and called '*utopian socialists*', which included the likes of Comte de Saint-Simon, Charles Fourier and Robert Owen (Cole, 1953:4). Saint-Simon proposed that production and distribution should be carried out by the state. The leaders of society would be industrialists who would found a national community that was based on cooperation and who would eliminate poverty amongst the lowest classes. Fourier and Owen,

though they differed in many respects, believed that social organisation should be based on small local collective communities rather than the large centrist state proposed by Saint-Simon. All these men agreed, however, that there should be cooperation rather than competition. In 19th century, numerous utopian communistic settlements, which were founded on the principles of Fourier and Owen, emerged in Europe and the United States; New Harmony and Brook Farm were notable examples (The Columbia Electronic Encyclopaedia, 2003).

Following the utopians, came thinkers such as Louis Blanc who were more political in their socialist formations. In 1840, Blanc proposed a system of socialist workshops that would be controlled by the workers themselves with the support of the state. Capitalists would be welcome in this venture, and each person would receive goods in proportion to his or her needs. Blanc became a member of the French provisional government of 1848 and attempted to put some of his proposal into effect, but his efforts were thwarted by his opponents. The anarchist Pierre Joseph Proudhon and the insurrectionist Auguste Blanqui were also influential socialist leaders of the early and mid-19th century.

The term communism came into use in the 1840s to denote loosely a militant leftist form of socialism; it was associated with the writings of Etienne Cabet and his theories of common ownership. Karl Marx and Friedrich Engels later used it to describe the movement that advocated class struggle and revolution in order to establish a society of cooperation (King, 1996:30).

In 1848, Marx and Engels wrote the famous *Communist Manifesto*, in which they set forth the principle of what was referred to by

Marx as 'scientific socialism', arguing the historical inevitability of revolutionary conflict between capital and labour. Marx stated: *"Hitherto, every form of society has been based, as we have already seen, on antagonism of oppressing and oppressed classes. But in order to oppress a class, certain conditions must be assured to it under which it can, at least, continue its slavish existence. The serf, in the period of serfdom, raised himself to membership in the commune, just as the petty bourgeois, under the yoke of feudal absolutism, manage to develop into a bourgeois. The modern labourer, on the contrary, instead of rising with the progress of industry, sinks deeper and deeper below the condition of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth. And here it becomes evident, that the bourgeoisie is unfit any longer to be the ruling class in society, and impose its condition of existence upon society as an over-riding law. It is unfit to rule because it is incompetent to assure an existence to its slave within his slavery, because it cannot help letting him sink into such state, that it has to feed him, instead of being fed by him. Society can no longer live under this bourgeoisie, in other words, Its existence is no longer compatible with society....What the bourgeoisie therefore, produces, above all, is its own grave-diggers. Its fall and the victory of the of proletariat are equally inevitable"* (Marx and Engels, as quoted in Lawrence and Wishart, 1968:44-5). He later attacked socialists as theoretical, utopian dreamers who disregarded the necessity of revolutionary struggle to implement their doctrines. Marx lamented: *"The significance of Critical-Utopian Socialism and Communism bears an inverse relation to historical development. In proportion as the modern class struggle develops and take definite shape, this fantastic standing apart from the contest, these fantastic attacks on it, lose all practical value and*

all theoretical justification. Therefore, although the originators of these systems were, in many respects, revolutionary, their disciples have, in every case, formed mere reactionary sects. They hold fast by the original views of their masters, in opposition to the progressive historical development of the proletariat. They therefore endeavour, and that consistently, to deaden the class struggle and to reconcile the class antagonisms. They still dream of experimental realisation of their social Utopias..." (Marx and Engels, as quoted in Lawrence and Wishart, 1968:60). Thus, in the atmosphere of disillusionment and bitterness that increasingly pervaded European socialism, Marxism became the theoretical basis for most socialist thought. However, the failure of the revolution of 1848 in France, caused a decline in socialist action in the following two decades, and it was not until the late 1860s that socialism once more emerged as a powerful, social force (Bright, 2000:271-72; Newcombe, 2004:2).

Other varieties of socialism continued to exist alongside Marxism, such as Christian socialism, which was led in England by Fredrick Denison Maurice and Charles Kingsley; they advocated the establishment of cooperative workshops, which were based on Christian principles. Ferdinand Lassalle, founder of the first Workers Party in Germany (1863), promoted the idea of achieving socialism through state action in individual nations, as opposed to the Marxist emphasis on international revolution. Through the efforts of Wilhelm Liebknecht and August Bebel, Lassalle's group was brought into the mainstream of Marxian socialism. By the 1870s, socialist parties emerged in many European countries, and they eventually formed the *Second International*. With the increasing improvement of labour conditions, however, and the

apparent failure of the capitalist state to weaken, a major schism began to develop over the issue of revolution.

While nearly all socialists condemned the bourgeois capitalist state, a large number apparently felt that it was more expedient or more efficient to adapt to and reform the state structure, rather than overthrow it. The orthodox Marxists were opposed to these gradualists, as well as the advocates of *anarchism* and *syndicalism*, all of whom believed in the absolute necessity of violent struggle. In 1898, Eduard Bernstein denied the inevitability of class conflict; he called for a revision of Marxism that would allow for an evolutionary socialism.

The struggle between evolutionists and revolutionists affected the socialist movement throughout the world. In Germany, Bernstein's chief opponent, Karl Kautsky, insisted that the Social Democratic Party adhere strictly to orthodox Marxist principles. In other countries, however, revisionism made more progress. In Great Britain, where orthodox Marxism has never been a powerful force, the Fabian Society, which was founded in 1884, set forth basic principles of evolutionary socialism that later became the theoretical basis of the British Labour party. The principles of William Morris, dictated by aesthetic and ethical aims and the small but able group that forwarded guild socialism, also had an influence on British thought, but the Labour Party, with its policy of gradualism, represented the mainstream of British socialism. In the United States, the ideological issue led to a split within the Socialist Labour Party, which was founded in 1876 under strong German influence, and the formation (1901) of the Revisionist Socialist Party, which soon became the largest socialist group.

The most momentous split, however, took place in the Russian Social Democratic Labour Party, which was divided into the rival camps of Bolshevism and Menshevism. Again, gradualism was the chief issue. It was the revolutionary opponents of gradualism, Lenin's Bolsheviks, who seized power during the Russian Revolution of 1917 and became the Communist Party of the USSR (Sassoon, 1996:21). World War I had already split the socialist movement over whether to support their national governments in the war effort (most did); the Russian Revolution divided it irrevocably. The Russian Communists founded the Comintern (or 3rd International) in order to seize leadership of the international socialist movement and to foment world revolution, but most European socialist parties, including the mainstream of the powerful German party, repudiated the Bolsheviks. In spite of the Germans' espousal of Marxist orthodoxy, they had been notably non-revolutionary in practical politics. Thereafter, revolutionary socialism or communism, and evolutionary or democratic socialism, were two separate and frequently mutually, antagonistic movements (Leatt, *et al.*, 1986:223-29; Colombia Electronic Encyclopaedia, 2003).

Democratic socialism became established in European politics after World War I. Socialist Democratic parties actively participated in governments in Great Britain, Germany, Sweden, Belgium, the Netherlands and other nations. Socialism also became a powerful force in parts of Latin America, Asia and Africa. For the leaders of independent movements such as Indian Jawaharlal Nehru, Julius Nyerere of Tanzania and many others, it was attractive as an alternative to the system of private enterprise and exploitation, which had been established by their colonial masters.

At the conclusion of the Second World War, socialist parties came to power in many nations throughout the world, and many private industries were nationalised. As Russian forces pursued the last remnant of the German troops into Germany, they occupied most of the Eastern European countries. In these countries, Stalin imposed communist (socialist) regimes. These countries became known as the satellites of the USSR. Over the next 25 years, there were many attempted revolutions that were mercilessly crushed by the Soviet government. Gradually, these countries had gained their independence from the Soviet Union until its demise in 1991 (Newcombe, 2004:4).

In 1949, after fifteen years of civil war, the communists seized power in China. Mao Tse-Tung took control of China and removed Chiang Kai-Shek (the nationalist general) and his army. Chiang Kai-Shek took refuge in the Chinese Island of Formosa (present-day Taiwan), thus creating what the Chinese government presently consider as its biggest problem with the West, particularly the US. Mao Tse-Tung's army consisted mainly of peasant farmers because the majority of the Chinese population then lived as agriculturists. This is a point of divergence between the Chinese and Russian revolutions, since the latter was urban and factory based (Newcombe, 2004:4). In January 1959, after long years of guerrilla warfare, Fidel Castro became the head of a new revolutionary socialist government in Cuba. Castro freed his country from excessive US influence. In response, the US imposed a trade embargo on Cuba. As a way of protecting Cuba, Castro allied himself with the other super power, namely Soviet Union, and within three years Castro had proclaimed: "I am a Marxist-Leninist" (ibid).

In Africa and other parts of Asia, where workers were mainly agrarian peasants, socialist programs stressed land reform and other agrarian measures. These nations, until recently, have also emphasised government planning for rapid economic development. African socialism has also included the revival of pre-colonial values and institutions, while modernising through the centralised apparatus of the one party state. Recently, the collapse of Eastern European and Soviet Communist states, had led socialists throughout the world to discard much of their doctrines regarding centralised planning and nationalisation of enterprises. Moreover, the present dispensation has left the entire world with no other alternative but to embrace the full force of nature, which capitalist globalisation has unfolded.

3.3 Basic elements and theoretical foundations of socialism

As indicated earlier, socialism is an economic system in which the production and distribution of goods are controlled substantially by the government rather than by private enterprise, and in which cooperation, rather than competition, guides economic activities (Answers.com, 2005:5). The most essential element of socialism- an element shared with democracy, liberalism, and other humanistic creeds, is the moral conviction that universal autonomy is the highest object of civilisation. This conviction acquires a specifically socialist connotation when it is associated with the view that genuine autonomy depends upon equal distribution of the proceeds of industry (Dictionary of the History of Idea, 2003). The ultimate aim of socialism and the standard by which systems claiming the name may properly be tested- is, in the words of Marx in the *Manifesto*, to create "*an association, in which the free development of each is the condition for the free development of*

all" (Communist Manifesto, 1948:153). Socialism has been defined as a social system that is based on the principle to each according to work, from each according to ability, while communism is defined by each according to need, from each according to ability (Leatt, *et al*, 1986:195; Sklair, 2002:208). However, in spite of the slight divergences between the concepts, both stressed the equitable distribution of the resources of the land. In fact, the basic, but not exclusive theoretical foundations of socialism, may be enumerated under the following sub-headings:

- Public ownership or nationalisation of business enterprises;
- Centralised economic planning and governmental management of resources;
- Economic welfare, social security and economic cooperation;
- Economic regulation and consumer control; and
- Workers participation in management (industrial democracy).

Discussions on the abovementioned, interrelated basic elements and theoretical foundations of socialism, are presented in the ensuing sections.

3.3.1 Public ownership or nationalisation of business enterprises

Nationalisation of business enterprise may be regarded as the first test, assumption, characteristic and foundation of socialism. Under socialism, private ownership is replaced by public (social) ownership or nationalisation of the means of production. As a nation transcends from capitalism to socialism, property, namely the means of production, are taken over, controlled, allocated, directed and managed by the state. According to Adhikary (2000:29), "*this*

corresponds to the idea of a 'maximum state', namely the best government is the one, which governs the most". The state constitutes a powerful authority and an economic instrument within a socialist economy. The mercantilists also agreed that a *'sagacious statesman'* would intervene in business to promote the prosperity of the society (Hollander, 1973:57). In that case, the state, under socialism, has the authority to control production and distribution. Even consumption is also controlled under communism, which is the advanced stage of socialism. Through the enactment of nationalisation decree or law, individual property rights are abolished and communal ownership rights are created. Slowly and gradually, agricultural, industrial, commercial and financial business activities come under the control and operation of the state.

The public sector or the nationalised sector, so created, eventually becomes self-sustained; the surplus generated within the public sector, is most often ploughed-back to enlarge the sector. In a socialist economy, the public sector is all-in-all. The government takes decision and lay down rules about the size, structure, location and efficiency criteria of public or nationalised enterprises. In other words, as an ultimate institution of the state, the government takes all sorts of economic decisions- investment, production, resources allocation, price and output. Large scale governmental intervention implies liquidation of the private sector and restriction on individual freedom and incentives. This is justified on the ground that the individuals do not have adequate and appropriate telescopic faculty to judge the social good. It is in view of social good that collective ownership and state utilisation of resources are sanctioned within a socialist economy. Milton Obote of Uganda once argued that only through nationalising Uganda's resources would

people benefit from them (Milton Obote, 2005:19). De Gaulle of France asserted that nationalisation was one of the instruments for the resurrection of France (Sassoon, 1996:162).

Jawaharlal Nehru (1889-1964), while defending his case for nationalisation in India, affirmed: *"I am convinced that the only key to the solution of the world's problems and of India's problems, lies in socialism. Socialism is, however, something more than an economic doctrine; it is a philosophy of life and, as such, it also appeals. There is no way of ending the poverty, the vast unemployment, the degradation and the subjugation of Indian people except through socialism that involves vast and revolutionary changes in our political and social structure, the ending of vested interests in land and industry, as well as the feudal and the autocratic Indian state system. That means the ending of private property, except in a restricted sense, and the replacement of the present profit system, by a higher ideal of co-operative services. It means a change in our instincts and habits and desires. In short, it means a new civilisation radically different from the present capitalist order"* (quoted in Inder Singh, 1997:39).

The following are the basic justifications or cases for nationalisation:

- Nationalisation is expected to offer cheap services to the people and increase government revenue, which is utilised for various welfare programmes. In that case, it is an instrument of *social welfare*.
- Nationalisation helps to minimise or eradicate the cut-throat competition witnessed under capitalism amongst different

entrepreneurs, thereby doing away with the evil of *monopoly capital*.

- Nationalisation leads to an increase in the wellbeing of workers, through better salaries, job security, fringe benefits, better training and development of workers, as well as the protection of female workers against unnecessary abuses from private individuals. Moreover, public sectors are union-friendly and all worker problems are properly addressed before it becomes disputes.
- Nationalisation will lead to protection, adoption and refurbishment of weak, industrial units and organisations, thereby saving workers from retrenchments and averting the menace of unemployment.
- The public sector does venture into certain unprofitable areas and businesses, which the private sector is unlikely to undertake, namely opening of industry in the rural areas, creation of jobs, construction of good roads in different regions of the nation and the building of schools even in the poorest locations in order to promote social and general good.
- Nationalisation helps to achieve economies of large-scale operation, thereby lowering operational costs and generating employment for the masses.
- Finally, nationalisation protects the national economy from secret but conspicuous infiltration and ultimate colonisation by foreign firms and multi-national corporations.

3.3.2 Centralised economic planning and governmental management of resources

Economists such as Dickinson, has identified socialism with planning. Centralised economic planning and governmental management of resources is the second major element, characteristic

and foundation of socialism, while a socialist economy is inconceivable without central planning authority. Dickinson (1999:7) defined economic planning as *"the making of major economic decisions of what and how much to be produced and to whom it is to be allocated by the conscious decision of a determined authority, on the basis of a comprehensive survey of the economic system as a whole"*. The Longman's Dictionary of Contemporary English (1978) defines a plan as *"an (carefully considered) arrangement for carrying out some activities"*. Jawaharlal Nehru, former Prime Minister of India (quoted in Todaro, 1977:358), described planning *"as the exercise of intelligence to deal with facts and situations as they are and find a way to solve problems"*. The famous American President, Abraham Lincoln, clarified the activities involved in planning when he asserted that: *"If we could first know where we are and whether we are tending, we could better judge what to do, and how to do it"* (cited in Todaro, 1977:361).

Thus, economic planning simply means securing a better balance between demand and supply by a conscious and thoughtful control, either of production or distribution or both, rather than leave it to be affected by automatically working, invisible and uncontrolled forces (Levy, 1936 cited in Dhar, 1999:427). The distributional imperatives of planning have been recognised by numerous authors, including Harvey (1973 ch.2) and Evan (1974). However, Oxley (1975, cited in Walker, 1981:273) believed that planning is, by its existence, challenging, either in terms of the efficiency or equity aspect of the market system, or both. In a socialist planned economy, the state sector performs its functions according to the blueprints of a central plan. The planning commission is normally entrusted with the authority to study the resources situation and

social requirements and, on the basis of its finding, to undertake a concrete plan for optimum allocation and utilisation of resources.

The plan is meant to provide direction and command in the working of the economic system. The socialist plan is a centralised planning, which involves planning from the top, namely from a national level to a regional level, from a regional level to a local level, from a local level to an industrial level, from an industrial level to a corporate level and from a corporate level to an individual level as the case may be. Each unit of the economic system should adjust individual activity as per the requirements of the national plan and, in the process of implementing such collectivist planning, free price mechanism is abrogated and controlled markets, which are typical of a regulated economy, emerges. This does not suggest that pricing and marketing have absolutely no role in a socialist economy. In fact, cost calculation for planned resources allocation are based on '*accounting prices*' set by the government on the basis of historically prevalent (past) prices and then, with reference to the '*accounting prices*', adjustments such as one between market demand and market supply or between prices and costs, takes place; in the process, a set of '*equilibrium prices*' emerges. These equilibrium prices are used for setting up accounting prices- and thus the process continues. Therefore, markets may be controlled, but they are not abolished in a socialist planned economy. Price reflects relative scarcity of resources and helps the authorities to plan necessary commands and control over market variables.

Management involves a number of tasks: planning, organising, directing, coordinating and controlling. Planning constitutes the initial and crucial function of management; and it is a difficult function considering the complexity of the global economic

environment. The management of national economy under socialist patterns often begin with national level economic planning within the framework provided by the general economic policy of the government. While emphasising the imperativeness of planning, Galbraith (cited in Dhar, 1999:429) stated: *“There is much that markets can usefully encourage and accomplish. But the market cannot reach forward and take great strides when these are called for. As it cannot put a man in space so it cannot bring quickly into existence a steel industry when there was little or no steel making capacity before...to trust the market is to take an unacceptable risk that nothing or too little will happen. Under such a situation, it is economic planning alone, which can provide sufficient guarantee for economic growth in backward under-develop economies”*. Hence, the aim of planning in a centrally-planned-socialist economy, is to promote general development and growth of the economy and also to minimise regional and individual disparities. The First Five Year Plan of India (1951:4) stated that *“economic planning is essentially a way of organising and utilising resources to maximum advantage in terms of defined social ends. The two main constituents of the concept of planning are: (i) a system of ends to be pursued and (ii) knowledge as to the available resources and their optimum allocation”*.

Thus, economic planning, being one of the features and foundations of socialism, is an organised and coordinated effort to achieve certain self-defined objectives within a fixed time-frame through optimal utilisation of a community's resources, which would promote the general well-being of the people.

3.3.3 Economic welfare, social security and economic cooperation

Socialist planned welfare economy is possible, as long as the government has the resources at its disposal and the authority to formulate and execute a comprehensive economic plan for resources allocation towards social welfare programs. Social welfare and general well-being constitutes the objective function and economic foundation of a centrally-planned economy. In fact, planning is a programme to optimise social welfare, namely maximising social welfare, though, subject to resource constraint. Social welfare depends on, among other things, '*distributive justice*'. Socialisation of property and nationalisation of enterprises are means to achieve such social justice through fair distribution of national wealth and income (Adhikary, 2000:31).

The introduction of the universal welfare principle was seen by many left-wing socialists as a major and important reform (Sassoon, 1996:150). The essential criterion of determining social welfare should not be based on private profit, but on the overall, social gains, while the pattern of development should be planned so that the result not only brings appreciable increase in national income and employment, but also greater equality in incomes and welfare (Pasricha, 2005:48). The only way to fulfil the requirements of resources egalitarianism, is to allocate resources specifically, which would equalise welfare (Ackerman, Kiron, Goodwin, Harris and Gallagher, 1997:261). According to Roemer (1986:751 cited in Ackerman, *et al.*, 1997), "*equality of resources implies equality of welfare*".

Hence, the benefit of economic welfare and development should trickle down to the relatively less privileged classes of society, in

such a way that it progressively reduces the concentration of incomes, wealth and economic power. The identical individuals' marginal utility function requires a completely equal distribution of income, which would maximise social welfare (Sun *et al.*, 1989 cited in Sun *et al.*, 2001:536). The purpose of welfare and economic cooperation was to create a milieu in which the small man who has so far had little opportunity to perceive and participate in the immense possibilities of growth through organised effort, was enabled to put in his best in the interest of a higher standard of living for himself and an increased prosperity for the country. In the process he rises in economic and social status. Vertical mobility of labour was thus no less important than horizontal mobility of labour, for nothing was more destructive of hope and more inhibitive of effort than a feeling that the accident of birth or of a poor start in life was likely to come in the way of a capable person rising in life in terms of economic and social status (Pasricha, 2005:49). In order to create such an enabling environment the public sector should expand rapidly and the state should assume the responsibility as principal agency speaking for and acting on behalf of the community, as a whole, in its effort towards *distributive justice*. Therefore, the need for state intervention in order to increase social welfare, is highly imperative. In summary, the removal or control of imperfections in the economic system, the provision of goods and services that increase welfare but will not otherwise be produced or distributed in the desired manner, and the redistribution of income to achieve a socially approved degree of equality, all required some form and degree of government intervention into the system (Walker, 1981:97).

However, distributive justice should not be emphasised at the cost of productive efficiency (Foster, 1939 cited in Walker, 1981: 273),

otherwise the economy may as well end up having an equal distribution of poverty, and this is the reason why socialist economists have always emphasised either accelerating growth or maintaining a steady growth rate and for this, there should be a strong socio-economic infrastructure. In order to lay down a solid infrastructure, which can eventually generate self-sustained growth, the centrally-planned economies nationalise and collectivise heavy industries and agricultural sectors. Such programmes, which create the condition for a steady growth in future, may be at the cost of an improvement in the present standard of living. A high degree of capital intensity for the long-run invariably imposes a cut on the short-run availability of resources for mass consumption. However, social planners have argued that social justice without economic growth is inexpedient and inefficient. In addition to economic growth measured in terms of real per capital income, there are other determinants of social welfare; some of these determinants, such as '*quality of life*' measured in terms of health, education and diet, may be non-economic at face-value but, ultimately, economic at their root.

However, most of these non-economic variables depend on the stage of economic growth and development. Welfare economics has a remote connection with what is called the '*welfare state*'. The welfare state refers to those social service activities of modern government, which are concerned with providing for the aged, sick, disabled and unemployed, indigent and other groups who cannot look after themselves. Thus, the welfare state embraces only selected groups of the population. In contrast, a true welfare economy takes into consideration the condition of the economic welfare of all persons, considered as individual (Seth, 1994:632). Socialist welfare distribution ensures adequate income for all, a

minimum level of housing, clothing and food, and free access to education, healthcare and culture (Leatt, *et al.*, 1986:194).

Economists such as Mises, Hayek and Robbins were sceptical whether socialism was capable of proper social welfare distribution. However, their positions have been countered by equally eminent economists such as Fred M. Taylor, Oskar Lange, Dickinson and R.L. Hall, all of whom have agreed that capitalist economy, by its nature, is not in a position to bring about the desired pattern of welfare distribution because such an economy is based on class antagonism and private vested interests. They have all agreed that the optimum pattern of distribution and allocation can be realised only in a socialist economy owing to the fact that the means of production are socially owned, and that private property, which is the root cause of all inequality, is abolished. Moreover, the existence of a steeply progressive taxation, coupled with well conceived social security and economic cooperation of all members instead of division and competition, also helps to bring about an egalitarian income and welfare distribution within a socialist economy (Seth, 1994:674-5; Cockshott and Cottrell, 2004:30). Sun, *et al.* (2001:546) concluded: *“the issue of rational allocations of resources under socialism seemed to have been resolved since Oskar Lange”*. Hence, economic welfare, social security and economic co-operation are the bedrocks of a socialist patterned society.

3.3.4 Economic regulation and consumer control

In fact, a socialist economy is a regulated economy. Economic regulation and consumer control is, of course, one of the elements and economic foundations of socialism. Unlike the capitalist economic system, which relied on the free price mechanism,

socialist economies adopted some form of price and business regulations and control in order to check and curtail some of the activities of *monopoly capital* (Agrawal, 1993:393-398). The conglomerations, mergers, amalgamations and absorptions, witnessed under capitalism, gave birth to *monopoly capital* (Sharma, 1994:244 also see Sweezy in Dowd, 2002:139). Kaldor (1957, cited in Baran & Sweezy, 1966:75) remarked: *"...the degree of concentration of production can be expected to rise steadily with the progress of monopoly capitalism. This causes steady weakening of the forces of competition, as a result of which the share of profit would go on rising beyond the point where it covers investment needs and the consumption of capitalist...the system will cease to be capable of generating sufficient purchasing power to keep the mechanism of growth in operation"*.

Hence, in order to minimise the endemic evil of monopoly capital, some form of economic regulation (price and business) was necessary, while most socialists believed that economic regulation was a sine qua non to social, distributive and economic justice. Weitzman (1977 cited in Shelfer and Vishny, 1991:2) concurred with this view, and argued that distributional consideration lead socialist planners to keep down some of the prices of certain goods such as food. Price regulation goes hand-in-hand with price stabilisation objectives of a given monetary policy. The aim of price regulation and stabilisation of a monetary policy is to check the violence fluctuation and imbalances witnessed in the market economy. Professor Gustav Cassels and Lord Keynes suggested price stabilisation through the conscious intervention of the government as a desirable monetary policy objective (Seth, 1994:201).

The merits of price regulation and stabilisation are, among others, the elimination of cyclical fluctuations, promotion of economic stability, prevention of artificial prosperity and equitable distribution, as well as the promotion of economic welfare. In addition to price regulation, businesses were also regulated and controlled under the socialist patterned society. For example, the Indian government was committed to a socialist patterned society. Under this pattern, the need to distribute economic power equitably among people, was emphasised. The task of industrial development was assigned to the public, as well as private sectors. The growth of the private sector was constantly monitored by the government through a number of legislative measures. The Companies Act, Industrial Development and Regulation Act, Monopolies and the Restrictive Trade Practices Act empowered the government to regulate and control the development of businesses in India. The government was given the power to appoint inspectors to investigate and report on the membership of any company and other related matters for finding out the persons who have financial interests in a given concern. Government could also give direction to any industrial undertaking or take over its management and ownership in the public interest (Sharma & Gupta 1994:246). This previous case of India, as a regulated socialist mixed economy, could be generalised for most countries that adopted socialism as a doctrine.

Apart from price and business control, *consumer control* was also emphasised in most socialist societies. Contrary to the capitalist view of the *sovereignty of the consumers*, the socialists argued that too much freedom to consumers would lead to a growing *culture-ideology of consumerism*, which *retards the culture-ideology of producerism* (Sklair, 2002:165). Wells (1972:47) defines consumerism as an increase in consumption of the material culture

of the First World, and producerism as increased mobilisation of a society's population to work, and to work more productively in the non-consumerist sector of the economy (socialist Russia is a case-in-point). Wells (1972:195) postulated four useful typologies of distinguishing societies as follows:

- high producer-consumer society, as overdeveloped hedonistic;
- high consumer and low producer society, as declining parasitic;
- low producer-consumer society, as underdeveloped traditional; and finally
- high producer and low consumer society as ascetic developmental.

He further asserted that most communist and socialist nations fell into the last typology, which was where major dramatic changes took place in the last decade of the twentieth century. Sklair (2002:165) seemed to agree with Wells' assertion when he remarked that some communist and socialist societies, particularly China during the period of the Cultural Revolution (1966-76), North Korea since its establishment and Cuba during its period of moral incentives (also see Cole, 1998), fit the description of ascetic developmentalism (high producer and low consumer society). In these cases, high producerism, especially the promotion of heavy industry and capital goods, was combined with low consumerism, the result of a policy to hold down increases in the disposable income of the masses (Gills and Qadir, 1995 cited in Sklair, 2001:165). Most religious factions, to a certain extent, also supported the socialist view of consumer control. For example, Catholicism and Islamism have also preached anti-consumerist messages. In most of his speeches, Pope John Paul II had always condemned the spiritual emptiness of consumerist society. A leader

of the Shia Muslim community in Iran, the Ayatollah Khomeini, once advanced the concept of *gharbzadegi* (variously defined as westoxication, westitis, Euromania, occidentosis, plague from the west), which was particularly applied to westernising women (ibid).

Moghadam believed that western dress for women *"is a product of the corrupt western capitalist societies...one of the means they use to manipulate human society and stimulate them by force to become consumers of their products"* (Moghadam, 1993:173). Pressing further, she accentuated: *"A woman...will no longer be regarded as a thing or a tool serving consumerism and exploitation"* (Moghadam, 1993:174). In Iran and other Muslim countries women were warned that fashion clothing, cosmetic, smoking, drinking and Hollywood role models, made her easy prey for commercialisation and contamination by the west. The solution to such vulnerability to the slings and arrows of the imperialists, was compulsory veiling (Moghadam, 1993:175). These analyses of Moghadam, to a certain degree, also fits in with most of the consumer control measures that were adopted in most of the socialist nations to discourage capitalist influences and taste on the people of their nations. Hence, economic regulation and consumer control have been recognised as one of the corner stones of socialism.

3.3.5 Workers participation in management

Worker participation in management is, in fact, a product and essential element of socialism. In the wake of Industrial Revolution or the factory system (capitalism), decision-making in the workplace was basically confined to the owners and managers of industries. It was a situation, which Marx described as the *'despotism of the capitalist work place'*. The contributions of workers in the decision making process were considered irrelevant.

It was believed that workers lacked the telescopic and rationale faculty to contribute to management decision-making processes. In that sense, workers were only hired to work and not to make decisions and since they have no stake or investment (monetary form) in the business, it is also natural that they be silent in the areas of management. Hence, management decision-making, prior to modern socialist movements, were undertaken without prior consent and mutual cooperation of the workers, while the de-motivating effects of these decisions on workers were ignored (for example, Taylorism). This resulted in strife, unwarranted litigations, acrimonies and low productivity in the workplace. However, all of this had changed when socialist write-ups and movements gathered momentum.

It was the Fabian socialists, headed by Sydney Webb, who had highlighted the economic and social disorders of industrially developing countries and had stressed the need for unity and cooperation (industrial democracy) among partners of production (Tripathi, 1999:490). Then, J.S. Mills, a capitalist-turned-socialist, emphasised the need and economic imperatives of industrial democracy (Kings, 1996:36). In India, Mahatma Gandhi mooted the idea of workers' participation in management through his concept of trusteeship and village democracy (Sharma, 2000:368; Tripathi, 1999:490). The concept received further impetus from the origin and growth of political democracy in many parts of the world. It was believed that political democracy may not survive unless economic and industrial democracies were also achieved. According to Sydney and Beatrice Webb (cited in Tripathi, 1999:394), *“political democracy alone cannot yield to the worker the fruit of freedom of contract, freedom of association and freedom of opportunity, because he stands on an unequal footing vis-à-vis his employer. He*

can enjoy the fruits of political democracy only when he is granted industrial democracy, which means that he is given a say in the running of industry”.

Therefore, socialists believed that workers are partners of production and should be given a say in the decisions, which affect them. Walpole (quoted in Sharma, 2000:368) remarked: *“It is not a matter of man being accorded the privilege though an employee, of starting a complaint or offering a suggestion, but of having a recognised responsibility for doing so because he is investing not money but life”.* Hence, the success or failure of an undertaking is not the responsibility of management alone. For the peaceful evolution of the economic system on a democratic basis, it is essential that workers’ participation in management, is accepted urgently as a fundamental principle (The Third Five-Year Plan of India, 1961-66).

The scheme of workers’ participation in management has economic, social, psychological, ethical and political justifications. Its economic rationale is to increase workers’ productivity and that can be made possible only through complete co-operation between labour and management, since poor labour-management relations do not encourage workers to give more than the minimum that is necessary to retain the job and that, in many cases, is all he gives. The social rationality for workers’ participation arises owing to the fact that modern industry is a social institution with the interest of the capital owner, the employer, the community and the workers equally vested in it. *“An organisation is a social system, a system of rituals and a mixture of logical, non-logical and illogical behaviour. People are socio-psychological beings and these characteristics determine the output and efficiency in the*

organisation. Financial incentives have a limited role in motivating the people. Non-financial incentives affect significantly the behaviour of workers and their productivity” (Mayo, 1930, cited in Kumar, 2000:311).

Participation forges ties of understanding between the two principal groups, leading to a better effort and harmony all-round and its absence introduces sullenness in behaviour, which could ultimately flare up into a conflict with consequential suffering and inconveniences towards the society, in general (Tripathi, 1999:492). The psychological imperative of the scheme is to raise workers' level of motivation, and that is made possible through the satisfaction of importance, pride and accomplishment, freedom and opportunity for expression, a feeling of belonging to the place of work and a sense of workmanship and creativity. Kumar (2000:228) remarked: *“Association of workers with management provides him with a sense of importance and involvement and self-expression and he considers himself to be an indispensable constituent of the organisation, which creates a feeling of belonging in his mind and, therefore, he invests his life in the organisation”*.

Thus, workers should be involved in decision-making and problem-solving so that they can have a feeling of control in their work lives. Workers need empowerment because employees' empowerment gives workers a feeling of control over their destinies, which has important implications for their feeling of self-worth, motivation, mental health and participation within the organisation. Having a sense of control of one's destiny, and particularly work destiny, is important for an individual's psychological state and his level of motivation. Workers should indeed be allowed to have more say in planning a personal career path, as well as in planning and carrying

out their work. It gives them a sense of ownership of their job and the problems that are related to it. They will then show initiative in accepting responsibility instead of shirking it, which would constitute an empowered workforce. They would feel that they are important parts of the organisation and become integrated (Kemp, 1992:76). The ethical consideration of participation is to develop workers' free personality and to recognise human dignity. Politically, workers' participation in management would make the workers conscious of their democratic rights within the workplace and thus bring about industrial democracy as an adjunct to political democracy.

In most of the pure capitalist nations, for example the United States of America, the call for industrial democracy was always relegated to the background and there are little or no discernable pressures seeking its emergence. To many in American labour, as well as in management, the term '*industrial democracy*' smacks of '*communistic*' thinking and it is not a term that is bandied about in American corporate executive suites nor is it likely to be heard either in most American union halls or in high places of U.S. unionism (Steers and Porter, 1983:583). Thomas Donahue, a renowned American management expert, was of the opinion that the management of business neither is, nor should be, labour concerned (Cited in Steers and Porter, 1983:584). He rebuked: "*We do not seek to be partner in management. We do not want to blur in any way the distinction between the respective roles of management and labour in the plant...union and workers should stay the hell out of management*". This comment of Donahue simply portrays the fact that, right from the onset, capitalism works in the opposite direction of industrial democracy.

However, workers' participation in management was recommended and adopted by most socialist nations and welfare states. Workers participation in decisions can be seen throughout Chinese history since 1949 (Steers and Porter, 1983:627). Although a sizable minority of firms in Italy and France are democratically structured, and Spain's northern Basque region is world-renowned for its form of producer co-operatives, no industrial democracy experiment comes close to the scale of socialist Yugoslavia under Josip Tito. The federally-legislated system of Yugoslav self-management holds the record as the world's largest experiment in empowerment and workplace democracy, as well as one of the longest enduring – over 40 years. As originally envisioned, every Yugoslav adult citizen – roughly 15 million workers – would have director-level voices in their companies and communities through a variety of representative councils, which could advise and (after 1963) direct management (Lynn, Mulej and Jurse, 2002:797-806). The Yugoslavian experiment and other industrial democratic experiences in other nations that adopted socialism as a doctrine, justified the notion that industrial democracy flourished more with in the socialist world than in the capitalist world.

The above explicated points, namely nationalisation, planning, welfare and cooperation, regulation and control and industrial democracy, are the basic elements of socialism and these elements are very much in consonance with democracy, liberty and humanism. It would be necessary to highlight the advantages and disadvantages of socialism towards labour in the next section.

3.4 Advantages and disadvantages of socialism towards labour

Every advantage has a corresponding disadvantage. Hence, just like capitalism, socialism also has certain merits and demerits. This dichotomy between merits and demerits of any phenomenon is responsible for the divergent opinion of people with regard to any economic ideological framework, of which socialism is not an exclusive case. Therefore, the advantages of socialism towards labour shall be considered and thereafter its disadvantages will be considered.

3.4.1. Advantages of socialism towards labour

The rationale behind socialism is distributive justice. It is based on the notion that everyone is born equal in the sight of God, and for that particular reason, no one should acquire extraordinary wealth to the detriment of other fellow citizens. Even when it occurs, there should be some ways of balancing the equation, such as property tax and progressive taxation, which are aimed at distributive justice. The main advantages of socialism towards labour may be explained as follows:

- First and foremost, one of the main advantages of socialism is the equitable distribution of national resources of the land. Unlike capitalism, which relies on the invisible hand of distribution that favours a few individual at the expense of the majority, socialism relies on governmental conscious distributional efforts to minimise the amount of accumulations in the hands of a few individuals in the society, and caters for the downtrodden (which includes workers) in the society on the basis of distributive justice.

This measure helps to create a harmonious and co-operative society, which benefits both business and labour.

- Furthermore, distributive justice under socialism helps to reduce the level of poverty and inequality within societies. Poverty and inequality is one of the major problems of most societies and is unhealthy for the peaceful progress of any nation. Through a conscious decision under socialism, efforts are made by the government to address the problems of regional and individual poverty and disparity. This measure assists to minimise the human and societal stratification witnessed under capitalism. The workers will also benefit through the poverty alleviation mechanism, which is established under a socialist pattern.
- Additionally, socialism provides good and cheap essential services for the nation. The main idea behind nationalisation is the government's desire to provide public services to the masses at affordable rates. Through a reduction of the price of essential services such as transportation, electricity bills, sewerage and water bills, workers can be sure of enough savings, which can go a long way to booster capital formation, which will benefit workers and society, at large.
- Moreover, with more savings and capital formation, further investment can be created and more people can be employed. This would reduce the problem of unemployment. Moreover, under socialism, there is a kind of determined effort by the government to reduce the level of unemployment within the society. One distinguishing feature of the public sector is the tendency toward more labour intensive job creation, unlike the private sector, which is capital-intensive and retrenches workers.

- In addition, socialism promotes healthy and harmonious industrial relations. Under socialism, labour laws are promulgated and judiciously protected by the government in order to protect both the interests of workers and employers. The labour laws will help to protect the right of workers as national and industrial citizens. Therefore, the protection of worker rights will help to minimise the level of industrial exploitation of the workers. Less exploitation of workers would lead to a better understanding between workers and employers, which would finally lead to harmonious industrial relations.
- Also, socialism promotes rural development and investments. Unlike capitalism, which is based on private property, profitability and self-interest, the socialist governments do extend investments to non-profitable rural areas to balance the regional disparity in development. As new development and opportunities are created in rural areas, workers in those remote places need not migrate to the urban centres to live in urban slums and work within deplorable working conditions. Even some of the overcrowded workers in the cities might prefer to go back to land if amenities within the rural areas are, to some extent, comparable to the ones in the city centres.
- Moreover, free education, free healthcare and, to a certain extent, free or minimum shelter is provided under socialism. Free education under socialism has enabled poor workers' children to attend schools without obstruction for a lack of school fees and other financial obligations. The joy of being in school without financial disturbances, could go a long way towards increasing the learning enthusiasm of school children. At least many people could be educated within the

society to the benefit of the nation. For example, the efforts of the late Chief Obafemi Awolowo and the late Prof. Ambrose Ali of the Unity Party of Nigeria (UPN, a socialist based Party) towards free education, during the Nigerian second republic, cannot be forgotten by Nigerians, particularly those who would not have been able to send their children to school. Moreover, free healthcare, under socialism, guarantees free and minimum treatment from all kinds of sicknesses and diseases because a healthy nation is a working nation. This measure can help to produce a healthy, efficient and effective workforce within a nation. Then free or minimum shelter means that no man sleeps under a bridge, as is the case in Nigeria, or on the streets, like in South Africa. There are even some workers in South Africa who sleep on the street because of the poor wages they receive, since they cannot afford the high cost of housing rentals in the cities. Only socialism could remedy such a malady.

- Furthermore, unlike capitalism, which is mainly based on competition, socialism is based on co-operation. Under socialism, people are more willing to be their brother's keeper, and selfishness is, to a great extent, minimised. This would enhance egalitarianism within the society as people are in solidarity with one another. For example, workers can come into solidarity and not to allow the retrenchment of some workers. Therefore, the collective necessity leads to a higher loving and ordered society and everyone, including workers, would benefit.
- Additionally, under socialism, workers are not always retrenched, but are trained to take up higher positions within the public sectors. As workers are put through a higher

career path, it would lead to proper human resources development, which brings benefits to the workers and society, in general.

- Moreover, as workers are more developed, they are encouraged, under socialism, to participate in the decisions that affect them. This enhances the level of industrial democracy in the workplace. Additionally, since the workforce is an enlightened one, it could also contribute to the national democracy by voting or forming a labour political party in order to influence governmental decisions.
- Furthermore, as more jobs are created under socialism, unemployment is brought to the minimum. With minimum unemployment and more people at work, the crime rate wanes. A decrease in the rates of crime, within a particular society, creates a congenial business environment, which can motivate investors to invest more in that society, and workers finally benefit from additional investments.
- Moreover, under socialism, there are certain social welfare programmes, which help the less privileged ones in the society, such as old age allowance, child welfare allowance and incapacitation allowance. These allowances also help to reduce the financial burden of the families of those affected. Hence, working class families would be able to save better, for better things, instead of carry a huge liability of a family member who is unfit to work or unemployed.
- In addition, under socialism, efforts are made by the government to curtail monopolistic practices, which could have detrimental effects on workers as consumers. Restriction on monopolies would lead to wealth circulation instead of concentration. Wealth circulation simply means more purchasing power in the hands of the public in order to

spend on the goods produced. Additional spending can boost further investments and more employment, which benefits workers and society, at large.

- Moreover, through the regulation and control of foreign corporations, national industries are protected from excessive competition from foreign corporations. This would assist to deliver the local industries from virtual extinction and save workers from retrenchment or downsizing, and help to strengthen the economic and national sovereignty of the nation.
- Finally, for the fact that there is a conscious economic regulation under socialism, the issue of business circles or instability within the economy, is out of place. Through a proper planning mechanism, strategies of minimising economic crises are tailored out and implemented as the need arises. Economic regulations and planning would help to eradicate such economic vices witnessed under capitalism, such as recession, depression, inflation and deflation, while workers can predict economic variables and make proper economic decisions under more reliable circumstances.

Hence, based on these explanations, one may conclude that socialism has innumerable advantages towards labour. However, that could be well established after considering the disadvantages of socialism towards labour.

3.4.2 Disadvantages of socialism towards labour

The fact that socialism has great numbers of advantages towards labour does not mean that there are no disadvantages that are associated with socialism towards labour. In fact, the main disadvantages of socialism may be explained as follows:

- Firstly, socialism encourages inefficiency. The lack of competition under socialism produces a weak and inefficient workforce, which may not be able to turn raw materials into finished products at a reduced cost of production. This could lead to an increase in the prices of goods and services in the market and erode the workers purchasing power as consumers. Moreover, less patronisation of products within the market can adversely affect investments, while the workers, as employees, suffer from retrenchments and unemployment.
- Secondly, socialism mars initiative and innovation. Unlike capitalism, which promotes free competition between individuals within a society, and encourages initiative and innovation, socialism believes in cooperation of people in undertaking a designated task. As people are not allowed to work individually, but are made to follow the predetermined plan, their initiative and innovation capabilities, become depleted. For that reason, progress and modernisation is slow under socialism.
- Thirdly, most of the socialist economies are stagnant ones. This is due to less competition, innovation and initiative taking place in the economy. For the mere fact that most socialist nations always resort to protectionist economic policies, would trigger similar responses from other nations. This would lead to slow business activities in the socialist economy, which is inward-looking, and assist to keep the economy stagnant to the detriment of the people of that nation, particularly the workers.
- Fourthly, socialism could lead to the encouragement of laziness. As workers' rights are fully protected by the labour laws under socialism, employers might find it difficult to dismiss lazy and inefficient workers. Moreover, even the

efficient ones may, after some time, become inefficient since no action has been taken against lazy workers. Also, owing to welfare programmes under socialism, some able bodied men might decide not to work and rely on unemployment allowances. In this sense, socialism could be seen to encourage laziness.

- Fifthly, owing to less business transactions and restrictions on foreign products under socialism, there is always a problem of scarcity and shortages of consumer goods. *“Shortages of goods are the single most pervasive phenomenon in socialist countries. Consumer goods, ranging from necessities, such as food, to luxuries, such as cars and gold, as well as many intermediate inputs, are typically in short supply”* (Shleifer and Vishny, 1991:2). Shortages, as opposed to an excess supply of goods, distinguish socialism from capitalism (Kornai 1979, Weitzman, 1984, cited in Shleifer and Vishny, 1991:2).
- Sixthly, socialism is associated with unnecessary bureaucracy. In fact, one of the problems within the public sector, is the bureaucratic hurdles and red tapism that is associated with it. Bureaucracy mars efficiency and triggers corruption as people may not be able to wait for unnecessary delays, and may resort to bribery and favouritism, which would lead to the detriment of workers and the economy, at large. Some government officials may even at times prefer to grant jobs or contracts to some of their inefficient relatives, instead of granting it to more efficient and qualified workers.
- Finally, apart from India, socialism has lead to dictatorial regimes in different parts of the world. For example, in Cuba and other nations that have previously practiced socialism, the government of the proletariat later became the government of dictators, to the detriment of the workers and the masses.

That said, after weighing the pros and cons of socialism, it seems that socialism offers workers more advantages than disadvantages. However, the need to trace the equilibrium between the advantages and disadvantages of socialism towards labour, is imperative. The topic will now proceed to *socialism and labour unionism*.

3.5 Socialism and labour unionism

Labour unionism refers to the outcome of growth of the modern industrial system, involving the employment of a great number of workers in conditions, which make them helpless in bargaining individually for their terms of contract. Although prohibited from organising collectively in Britain around the 1860s, workers were never convinced by the contention of the legislators that they, as individuals, could enter into voluntary agreements about pay and working conditions with their employers that would be free from encumbrance (ILO, 1995:14).

The growing masses of the unemployed and immigrant poor in the cities and towns, who in their desperation would accept almost any offer and take the jobs others have refused, find it difficult, if not impossible, to resist the dictates of the capitalists, who have argued that they themselves were hard-pressed by cut-throat competition and that labour was merely a single item among their many costs. It is, therefore hardly surprising that the development of industry was also marked by the sabotage of new machinery and industrial processes by workers, punctuated by riots and illegal strikes that were often violently repressed by the authorities (Mills, 1994:36). However, the cry of socialists for social justice could not be stifled, and there was growing desire of workers to join together in unions to fight collectively for higher pay and improved working

conditions (Ballot, 1996:7-8). Amid the great strife of the second half of the nineteenth century, the modern labour union movement was born. Moreover, the modern industrial systems, being based on large scale production, organisation of factories, large scale employment and precarious industrial relations, resulted in capitalistic labour exploitation. Hence, spurred by socialist criticisms, workers unionised.

Labour unions are representative organisations of workers, which are based upon, but transcend the collectivism, of particular workplaces and localities (Elger, 1989 cited in Aris, 1998:14). Beatrice Webb sees labour unions as *“a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working life”* (Tripathi, 1999:392). According to G.D.H. Cole (cited in Kumar, 2000:43), *“a trade union means an association of workers in one or more occupations- an association carried on mainly for the purpose of protecting and advancing the members’ economic interests in connection with their daily work”*. Lester defined a labour union as *“association of employees designed primarily to maintain or improve the condition of employment of its members”* (cited in Tripathi, 1999:392).

The main function of a labour union is to prevail over the individual worker’s weakness by substituting a collective bargain for separate individual bargaining (Dobb, 1959:160). Hyman (1975:195) believed that collective organisation allows workers to create social power much greater than their power as individuals. Labour unionism, being based on the axiom *‘united we stand’ or ‘divided we fall’*, was actually a perfect match to counteract the inherent evil of capitalistic divisions of labour and capitalism. Capitalist division of labour dehumanised the working man, and weakened his role, power

and economic benefits within the workplace. However, the main aim of labour unionism was to strengthen the power of workers and accelerate their bargaining potentials and, of course, the influence of socialism in the development and intensification of union activities cannot be over-emphasised. For example, labour union movements and activities in India would have turned into a total fiasco had it not been for the great encouragement and enlightenment that they shared with the Red International of Labour Union of Moscow, a socialist foundation (Tripathi, 1999:401).

Moreover, the role of Christian socialists in the labour union consciousness within the 19th century cannot simply be ignored. They expounded a belief in the brotherhood of man and the consequent development of mutual obligation (Perlman, 1958:47). Indeed, socialists such as Ludlow, Maurice and Kingsley all called for moral responsibility, the support of trade unions and the encouragement of producer co-operative movements (for these forms of organisation were seen to permit a more just distribution of wealth), the full realisation of the energies and resources of the weaker members of the population and the fostering of initiatives, self-confidence, self restraint, self-government and the capacity for democracy (Poole, 1981:8).

Chesterton (cited in Perlman, 1958:46) remarked that socialists' impulse for unionism arose from compassion for the unfortunate and from the belief that evil in society emanates from incessant accumulation of riches and from interpersonal competition, which is enshrined in the capitalist system. Tannenbaum (1951, cited in Tripathi, 1999:393) was of the view that labour unions are the by-product of an industrial society in which automation has destroyed the old ways of life and robbed the worker of his identity, purpose

and creativity. The struggle of labour unions, which also forms part of the socialist tussle, was a reflection of the worker's spontaneous urge to re-establish his identity and resurrect his social life. Kerr, Dunlop, Harbison and Myres all agreed that labour unionism is a form of organised protest against the evils of capitalist industrialisation. Besides bringing about a basic change in the relationships between man and his work and between man and his cultural setting, industrialisation inevitably circumscribed worker's freedom by imposing discipline. Discipline mars initiative and has a demoralising effect on workers who may sometimes find their work distasteful and their compensation less commensurate to their contribution. Formation of a union is one form of organised protest, which is an expression of the workers' resentment over the prevailing bourgeoisie industrial system (Tripathi, 1999:394).

Some of the basic interests of labour unionism, an interest fully based on socialistic principles, may be enumerated as follows:

- Labour unions have always been concerned with the maintenance of full employment, since a worker is not likely to be impressed by the advantages of industrial development if the immediate consequence to him is redundancy in his existing job followed by prolonged unemployment. Hence, most labour unions stressed that any development or change should take place within the context of full employment;
- The second interest of a labour union is that a worker should be allowed to share in the benefits of industrial progress. Their right to share should be recognised by all concerned including government and employers. This will provide room for the redistribution of income and wealth to a wider section of society;

- The labour union movements have been consistent in their advocacy for state intervention in economic affairs and industrial relations. For example the T.U.C. of Britain, in its report on post-war reconstruction, which was prepared in 1944, stated that full employment, price stability and protection of people, either as workers or consumers against exploitation, the equitable distribution of income and economic opportunity, as well as the promotion of national development and security were all a responsibility of government and demanded more measures of planning, regulation and control if they should be fulfilled (Mortimer, 1971:9);
- Another interest of labour unions is to defend or improve the wages and working conditions of workers; and finally
- To bring about changes in the economic order, thereby overthrowing capitalism and bringing about, if possible, a revolutionary and fundamental change in the political order, and to replace managerial dictatorship by workers' democracy and to bring about a change in the social order.

Therefore, most of the labour unions' interest forms part of the general socialist interest of changing the prevailing incidences of exploitation in the work-place, in particular, and the society, in general, to a more reasonable and palatable one, through collective bargaining, co-operation and participatory resolutions. Therefore, labour unionism may be regarded as a sub-system in the general system of socialism, in the sense that it has a common interest with socialism to improve the conditions of the less privileged in society through negotiation or by forceful means, in order to achieve a better redistribution of income and wealth and also to motivate harmonious labour relations.

3.6 Socialism and labour relations

Labour relations amounts to the relationship between employees/employees' organisations, owners/management/employers and employers' organisation, and the government/state and all established state apparatus, which discusses and handles the issue of labour relations. According to Casselman's Labour Dictionary (cited in Kumar, 2000:1), "*Labour relations are the relations between employers and employee in industry. In the broad sense, the term also includes the relations between the various unions, as well as those between the employers and the government*". The International Labour Organisation (ILO) has included some additional ingredients of socialistic value into the general concept of labour relations and has incorporated such matters as freedom of association and the right to organise and the right of collective bargaining, conciliation and arbitration proceedings, as well as the machinery for co-operation between the authorities and the occupational organisations at various levels of the economy (The ILO, 1995:14). Thus, from the perspective of the International Labour Organisation, an industrial relations system should effectively enhance mutual understanding, mutual confidence and resolve the mutual differences between capital and labour. Therefore, a good industrial relations system addresses those issues pertaining to industrial harmony or disharmony.

Socialism, as mentioned earlier in previous sections, was the outcome of the outburst of the yearning of workers over the conditions of the workplace and the widening divide between the life situation of workers and their employers/capitalists. These various forms of industrial inequities, which were a major source of

industrial discontentment, dispute and disharmony, were all what socialism was posed to redress and resolve.

Also previously, in Chapter Two, the capitalistic labour relationship of production was well documented to show that capitalists' investment decisions were simply motivated by self-interest and greed, namely higher profit consideration and lower compensation to workers, which also validates Marx's position in his theory of surplus value.

Hence, it was not surprising that the history of labour relations were marked by great antagonism and disharmony between the workers and the capital owners. For example, in the U.S. around the 17th and 18th centuries, the level of these conflicts became so bad and tensed, that capitalists had to use certain repressive justice systems and favourable courts to suppress the resistance and contentions of the working class (Ballot, 1996:29-30). However, socialism and the socialists, whilst having the interest of the society at heart lambasted the previously set standard of exploitation that was the cause of grievances and disharmonies within the industry (ILO, 1995:13). Socialism and humanism focuses on those areas that were the source of disputes and advocated active government intervention and regulation of industrial relations (Kumar, 2000:8). This remedy of socialism was adopted in varying degrees by many countries, be it capitalist or socialist, in the handling of industrial relation problems with positive results (Lynn et al., 2002:797).

Therefore, since a majority of the capitalists are motivated by just self-interest, profitability and accumulation, it then becomes imperative for the state to intervene in order to protect the interests of the weaker section of the industry, namely workers. The rationale

behind state regulation of industrial relations were not, in fact, undertaken to punish the capital owners but it is an effort to encourage industrial partnerships between capital owners and workers. In addition, the purpose is to foster cooperation instead of competition, and to achieve a higher realisation that good industrial relationships, void of exploitation, promotes greater productivity. *“Good industrial relations increase the moral of the workers and motivate the worker to work more. When both parties think of mutual interest, it gives more chances of newer development. Any problem is solved by mutual consent, which develops many socialistic incentive schemes, such as worker’s participation in management, profit sharing, suggestion schemes, and so on. These all bring job satisfaction to the workers and they put positive effects on production”* (Kumar, 2000:6). Thus, a good industrial relations system certainly boosts the morale of workers, increases efficiency at reduced costs per unit of production and automatically improves the quantity and quality of production.

Uriarte (1999:6) is of the view that capitalistic *“labour deregulation has not proved to be efficient in job creation nor stop the growing unemployment but, in return, it did produce a rise in the precariousness of existing employment. Additional employment is not created- because the origin of unemployment does not lie in labour standards- and the quality of the remaining employment is downgraded”*. The above state of affairs is, of course, capable of breeding industrial disputes between employers and employees. On the contrary, the ILO (1995:105) has stated that *“Manpower is the essential source of wealth. It has to be used effectively, not wasted. This means that not only should jobs be available, but the people should be adequately trained to fill them. All members of the society must be given the opportunity to take full advantage of*

their gifts and aptitudes and to become producers and consumers". This statement is in line with the socialistic policies of full employment, which addresses the problems of retrenchment, downgrading and unemployment, through employment regulations and effective training of human resources in order to take up greater challenges and thus bring desired satisfaction to workers, and thereby promote pleasant labour relations.

Therefore, the state cannot be a passive onlooker of industrial unrest. *"Man in search of peace and progress surrendered his sovereign identity to the State. The State is a fine product of human civilisation. Conceptually viewed, State is the authoritative supreme power- the actual sovereign, which formulates and executes the will of the people"* (Garner, 1932, cited in Mbieli 1990:1). It is the responsibility of the government in a welfare socialistic state to intervene in the field of industrial relations- shaping its nature and patterns. As a matter of fact, it is primarily the state that helps to create a suitable background and harmonised atmosphere which is most conducive to industrial peace, and a progressive industrial/labour policy that is well-planned and carefully implemented, goes a long way in contributing to the maintenance of industrial amity. Kumar (2000:6) stated: *"active state intervention in industrial relations promotes the establishment of industrial peace, industrial discipline and industrial democracy. These three elements are very much required for the development of any nation"*. Thus, the government should actively and positively participate in the areas of labour relations and direct its efforts in the development of stable tripartite relationship between labour, management and the government.

Socialism believes that through a system of effective collective bargaining, based on trust and cooperative constitutionalism, such disputes such as wage compensation, fringe benefits and conditions of employment, can well be challenged amicably, which would finally assist in fostering industrial harmony. Those humanistic aspects, such as social welfare, health care, basic conditions of work environment, decent living and minimum wages are all socialistically inspired, and the adoption of which cultivates serenity within the labour management relationship. Socialism also considers the workers as partners within the organisation and should, therefore, be allowed to participate in decision-making processes. This social philosophy goes a long way to assuring maturity in the workers' management relationship and thus enhancing cooperation, because it would be nonsensical for workers to protest by challenging a decision, about which they were confidentially consulted before the decision was made. Hence, socialistic principles of cooperation and collaboration accelerate understanding and advancement in the industry, which automatically results in industrial peace and harmony.

Socialism supports workers unionism and the union's power to organise and possibly influence some of the government policies and this alone guarantees industrial citizenship rights. For example, owing to poorly-developed trade union movements, American workers have little national role and do not have effective industrial citizenship rights (Anstey, 1990; Manicas, 2000:9). The emphasis in the USA on individualism and lack of socialism amongst the working class, had enabled the Reagan administration to retrench social rights while, experience has shown that political rights alone cannot help the working people and good industrial relations depends ultimately on whether or not trade unionism is an

acceptable fact and whether worker representatives are respected and protected in the discharge of their duties (The ILO, 1995:120). Hartman (1975, cited in Anstey, 1990:126), in his study of Sweden, suggested that political rights, as a means of overcoming inequities, is insufficient and concluded that civil, social and economic rights require conscious protection. Hence, social rights should be funded and the state cannot abdicate its role in this area. Socialism emphasises social policies and institutions for wealth distribution and social justice. The ILO (1995:122) noted that *“However well conceived labour laws, order and regulations may be, they are useless unless effectively implemented by a system of labour administration. International standards and the national legislation that applies them will have little meaning for employers and workers unless administered by effective public services”*. As such, the state should have a good legal system to ensure fairness and a social security net for the poor because without adequate social institutions, there can be no social progress. *“If property rights are maintained for the individual, then social welfare rights constitute the best trade-off to negotiate the mix of the economic system”* (Anstey, 1990:126).

Currently, the new challenges of capitalist globalism, and the dynamics of the MNCs with the power to migrate from nation to nation and also outsource labour from wherever and whenever possibly with huge tax exemptions and with advanced technology, have eroded the influence of labour within the industrial relations process. Moreover, the flexibility of the workplace and labour markets has resulted in the introduction of temporary or other precarious forms of work, as more work is being done at home rather than in offices and factories, which has made adequate labour inspection futile. The outcome is that workers become isolated from

each other and are less able to meet to discuss their problems or to organise effectively. However, these challenges could be moderated if capitalism is tempered with socialism.

In a nutshell, socialism seeks out the optimal solution of balancing the disequilibrium within the society, in general, and in the work place, in particular, through a perfect regulatory mechanism and state-inspired apparatus and legal system in order to achieve harmonious societal and industrial relations. Therefore, it can be asserted, without mincing words, that socialism, a doctrine, which many authorities have considered *dead and buried*, assisted in the promotion of industrial harmony in many countries, including capitalist ones.

3.7 Is socialism actually dead and buried?

With the collapse of the Soviet Union in 1989 and the fall of the famous Berlin Wall, and in conformity with the earlier prediction of Alain Touraine in 1980, socialism was declared dead. Dahrendorf (1990:38) reiterated: *"The point has to be made unequivocally that socialism is dead and that none of its variants can be revived for a world awakening from the double nightmare of Stalinism and Brezhevism"*. Anthony Giddens, in one of his writings in 1994 asserted: *"the idea of burying socialism has become a reality"* (Giddens, 1994:52; Sassoon, 1996:647). Slabbert (1996:1) announced: *"The Russian bear is dead and buried. Floundering in its wake is a confederation of states, desperately trying to come to grips with a market economy...Two of the mourners at the funeral, comrades Marx and Lenin, were seen wearing expressions of astonished embitterment, disillusioned by the fading out of one of the world's primary ideologies (socialism)"*.

In the United States and other capitalist nations, the dawn of the new reality (the putative death of socialism), became a cause for great celebrations. In great jubilation, Martin Anderson, then head of President Ronald Regan's transition team and top advisor to Reagan during the early years of his administration, in a speech at the conservative Philadelphia society, lamented: *"we in America are not as euphoric as we ought to be given what has just transpired. The West had won the cold war. Capitalism was fully vindicated. The theories of Ludwig von Mises and Fredrick A. Hayek, two premier economists, who defended the free market system and predicted that socialism will fall (die), had been confirmed in practice. The world has had a demonstration, albeit at great and unnecessary cost, of the hopelessness of socialism. So why are we not cheering? Why are there so few celebrations?"* (Machan, 1994:68).

The social connotation of the above statement boils down to the current assertion that the world is left without an alternative but to freely accept the total and final eclipse of socialism by American free market capitalism. This implies that those moral incentives of socialism such as free education, minimum wage, full employment, social welfare and general wellbeing, social security, unemployment benefits, government housing, progressive taxation, old age allowances, to mention a few, becomes a things of the past, and profit becomes the icon of the modern economic world, thus, leaving the quality of life and labour a casualty of global cut-throat competitions. Sassoon (1996:648) noted that *"by the 1990s, it even proved too difficult to defend the gains thus far achieve by European socialism: the welfare state, full employment, and trade union rights; the first was in danger, the second had become a thing of the past, and the third were severely curtailed"*.

At least previously, the existence of a socialist option compelled the West to advance the welfare state and to view the less fortunate with greater sympathy and compassion (O'Neil, 1994:131). More than that, the existence of an alternative political ideology created a kind of balanced world equation, in the sense that the excesses of capitalism was, for many decades, checkmated by socialism and vice versa. For example, most of the Third World today would not have been liberated from colonial servitude without the great vivacity of socialism. Socialism was really able to achieve a lot in comparison to capitalism. At least by sending a man into space, the drive towards a more humanistic reduction of inequalities in different countries and regions of the globe and the protection of the national interest, as opposed to transnational interest, were all socialistically nurtured.

However, the world is presently informed to believe and accept that socialism is finally dead and buried, and that none of its variants is possible in the face of American type of capitalism. This is an argument that the current researcher refuses to fully harmonise with, simply because this kind of capitalism has (from the onset) lost the confidence of reassuring the global masses that all is (would be) well, and that the benefits of a single economic and market system would be properly dispersed. The present growing protests and radical oppositions around the world of the negative side effects of a single economic system, has also reinforced the position of the current researcher. McGiffen (2002:22) says it all when he stated: *"The apparent triumph of a single orthodoxy does not appear to have accelerated the growth of global prosperity"*.

In the present neo-liberal world, poverty has proliferated to become a kind of global injustice. According to the Chronic Poverty Report (2005:9), *“About 300 to 420 million people are trapped in chronic poverty. They have experienced deprivation over many years, often over their entire lives, and commonly pass poverty to their children. Many chronically poor people die prematurely from health problems that are easily preventable. For them poverty is not simply having a low income: it is about multidimensional deprivation – hunger, under-nutrition, dirty drinking water, illiteracy, having no access to health services, social isolation and exploitation. Such deprivation and suffering exists in a world that has the knowledge and resources to eradicate it”*. It is estimated by The World Bank that 1.1 billion people live in extreme poverty. Asia leads in numbers, but Africa has the largest proportion: almost half of its population (Extreme Poverty, 2005:30). Nearly half the 6 billion people in the world are poor; 8 million people die each year because they are too poor to survive and 1 billion people live within danger because they have nothing to eat, in a world of plenty (Time Magazine 2005:26). In Uganda, the problem of poverty has become a generational curse. *“Obwaavu obumu buba buzaale, Abaana babuyonka ku bazadde baabwe, ate nabo nebabugabira ku baana – Some poverty passes from one generation to another as if the offspring sucks it from the mother’s breast”* (Group of Disabled Ugandan Women, quoted in The Chronic Poverty Report, 2004:vi). Most of the incidents, which increase the rate of poverty around the world today, cannot be attributed to nature, but to man and the capitalist institutions that are created by man. Charles Darwin (quoted in Kowalski, 2000:3) once forewarned: *“If the misery of our poor be caused not by the laws of nature, but by our institutions, great is our sin”*.

The increase in the rate of global poverty is well-reflected in the widening divide between the rich and the poor. In a world where many people earn less than \$2 per day, Bill Gates' estimated wealth has reached an incredible mark of \$100 billion as at July, 1999. It was further speculated by Lewis D'vorkin that if Microsoft's shares price maintain the same pace of growth in the next five years, Bill Gates will reach a trillion dollar mark (Haines, 2001:1; also see Harmon, 1999:1). To brighten our horizon, the above information simply implies that Mr Gates' personal wealth is comparable to 40 million of the world's poorest people put together. Still, on inequality, the United Nations Development Report (quoted in Karliner, 1999:320) remarked: *"the world's poorest 2.5 billion people [42% of the entire world population] have a collective income roughly equal to the collective wealth of the world's richest 225 billionaires"*. When some 605 employees of Times-Warner were laid off into poverty in 1990, Steve Ross, CEO of Times-Warner was paid the highest corporate executive salary of \$78.2 million in the same year. The payment to Ross would have covered the salaries of all the discharged workers for two and a half years (Cohen, 1992:30). At the Central Bank of Nigeria (where the present author participated in national service), as well as other Banking and Oil establishments in Nigeria, the *casualisation* of most employment and voluntary retirement packages to workers, may signal a move towards pauperisation. Around the globe, including the USA, the income level of the lowest echelons of society is, in fact, declining and the divergence in economic status is expanding not merely because the rich are getting richer, but also and most incredibly, because the poor are getting poorer (Haines, 2001:865). The United Nations Development Report declared that *"the income disparity between the top 20 percent and bottom 20 percent of the world's population is now 150 to 1, double what it*

was 30 years ago... the 225 richest individuals in the world have a combined wealth equal to the annual income of half of humanity" (Clarke, 1999:158). Thus, in the face of the current single global economic dispensation, the problem of inequity has become more palpable for rational mind mediation.

The growing disparity in the distribution of wealth is exacerbated, among other things, by growing unemployment and underemployment, witnessed around the globe, owing to the new capitalist competitive profit-making management techniques of downsizing and atomisation, outsourcing and migration, and widespread automation. Currently, it seems that top managers are, in most cases, motivated to promote unemployment and underemployment. For example, between 1991 and 1995, France's branch of IBM dismissed 122,000 workers and reduced their total wage cost by a third. At the same time, the management board rewarded directors in charge of downsizing with non-pay related bonuses of 5.8 million dollars each (Martin and Schumann, 1997:121). In Germany alone, it was speculated that more than 4 million jobs are in acute danger and the number of the unemployed could more than double from the current 9.7 per cent to 21 per cent in Germany, or from 7.3 per cent to 18 per cent in Austria, while many of the secured jobs, which would be phased out, would be replaced by part-time posts, temporary work and various forms of low-wage employment-cum-impooverished remuneration, which is markedly lower than they have been under the system of collective bargaining (Martin and Schumann, 1997:103).

Kowalski (2000:9) painfully regretted: *"Those who by fate or artifice, end up in key positions, squander the resources of the planet in their pursuit of personal, political, or chauvinistic*

fantasies while the greater mass of men lead lives of perpetual irrelevance. Is this an admirable way for the human race to conduct its business”? Additionally, the positive aspect of the automation boom, which brought new jobs in the IT sector, and also, predicted to bring cheap access to information superhighways, has been weakened by the job destructions that were witnessed in other sectors of the economies, as more customers have now become able to make online travel bookings, banking operations and all manner of purchases, as well as retail trade through the internet, and for the fact that more households are now in possession of PCs and even data telephones, which has made it possible for people to choose from a world supply chain of products from their homes. All these new dynamics has resulted in the withering away of a large section of the labour market and thereby exacerbating the unemployment problem (Martin and Schumann, 1997:137; Scholte, 2000:220).

In the present scenario, millions of people have become sacrificial lambs to the current transition process. It has been well documented that in the case of the ex-Soviet block, transition has downgraded an entire generation to economic idleness (Stiglitz, 2002:6). For example, the output in Russia decreased by 40 per cent between 1990-1995 and 16 and 30 per cent in other countries. Growth has fallen over the last 15 years in 100 countries, with almost a third of the world's people, dramatically reducing the incomes of 1.6 billion people. The declines are unprecedented, exceeding in duration and sometimes in depth such as the Great Depression of the 1930s. One billion people, 30 percent of the world's work-force, are either jobless or unemployed. Even in the First World countries, 100 million people live below the poverty line, 30 million are unemployed and more than 5 million are homeless (The World Development Report, 1996; The Human Development Report, 1996).

Currently, it seemed as if the world has degenerated to the pre-socialist world of the 19th century, when organisations exploited human resources to generate profit for 'absentee owners' and when companies demand premium charges for their products, while at the same time, paying slave wages to their workers. Global workers now receive a fraction of what their true labour is worth and, as such, find it hard to even patronise the obsolete and fake products in the market. The owners, non-working profiteers, sacrifices even human health and the environment in their greed for excessive profits. In general, owners who do not actively participate in the operations and performs no function other than parasitism are guaranteed the right to profit while human beings do not even have a guaranteed right to subsistence. (Kowalski, 2000:11). Hence, O'Brien (cited in Sewell, 2005:1) was not so wrong to argue that: *"The history of mankind shows that from the beginning of the world, the rich of all the countries have been in a permanent state of conspiracy to keep down the poor of all countries, and for this plain reason—because the poverty of the poor man is essential to the riches of the rich man. No matter by what means they may disguise their operations, the rich are everlastingly plundering, debasing and brutalising the poor. All the crimes and superstitions of human nature have their origin in this cannibal warfare of riches against poverty. The desire of one man to live on the fruit of another's labour is the original sin of the world. It is this which fills the world with faction and hypocrisy and has made all past history to be what Gibbon so justly describes – a record of the crimes, absurdities and calamities of mankind. It is the parent injustice from which all injustice springs"*.

Based on the above analyses it would in fact be naive to fully agree that socialism is dead and buried. As long as there are increasing massive armies of unemployed and underemployed labour and their supporters who would use the rule of law to achieve control over the means of production in order to provide a humane environment through the conscious regulation of the invisible market forces, there would always be ideologues like socialists. Their logic may appear faulty and their willingness to use all possible means towards a humane end may appear perilous, but they will always be among us poking and prodding for a more humane civilisation (Singer, 1999; Sklair, 2002). The first large public protest against the current logic came in Seattle in November 1999 at the WTO Ministerial Conference. This was followed by street protests in Bangkok in February (during the UNCTAD conference), Washington in April (during the World Bank-IMF spring meeting), in Melbourne (during the Asian Summit of the World Economic Forum), in Prague (during the World Bank-IMF annual meeting), in Cancun, as well as Doha. These popular protests around the world are basic reflections of the majority's yearning for an alternative ideological order. As a matter of fact, socialist influence will last beyond the demise of the Soviet empire (O'Neil, 1994:131).

In fact, socialism is still very much alive in Cuba and has brought a huge academic developmentalism to that part of the world, to the extent that the US even source most of their doctors from Cuba. In Venezuela, socialism is back in full force and it has helped to boost employment in that country, which has finally brought about a reduction in the level of inequality and disparity within the society. In fact, the government of Venezuela has taken control in regulating the activities of most of the foreign corporations in their huge oil sectors. This measure has helped them to monitor the environmental

standards of these corporations and also to make sure that the local workforce is not easily exploited. There are still some signs of socialism in Tanzania, Mozambique and Bolivia, to name a few. Hence, as mentioned earlier in Chapter Two, history has just begun and positive aspects of socialism cannot be ignored or said to be dead and buried, but would perhaps continue to '*lurk at the corner*' because to actually bury socialism, in its totality, would mean to bury unionism, industrial democracy, industrial relations, as well as all alternatives to the present world of exploitation, poverty, inequality, squalor and diseases, unnecessary deaths and hopelessness.

3.8 Conclusion

In summary, much about socialism has been explored, and it is apparent that socialism has, from time immemorial, been an ideological framework adopted when the need for addressing some kind of imbalances or maladies in societies, arise. Socialism is, in fact, a way of life, which focuses on bringing up a change, if needs be, in a present scenario for the betterment of the society. From the primitive period to the modern epoch, the emphasis of socialism was always to turn a bad situation, from a societal context, into a better one. No wonder then that in the 19th century it became the only weapon in the hands of labour to redress and address the capitalist onslaught and exploitation. According to Alexis de Tocqueville (cited in ILO, 1995:10), within the 19th century, the conditions of workers could be likened to a *vision of hell*. This was in fact, a kind of situation that socialists would not stand akimbo watching, but should (like to) oppose.

However, presently, when socialism is mentioned many people may prefer to construe it to the Soviet bloc state type of socialism,

which was, in most cases, a reflection of the gory images of Stalinism. Some would even prefer to qualify personalities such as Adolf Hitler as a socialist, or recapitulate the history of Anabaptist Munster, under the rein of Jan Bockelson (O'Neil, 1994:119). This is merely a myopic way of reasoning. The acts of individuals purporting to be socialists when they are not truly one in practice, should not erode our collective conscience of what socialism actually stands for. The fact that some elements have used socialism towards their selfish egocentric actualisation, does not simply mean that all the variants of socialism were actually defective. Socialism was not essentially a product of the Soviet bloc as it was widely perceived, however, it was also adopted under different names and umbrellas in Britain, Sweden, Norway, Yugoslavia, India and many other nations as an instrument of *welfarism* and *empowerment* (Hersh and Schmidt, 1996:3; Lynn et al, 2002:797).

Thus, socialism actually amounts to a better platform of addressing those issues pertaining to the equilibrium or disequilibrium within the society. It emphasises that the earth's resources should be distributed fairly rather than by means of unjust Smithian methodology of an invisible hand distribution that has led to the social and economic exclusion of the greater majority of humanity. It was based on this premise that it stressed an active governmental role in the management of the resources of the people, in order to minimise the divide between the excluded and included within the society. "*State socialism, as well as social democracy, considered the state as a defensive instrument against the corrosive effects of laissez faire capitalism*" (Hersh and Schmidt, 1996:4). Hence, socialism, in practice, bridges the gulf between the very rich and the poor, by introducing such welfare programmes such as progressive taxation, free education for all, adequate housing for

the people, old age pension schemes, while placing an emphasis on full employment, minimum wage, unions' right to organise, good industrial relations and a better quality of worklife.

That said, it is not surprising that as the world begins to think less and less of socialist globality, and more and more of capitalist globalism, which has metamorphosed in the form and logic of globalisation, most of those social desires to better the lots of workers, in particular, and the majority of the human race in general, such as full employment, job security, organised labour, collective bargaining, labour regulations and laws (to protect employees), and harmonious industrial relations, would continue to dwindle, only to be toppled by unemployment and retrenchments, downsizing and restructuring, competition and abnormal profitability, deregulation and lapsed labour laws, as well as, unorganised labour and industrial disharmony, which is, of course, the outcome of poor industrial relations, nevertheless, a strategic option of capitalist globalisation. Along these lines, the topic will now move towards this core and crucial aspect of the thesis in the next chapter, namely *globalisation and internationalisation*.

Chapter 4

Globalisation and internationalisation

4.1 Introduction

Globalisation has become one of the most contested and controversial topics in contemporary history. Literatures and researches on the topic have proliferated and, of course, globalisation has become a household name to the extent that common illiterate village farmers are now becoming well-acquainted with it. The vocabulary of globalisation has entered almost all major languages and even daily life now conveys frequent references to global nomenclatures, such as global foundations, global markets, global finance, global communication, global migration, global security and global.com (Scholte, 2001:2). In that sense, globalisation has become a heavily loaded word and has come to mean different things to different people. Basically, people have connected the notion to nearly every significant contemporary social change, including an emergent information age, a retreat of the state, the demise of traditional cultures, and the emergence of post-modern aeon (Giddens, 1990:64). In fact, just as this concept is a complex reality, it is still in rapid evolution, presenting benefits, opportunities, challenges, risks and changes. In normative terms, some people have linked globalisation with progress, prosperity and peace. For others, however, the word has conjured up deprivation, disaster and doom (Scholte, 2000:14).

As globalisation has different meanings to different people, it also has different names in some different world languages. Giddens (1999:7) observed: *“Globalisation may not be a particularly attractive or elegant word. But absolutely no one who wants to*

understand our prospects at the century's end can ignore it ... In France the word is mondialisation. In Spain and Latin America, it is globalizacion. The Germans say Globalisierung". Other names ascribed to globalisation are globalizzazione in Italian, globalizaçao in Portuguese, mondializare in Romanian, and the Dutch mondialisering, which conveyed broadly the same idea in the form of worldization. Outside the Indo-European languages, the Chinese called it quanqihua, the Finish globalisaatio, the Indonesians globalisasi, the Koreans Gurkje Hwa, the Nepali bishwavyapikaran, the Sinhalese jatyanthareekaranaya, the Tagalog globalisasyon, the Thai lokanuwat, the Timorese luan bo'ot and the Vietnamese toan kou hoa (Scholte, 2000:43). New names are yet to emanate and there is hardly any doubt that globalisation has become a buzzword for more than a decade. Bhagwati (2004:439) reiterated: "Globalisation first became a buzzword. Devos and the New York Times columnist, Thomas Friedman, celebrated its virtues, its inevitability. But then came the anti-globalisers. Globalisation then became a more conventional four-letter word. The Ruckus society and the French sociologist Pierre Bourdieu proclaimed its vices..."

Heating debates about the subject around the world has intensified in recent years, and even arguments have ranged around the essence of globalisation itself, around the extent of global business networks and around the existence and power of purportedly global corporations. Indeed, some have claimed that the concept is passé, having either been done to death or only been a passing fad (Kirkbride, 2001:13). In any case, globalisation is, in fact, a complex process that affects many aspects of our lives. The 9/11 terrorist attacks on the United States were an aspect of globalisation (Scholte, 2000; Gray, 2001 cited in Legrain, 2002:116). The rapid growth and poverty diminution in China, India and other countries,

which were poor 20 years ago, is another aspect of globalisation. The development of the internet and easier communication and transportation around the world, is a third impact. The spread of HIV/AIDS, as well as the accelerated development of life-extending technologies, is part of globalisation (World Bank and Oxford University, 2002: ix; Bhagwati, 2004:443). Undoubtedly, globalisation is a colossal phenomenon that affects ways of life, behavioural and thinking patterns of the entire human person in social, economic, political, ecological, cultural, moral, religious and spiritual spheres.

In short, like it or not, globalisation has caused something new to happen. But precisely what that something might be, and whether it really represents something new, is a subject of enormous controversy amongst academics, politicians and popular writers, including journalists (Hirst & Thompson, 1996:2; Pasricha 2005:5). It is indeed a recent phenomenon that is much talked about but at the same time confusing, while it has a polarising effect on people's opinions, views and feelings about it. Globalisation has brought blessings and at the same time, woes to many people. It has produced winners and losers. It has now different names in different world languages and has become a buzzword, which is mentioned virtually in every discipline. No single individual can unravel all the mysteries that are inherent in the subject of globalisation. Nevertheless, each author may do well to present his/her own views from a context of the areas of inquest or discussion, since globalisation is a broad topic that affects every facet of present-day life. However, a clearer picture of the subject could be obtained if efforts are made to define the concept itself.

4.2 Globalisation defined

As mentioned earlier, the term globalisation is used in so many areas and in such diverse ways that it seems more or less futile to put forward a universally acceptable definition for it (Bagchi, 1992:1). Nevertheless, the unfeasibility of definitive definition does not reduce the need for rigorous conceptualisation (Scholte, 2000:42). Thus, globalisation is seen by many as the effective erasure of national frontiers for economic purposes. A state whereby national boundaries turn totally porous with respect to goods and capital and, to a certain extent, porous with respect to people, which is viewed in this context as cheap labour or, in some cases cheap human capital. Consequently, border-crossing is activated and accelerated by this porosity. Capital moves across borders; companies relocate and expand across borders; whole industries can now cross borders; people, ideas, diseases, even governments can now cross borders.

Pasricha (2005:1) wondered: *“How many borders and what kind of borders and why and how successfully they are crossed, are part of the story. Finding out who and what doesn’t cross borders and why, is just as important”*. As a matter of fact, these complications in border crossing make it a highly uneasy task to define and comprehend the concept of globalisation in all its totality. Even today, there remains a dispute among authors with regard to the historical origin of the paradigm. For example, James Petras and Chronis Polychroniou have traced the origin of globalisation to the 15th century with the rise of capitalism and its overseas expansion. Thus, globalisation for them was, from the outset, associated with imperialism. They held that *“Globalisation is hardly a new phenomenon: it is merely a new name, a sub-code for capitalism*

that subsumes diverse socio-political and economic processes" (Petras and Polychroniou, 1977).

However, Giddens considers globalisation as a consequence of the tendencies that are inherent in modernity, and defines globalisation as *"the intensification of worldwide social relations, which link distance localities in such a way that local happenings are shaped by events occurring many miles away and vice versa"* (Giddens, 1990:64). Sklair (2002:8) is of the opinion that globalisation is a particular way of organising social life across existing state borders. It has also been viewed as *"the process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human, physical well-being in societies around the world"* (Globalisation 101.org, 2002:1). Held (1996:340) concurred with the above view and asserted that *"globalisation is neither a singular condition nor a linear process. Rather, it is best thought of as a multi-dimensional phenomenon involving diverse domains of activity and interaction, including the economic, political, technological, military, legal, cultural, and environmental. Each of these spheres involves different patterns, relationships and activities and each with its distinctive forms of logic and implication for other domains"*.

However, Robertson (1996:15) considers globalisation in his *social theory and global culture* as the twofold process of the particularisation of the universal and the universalization of the particular, and went further to define globalisation, as *"the crystallisation of the entire world as a single place, and the*

emergence of global human condition". Jameson and Miyoshi (quoted in Streeten, 2001:173) have stated that *"Globalisation is the untotalizable totality, which intensifies binary relations between its parts- mostly nations, but also regions and groups, which, however, continue to articulate themselves on the model of 'nation entities' (rather than in terms of social classes for example)"*.

The United Nations Research Institute for Social Development (UNRISD) identified six key trends of globalisation: the spread of liberal democracy; the dominance of market forces; the integrations of the global economy; the transformation of production systems and labour markets; the speed of technological change; and media revolution and consumerism (UNRISD, 1995). However, Yaffe wisely noted that *"Globalisation is an ideological term. It encompasses the frenetic international expansion, of capital- an expansion which has had devastating consequences for the majority of humanity. The debate around it, however, has tended to obscure rather than clarify our understanding of the forces at work"*(<http://www.rcgfifi.easynet.co.uk/maxism/articles/glob137htm>).

To summarise these varied definitions, the present author ordinarily feels that globalisation is basically an extension and maturation of capitalism in an extreme way, which is portrayed by the extension, expansion, effective integration and internationalisation that incipiently began ages ago but was first noticed around the 15th century, intensified around the 1960s and exploded from the 1990s onwards - a process by which capital, goods, services, technologies, and labour crossed national borders, thereby acquiring a transnational character, accompanied by the flow of related tastes,

ideas, cultures and values across the boundaries, thus reshaping the local political institutions, social relationships, cultural patterns, and leading to a single global system, global fusion and confusion. However, some authors have contended that nothing has actually changed and that globalisation is a magnified myth.

4.3 Globalisation: myth or reality

Myths relate to the events, conditions and deeds of gods or superhuman beings that are outside human life and yet basic to it. These events are set differently from historical times, often at the beginning of creation or at an early stage of pre-history. A culture's myths are usually closely related to its religious beliefs and rituals. The modern study of myths arose during 19th century Romanticism. Sigmund Freud (1856-1939) viewed myths as an expression of repressed ideas. Bronislaw Malinowski (1884-1942) emphasised how myths fulfil common social functions, providing a model or a charter for human behaviour. Rudolf Otto (1869-1937) and Mircea Eliade (1907-1986) held that myths should be understood solely as a mystical phenomenon. Origin tales explain the source or causes of various aspects of nature or human society and life. Fairy tales deal with extraordinary beings and events but lack the authority of myths. Sagas and epics claim authority and truth but reflect historical setting (Encyclopaedia Britannica, 2005).

Therefore, what is a myth in our ordinary parlance? A myth is something that many people believe but, which does not exist or is false. In the history of religion *"Myth, in the usual acceptance of the word, belongs to the realm of imagination"* (Pattazzoni, 1954:11). Moreover, it is a matter of deception and the people who are involved or run the affairs, are characters of fabulous beings, which we do not know and who are only after their own gains and

interest (Bataoel, 2003:2). Thus, in simple terms, a myth may be surmised as the non- existence of something. It is, in relative terms, the opposite of reality. What is reality? Reality is a true situation and the problems that actually exist in life; a thing that is actually experienced or seen in contrast to what people might imagine (OALD, 2000:1055). In order not to deviate from the main topic, it would be necessary here to limit discussions of myth, as well as reality, and to retreat to the main area of interest. Thus, based on the above elucidations (of myth and reality), is globalisation a myth or a reality?

In fact, one agnostic school of thought, which may be regarded as the Sceptics, held that globalisation is an exaggerated and misleading myth and, therefore, rebuffed the globalisation orthodoxy. Notable amongst them are Thompson and Allen (1997), Gordon (1998), Weiss (1998) and Hirst and Thompson (1999:2) who regarded globalisation as a myth that is suitable for a world without illusions and thus provided three disturbing problems that are associated with globalisation orthodoxy as follows:

- The lack of a clearly defined model of the supposed new global economy and a clear expression of how this differs from previous economic systems.
- The tendency to cite suitable and illustrative examples of globalisation processes and the internationalisation of sectors as if this proves the existence of a new global economy.
- The lack of any historical depth to the analysis, which allows current trends to be regarded as unique and unprecedented.

These sceptical views are generally based on economic analysis, which seek to demonstrate that the current global economic system is a mirage and not really distinctive from the previous economic

systems or eras. This particular notion is also very much embodied in the seminal work of Hirst and Thompson (1999:2-3), which summarises the sceptics' position as follows:

- The present highly internationalised economy is not unprecedented: it is one of a number of distinct conjectures or states of the international economy that have existed since an economy, based on modern industrial technology, became generalised from the 1860s. In some respects, the current international economy is less open and integrated than the regime that prevailed from 1870 to 1914.
- Genuinely transnational companies appear to be relatively rare. Most companies are based nationally and trade multinationally on the strength of major national locations of assets, production and sales, and there seems to be no major tendency towards the growth of truly international companies.
- Capital mobility has not produced a massive shift in investment and employment from the advanced to the developing countries. Rather, foreign direct investment (FDI) is highly concentrated among the developed industrial economies and, apart from a small minority of newly industrialising nations, the Third World remains marginalised in both investment and trade.
- As some of the advocates of globalisation recognise, the world economy is far from being genuinely global. Rather, trade investment and financial flows are concentrated in the Triad of Europe, Japan, and North America, while this dominance seems set to continue.
- These major economic powers, the G3, thus have the capacity, especially if they coordinate policy, to exert powerful governance pressures over financial markets and other economic tendencies. Global markets are thus by no means

beyond the regulation and control of the government, even though the current scope and objective of economic governance are limited by the divergent interests of the great powers and the economic doctrines, which are prevalent among the elites.

Based on the aforementioned grounds, the Sceptics are strong in their opinions that, the current world economic system is less global and interdependent than some previous periods, therefore, globalisation is merely regionalization or internationalisation. Moreover, the states and markets are still the driving forces, thus, the power of national government has not been weakened, instead it has been strengthened or increased, as such, the collision of regional blocs is futuristically inevitable, and indeed, global markets and global organisations are not truly in existence and, for these reasons, globalisation is not a reality but a magnified myth.

However, there are others who felt that the arguments represented above, suffered from analytical myopia. These opposing views are represented by the Globalists, Transformationalists, and Anti-globalists, who have all disagreed with the Sceptics' arguments that globalisation is merely a myth. However, these three other schools have divergent opinions with regard to the effect and impact of globalisation around the world.

As far as the Globalists are concerned, globalisation is a reality, which represents many new things such as the convergence of taste and increasing homogeneity that allows for the use of standard products and services worldwide, including the process of integrating, purchasing and manufacturing processes on a global scale to achieve cost efficiencies, and the industrial domination by

major players worldwide and large organisations with global cultures and mindsets. In other words, globalisation represents a new global age, in which the power of national government is crumbling in the face of global capitalism (Ohmae, 1995) and the central driving forces are new technology, transnational corporations and present day capitalism, which has pulled down many national borders and, in fact, these moving forces make globalisation a reality and not a myth.

However, for the Transformationalists, globalisation is the central driving force behind a number of rapid changes (social, political and economic) that have reshaped world order. They are of the conviction that contemporary patterns of global economic, military, technological, ecological, migratory, political and cultural flows, are historically unprecedented (Held *et al.*, 1999:7). Hence, it was categorically mentioned that the word globalisation has only been with us since about 1960 (Water, 1995:2). Although the Transformationalists have agreed with the Globalists that globalisation is not a myth, as observed by the Sceptics, however, they were not hesitant to express their areas of departure from the Globalists' stands. In this respect, Giddens (1999:10) has stated: "*I would have no hesitation, therefore, in saying that globalisation, as we are experiencing it, is in many respects not only new, but also revolutionary. Yet, I don't believe that either the sceptics or radicals (globalists) have properly understood either what it is or its implications for us. Both groups see the phenomenon almost solely in economic terms. This is a mistake. Globalisation is political, technological and cultural, as well as economic. It has been influenced, above all, by development in systems of communication, dating back only to the late 1960s*". Nevertheless, notwithstanding the slight deviation from the Globalists' views, the

Transformationalists are unwavering in their position that globalisation is not a myth, but a present-day reality, symbolised by a powerful transformative force, which is responsible for a massive shake-out of nations, economies, international institutions and the whole world order; as such, to them, globalisation is a reality.

Also, the Anti-globalists concurred with the Transformationalists and the Globalists that globalisation is not a magnified myth, as envisaged by the Sceptics, but a huge reality. They accentuated that the global economic system, its institutions and transnational corporations, are real, as they are for the Globalists and the Transformationalists, however, they are not delighted with its effect on employees, communities, nation states and the environment. In their view, globalisation represents a new form of colonisation of national economies by transnational corporations and the central driving forces are free-market capitalism, liberalisation and Third World debt. The outcome will be the creation of a 'global economic elite' whose interests transcend national boundaries and a marginalised and subjugated '*world proletariat*'. In this sense, globalisation is a reality, but a reality which Bataoel (2003:2) has considered as the current diorama of economic, political, socio-cultural, religious and ecological situations, which hovers over everyone. According to him, concrete people represented by the poor, the deprived, the ostracised, the oppressed, the incarcerated, the indigenous minorities and the marginalised people, are the most affected but are always sidelined from society by the reality of the new economic logic.

In her opinion, Pasricha (2005:8-9) argued that the truth does not lie in these two polarised opinions of the Sceptics and the other (the Globalists, Transformationalists and the Anti-globalists) views.

According to her, although in quantitative terms the world economy was perhaps as integrated economically before 1913 as it is today- in some respects, even more so- the nature of that integration was qualitatively very different, in the sense that the international economic integration before 1913- and, in fact, until only about three decades ago, was essentially shallow integration manifested largely through arm's length trade in goods and services between independent firms and through an international movement of portfolio capital.

However, she has acknowledged that, presently, we live in a world in which deep integration, organised primarily by transnational corporations (TNCs), has become increasingly pervasive. In addition, this deep integration extends to the level of production of goods and services and increases visible and invisible trade. Therefore, linkages between national economies are increasingly influenced by the cross-border value adding activities within TNCs and within networks established by TNCs. She went further to remark that, though there are globalising forces at work, there is no fully globalised world economy. Thus, in her view, globalisation tendencies can be at work without this resulting in the all-encompassing end state- the globalised economy- in which all unevenness and differences are ironed out, where market forces are rampant and uncontrollable, and the nation-state supine. To this end, she assumed a position that globalisation is a complexity of inter-related processes, rather than an end-state, and advanced to argue that such tendencies are highly uneven in time and space. Thus, by taking a process-oriented approach, she distinguished between the processes of '*internationalisation*' and the processes of '*globalisation*': "*Internationalisation processes involve the simple extension of economic activities across national boundaries. It is,*

essentially, a quantitative process, which leads to a more extensive geographical pattern of economic activity. While globalisation processes are quantitatively different from internationalization processes. They involve not merely the geographical extension of economic activity across national boundaries but also and more importantly- the functional integration of such internationally dispersed activities”.

In her conclusion, she observed that both process-internationalisation and globalisation- coexist, and added that what is perceived in some cases, are no more than a continuation of a long-established international dispersion of activities. However, in others, she pointed out that the world is undoubtedly seeing an increasing dispersion and integration of activities across national boundaries. Therefore, the pervasive internationalisation and growing globalisation of economic life ensures that changes originating in one part of the world are rapidly diffused to others. She rounded up by asserting that people live in a world of increasing complexity, interconnectedness and volatility; a world in which the lives and livelihoods of everyone is bounded by processes, which operate on a global scale.

This analysis by Pasricha (2005:8-9), to a certain extent, is contradictory and confusing. She seems to answer a simple question with an overdrawn analysis. Moreover, her first observation that the truth does not lie in opposing views, makes her a fence-sitter, and in the end, she has only succeeded in conveying how integrated the world has become owing to internationalisation and globalisation, but has failed to answer the simple question whether globalisation is a myth or a reality.

However, the present author disharmonises with the Sceptics' view that globalisation is a myth, and harmonises with the opposition's (Globalists, the Transformationalists and the Anti-globalists) views that globalisation is a fact of present-day reality. The reasons for the researcher's position are presented as follows:

- Firstly, the argument of the Sceptics that globalisation, global markets and global organisation do not exist, is far from the truth. In fact, presently, the world is witnessing a kind of global outsourcing of factors of production, including human resources from the global markets. Market here means anywhere or place of transaction for goods and services. Factors are now being outsourced from different parts of the global markets in unprecedented ways, in order to meet up with the new global competitiveness. Went (2000:8) acknowledged: "*for production, capital flows and trade, the world economy is increasingly one, and national markets are being replaced by global markets*". Moreover, the new transnational characters of the multi-national corporations and the movements that accompany them. For example, funds, information and some other resources can be shifted from one part of the globe to the other within a twinkle of an eye. Also, even corporations are now becoming free to move from one part of the world to the other in order to maximise their profitability and competitive advantage. Hence, these new configurations are in themselves proof that global markets and global organisations are truly in existence and the driving force of these trends is of course *Globalisierung*. That being the case, it would be erroneous and greatly unjust to consider globalisation as a myth.
- Secondly, the Sceptics' argument that the current world economic system is less global and interdependent than in

some earlier periods, was not sufficient for them to assert that globalisation is a myth because although the world economy was integrated around 1870- 1914, however, that integration was very superficial and business activities within that period were diminutive in nature and scale, while the number of multi-national corporations were limited. Moreover, the transactional relationships between different traders or corporations were not transnational but international relations, which were most often curtailed by trade restrictions and protectionism. However, presently, the globe is witnessing a profound integration of the world economy in which to act alone has proven dangerous, and where trade restriction and protectionism has become a thing of the past with national borders turning porous with regard to the movement of goods, capital and human resources. In addition, great developments in the areas of new technologies, transportation and communications, which have brought about a feeling of a smaller world as it becomes quicker and cheaper for people, data and goods to move from one part of the world to another, has brought a change in the concept of space and time (Cohen and Kennedy, 2000; Giddens, 1990 cited in Sklair, 2002:44) and for the fact that distance and time are used interchangeably, and because time taken for journeys has decreased, which means that our concepts of distance have also changed. To quote Marshall McLuhan (cited in Manicas, 2000): *“After three thousand years of explosion, by means of fragmentary and mechanical technologies, the Western world is imploding. During the mechanical ages we had extended our bodies in space. Today, after more than a century of electronic technology, we have extended our central nervous system itself in a global embrace, abolishing both space and*

time as far as our planet is concerned". Today it is possible to travel half way around the globe in a day, whereas such a journey would have been unimaginable around 1870 to 1914. Similarly, email enables messages and data to be sent across the globe in milliseconds, whereas before its advent, postal services would have taken several days. Therefore, the movement towards the compression of space and time (Harvey, 1989 cited in Sklair, 2001:44) is proof in itself, that globalisation is, indeed, a reality of present time.

- Thirdly, the argument of the Sceptics that the state and the markets remain the driving force, is also disputable. In fact, the major drivers of globalisation are the transnational corporations, which are backed by international organisations such as the WTO, World Bank and IMF. These organisations, which were lobbied by corporations continued to mount pressures on nations to embrace free trade, relapse labour laws and reduce or grant tax exemptions to the transnational corporations so that freer trade and movements can be enabled. The overwhelming activities of these organisations and the obvious weakness of the state to resist these putative pressures, is a truth in itself that the state powers have been supine in the face of globalisation forces.
- Fourthly, the argument of the Sceptics that the power of national governments is reinforced or enhanced is, indeed, far from the truth. The new trend encourages privatisation, which has resulted in the destruction of *public sectors*. Governments presently lack the power to create jobs in the face of dismal unemployment and their power to control and regulate the private sectors, has also diminished. Moreover, the export processing zones (EPZs) in the south, have witnessed a total

erosion of government power by corporations in the areas of labour utilisation and social responsibilities.

- Fifthly, the Sceptics' argument that globalisation is merely internationalisation, is unacceptable because whereas *internationalisation* simply means the extension of economic activities across national boundaries and a quantitative process, which leads to a more extensive geographical pattern of economic activity, globalisation is the geographical extension of economic activity across national boundaries and the functional integration of such internationally dispersed activities. Therefore, globalisation as supraterritorialisation (Scholte, 2000:46), is quantitatively and qualitatively different from internationalisation. However, there is a positive correlation between both and, in fact, too much internationalisation is a catalyst for worldwide globalisation.
- Moreover, when the Sceptics argue that globalisation is a myth, what they actually mean is that we do not live in a global economy. However, they have failed to realise that globalisation is a process rather than an end result (Legrain, 2002:9). According to the Sceptics, financial markets only exist on a large scale in wealthy countries; multinational enterprises and transnational companies are not totally global; employment is not always globally mobile; foreign direct investment is concentrated in wealthy countries, are all evidence, according to them, that the world economy is not truly global. However, none of these statements suggested that globalisation does not exist. In fact, they do quite the opposite- they illustrate various ways in which the economy has become more global over the years.

Thus, in the context of the tyranny of the missing alternative, globalisation seems to be an inevitable reality (Kishore, 2002:122) and, of course, it is a fundamental force that cannot be denied (Slabbert, 2005:738). As a matter of fact, not only is globalisation a reality, but its consequences can be seen everywhere. Therefore, the complacent view that there is nothing new about globalisation, is simply wrong (Bhagwati, 2004:44). Moreover, the Sceptic view that globalisation is ahistorical, namely it lacks historical depth in its analysis, is, in fact, incorrect. *“Globalisation has been with us... and it is here to stay”* (Stern, 2001). Stiglitz (2002:222) succinctly accentuated: *“We cannot go back on globalisation; it is here to stay. The issue is how we can make it work. And if it is to work, there have to be global public institutions to help set the rules”*. Therefore, globalisation is not a myth but a real undisputed historical phenomenon and this history dates back to centuries ago. Hence, it would be worthwhile at this point in time, to briefly consider the historical perspective and dimensions of globalisation in the next section.

4.4 Historical perspective and dimensions of globalisation

The process of globalisation has many perspective dimensions in its economic analysis (Bhagwati, 2004:442). The development of international trade is one aspect of these dimensions, followed by the movement of people to different parts of the world (Legrain, 2002:83). The flow of cash and other investments amongst nations is another aspect, while capital investments by foreign companies or foreign nationals in other countries for the purposes of producing agricultural, industrial and consumer goods and services in a foreign land and then selling them there or in other countries, is also an important dimension. The exchange of financial capital between countries or territories is one more important phase of

globalisation. The impact and influence of multinational companies or (currently) transnational corporations (MNCs/TNCs) on trade, investment and production, is another major aspect and is followed by the exchange of technology between nations. Last, but not least, is the international expansion of communication networks and the influence of electronic technology on the media in different countries.

Thus, it would not be erroneous to assert that globalisation has existed previously in different forms before the current trend. In fact, the history of transcontinental and transnational movements is as old as civilisation itself. Some anthropological evidence shows that the origin of man is in Africa (Legrain, 2002:82), and that races found in other parts of the world, have all originated from groups that relocated from Africa at various stages in history (YaleGlobal 2007, <http://yaleglobal.yale.edu/about/history.jsp>). The so-called Amerindian tribes of the western hemisphere were said to be most likely natives of the East Asian people who journeyed from Siberia via Alaska into America (Bagchi, 1998:2).

Similarly, technological spread is also historically ancient. When the early men advanced from a hunting-gathering subsistence phase to the training of animals and farming for food with new farming implements, those technologies trickled to almost every human group as far back as five thousand years ago. No wonder that one renowned scholar, Andre Gunder Frank, argued that globalisation is at least 5000 years old (Frank, 1998:52). Subsequently, the globalisation of the use of copper, bronze, iron and other metal-alloys, took place. With the commencement of commerce, came the exchange of goods and technologies between different civilisations. In fact, there is substantial proof that commercial activities and

technological exchanges took place between the Harappan, Mohenjodaro and Assyrian civilisations, on the same scale as between the Gangetic, Roman and Greek civilisations (Rai, 1993; Bagchi, 1998).

There is also evidence of international flow of traders and settlers the world over. For example, during the 18th century, a number of London-based transatlantic traders considered themselves as '*citizens of the world*' (Hancock, 1995; Scholte, 2000). Within the same period, Indian traders had formed their settlements in various regions of South-east Asia and a little later in East Africa and its adjoining areas, just as the Arab traders had established their settlements in all regions along the coast of the Indian Ocean. Indeed, David Humes, while describing the international traders of his days, remarked: "*These are men who have no connection with state, who enjoy their revenue in any part of the globe in which they choose to reside*" (Humes, 1741-2:364, cited in Scholte 2000:65).

Also, financial capital exchanges between nations have come a long way. The Indian traders and financiers' '*hundis*' and the letters of credit of the Armenian traders, or letters of credit from the rulers of the Italian city states of Venice, Genoa and Florence, were usually exchanged. These exchanges linked most European and Asian regions and people in massive economic networks. And the history of these international connections goes beyond two thousand years in many regions. Between the 13th and 14th centuries, bankers in Italy made long-distance loans to England, Flanders and the Balkans (Scholte, 2000:65). Around the 18th century, commercial houses in Amsterdam and Geneva lent money to governments across Europe, as well as to the newly-founded American Federation (Cameron and

Bovykin, 1991; Scholte, 2000) Although there were intermittent interruptions in these links owing to revolutions, wars, famine and other calamities, and even at times investors and trading communities vanished; nevertheless at no point has international commerce halted.

However, some experts believe that the starting points of a few modern and the development of some medieval features of globalisation, are associated with the evolution of capitalism in Europe between the 15th and 16th centuries (Petras and Polychroniou, 1977; Keegan 1992). In western and southern European nations, the combined effects of the rise of naval powers, the encouragement of the rulers and the enterprise of sailors and traders was such that it opened the way for transatlantic passageways to the two great continents of North and South America and triggered, at will, the exploitation of human and natural resources that were available there. Almost concurrently, these western and southern European nations, through the able effort of Vasco DaGama and other explorers, *explored* the sea route to India and South-East Asia by sailing from Europe around the southern tip and eastern coast of Africa (Encyclopaedia Britannica, 2005). This was almost the same period when Mongo Park was assigned to discover the River Niger in the western part of Africa (around 1795-7), which finally cost him his life.

Thus, as a result of the opening of these intercontinental sea routes, the domination of the European trader and the ruling class, foreign businesses progressively increased along the speed and surge of trade. With the total support and encouragement of their respective governments in the 17th century, the East India Company of England and Holland emerged, as well as a few others like the Ostend and

Royal Niger Africa Company, which may be regarded as the precursors of modern-day transnational corporations (Legrain, 2002:133-4). The East India Company of England and the East India Company of Netherlands, in due course, established British and Dutch rule in India and Indonesia respectively (Bagchi, 1998:2; Pasricha, 2005:251; Bhagwati, 2004:446). Kishore (2002:122), while reflecting on the consequences of this outcome in India, remarked: *“The almost imperceptible transformation of the British East India Company from a humble trader into the political successor of an illustrious empire, till today, continues to haunt the Indian political class. The spectre of the return or a re-run of India’s political capitulation of economic players outside the country, has been raised at all levels of political activity, and continues to constrain governments’ attempts to actively promote openness to external economic forces”*.

With the expansion of capitalism, financial capital kept flowing outward from nations. First Amsterdam, then London and Paris and finally, New York, Tokyo and Frankfurt emerged as centre of capital markets. Foreign investments were mainly restricted to cash crop goods such as cotton, sugar cane and indigo and the production of sugar from sugar cane before the 19th century (Scholte, 2000:65). However, from the 20th century onwards, the beginning of direct foreign investments in every country in many other areas like the manufacturing of handlooms, electrical and other appliances and machines, mineral oil and other mineral products, as well as the manufacture of goods for consumers was a common sight, which brought to birth a new type of supraterritorial corporation. These corporations were capable, with less governmental support, to set up their production units, mines and offices in multiple nations solely on the strength of their economic powers, and possess the ability to

advertise and market their products around the globe with highly sophisticated technologies.

Close to the end of the 19th century, many governments embraced a liberal trade policy, which may be referred to as the golden age of international trade and flow of business activities. Though, just before this century, the trade of one very obnoxious commodity was witnessed. This barbaric merchandise was slave trade, which was perpetuated by Europeans and North Americans. Every day, huge masses of captive slave men, women, children and youths were bought from Africa, enchained and shipped in the thousands across the Atlantic to the United States of America, the Caribbean Islands, Brazil and Mexico, where they were deployed as slave workers. Many of them never arrived at their destination, since they embraced death at sea owing to manhandling, maltreatment and malnutrition. More than 12 million selected, able-bodied men and women were enslaved and shipped from Africa to the Americas in this manner before 1850 (Bagchi, 1998:2; Castles and Miller, 1996:48; Robbins, 2004:1). This negative aspect of globalisation during those ominous periods almost turned the whole of Africa into a wasteland to the extent that until presently, African leaders are demanding for reparation.

From the 19th century onward and stretching up to the second decade of the 20th century, another exodus became a paramount scene across the world. This human movement comprised of more than 40 million ordinary European migrants. These European immigrants created their colonies in the Americas, New Zealand, Africa and Australia by first annihilating or suppressing the indigenous citizens of these regions. It was approximately during this same period that some hundred thousand people from India migrated to

other areas such as Fiji, Mauritius, Trinidad, Barbados, Natal (South Africa) and other regions, as bonded labourers. After the Second World War, migrant workers from Turkey, Greece, Morocco and Algeria were employed in Western Europe to participate in post-war reconstruction work in Germany and France. During the same period, hundreds of thousands migrated from the Caribbean Isles and Indian subcontinent to live in Britain as hard labourers and low wagers in factories, ships, trains and buses. These were also incidental to the migration of hundreds of thousands of legal and illegal immigrants into the USA from Mexico and other Latin American countries to seek employment and quality life.

Presently, the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organisation (WTO), the United States, Britain, France, Germany and other wealthy nations, are great advocates of globalisation in every respect. However, in this particular area of the migration of poor nationals to rich countries, they are forever eager to create new obstacles (Bagchi, 1998:3; Pasricha, 2005:231). The desperation of poor countries' immigrant workers, is reflected in the number of those who die in an attempt to cross into the rich nations. The catastrophe, which occurred in the summer of 2000 when 58 Chinese would-be immigrants suffocated while crossing over to Britain, is an example of the risks taken and the costs incurred (Kirkbride, 2001:79). In the same vain, many African immigrants have been shot or submerged with their boats by coast guards, while trying to cross from North Africa into fortress Europe (BBC News, 13 June, 2006).

Other dimensions toward the development of globalisation, has gathered impetus in numerous stages during the rapid advancement of the capitalist system. Trade and investments in British-ruled

colonies and the relocation of Europeans to other countries with colonist ambitions, occurred at a very fast pace from the second half of the 19th century. However, the period between the two World Wars, which marked the longest critical spectre of capitalism (Keegan, 1992), witnessed stagnation in this movement, and during the post-second World Wars era, especially during the three decades of fierce rivalry between the USA and USSR for the position of superpower, direct and indirect capital investment, world-wide trade flows and the spread of multinational companies, gathered speed. The rivalry between the US and the Soviet blocs was a huge support for the governments of underdeveloped nations and ostracised individuals. According to Went (2000:78), *“the specific character of the welfare state in Western Europe, for example, can only be understood against the backdrop of the ‘Communist threat’, that is the light of post war developments in Eastern Europe or pre-revolutionary situations that existed or threatened to arise at the end of the war, particularly in France, Italy and Greece”*.

However, aids from the western nations have, in most cases, been used as a hidden agenda for the furtherance of the interests of the rich nation’s TNCs in the poor nations (Bataoel, 2003:1). *“One example of this, in recent times is the purchase of helicopters from the Westland Company of England by India during the Indira-Rajiv period. The foreign aid, which the British government gave to India, was subject to the condition that India has to purchase these helicopters from the Westland. Immediately after these purchases were made, Indian lives were lost in accidents involving these helicopters and the helicopters were declared unfit for use. The new government of the Labour Party renewed the investigation into the matter because it was discovered that British experts were aware, even at the time of the sale, that the helicopters were unfit*

for use. At a cost of huge losses to the British government, Indian defence force and human lives, one British company made vast profits. In the modern world, many MNCs build mountains of profit in a similar manner at the cost of great losses to other nations, as well as their own” (Bagchi, 1998:3).

It should be mentioned that the current torrent of economic globalisation was born in the aftermath of the Second World War. The foundations were laid in 1944 at Bretton Woods, in New Hampshire. Its architects were Harry Dexter White, an assistant secretary for the US Treasury, and John Maynard Keynes, the head of the British delegates to the Bretton Woods conference (Legrain, 2002:104; Pasricha, 2005:88). This famous conference at Bretton Woods witnessed the birth of three organisations, namely the International Monetary Fund (IMF), the International Bank for Reconstruction and Development, later known as the World Bank (WB) and the World Trade Organisation (WTO, previously known as GATT). The main objective of the IMF was to keep the rates of exchange of different countries currencies from plunging and to foster the economic progress of all nations, while the World Bank was given a responsibility to help in the reconstruction of the infrastructures and restoration of the production system of the war-devastated nations and to assist underdeveloped countries with developmental resources. The WTO’s role was to promote freer trade between nations.

However, in spite of the fact that these were acclaimed international organisations, it was the USA and the allied powers, namely Britain, France, Belgium, Netherlands and Italy and (from 1960 onwards) Japan and Germany, that practically controlled and manipulated these organisations. In the beginning, the WB provided loans chiefly

to European nations that were shattered by war and the East Asian countries such as Japan, Taiwan and South Korea, which the US regarded as fortresses to respond to the threats of Communist China. Thus, as stated earlier, the IMF was entrusted with the responsibility of keeping the rates of exchange of different countries stable. Therefore, if for any reason a country was faced with a deficit balance of payment, the IMF was obliged to grant loans to that country in order to cover the deficit and, if necessary, to accept a devaluation of the exchange rate. From its inception until the 1970s, evidence has shown that the IMF offered loans on softer terms primarily to the wealthy nations. From the end of the 1970s, however, it was predominantly the Latin American, African, the underdeveloped Asian nations and latter in 1990 the independent states of the defunct USSR became the recipients of IMF loans.

After the war, the US remained the most successful country among the wealthy nations through the greater part of the 1940s-50s. There was little discernible damage from the war and, in many aspects, the USA became far more advanced than any other nation, while its military competency was the most awesome and it also enjoyed an overall productivity that was several times higher than that of other advanced nations (Bagchi,1998:2; Heng, 2000:3). Since the onset of the Cold War, the USA, under the Marshall and other plans, extended considerable monetary and material support to the war-wrecked nations of Western Europe and also offered similar support to Japan after the communist revolution in China. All these nations had huge trade deficits with the USA but this was not a big problem, because the US government adopted a deficit financing policy and made various American companies recover this deficit by investing in some countries of Latin America and Western Europe.

However, from the middle of the 1960s onwards, a drastic change to this panorama occurred. One factor that was responsible for this change, was that France, Germany and Japan recuperated from their ravages, and accelerated their productivity and foreign trade with the help of massive investments. Moreover, the productivity growth of the American labour force could not meet with the new competitors, such as Germany and Japan. To worsen the situation, the USA involved in the Vietnam War around 1965, which increased American expenditure to a record level and, to such an extent that, by the early 1970s, the value of the dollar, circulating outside the USA, exceeded the value of gold stocks held by the American Central Bank (Scholte, 2000:78). In addition, there was a huge and mounting shortfall in its foreign reserve. As a result, foreigners acquired billions of dollars, which introduced the Euro-dollar market centred in Europe.

Around the year 1969, foreign investors and shareholders gradually began to lose confidence in the dollar and the US economic policy. The dollar rate was previously bound to the price of gold at 35 dollars for an ounce of gold. Shareholders, including American investors, began to sell dollars for gold and other hard currency. Eventually, the US government, under the Nixon Administration, halted dollar-gold convertibility in 1971 to allow the dollar to fluctuate according to market prices (Scholte, 2000:78).

In addition to these imbalances in the world of international trade and finance capital, a new development emerged at the end of 1973, after the end of the Arab Israeli war, when the Middle East nations of the OPEC (Organisation of Petroleum Exporting Countries) inflated the price of oil overnight (Ho, 2001:8; Ghai, 1992:5). Consequently, all petroleum exporting countries such as Kuwait,

Saudi Arabia, Iraq, Iran, Abu Dhabi, Oman, Indonesia, Mexico, Venezuela, Nigeria and Brunei, acquired extraordinary wealth. However, their socio-economic systems and infrastructures could not absorb such a magnitude of investments and, therefore, much of these surpluses had to be dumped in the coffers of big North American and European banks such as the Bank of America, Citibank, Barclays, Midland Bank, Deutsch Bank and Swiss Bank.

These amounts were utilised for investments from these banks in industrial and other enterprises in speculation and in giving huge loans to dictator-ruled Third World countries. This was the beginning of the petro-dollar market. Transnational banks, awash with petro-dollars, became enthusiastic at extending loans to developing nations. Rulers of these nations (like the Philippines President Marcos and the military juntas in Nigeria) were self-indulgent people or military men turned-dictator-cum-politician. They used these loans, which carried low rates of interest extravagantly for themselves and opened accounts in foreign countries like Switzerland. The debt problem of most Third World countries virtually began at this point and, as a matter of fact, some countries have been entangled in the debt trap far earlier than was noticed. However, the debt trap became a perpetual burden in the 1980s when the forces and policy of globalisation took a fast dimension as a result of the invention of the microchip.

In fact, the most striking contemporary acceleration of globalisation occurred with respect to electronic communications (Cairncross, 1997; Mowlana, 1997, both cited in Scholte, 2000:74). In the early 1950s and 60s, the switches used in computers were expensive valves. However, by 1947, an American scientist, William Shockley, invented the transistor, which earned him a Nobel Prize. He used

germanium to make the transistor, which brought an end to the valve industry. Shockley, with Robert Noyce, set up a company by the name of Fair Child Corporation where they developed a technique of making several transistors on a single silicon chip, which lowered the cost of the wireless receiver and later that of television (Inder Singh, 1998:2). This development made it possible for ordinary individuals around the world to become happy owners of television sets.

However, a far bigger revolution began after 1971 when the Intel Company of the US, on an order from a Japanese company, was able to print entire contents of a computer onto a single silicon chip. This was the beginning of the conquest of the world by electronic technology and by 1990 transworld direct-dial telephony was available in over 200 countries (Scholte, 2000:74). Through various mediums of telephone, wireless, satellite, television and the press, with the help of these tiny chips, communication networks between people and organisations were made possible globally and information and news can now spread to all-and-sundry even violating prohibitive government policies. Went (2000:56) reiterated: *“Quantitative and qualitative expansion of electronic media has led to great problems for national regulatory agencies, and technology and innovations seem to have made everyone and everything take to their heels”*. However, it is obvious that the efficacy in the use of these mediums is mostly polarised between rich and poor people and nations around the world.

After the conservative election successes in Britain and the US in 1979 and 1980 respectively, economic policy came to be guided by neo-liberalism or monetarism associated with Reagan’s adviser Milton Friedman and Thatcher’s mentor Friedrich August von

Hayek. For these theorists, the only role of the state was a night watchman or a guardian of order. According to them, *“the freer the hand of private business in investment and employment matters, the greater would be the growth and prosperity for all”*. Based on this premise, the Reagan and the Thatcher administrations waged a kind of freedom struggle on the capital’s behalf (LaRouche, 1995:1; Martin and Schumann, 1997:109; McGiffen, 2002:19). Following this, taxes of the rich were reduced on the grounds that the measure would encourage savings and investments, which will yield a ‘trickle down’ effect on the less privileged. However, that did not occur; instead, these countries’ balance of payment and budget deficits continued to surge and, in order to curtail the balance of payment crisis, the American government lifted the rates of interest on government loans to high levels, and permitted all manner of financial organisations and dealers in securities, to venture into the business of taking deposits and granting loans.

This was the beginning of financial liberalisation, which meant the right to uncheck movements between the share and debenture markets and the money market or, in other words, free trade in shares and credit capitals. The rise in the rates of interest in the USA and the severe beating of the Third World export products owing to a depression in the world market, automatically affected the principal and interest amounts payable by the Third World countries, already entrapped by massive debt. In addition, according to McGiffen (2002:20), *“The servicing and repayment of debt (which cost sub-Saharan African countries, for example, a fifth of their GDP each year) and the privatisation of resources (which resulted in foreign ownership and a fall in the share of wealth paid in wages) means that far more capital flows out of poor countries than arrives in the form of direct investment or*

development aids". Thus, as a result, from 1982 onwards, first Mexico and other Latin America countries such as Brazil, Chile and then in 1983-84 the Philippines and most countries in sub-Saharan Africa, reached a point-of-no-return in their indebtedness to the rich nations and became perpetual debtors-cum-beggar-nations. The IMF, the World Bank, the US and countries of Western Europe, intervened immediately to control the liberal loan menace otherwise some of the (rich nations) multinational banks would become insolvent.

Another measure that should have been taken then was to tackle Third World debts according to their common factors. However, the controllers of the world economic policies were not willing to see things from a different perspective, rather than to impose such conditions on the indebted nations to the extent that their governments were coerced to embrace the popular Structural Adjustment Programs (SAP), which involves cuts in social and welfare spending, privatisation, deregulation and liberalisation of Third World Economic to Transnational corporations (McGiffen, 2002:54).

Presently, SAP has been declared a failed project, since none of these poor nations have advanced beyond paying the high interest and a fraction of the principal debt. In its place, in order to comply with the conditions imposed by the creditor banks and organisations, most of the poor nations abandoned most of the developmental imperatives such as investments in education, infrastructural improvement and poverty alleviation, which automatically made them losers in a global economy. However, as mentioned earlier, the beneficiaries of the Third World woes were the rich nation's TNCs, which gained unrestricted access to these poor nations, at a time

when their own governments were toughening immigration conditions and adopting greater restrictions on the nationals of poor countries. Of course, this is one spectacular uneven aspect of globalisation.

However, during the 1980s, only one part of the Third World was able to increase its national income and general prosperity. These nations were popularly known as the Asian '*Tigers*' and includes the two city states of East Asia- Hongkong and Singapore, two small nations Taiwan and South Korea, and the world's most populous nation, the Communist Republic of China. Among these, Hong Kong and Singapore never had a landlord class and a principal result of the communist revolution in China was the elimination of the landlord class and the handing over of land to farmers. Due to numerous historical dynamics in Taiwan and South Korea, land ownership came into the hands of peasants when the landlord class faded away. These countries also gave priority to academic developmentalism and invested in education.

Around 1995, adult illiteracy rates had decreased to 19 percent in China, 5 percent in South Korea, 8 percent in Hong Kong and 9 percent in Singapore (These percentage decreases are a milestone when compared to other developing countries in South Asia and Africa). Thus, by relying solidly on a strong sense of nationalism, the East Asian nations were able to safeguard their national economy from excessive influence by MNCs and were also able to create a huge market within their region, while expanding trades to South East Asian countries such as Indonesia, Thailand, Malaysia, the Philippines and Japan. It is a known fact today that the '*Tiger economies*' in Asia did not have liberal trade and FDI policies but used wide spread interventions in trade, capital and technology flow

in order to promote competitiveness (Stiglitz, 1996; Lall, 2001 cited in Lall, 2002:7; Ghai, 1992:8). By doing this, they succeeded in establishing an East Asian stronghold among the *Tiger economies*, and extended some of their investments to other nations. Presently, South East Asian MNCs, such as South Korea's Daewoo, Hyundai and Samsung, are names that are heard in countless advertisements, which have made rapid strides in manufacture and marketing outside their countries and regions.

Starting from around July 1997, the Southeast Asian countries, particularly Thailand and Indonesia, were severely hit by financial crisis of the magnitude that had devastated Latin America in the 1980s and 1994-95 (Adhikary, 2000:597-8). One of the four Asian Tigers, South Korea, was also seriously affected. However, in contrast to countries like Thailand and Indonesia, which were still under the dominance of military rule in the economy, South Korea, which was primarily dominated by domestic big capital, was already emerging from the crisis towards the end of 1998 and, by the year 2000, it had taken a high growth path again, however, with some penetration of its domestic market by foreign capital. Strikingly, China, Taiwan and Hong Kong survived the financial crisis as well. Malaysia also recuperated swiftly because its government had imposed restrictions over capital movements soon after the crisis broke. *“Therefore, determined domestic action, orchestrated by a strong sense of true nationalism on the part of the ruling elites, can still put a limit on the worst effects of international financial crisis in today's globalised economy”* (Bagchi, 1998:4).

As is always the case, it was the TNCs that profited from these major crises, as most nations were advised to embrace more openness in order to avert future crises and move towards a

developmental path. This move has triggered an upsurge in the number of TNCs hovering around the world to take advantage of the weaknesses of poor nations. For example, the United Nations estimated in 1994, that there were 38,541 TNCs in the world and their branches numbered 251,450, which implies that if there are 150 small and big nations in the world then each nation houses branches of 165 TNCs (Bagchi, 1998:3; Haines, 2001:873; *also see* Legrain, 2002:136). Haines (2001:873) stated: *“At the present moment, of the 100 largest economies in the world, 52 are transnational corporations; only 48 are governments. Twenty years ago there were only seven transnationals in existence; today there are over 45,000”*. A great number of these TNCs are located in the USA, Japan, Britain and a few other wealthy nations. Even a small country like Switzerland has about 3000 TNCs.

In developing countries there are few TNCs, though the numbers have increased since the beginning of economic openness. For example, in 1991, the TNCs in India had increased to 125 more branches and the total sale figures of these companies were 5200 billion dollars in 1992. In comparison, the national income of India in 1994, was approximately 294 billion dollars. Therefore, the total sale of TNCs in India is almost 18 times the national income of 920 million Indians. This case of India may as well be a prototype for most developing countries. According to Clarke (1999:158), *“Mitsubishi is bigger than Indonesia (the Earth’s fourth most populous country), General Motors is larger than either Denmark or Norway... The combined annual revenues of the biggest 200 corporations is greater than those of 182 nation states which, in turn, are responsible for the livelihood of over four-fifths of humanity on this planet”*.

In addition, various forms of foreign exchange transactions have taken place across the globe as a catalyst of global openness. It is imperative here to reflect on these foreign exchange transactions of MNC banks worldwide. In April 1995, daily forex transactions of these banks amounted to 1190 billion and this amount was 70 percent higher than that of 1992. The deficit or excesses in forex in any country is taken care of by importing or exporting capital. An interesting reality is that, in spite of the fact that the US is the richest nation in the world, its forex deficit from 1980 onwards has expanded more than any country. In 1994, its external trade deficit was 151.2 billion dollars, though the US was not bothered about this huge deficit, simply because foreigners have purchased its government's letters of credit worth approximately 4,250 billion dollars.

Since 1950, the volume of world trade has increased by twenty times, and from 1997 to 1999 the flow of foreign investment nearly doubled from \$468 billion to \$827 billion (Globalisation 101.org, 2002:1). It was, however, thought that one of the encouraging aspects of globalisation is that TNCs are obliged to shift their investment to poor countries in order to help raise the productivity level of those nations, which, in most cases is called Foreign Direct Investment (FDI). However, this direct investment, globally, was 226 billion dollars; of these, 135 billion dollars of investments were concentrated among wealthy nations. In terms of this, Hirst and Thompson (1999:3) remarked: *“Capital mobility is not producing a massive shift of investment and employment from the advanced to the developing countries. Rather, foreign direct investment (FDI) is highly concentrated among the advanced industrial economies and the Third World remains marginal in both investment and trade, a small minority of newly industrializing countries apart”*.

Thus, the remaining 84 billion dollars of FDI, which is less than two-thirds of the flow between the rich countries, were invested in poor countries during the same period and a major share was invested in China. *“Since the mid-1990s China has become the favourite destination. During the second half of the 1990s, in fact, one third of all FDI flows to developing countries were to China”* (Kirkbride, 2001:56). The investment in China alone was 34 billion dollars, Singapore got 7.9 billion, Malaysia’s investment was 4.5 billion and the remainder was unevenly shared amongst the other poor nations.

To take a critical view of the true dimension of direct investment in poor countries, it is necessary to reflect a few years back. Around 1993 and 1998 the total annual foreign investment of the whole world amounted to 92 billion dollars, while the share of the rich nations was 72 billion dollars, and the developing (largely poor) nations was 20 billion, (which was approximately one fourth of the amount invested in the rich nations). It should be acknowledge here, that the major share of FDIs in East and South-East Asia, was mobilised from those same regions, which have attained self reliance through active government interventions, mass literacy and a strong sense of nationalism, namely Japan, Taiwan, Singapore, South Korea, Hong Kong and Communist China (Sklair, 2002:91). In fact, it is these nations in South East Asia, which have been able to build the necessary infrastructure and mental revolution through state support and management, which have so far been able to benefit from the globalisation boom (Hersh and Schmidt, 1996:44; Martin and Schumann, 1997:143). Can this be a lesson for the current world? The future remains pregnant as new events are metamorphosing along with the *new logic*, thereby making globalisation a truly distinctive phenomenon.

4.5 The distinctiveness of globalisation

There are authors who have argued that globalisation is merely capitalism (Ross and Trachte, 1990; McMichael, 2000; Bhagwati, 2004:440). Some others say that globalisation simply means internationalisation (Hirst and Thompson, 1992; Gordon, 1988). However, there are people who believe that it is a product of technological explosion (McLuhan cited in Manicas, 2000:10; Went, 2000:52; Intriligator, 2003:5). Another school has strongly argued that it is a result of deterritorialisation or supraterritorialisation (Scholte, 2000:46). These varied arguments may not be very far from the truth. Nevertheless, the present author believes that globalisation is the effective synchronisation and crystallisation of these multifaceted but correlated variables. Therefore, to take one or two variables mentioned, as a base for the analysis of globalisation, would definitely lead to a redundant concept of globalisation, and thus vindicate the Sceptics' argument that globalisation is not a unique phenomenon.

First and foremost, the triumph of capitalism triggered, at will, a massive internationalisation process, and then the internationalisation process activated a kind of technological explosion which resulted in deterritorialism and, of course, supraterritorialism. A combination of these forces, namely the triumph of capitalism, the intensification of internationalisation, the technological explosion and the resultant deterritorialisation and increased supraterritorial (transnational) activities, delineates the distinctiveness of globalisation.

Therefore, it can be said that globalisation is capitalism, however, capitalism is not globalisation; globalisation is internationalisation, however, internationalisation is not globalisation; globalisation is

technological explosion, however, technological explosion is not globalisation; globalisation is deterritorialism, however, deterritorialism is not globalisation; and finally, globalisation is supraterritorialism (transnationalism), however, supraterritorialism is not globalisation. Hence, the fact that globalisation represents all others while all others do not fully represent globalisation, reflects that natural distinctiveness of globalisation. Thus, Renato Ruggiero, the first Director General of the WTO, was not wrong at all, when he acclaimed that, "*globalisation is a reality, which overwhelms all others*" (WTO, 1996b). In fact, there are some other areas in which present economic globalisation may as well be distinguished from other prodigies. These areas are summarised in the following sections

4.5.1 The rise in the speculative movement of funds

John Maynard Keynes once foretold about the rise of a '*casino economy*' in which technology might one day be utilized in the service of non-recreational (speculative) gambling (Strange, 1986; Went 2000:14). Speculation has become a rule of prudence in the current global economy. In fact, the growing increase of FDIs in recent times cannot be compared with the massive increase in the short-term movement of speculative funds. Capital movement, which is volatile to exchange and interest rates, is progressively taking place around the globe. Some few years before the Bretton Woods system of stable exchange rates declined in 1971, more than 90% of exchange transactions in the world bore some relation to productive investments and just less than 10% was for speculative purposes.

However, at present, things have turned around and out of the trillions of dollar transactions in the world's foreign exchange market, more than 90% are in speculative form, while barely 10% of

this huge amount is utilised for investment in goods and services. *“What happened on the money market follows largely comprehensible dynamics that was actually made possible by the governments of major industrialised countries themselves. In the name of the doctrine of salvation, through totally free markets, since the early 1970s, they have systematically striven to tear down all barriers, which once allowed cross-border flows of money and capital to be regulated and, therefore, controlled. Now, like the sorcerer’s apprentice, they complained that they are no longer in control of the spirits that they and their predecessors called into being”* (Martin and Schumann, 1997:47).

Currently, about twenty million US families are participating in the stock-exchange roulette and investing at least in one of the 6000 and more speculative funds which may juggle with as much as 6 trillion dollars worldwide. Twenty years ago, 75% of private savings in the US were held in savings accounts or fixed-interest securities, but presently, like in Europe, the proportion has turned right around and in the 1990s three-quarters of savings are now speculated on the stock exchange markets around the globe (Martin and Schumann, 1997:167). The scale of financial speculative activities has led some sections to assert that globalisation is financialisation. This assertion may be hard to dispute, for the fact that the daily turnover on international currency exchanges, which was just \$500 billion in 1990, increased to an average of \$1200 billion per day by 1994 and to about \$1500 billion per day by 1988 (Bank for International Settlement (BIS), 1999).

In spite of the accelerated international traffic in money and global banking activities, the credit needs of billions of people and millions of small businesses remain unattended to (Barnet and

Cavanagh, 1994:17). Indeed, financial markets are the most globalised sector in the global economy, and new markets in financial derivatives, which were previously considered as gambling in many countries, have taken a forefront in recent times. The total world annual turnover on organised derivatives exchange alone stood at \$350 trillion in 1997 (BIS, 1998b:155-7 cited in Scholte, 2000:81).

Alan Greenspan, the Federal Reserve Chairman (quoted in Went 2000:15), has called the current development of increasing financial derivatives as *“the most significant event in finance during the past decade”*. Some of these derivatives are unregulated and traded ‘over-the-counter’ (OTC). The BIS, as at June 1998, estimated that the aggregate value of OTC derivatives worldwide, is \$70 trillion. However, by March 1999, Greenspan place the figure at \$80 trillion. OTC derivative trading involves enormous risks for the stability of international financial systems, as the near-collapse of the hedge fund, Long Term Capital Management, illustrated in 1998. According to Robinson (2004:140), *“This dominance of speculative financial flows over productive capital reflected the hegemony of transnational finance capital in the age of globalisation and its frenzied ‘casino capitalism’ activity in recent years, and gave an illusion of ‘recovery’ in Latin America, an illusion that was cracked by the 1994-1995 Mexican Peso crisis, and then shattered by the Argentina crisis that exploded in December 2001”*.

This speculative capital cannot be used to build factories or create jobs owing to the fact that companies are not interested in making long term investments by using funds that can be accessed timeously and indeed, the risk that such hot money brings with it makes long term investments in a developing country even less attractive

(Stiglitz, 2002:66). However, brokers are not in support of the regulation of this trading owing to the huge profitability derived from it. Went (2000:15) noted that the main effect of this 'financialisation' of the global economies, are, amongst others short term thinking in respect of the financial market; macroeconomic instability owing to increasing volatility; and a bias policy towards protecting the value of financial assets rather than expanding outputs. Bhagwati (2004:443) forewarned: *"The freeing of capital flows in haste, without putting in place monitoring and regulatory mechanisms and banking reforms, amount to rash, gung-ho financial capitalism. It can put nation states at risk of experiencing massive, panic-fed outflows of short term capital funds, which would drive their economy into a tailspin"*. In the long run, this pattern of investment has the worst effect for industrial expansion and job creation.

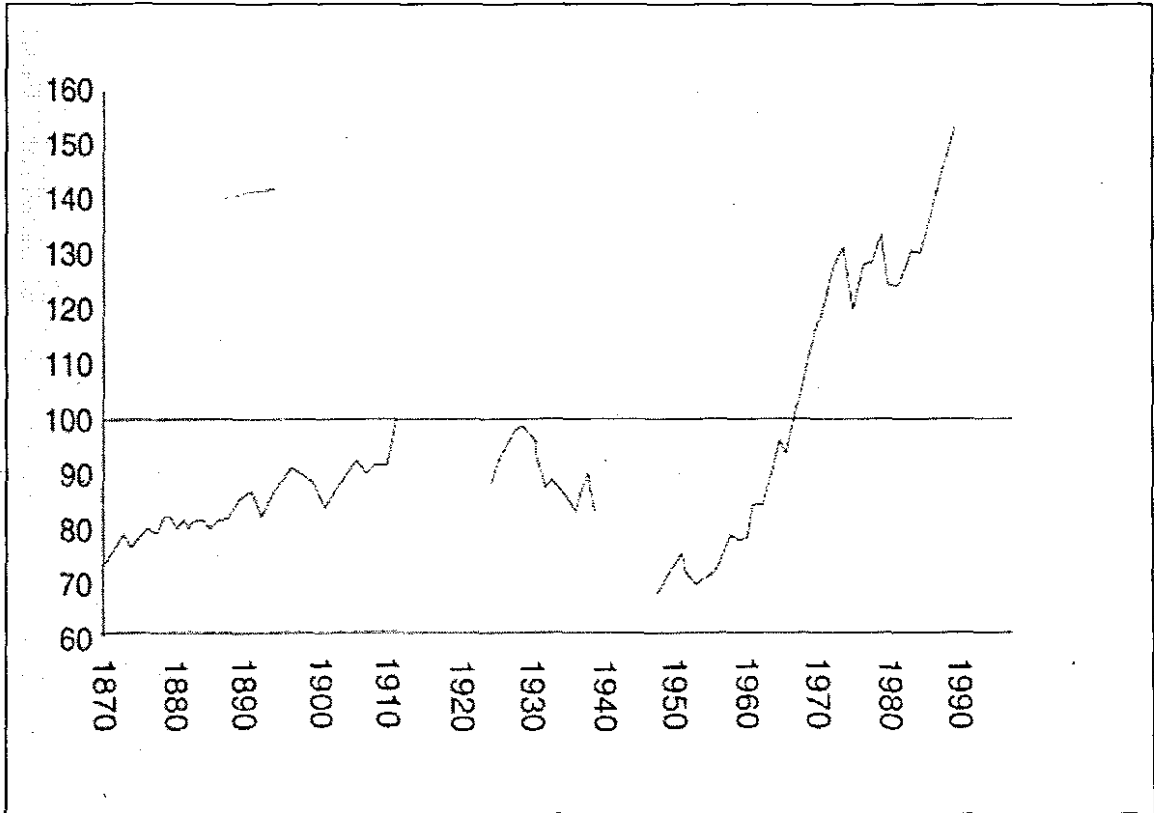
4.5.2 Astronomic increase in international trade

The era of globalisation has witnessed an astronomic increase in international trade, owing to technological advancement and an increase in world productivity. In the early 1980s, annual growth in international trade was around 4%. However, by the mid-1990s, that rate had more than doubled to 9.2% and a massive 12% in the year 2000 (Kirkbride, 2001:45). In short, the post-war period has witnessed a continuous upsurge in international trade. The value of international trade, which was merely \$60 billion in 1948, burgeoned to \$110 billion in 1958, increased to \$240 billion in 1968, skyrocketed to \$900 billion in 1978 and multiplied to more than \$2 trillion in 1988 (Went, 2000:10). Maddison (1995:38) noted that the share of international trade in world GDP has raised more than 13-fold in the last 200 years and that it has increased faster than either production or domestic trade. For example, from 1963 to

1993, while total world's total production increased by 223 times, the total international trade volume surged by 314 times.

In fact, from the late 1980s onward, which marks the beginning of full economic liberalisation, international trade has been growing twice as fast as the world gross national products. Although it was said that the world witnessed a comparative openness to trade around 1870 to 1913 and which was one the strengths of the Sceptics' arguments (Hirst and Thompson, 1999:2; Kirkbride, 2001:29; Pasricha, 2005:7), however, many people will agree today, that international trade has reached an extraordinary level and, on balance, the conclusion seems justified that we are currently seeing the widest-ranging trade liberalisation the world has ever witnessed. The graph in the *Figure 1* below reflects that although there has been a rising trend in international trade from 1870 to 1910 and from 1945 to 1970, however this rising trend took a mammoth dimension from the 1990s onward, which represents the eras of rapid openness. However, the irony today is that the upsurge in profitable international trade has not, so far, yielded any positive result within the area of unemployment.

**Figure 4.1: Index of Trade orientation of the World's Economy
(Trade in \$ billions)**



Source: Went, 2000:11

4.5.3 Explosive international amalgamations and acquisitions

The notion of corporate combination has become a strategy for company survival in the face of global competition and the era of globalisation has witnessed these kinds of business combinations through the international amalgamation and acquisition, which has taken place around the globe. Many companies have presently gone beyond strategic alliances to full-scale fusion through international mergers and acquisitions (M&A). One investment banker (cited in *The Merger mania continues*, 1995:33-40), while commenting on

this trend, stated that *“as companies go global, more acquisitions result”*. Undeniably, through the conquests by ‘corporate raiders’ and many ‘hostile takeovers’, amalgamation and acquisition activities are acquiring a vocabulary of supraterritorial warfare, which was once reserved for territorial states (Scholte, 2000:127; Intriligator, 2003:6).

The 1980s and 1990s saw successive flurries of M&A activity. The worlds’ total of these transactions has more than doubled from 11,300 in 1990 to 24,600 in 1997 (UNDP, 1999:32). The aggregate value of these deals rose to unprecedented levels of \$1.1 trillion in 1996, \$1.5 trillion in 1997 and nearly 2.1 trillion in 1998 (FT, 29 January 1999:1, cited in Scholte, 2000:127). Amalgamation, across state borders, numbered 2,141 and with a total value of 67.3 billion in 1993; 2553 with an aggregate value of \$110.3 billion in 1994; and nearly 6000 with a total value of 229.4 billion in 1995 (Went, 1996:13). The BIS stated that the volume of transnational investment, since 1980, has increased more than 20 times (Went, 2000:12). The growth in FDI is astronomical according to UNCTAD. *“During the past decades and a half, global integration seems to have proceeded faster through FDI than through trade. By 1997, at least 143 countries and territories had adopted special laws to encourage foreign investment, and most countries have adapted their economies in some way or another in order to attract foreign investors. It is no wonder that FDI flows at the end of the 1990s are nearly twice what they were a decade earlier, and seven times as high as 1980. World FDI stock- the capital base for TNC operations increased by 10 percent in 1997 alone, to an estimated \$3.5 trillion”* (UNCTAD, 1998). The logic of liberalisation, deregulation, privatisation and lower transaction costs, owing to technological advancement, has increased international ownership of

assets. There were only 300 different shares on the New York Stock Exchange as at 1910. This figure is very meagre when compared to the current period, when globalisation has brought an increase in the growth of trade in financial derivatives.

Globalisation has also encouraged much M&A activity within countries. Many domestic combinations have had the specific aim to create a larger national firm that can withstand the might of the TNCs. Transborder M&A has given many companies a means of quick entry into a target nation. Instead of setting up a branch from scratch, global companies can acquire a company and, in the process, also dispense with a competitor. Most governments have been reluctant to discourage these acquisitions or international privatisations, in order not to discourage FDI flow into their country. However, both amalgamation and acquisition or privatisation has some kind of negative effect on workers because amalgamation and acquisition amounts to the liquidation of previously existing organisations, and the reconstruction, restructuring and the resolution of a new concern and, of course, before these processes are achieved, many employees are sent off.

4.5.4 Transnationalisation of production (assembly lines)

Presently, production has been transnationalised and products are now assembled with parts arranged from every nook and cranny of the globe. *“The headquarters of running shoe producer Nike is located in Beaverton, Oregon, for example. Most of its 9000 employees work in management, administration, laboratories or logistics. None is involved in production. That is subcontracted to independent companies in Korea, Taiwan, Thailand, Indonesia and China. These, in turn, subcontract production of components and other necessary material to still some other local companies. All*

told, Nike provides work in this way to 75,000 employees” (Went, 2000:17). This development has major consequences for how labour is organised and for workers’ positions in transnational organisations. Transnational companies can close or move its operations to other locations that are more profitable or used the threat of relocation to extract concessions from trade union leaders.

However, threats to relocate major manufacturing plants may be empty, given the costs and disadvantages involved, but can nonetheless be effective in extracting concessions from labour. One study, commissioned by the NAFTA labour commission, found that in the US, between 1993 and 1995, *“employers threatened to close the plant in 50% of all union certification elections...specific unambiguous threats ranged from attaching shipping labels to equipment throughout the plant with a Mexican address, to posting maps of North America with arrows pointing from the current plant site to Mexico”* (Klein, 2000:223). The study further found that most employers followed through with the threats, shutting down all or part of newly unionised plants in 15% of this cases-triple the closing rate of the pre-NAFTA 1980s (Bronfenbrenner, 1997 cited in Klein, 2000:223-4). In India, China, Indonesia and the Philippines, the threat of plant closure and job flight is even more powerful. Since the industries are quick to take flight owing to escalating wages, environmental regulations and taxes, factories have now become mobile (Klein, 2000:224). The World Health Organisation (WHO) and International Labour Organisation (ILO) have pointed out a further consequence of this aspect of globalisation: *“The continuing shift of industrial production to low cost sites in developing countries, where workers’ protection is lower, is likely to increase the global incidence of occupational*

disease and injury” (Globalisation bad for health, say UN agencies 1999:1).

Most service organisations, presently are transnationally subcontracting their data processing activities on a daily basis in order to reduce the cost of production (Scholte, 2000:77). For example, by subcontracting part of its administrative task to Mumbai, where ‘you can hire three Indians for the cost of one Swiss, Swissair was able to lower its wage costs by 8 million Swiss francs (Martin and Schumann, 1997:100). Sophisticated computer software and modern communication systems make spreading work around the world increasingly easy and attractive. Although US companies adopted this strategy around the 1960s and ‘70s, however, that cannot be compared to the present trend when most movements are electronically manipulated and easily done at a reduced cost owing to advanced sophisticated technological innovations.

4.5.5 Advanced sophisticated technological innovations

Globalisation has spurred and, at the same time, has been spurred by advanced technological innovation. Technological change has had a great effect on international competition and on companies’ demand for labour. The fast development in transnational activities and, of course, globalisation, may be ascribable primarily to technological innovations that have revolutionized transportation and communication. *“Management gurus, politicians and economists agree in portraying globalisation as an automatic- and, therefore, unavoidable- product of technological innovations notably in the transport sector, telecommunications and automation”* (Went, 2000:52). Thus, sophisticated technological advancement and innovation have sped communication around the globe from a period

of a month to a day or two in the case of the transport of physical products, and virtually to an instant in the case of information (Gordon, 2001:2; Gomory and Baumol, 2004:426). Therefore, it should be remembered that until the middle of the 18th century, travel by land, was an excruciatingly arduous and intimidating activity, and that until close to the middle of the 19th century, information normally could not be dispersed more rapidly than a horse could gallop (*ibid*).

Innovations, in the era of globalisation, have reduced the cost of transportation to a small fraction of its previous levels, and have changed the activity from one that was incredibly perilous to one that is highly and economically reliable. For example, until the 18th century, ships had no means to ascertain their longitude. As such: *“Too many were the ships that dashed aimlessly and fruitlessly about, too far this way, too near that, until scurvy and thirst killed off or incapacitated so many hands that the crew could no longer man the rigging and direct the vessel; and then the ship would float helplessly with its population of skeletons and ghosts, another ‘flying Dutchman’”* (Landes, 1999:745 cited in Gomory and Baumol, 2004:427). It has been against this backdrop that the Netherlands, France, Spain and the United Kingdom offered huge rewards to anyone who could invent a practical way to determine longitude at sea. The British reward was 20,000 pounds, which was almost 150 times the annual income of the highest churchman in Scotland. Around that period came the inventions of the steam engine, metal hulls, radio communication, satellite location processes (GPS), and a host of other innovations, which have clearly revolutionised transportation and communication.

Furthermore, before the 20th century, the performance arts were mainly domestically organised and the conveyance of an acting group was highly expensive. However, presently, in the form of firms, CDs, DVDs, and television broadcasts, they have become among the leading international revenue producers within the US. Computer programming, undertaken by lower-wage programmers in India, entails no delays and, of course, global competition drives companies to utilise such profit enhancing opportunities, since the uncompromising market imposes bankruptcy as the punishment for ignoring such comparative advantages.

Global production of technology and international trade in high-tech products multiplied six times and nine times, respectively, between 1975 and 1986. In fact, globalisation is most advanced in the process of exploiting new inventions: in OECD countries in the 1980s, applications of patent rights in countries other than the country where the patent was granted, increased by an average of 6 per cent each year. International technological cooperation also rose by an average of 6 per cent each year in 1985-89 in comparison to the years 1980-84. In fact, new technologies have been a factor in globalisation, but globalisation and the spur of competition that it entails, have also stimulated further advances in technology and sped up its diffusion within nations through FDI (Intriligator, 2003:9). More and more companies are taking advantage of the new technologies at drastically reduced transport and telecommunication costs to produce their goods and services, through production processes spread around the world. In 1956 it was possible for 89 telephone conversations to take place simultaneously through the undersea telephone cable between Europe and North America. At present, the daily peak in simultaneous trans-Atlantic conversations by means of satellites and fibre optics is roughly a million.

International telephone connections have become simpler, more accessible and cheaper, while faxes, spoken words and computer generated data can reach every corner of the planet in a few moments. Techno-globalisation has made it easier for a growing number of people and companies to meet, travel, send goods, exchange images, cooperate and compete across frontiers. However, advanced technological innovation may as well exacerbate structural and frictional unemployment, as more-frequent plant retooling leads to temporary layoffs, and changes in the mix of worker skills needed in the plants, displaces some workers, forcing them into often long term unemployment.

4.5.6 Increasing numbers, activities and powers of transnational corporations

The economy of the world today is controlled by a few hundred giant transnational corporations, which are even larger than some sovereign states. The numbers and activities of these corporations have increased in recent times. According to UNCTAD in 1997, there were 53,000 such companies with at least 448,000 foreign branches. The value of international productions, attributed to multinationals, was \$3.5 trillion, as measured by accumulated stock of Foreign Direct Investment and \$9.5 trillion, as measured by estimated global sales of foreign branches. Multinationals' share of the world economy continues to grow. The ratio of foreign direct investment to global GDP is now 21 per cent; foreign branches' exports are one-third of the world's exports; and GDP, attributed to foreign affiliates, accounts for 7 per cent of global GDP (Went, 2000:18).

The power and influence of these TNCs have increased owing to their enormous size, wealth and expanding activities. Currently,

“TNCs control 70 per cent of world trade... Almost all primary commodities are each now marketed by fewer than six multi-commodity traders ... The top five companies have 77 per cent of the worlds’ cereal trade; the biggest three companies in bananas have 80 per cent of world banana trade; the biggest three companies have 85 per cent of tea trade; and the biggest four companies have 87 per cent of trade in tobacco” (Lang and Hines, 1993:34-5). The 200 largest multinationals control half of the global trade in goods and are concentrated, particularly, in the more dynamic sectors of the world’s economy, predominantly in electronics, chemicals, automobiles, drugs and machinery. As *Table 4.1* below, illustrates, out of the 100 largest economies in the world 51 are TNCs and only 49 are states:

Table 4.1: The 100 largest economies in the World

(Corporations are in *bold italics*)

Rank	Country / Corporation	GDP / sales (\$mil)
1	United States	8,708,870.00
2	Japan	4,395,083.00
3	Germany	2,081,202.00
4	France	1,410,262.00
5	United Kingdom	1,373,612.00
6	Italy	1,149,958.00
7	China	1,149,814.00
8	Brazil	760,345.00
9	Canada	612,049.00
10	Spain	562,245.00
11	Mexico	474,951.00
12	India	459,765.00
13	Korea, Rep.	406,940.00
14	Australia	389,691.00
15	Netherlands	384,766.00

16 Russian Federation	375,345.00
17 Argentina	281,942.00
18 Switzerland	260,299.00
19 Belgium	245,706.00
20 Sweden	226,388.00
21 Austria	208,949.00
22 Turkey	188,374.00
23 <i>General Motors</i>	176,558.00
24 Denmark	174,363.00
25 <i>Wal-Mart</i>	166,809.00
26 <i>Exxon Mobil</i>	163,881.00
27 <i>Ford Motor</i>	162,558.00
28 <i>DaimlerChrysler</i>	159,985.70
29 Poland	154,146.00
30 Norway	145,449.00
31 Indonesia	140,964.00
32 South Africa	131,127.00
33 Saudi Arabia	128,892.00
34 Finland	126,130.00
35 Greece	123,934.00
36 Thailand	123,887.00
37 <i>Mitsui</i>	118,555.20
38 <i>Mitsubishi</i>	117,765.60
39 <i>Toyota Motor</i>	115,670.90
40 <i>General Electric</i>	111,630.00
41 <i>Itochu</i>	109,068.90
42 Portugal	107,716.00
43 <i>Royal Dutch/Shell</i>	105,366.00
44 Venezuela	103,918.00
45 Iran, Islamic rep.	101,073.00
46 Israel	99,068.00
47 <i>Sumitomo</i>	95,701.60
48 <i>Nippon Tel & Tel</i>	93,591.70
49 Egypt, Arab Republic	92,413.00

50 <i>Marubeni</i>	91,807.40
51 Colombia	88,596.00
52 <i>AXA</i>	87,645.70
53 <i>IBM</i>	87,548.00
54 Singapore	84,945.00
55 Ireland	84,861.00
56 <i>BP Amoco</i>	83,556.00
57 <i>Citigroup</i>	82,005.00
58 <i>Volkswagen</i>	80,072.70
59 <i>Nippon Life Insurance</i>	78,515.10
60 Philippines	75,350.00
61 <i>Siemens</i>	75,337.00
62 Malaysia	74,634.00
63 <i>Allianz</i>	74,178.20
64 <i>Hitachi</i>	71,858.50
65 Chile	71,092.00
66 <i>Matsushita Electric Ind.</i>	65,555.60
67 <i>Nissho Iwai</i>	65,393.20
68 <i>ING Group</i>	62,492.40
69 <i>AT&T</i>	62,391.00
70 <i>Philip Morris</i>	61,751.00
71 <i>Sony</i>	60,052.70
72 Pakistan	59,880.00
73 <i>Deutsche Bank</i>	58,585.10
74 <i>Boeing</i>	57,993.00
75 Peru	57,318.00
76 Czech Republic	56,379.00
77 <i>Dai-Ichi Mutual Life Ins.</i>	55,104.70
78 <i>Honda Motor</i>	54,773.50
79 <i>Assicurazioni Generali</i>	53,723.20
80 <i>Nissan Motor</i>	53,679.90
81 New Zealand	53,622.00
82 <i>E.On</i>	52,227.70
83 <i>Toshiba</i>	51,634.90

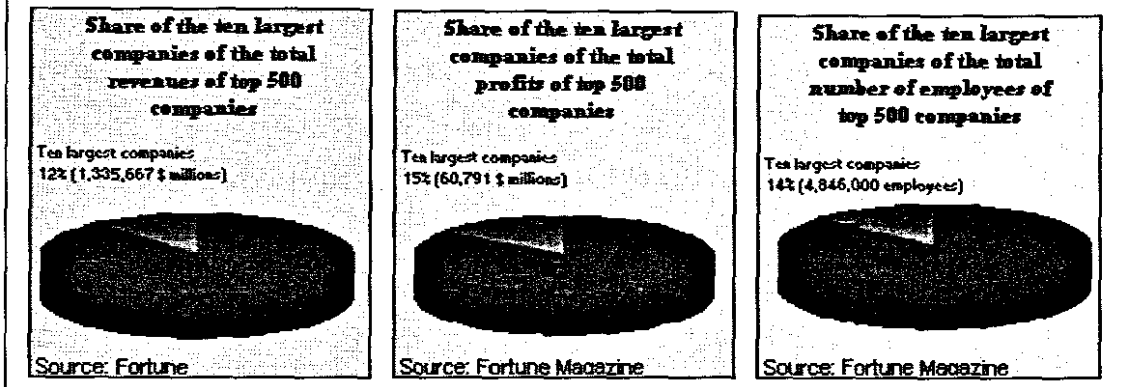
84 <i>Bank of America</i>	51,392.00
85 <i>Fiat</i>	51,331.70
86 <i>Nestle</i>	49,694.10
87 <i>SBC Communications</i>	49,489.00
88 <i>Credit Suisse</i>	49,362.00
89 Hungary	48,355.00
90 <i>Hewlett-Packard</i>	48,253.00
91 <i>Fujitsu</i>	47,195.90
92 Algeria	47,015.00
93 <i>Metro</i>	46,663.60
94 <i>Sumitomo Life Insur.</i>	46,445.10
95 Bangladesh	45,779.00
96 <i>Tokyo Electric Power</i>	45,727.70
97 <i>Kroger</i>	45,351.60
98 <i>Total Fina Elf</i>	44,990.30
99 <i>NEC</i>	44,828.00
100 <i>State Farm Insurance</i>	44,637.20

Source: World Bank, *World Development Report 2000*

Multinational Corporations had previously invested in other countries in order to be able to produce and sell their goods in markets that are protected by import restrictions. However, with the fall of barriers, as governments around the world opened their borders for economic activities, there has been a qualitative change in the nature of multinational investments. There is now a far greater degree of geographical and organisational integration of production and the emergence of an integrated international production system (Pasricha, 2005:9). According to a UNCTAD (1994:136-7) report: *“Multinationals have shifted from a ‘stand alone strategy’ to a ‘simple integration strategy, and now they are increasingly headed towards a ‘complex integration strategy, in*

which they transform their geographically dispersed affiliates and fragmented production systems into regionally or globally production and distribution networks'. In that sense, they have significantly introduced new characteristics into the process of international economic integration. Sklair (2001, cited in Sklair, 2002:35) remarked: *"However, the power of these globalising corporations and the transnational capitalist class that owns and controls them all over the world ensures the hegemony of capitalist globalization in the present era"*. However, this trend may lead to another form of wealth concentration, which is capable of breeding monopoly or oligopoly capitalist globalisation. For instance, according to Fortune magazine in 1996, the total revenues of the 500 largest companies globally were \$11.4 trillion, total profits were \$404 billion, total assets were \$33.3 trillion, and the total number of employees was 35,517,692. The top ten companies accounted for approximately 12% of the total revenues of the top 500, 15% of profits, and approximately 14% of employment. In 1996, the top 500 companies did not get bigger, but they got richer. Their profits increased by 25.1%, while revenues increased only by 0.5%, assets by 3.5%, and the number of employees by just 1.1%, as reflected in the Chart below.

Figure 4.2: Wealth concentration



4.5.7. Global fragmentation and regionalisation

According to former UN Secretary General, Boutros Boutros-Ghali, *“The planet is in the grip of two vast opposing forces: globalisation and fragmentation”* (Boutros Boutros-Ghali’s address on globalisation, 1996:86). The world is witnessing a proliferation of international agreements, which revolves around initiatives to prepare nations and regions for new global challenges. Currently, different regions have entered into agreements to promote free-trade, customs, unions and common markets within their zones. Some of the few old regional agreements include the EU, NAFTA, Mercosur and APEC (Kirkbride, 2001:47), however, presently, such kinds of regional agreements have increased and include ASEAN and NEPAD. The WTO recorded about 109 regional agreements between 1948 and the end of 1994 and almost a third of them were signed between 1990 and 1994 (*Economist*, 16 Sept. 1995:27, cited in Went, 2000:22). The UN’s Economic Commission for Latin America and the Caribbean listed over 30 multilateral and bilateral treaties and sub regional pacts in its part of the world alone (Went, 2000:22).

However, the regionalisation and fragmentation of the world into zones could, at the same time, lead to a wider strain of trade protectionism and, of course, it is the poor nations that would suffer from this kind of regional build-up. The recently failed Doha round of the WTO trade negotiation to ameliorate the plight of poor nation's agricultural farmers, is a case-in-point. The main reason for the failure was because the US felt that the developing countries might not open their markets in the same way that it was requested to open its agricultural market and felt that there is no point to continue the talks. The US wanted what seemed like a fair deal: rich countries open their markets, while poor countries reciprocate in return. *"Without understanding context and history, this sounds just and equal. However, as discussed always, global trade has always been unequal, in favour of, dominated by, and influenced by, rich countries. Hence, this "tit-for-tat" reciprocation would continue unequal global trade under the guise of equality"* (Shah, 2006:1). The argument of the US is based on the new NAFTA regional free trade agreement, where countries like Mexico, Canada and the USA, have agreed to promote equal unfettered free trade in their region.

4.5.8 Global Competition

According to Edzard Reuter (1993, quoted in Martin and Schumann, 1997:108), *"Competition in the global village is like a flood tide; no one can escape it."* Globalisation (the breaking down of trade barriers) has led to the need of organisations to compete globally, while global competition has reinforced globalisation. To survive in the global economy, organisations should transcend above domestic competition and, therefore, be globally competitive. This global competitiveness may not only be in areas of prices, quality of goods and services, but in every aspect that brings an organisation a

comparative advantage over others (Stokvis, 2001:3). Information and knowledge play a critical role in this competitive process, since it enables organisation to be more informed in their competitive struggle within the global village. Knowledge acquired through information can be utilised for some innovative activities, which may enhance the competitiveness of a given concern over others. As such, knowledge, which creates more wealth, should be used for innovative actions by the competitive processes in which they are involved (Stokvis, 2001:4). For example, owing to globalisation and global competition some organisations have utilised knowledge innovatively in order to develop and improve in the areas of some new technology, which would enhance their competitiveness. In that case, a relatively small company, in terms of employees or sales or assets, may still hold a dominant place in the global distribution of a crucial commodity or service, usually by virtue of its technological superiority over its competitors (Sklair, 2002:63)

Thus, under a global setting, any organisation that is uninformed and unprepared to respond to this global competitive pressure, should be ready to lose its share of profit and market in a global setup. Global competition is viewed as an algorithmic process that is akin to natural selection (Maynard, 1982; Dennett, 1995) in which the weak dies off, while the strong survives. Therefore, for an organisation to survive, it should be strong enough to adopt, adapt and manoeuvre within the dynamics of the new economic logic (Kirkbride, 2001:70). In that sense, even contractual obligations, especially for workers who violate this logic, should be waived to ensure the adoption, adaptation and survival of the organisation whose success is basically measured by stockholder returns and the size of these returns in one organisation, which is relative to others,

is a reflection of the extent to which it has adapted to the competitive string.

Unlike the previously existing autarky economy system, globalisation entails the breaking-down of borders for economic purposes (Pasricha, 2005:232). This openness invariably means that secluded or protected markets now become porous for new competitors to enter into the integrated market or into a single global market. As such, competition has metamorphosed from an international competition to a new stage of global cut-throat competition. For example, openness in the global economy has triggered a kind of supply shock from developing countries to the developed world, since liberalisation of capital markets has made it possible to transfer capital and technology from industrially advanced countries to developing nations, thereby giving developing nations the potential to compete not just in the commodity market, but also in those areas that require sophisticated technologies (Matthews, 1998:382). Moreover, in the area of labour supply within the global village, developing countries have more working age populations than developed countries (Streeten, 2001:47), and the transfer of knowledge to augment their previous technical awareness in relatively low wages, implies that the scope of competition has expanded, as there is now a global market for goods, services and labour (Martin and Schumann, 1997:108).

Therefore, in order to survive from the declining market share and falling profitability owing to new entrants into the markets, global organisations should expand productivity and shed labour in high areas or shift activities to low wage economies (Bhagwati, 2004:458; Salvatore, 2004:545) . For example, owing to the exposure of organisations in the current global competition,

companies in industrially advanced societies, have decided to cut down their costs, which are relative to low wage economies in order to survive (Lloyd and Thurow, 1997:94).

Global competition may not only be between the industrially advanced and low wage economies, but it also incorporates competition between two industrially advanced societies. For example, European chemical companies are placed under great pressure to rationalise their operations once their US competitors have managed once more to cut per unit costs of production by 5%, and European multinational giants like Daimler Benz, Alcatel Alsthom and Société Générale, should defend against the threat of being pulled under by their US competitors by laying off tens of thousands of workers (Farrell, cited in Look who's sweating now, 1995:42). Global competition is also reflected in the way the Chinese textile industries have flooded the South African market and other African markets with cheap textile and clothing products. The Chinese competitive advantage over South Africa in the textile and clothing industries owing to their huge and cheap labour force, with vast economies of scale and high productivity, has resulted in more than 50,000 job losses in South Africa alone (Noffke, 2006:12). This is, indeed a cause for intense concern for a country like South Africa which has 47% rate of unemployment (COSATU, 2005 cited in Slabbert, 2006:1).

Scholte (2000:222) noted that exposure of local trade and industries to global competition have often resulted in massive job losses. It has now become a fact that when foreign businesses come into an economy, they often destroy local competitors, including the ambitions of the small businessperson who had hopes of developing a home-grown industry. For example, soft drinks manufacturers

around the world are, in most cases, overwhelmed by the entrance of Coca-Cola and Pepsi into their domestic market. Moreover, local-ice cream manufacturers always discover that they are not capable of competing with Unilever's ice-cream products (Stiglitz, 2002:68).

Another angle would be the controversy in the United States over the large chains of drugstores and convenience stores. When Wal-Mart enters a community, there are often protests from local firms who fear that they will be displaced. Local shopkeepers worry they will not be able to compete with Wal-Mart, with its enormous buying power. People who live in small towns are concerned about what will happen to the character of the community if all local stores are destroyed. These same concerns are also vehemently expressed in developing countries (Barnes and Kaplinsky, 2000, cited in Sklair, 2002:101). Although such concerns are legitimate, one should maintain a perspective: the reason that Wal-Mart is successful is that it provides goods to consumers at reduced prices. The more efficient the delivery of goods and services to poor individuals within developing countries, the more important it is given how close to subsistence so many live. However, one should not forget that in the absence of strong competition laws, after the international firm drives out local competitors, it uses its monopoly power to escalate prices. Hence, the benefit of low-prices becomes short-lived. Krugman (1996) is, however, of the view that this type of competition represents a misapplication of strategic management theory.

However, some experts believed that global competition is an inevitable force imposed on firms and governments (Ohmae, 1995; Martin and Schumann, 1997; Matthews, 1998), which is reflected by all possible cost-cutting activity amongst firms and the current

compromises by government in order to remain globally competitive, particularly with regard to attracting FDIs. Nevertheless, these competitions, in the form of cost reductions, greater efficiency and higher profitability, which may appeal to stockholders, top management and, at times, even to the consumer (because of cheap products in the markets), are most often achieved at the expense of growing uncertainty, unemployment and inequality. Moreover, these trends have weakened the national government's ability to create jobs and cater for those who are affected by the global competitive struggle (Streeten, 2001:38). Therefore, if global competition brings with it job destructions, unemployment, underemployment and a low quality of work life, it then means that little or no income, in the form of purchasing power, is left in the hands of workers as consumers, to patronise the products that have been cheapened by putative global competitions.

Scholte (2000:130) reiterated *"The much discussed pressures of global competition have made governments and citizens more ready to allow their corporate flag carriers to acquire an oligopolistic position"*. Moreover, this development has taken place at a time when the finances of many social security systems are coming under strain, in addition to the pressures from transborder capital for a reduced taxation, lower labour costs and environmental standard. These have led many governments to cut back on social provisions in the name of global competitiveness, and such compromises have been the cornerstone of many adjustment packages in the south, reform programmes in the north, and transition policies in the former Soviet bloc (Tisdell, 2001:581). Scholte (2000:215) noted: *"Vulnerable circles in the South, the North and the East have all suffered from cuts to state welfare provision in the course of economic restructuring to accommodate global competition. When*

faced with a choice between sustaining social policy and improving global competitiveness, most governments have tended to favour the latter”.

Global competition has brought about new corporate behaviour of downsizing, re-engineering, merger and acquisition, lean manufacturing and core business activities. Unemployment has burgeoned as countless companies relocate and downsize in response to global competition (Slabbert, 1996:43; Scholte, 2000:28). Moreover, the escalating corporate mergers and acquisitions have often resulted to substantial job losses. M & A activities have greatly mushroomed as a response to global competition and consolidation. For example, in the pharmaceutical sector, the combination of Glaxo and Wellcome has led to about 11% shrinkage of the payroll, while Pharmacia and Upjohn closed 40% plants when they merged (FT, 5 March 1996:23; 7 March 1996:1 cited in Scholte, 2000:221). About 12000 workers became redundant when Chase and Chemical Bank amalgamated (FT, 1 April 1996:23, cited in Scholte, 2000:221). This state of affairs has made one commentator assert that *“global competition has tended to make companies lean and mean”* (Harrison, 1994; Scholte, 2000). In addition, even when the anticipated profits have sometimes fallen short of expectations after a merger, the predisposition to combine companies, in response to global market opportunities and competition, has shown little sign of abating (Scholte, 2000:129).

This narrative of the changing interrelated dynamics of global competition, can be summarised by the current unprecedented speed of change, deregulation of markets, financial globalisation, the diffusion of information technologies, the evolution of flexible organisations and a shorter product life cycle (Stopford, 1993;

Ohmae, 1995). In fact, much flexibility has unfolded under the spectre of global competition. Whereas managers have strongly pressed for flexible labour because of their opinions that higher guarantees to employment will undermine a firm's competitive position within the global markets, workers, on their own part, have willingly accepted flexible contracts because they also have been coerced to believe that demanding higher condition of service will send jobs elsewhere to the other part of the world. For example labour in the North has always been told that there are alternative workforces available in China, India, Mexico and Slovakia (Klein, 2001; Martin and Schumann, 1997; Matthews, 1998). Hence, global competition has encouraged what critics have condemned as a '*race to the bottom*' of labour conditions (Scholte, 2000:224; Went, 2000:28). Nevertheless, this race to the bottom in wages and other working conditions, would operate not only against human security, but even against efficiency and productivity in the long run (Stiglitz, 2002:68).

While fiscal austerity to improve global competitiveness has often meant reductions in the amount and quality of state-provided education, housing, nutrition, health-care, pension and unemployment insurance, in both the north and south (Scholte, 2000:240), fiscal constraints and the rigours of global market competition have necessitated most governments in the North to reduce concessionary resource transfers to the south (Scholte, 2000:245). At a corporate level, companies have managed to hold direct and indirect wage costs down by playing workers in different countries off against each other and by taking advantage of the disciplinary effect of unemployment (Went, 2000:97). Such dynamics have resulted in additional job losses and pay cuts that break the implicit contract of the internal labour markets. These

competitive pressures have been very evident since the advent of globalisation, when the growth of new competitors from Asia and increasing competition from other parts of the globe, resulted in widespread recession and industrial restructuring.

In a way, conventional wisdom (and business prescriptions) has changed rapidly. The merits of large, highly integrated corporations, occupying multiple stages in the value chain, have changed in favour of '*focus, focus and focus*'. This new conventional wisdom declared that organisations should concentrate on those activities in which they have significant comparative advantage. Therefore, any '*non-core*' activities should be outsourced and organisations should focus on those activities in which they have a clear global competitive advantage (Kirkbride, 2001:77), irrespective of the effect on labour.

Thus, it is in these areas of the rise in the speculative movement of funds, astronomic increases in international trade, explosive international amalgamations and acquisitions, transnationalisation of production, advanced sophisticated technological innovation, increasing numbers, activities and powers of transnational corporations, global fragmentation and regionalisation and, finally, in the area of global competition, that the current globalisation is well distinctive from other economic phenomenon. Therefore, at this stage, it would be worthwhile to discuss the causes and consequences of the new economic paradigm.

4.6 Causes and consequences of globalisation

There are certain events that have triggered or caused the present globalisation, while globalisation, of course, has innumerable economic and social consequences. First and foremost, it is

necessary to reflect on those causes of globalisation and, thereafter, analyse the consequences of globalisation.

4.6.1 Causes of globalisation

As mentioned in the previous section, the journey of globalisation is not new, and in fact, some authors may not be far from the truth when they postulate that globalisation is 5000 or more years old (Frank, 1998:52). Even from the time of creation according to religious facts, the '*Supreme mandate*' of God to man was to globalise, when He said to them: "*...Fill the earth and subdue it...*" (Genesis, 1:28) and since that '*mandate*' until presently, the movement of man and the exploration and exploitation of man, has adopted a mammoth dimension. However, as always expected, different authors have given their respective views of the causes of globalisation. For example, Scholte (2000:92-7) regards rationalism, capitalism, technological innovation and regulation in the causation of globalisation. While Anti- globalists (cited in Kirkbride, 2001:35) consider free market capitalism, liberalisation and the Third World debt as the central driving force or cause of globalisation.

Although Sklair (2002:39-40) did not provide a causative analysis of globalisation, however, he was able to provide the four sources of globalisation research, which has reinforced understanding the causes of globalisation as: the world system approach, the global culture approach, the global polity and society approach and the global capitalism approach. In their view, Croje, Du Toit, Matlatla and Marias (2002:609) state that trade liberalisation and easing of the barriers to trade and investment by governments worldwide, rapid technological advances in communication and transportation, the change from formerly planned economies to free market

economies and the increasing importance of multinational enterprises worldwide, are the main causes of globalisation.

Therefore, based on the listed causations of globalisation from the abovementioned authorities, the main, but not exclusive, causation of globalisation might as well be deduced and explicated. The following may be regarded as the fundamental causes of globalisation:

- A move towards the fulfilment of the '*Supreme Mandate*';
- Global consciousness and rationalism;
- The triumph of capitalism;
- Technological innovations and advancement;
- The Third World debts;
- Structural adjustment program (SAP) policies of liberalisation, deregulation and privatisation;
- The dominance of transnational corporations;
- Pressure from globalising institutions and governments; namely WTO, WB, IMF and the Western nations; and finally
- The willingness to embrace globality.

As is often remarked, '*it is easier said than done*', therefore, though the causes of globalisation have been enumerated, however, justice shall well be served if efforts are made to conceptualise the above listed causes of globalisation.

4.6.1.1 A move towards the fulfilment of the '*Supreme mandate.*'

The '*Supreme mandate*' of God to man to globalise or move and fill the earth, as well as subdue it, could be regarded as the first, but often ignored, causation of globalisation. First and foremost, if God

has not sanctioned it, globalisation would not have been possible today. The Psalmist says: "*The earth is the Lord's and the fullness thereof*" (Psalm 24:1). In that sense, globality and, of course, globalisation, is a premonition and action of God, sanctioned by God and of God. Since biblical times, God has always encouraged human movement. Genesis recorded the Supreme mandate of God to Abraham, requesting him to move from his kindred to another part of the world, where He will bless him in a land flowing with milk and honey (Genesis, 12:2). Also, the movement of Isaac (Genesis, 26), Jacob (Genesis, 46) and, finally, the Israelites (Exodus, 14), have been acclaimed as true historical and biblical facts (National Geographical Channel, 2006).

According to the bible and history, the targets of these movements were meant to achieve progress, prosperity and blessings in life and it was always spurred by God. Although some theologians believe that God appeared physically to these men and people, when He requested them to move to other parts of the globe (Genesis 18:1), however, this is also contrary to the assertion that God is an invisible (omnipresent, omniscience) spirit (John, 4:24; Corinthians, 3:17-18). Whether these people ever encountered God, face-to-face or not, will remain a matter of enormous controversy since nobody was present when these putative encounters occurred. Therefore, the way people react to a particular event will depend on their level of faith, belief, rationalism and personal bias. In that case, whether God Himself has appeared to these persons physically or not, is irrelevant in terms of the present study, however, it should be borne in mind that there has been a *supreme mandate* of God to man even before these other encounters, and man has always, knowingly or unknowingly acted upon it.

In respect of the anthropological side of the debate, it was recorded earlier that man began life in Africa and that races that were found in the other parts of the globe, were part of those that migrated from Africa to other parts of the World (Bagchi, 1998:1), presumably and subconsciously to answer or execute the *Supreme Mandate* of God to man, which encourages multiplying, filling and subduing everything on earth. No wonder that a country like India has a concoction of more than 50 human species, which were later stratified into five and to the current three that formed the bedrock of the India caste system (Rai, 1993) until today, namely the Sudras (later called the harijjans (God's children) by Mahatma Gandhi) or the lower caste/class, the Kastriyas or the middle caste/class and the Brahmins or the upper caste/class (Legrain, 2002:84). These stratifications have probably been based on biological accidents or adopting a little absurdity, the failure of some human species to transform after years of migrating from Africa. This is the more reason why one does not need not be told, which caste a particular person belongs to on first arrival in India.

That said, it has also been mentioned previously that the Amerindian species, found in the northern hemisphere, were Indians who migrated to the coast of America via Alaska, at certain points in history (Bagchi, 1998:2). This very incident could also be an innate quest to oblige the *Supreme Mandate*. Moreover, it is important to mention here that it took just twelve apostles to globalise the gospel of Christ, through place-to-place movement (Act, 8-28). Even during the age of exploration, when Europeans began to search for other lands unknown to them, which saw the able efforts of such men as Christopher Columbus sail across the world to discover the new world, with Vasco DaGama discovering the sea route to India (Legrain, 2002:82) and Mongo Pack

discovering of the River Niger (African History, 2006). Literary books have also revealed some great travels, such as Gulliver's Travels (Jonathan Swift, 1726, cited at <http://eserver.org/fiction/gulliver.txt>) and the Odyssey (Wikipedia, 2007 cited at <http://en.wikipedia.org/wiki/odyssey>), while commerce historical books have given insight into the trading tales of Marco Polo (Ho, 2001:1; Legrain, 2002:80-3). One question that still begs an answer is who and what had motivated these great men to undertake such excruciating and dangerous journey in their lives? Some might say that the governments of their time or other physical factors may have been responsible (Bagchi, 1998:2). However, the most important factor that might have spurred such painstaking exploration and movement, could knowingly or unknowingly, be in obedience to the *Supreme Mandate* of God.

It could also be this *Supreme Mandate* that triggered the movement of men to the New World and to other parts of the world in order to reap the prosperity, progress and peace of those particular environs (Joshua, 2-3; Leatt, *et al.*, 1986). In addition, these movements saw the beginning of business ties between people of some distant lands and led to the globalisation of world languages, namely Latin, English and French, which laid the foundation for future globalisation. This movement brought prosperity to many people; however, it also brought woes to so many others when some of the movements resulted in the greed of colonisation and subjugation (Kishore, 2002:122; Legrain 2002:91; Bhagwati, 2004:446). It should be mentioned here that the instruction of God to man was to subdue and have dominion over everything (but not human beings) on the face of the earth (Genesis, 1:28). Therefore, when one group

of men subdues or exploits other groups of men, it would definitely amount to flouting the *Supreme Mandate* (Exodus, 3:7-8).

Hence, in the current state of affairs, when TNCs, backed by international organisations, began to demand that governments of the world should open their borders for a freer movement of people, goods and services (Burbach, 2001:4; Kirkbride, 2001:33-4), it could amount to a subconscious obliging to the *Supreme Mandate*, however, when such openness amounts to the subjugation and oppression of those whom such good intentions were supposed to serve (Bagchi 1998:2), it would definitely amount to a miscarriage of the *Supreme Mandate*. Hence, globalisation is God ordained and to globalise (to move towards integration) is a *Supreme Mandate*, otherwise it would not have succeeded. Moreover, this mandate need not be miscarried otherwise it could turn into a fiasco, leading to catastrophic consequences (Slabbert, 1996:42; Went, 2001:105) (more of this will be discussed under the social consequences of globalisation). In fact, it is this very supreme mandate from the beginning of time that has always radiated in the heart of men, the global consciousness and rationalism (Scholte, 2000:72) to move towards globality, and this could be cited as one of the most often ignored causes of globalisation.

4.6.1.2 Global consciousness and rationalism

Globalisation could not have taken place in the absence of a frame of mind that would encourage such a development (Scholte, 2000:72). Therefore, global consciousness and rationalism have played a critical role in the development of globalisation and, as such, can be regarded as one of the causes of globalisation. Although material resources (such as the telephone, television and internet) which would effectively integrate the world were limited

until the nineteenth century, however, global consciousness had already entered some imaginary thoughts (Legrain, 2002:82). For example, Zoroastrianism and Buddhism were of the first religions to provide a slight clue of globality during the fifth and sixth centuries BC (Scholte, 2000:64) and, later on, global consciousness and rationalism were also reflected in the building of the pyramid in Egypt (Prasad, 2001:41). Scholte (2000:64) mentioned that the Jews were the first to provide a transparent expression of a global community that unites their Diaspora.

However, Christianity demonstrated globalist ambition when Christ himself previously ordered his disciples to go into the world and spread the gospel of the kingdom even to the end of the earth (Mark, 16:15). It was a great commission, which the Apostles masterminded and executed so zealously, that it prompted great writers such as Isaac Watt to publish his hymn in 1719, entitled, '*Jesus shall reign wherever the sun*'. Moreover, the medieval periods showed signs of secular global thinking when Dubois, Dante and Marsilius of Padua postulated for world (global) governance that would cover at least all of Christendom (Hinsley, 1963:1 cited in Scholte, 2000:64). A vision of one world under Islam has always been the wish of followers of Prophet Mohammed (Peace Be Upon Him (PBUH)) within the 8th and later centuries (Vincent, 2006).

From the sixteenth century onwards, there were propositions of having a unified international law and a single set of secular rules that should apply across the entire '*civilised*' world (Scholte, 2000:64). Though these propositions were hard to achieve within this period, owing to lack of technological know-how and sophisticated communication systems (Gomory and Baumol, 2004:426), however, global consciousness and rationalism could not

escape from some creative minds of the sixteen century and prompted some to visualize the possibility of global communication. This move triggered such persons as Mother Skipton of Yorkshire to prefigure thoughts flying around the world at the twinkling of an eye (Young, 1991:1), and the Shakespearean literary character Puck in A Midsummer Night's Dream, thinks of putting a girdle around the world in forty minutes (1595-6:38, cited in Scholte, 2000:64).

Global consciousness and rationalism have also inspired several explorers from the fifteenth and sixteenth centuries to attempt a circumnavigation of the earth (Bagchi, 1998:2; Legrain, 2002:82), which gave credence to the fact that the earth is one, round and the home of human beings. Embryonic global consciousness and rationalism could also be found in the Enlightenment thoughts of the eighteenth century, as philosophers such as Johann Gottfried Herder, Marquis de Condorcet and A.R.J. Turgot were bent on the history of humanity as a whole, in order to achieve a united world (Kilminster, 1997:262-4). To sum up his findings, Turgot (1750:41, in Scholte, 2000:64) asserted: *"finally, commercial and political ties unite all parts of the globe"*.

Great increases in global communication and global products, global money flow and global organisations have also made large numbers of people more aware of the world as a single place (Legrain, 2002:103). In fact, global consciousness was popularised by the publication of pictures that were taken from outer space showing the earth as one location in 1966 (Scholte, 2000:85). Mass circulation of newspapers boosted the flow of information around the world within easy reach of literate people everywhere and this also awakened the global consciousness and the pattern of rationalism amongst learned people. In addition, the advent of global

organisations brought a sense of globality to different regions of the globe (Legrain, 2001:83).

Global consciousness and rationalism had also surfaced during different periods in other literary and academic circles. Karl Marx once predicted an emergence of global capitalism (Manicas, 2000:8), while early sociologists, such as Emile Durkheim and Leonard Hobhouse, also made perceptive observations concerning emergent globality (Scholte, 1993b:21, cited in Scholte, 2000:72). Other researchers of the late 19th century had also signalled a warning hint of global ecological disasters such as global warming and acid rain (McCormick, 1989:182; Myers, 1996:1, both cited in Scholte, 2000:72). The Fabian Society in London gave a series of lectures in 1929, entitled *'The Shrinking World'* (Toynbee, 1989:97). It was almost the same period that José Ortega y Gasset declared that: *"the content of existence for the average man of today includes the whole planet"* (1930:29). Similar global consciousness prompted the writer, Virginia Woolf to make a renowned declaration that: *"As a woman I want no country"*, (which Scholte interpreted: *"as a woman, my country is the whole world"* (1938:197, cited in Scholte, 2000:72). Also, global consciousness and rationalism were also reflected in colonisations and under various solidarities.

Previously, only a circle of academics and businesspersons thought globally. However, owing to increasing global consciousness and rationalism, at the beginning of the twenty-first century, globality has become profoundly entrenched in commercial, official, academic and popular reasoning (Kirkbride, 2001:22). Moreover, the advent of television has increased global consciousness (Legrain 2002:115) and the development of television was based on rationalism. Daily

views on television can now take people around the globe from their respective sitting rooms within a moment, across the global reach. Every week brings a global news sensation, a global sport competition and a global conference of some prominence. Most activities are now undertaken from a global perspective, in recognition of the growing importance of globality (Legrain, 2002:113).

The sociologist, Max Weber, understood modernity largely in terms of rationalist thinking (Scholte, 2000:93). Of course, what people feel about their world, has significant implication for the concrete circumstances of that world. Globalisation has taken place in most part owing to certain powerful patterns of global social consciousness. Rationalism is a general configuration of knowledge that has greatly promoted the spread of global consciousness and reasoning, which brought globalisation into being (ibid).

In his view, Scholte (2000:93) believed that the framework of rationalist knowledge has four main distinguishing features. Firstly, rationalism is secularist, which means that it defines reality entirely in terms of physical world, without reference to transcendent and divine forces. Secondly, rationalism is anthropocentric, as it understands reality primarily in terms of human interests and activities (as opposed to, for example, ecological integrity). Thirdly, rationalism has a 'scientist' character, since it holds that phenomena can be understood in terms of single, incontrovertible truths, which are discoverable by rigorous application of objective research methods. Fourthly, he accentuated that rationalism is instrumental: it assigned greatest value to insights that enable people to solve immediate problems. Therefore, when it reigns as a predominant social structure, rationalism tends to subordinate other

kinds of knowledge. It elevates one way of *'making sense'* over all others. Rationalism readily dismisses aesthetics, spirituality, emotion and fantasy or rather, accepts these or other *'irrationalities'* only in so far as they complement and advance rational knowledge (ibid).

Global consciousness and rationalist thought have triggered globalisation in several general ways, and a number of significant impulses to globalisation have, therefore, come from efforts to discover the global truth. This quest has motivated both so-called *'explorers'* of earlier times and world travellers of recent generations (Legrain, 2002:82). Thus, in a variety of ways, rationalist thinking has encouraged the growth of a global imagination and produced the various resources that helped to spur globalisation. Rationalism encourages a belief that people can gain comprehensive knowledge when they holistically access and understand the terrestrial world. In that sense, global consciousness and rationalism can be cited as a cause of globalisation.

4.6.1.3 The triumph of capitalism

The first two sections have dealt with other endogenous factorial causes of globalisation, however, from this section onward, the researcher focuses on recent causes of globalisation. Thus, as mentioned in the previous chapter, the triumph of capitalism over its long time ideological rival, socialism, has brought about a unified global system that became dominated by capitalist practices (Machan, 1994:68; Hersh and Schmidt, 1996:1; Sklair, 2002:1) and, indeed, may be taken as one of the fundamental causes of globalisation. During the long rivalry between the market and planned economy, few people could hardly mention anything about globalisation as the world's dominant economic ideological

framework, owing to the tension between the rival camps over superiority (Sachs, 2005:318). Previously, there were capitalism, socialism (or communism) and the mixed economic system for those who prefer to stay in the middle of both extremes (Dhar, 1999:9).

However, by 1989/90, when the socialist economy began to cease, capitalism overran the entire globe and globalised, hence, capitalist globalisation or globalisation of capitalism or global capitalism (Ross and Trachte, 1990; Hutton and Giddens, 2000) and, systematically, even the mixed economy began to give way to the capitalist onslaught (Jain, 1996:380). Economic planning became a thing of the past, welfarism was abandoned (Sassoon 1996:648), nationalised sectors became systematically privatised (Igbuzor, 2003:2), labour laws were liberalised (Uriarte, 1999:6) and the global proletariats were told 'sorry', owing to the advent of a capitalist global logic, which made other ideological configurations lay prostrate and burdened with guilt (Pasricha, 2005:87). In that vein, one of the most senior economic officials in India (quoted in Legrain, 2002:106) lamented: *"Between the fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991, I felt as though I were awakening from a thirty-five-year dream. Everything I had believed about economic systems and had tried to implement, was wrong"*. Hence, global capitalism took the order of the day and globalisation became a sub-code for expanding capitalism (Petras and Polychroniou, 1977; Adams, *et al.*, 2006:5). Hence, capitalist triumphalism brought into the fold capitalist ways of production, capitalist ways of invisible management and, indeed, capitalist technological prowess. This may as well be cited as one of the causes of globalisation.

4.6.1.4 Technological innovations and advancements

The spread of capitalism and the capitalist technological prowess triggered a high level of technological innovations and advancements, which finally spurred globalisation. Presently, management experts, economists and politicians have unanimously come to terms with the fact that globalisation is an automatic and inevitable product of technological innovations (Went, 2000:53), and that globalisation obviously could not have advanced without massive innovations in the areas of transportation, communications and data processing (Scholte, 2000:75). Technological innovations have made transportation and communication faster and cheaper (Gomory and Baumol, 2004:426). The cost of sea freight has decreased by two-thirds since 1920, air transport by five-sixths since 1930 and most of the US's imports and exports operate by plane (Legrain, 2002:108). The trend has also bolstered tourism and, by 1990, about 425 million holidays were taken, while the total number of receipts, from travel between countries, increased twenty-fold from \$19 billion in 1970 to \$389 billion in 1996 (WTO, 1991: 11; UN, 1997:184). Overall, international trips increased from a meagre 25 million in 1950 to 700 million in 2000 (World Tourism Organisation Report, 2001, www.world-tourism.org).

A telephone call for three-minutes between New York and London, which was \$245 dollars in 1930, is now almost free on the internet. People spent 101 billion minutes talking via telephone calls in 2000, around twenty-five times in excess of 1975. Emails can get to the recipient in another part of the world almost instantaneously. Whereas in late 1995, fewer than 20 million people had access to the internet, by the year 2005, more than 1 billion people had access to the internet. At present, more information could be sent over a single cable in a second than was sent over the entire internet in a

month in 1997 (UNDP, *World Development Report*, 2001; Legrain, 2002:108). Thus, technology has, undoubtedly, played a central role in creating global social spaces. The invention of the telegraph in 1837, the telephone in 1876, the wireless in 1895, the aeroplane in 1903, the television in 1926, the liquid fuelled rocket in 1927, the coaxial cable in the 1930s, the digital computer in 1946, the transistor radio in 1955, intercontinental missiles in 1957, orbital satellite in 1958 and geostationary satellites, (which hold a fixed position above the earth), in 1963, were all important episodes in the early stages of globalisation (Scholte, 2000:100). Presently the capacity of television has advanced with cable satellite and digital technologies, while the speed and capacity of aeroplanes, have increased with the arrival of commercial jets in the late 1950s, large-body aircraft in 1969, and supersonic carriers in the early 1970s (Gomory and Baumol, 2004:427).

Technological innovations and advancements in telecommunications have also yielded requisite tools for global communication, global financial transactions, harmonization of global production and marketing, in addition to many other global activities. Walter (1993:202) succinctly remarked: *“underlining the revolution in global finance is the revolution in communication and information processing, which, if anything, may accelerate over time”*. Therefore, companies are now taking advantage of the new opportunities because new information and communications technologies with lower transport costs have made it possible to extend raw materials, semi-finished goods, supply networks, as well as production assembly, distribution and global marketing (Went, 2000:54).

The late 1990s witnessed the introduction of satellite-based mobile telephone systems in which a person can be reached immediately with a single telephone number at any place on earth. Other innovations and advancements in telephone technology during the era of globalisation, include videophones and video conferencing, voice mail, sophisticated fax machines and e-mails. Meanwhile, optical fibres have acquired ever-increasing capacities since their invention in the late 1960s. The maximum load of a single strand of fibre-optic cable, which can carry just 6000 simultaneous voice conversations in the early 1980s, increased to 600,000 concurrent telephone calls by the mid-1990s. The introduction, since the 1980s, of broadband technologies, such as Integrated Service Digital Network (ISDN) and the very high-speed Asynchronous Transfer Mode (ATM), made it feasible for fibre-optic cables to carry not only voice, but, in addition, graphic material, sound recordings, text, motion pictures, and large concentrations of digitised data (Scholte, 2000:101).

The digital data processing is, in fact, another important area where technological innovation has accelerated globalisation in recent times. Global financial transactions and administrations have particularly depended on large-scale automated management information systems. This development was enhanced by the introduction of commercial silicon microchips in 1971, personal computers (PC) and, of course, laptops in the 1980s (Inder Singh, 1998:2). Additional innovations have also increased the types, magnitudes and speed of data manoeuvring by computer. In that sense, producers of microprocessors has adopted *Moore's Law* (Luskin, 2004:7), propounded in 1965 by one of the founders of Intel Corporation, which stated that "*technological improvements*

generate a doubling microchip capacity every eighteen months”
(Quoted in Scholte, 2000:101).

Hence, technological innovations have produced much of the imperatives that accelerated globalisation, and the future is still very bright for more innovations and advancements that will accelerate the prospect for supraterritorial relations in many spheres. For example, digital radios that receive satellite transmissions will open new opportunities for low-cost, high-capacity global broadcasting. The advent of microcellular technology for mobile telephones will intensify the number of those subscribing for these facilities, and cause an enlargement of equipment capacities. Most of these mini devices will convey electronic mail and fax, as well as voice, messages. Moreover, future innovations and advancements in fibre-optic cables would generate capacities running into millions of telephone calls per hair-thin strand (Scholte, 2000:101).

However, technological development and advancement have made some authors arrive at a conclusion that technological change is the only driving force of globalisation (Wriston, 1992; Strange, 1990). Some of these authors have claimed that quantitative and qualitative expansion of electronic media has led to great problems for national regulatory agencies, and that technology and innovations seem to have made everyone and everything take to their heels (Went, 2000:56). Technological innovations and advancements have played a central role in the globalisation process. For example, the speed of digital processors and the capacities of cables, have increased astronomically, while the internet has created a major impact on the business world (Business Week, 1996; The Economist, 1999, both cited in Petersen, *et al.*, 2001:16). Moreover, it has a global reach

and has redefined the way business is conducted (Sivadas, Grewal and Kellaris, 1998 cited in Petersen, *et al*, 2001:16). Nonetheless, technological innovation has not been completely self-generating. It is also imperative to adopt a deeper consideration of other factors (the Supreme Mandate, global consciousness and rationalism and triumphant capitalism) which have laid the foundation for other developments. Moreover, these technologies could not have developed and advanced in the absence of rationalism, which brought about the need for general standardisation in technological innovations that has brought advancement to the world (Scholte, 2000:103). Therefore, an explanation of globalisation that considers only technological determinism is, in-fact, redundant (Went, 2000:56).

However, notwithstanding the above argument, the fact that technological advancements and innovations have played a central role in the internationalisation process (Petersen, *et al*, 2001) and, of course, globalisation, cannot be overemphasised. In other words, technological innovations and advancements cannot be written-off as one of the major causes of globalisation. It is, however, not the only cause, since there are other important causes as well, such as the Third World Debts.

4.6.1.5 The Third World debts

The Third World debt has been recognised for many years as the main obstacle for human development in that region. Innumerable problems have surfaced owing to the huge indebtedness of the Third World countries toward rich countries. Shah (2005:1) is of the view that the history of Third World debts is the story of a massive siphoning-off, by international finance, of the resources of the most deprived peoples. According to him, *“this process is designed to*

perpetuate itself thanks to a diabolical mechanism whereby debt replicates itself on an ever greater scale, a cycle that can be broken only by cancelling the debt". Some experts have tried to trace the Third World debt to the era of colonialism. For example, according to a new working paper on "Effects of debt on human rights", prepared for the UN sub commission on Human Rights, by El Hadji Guissé (E/CN.4/Sub.2/2004/27 cited in Shah, 2005:2), "*the developing countries' debts are partly the result of the unjust transfer to them of the debts of the colonising states! A sum of US\$ 59 billion external in public debt was imposed on the newly independent States in 1960. With the additional strain of an interest rate unilaterally set at 14 per cent, this debt increased rapidly. Before they had even had time to organise their economies and get them up running, the debtors were already saddled with a heavy burden of debt*". Another good example of pre-independent debt is the new South Africa, where the current government has been coerced to inherit the debt incurred by both sides of the apartheid war (Shah, 2005:2-3). These are some examples of colonial related debts. It is now time to consider the origin of post-colonial Third World debts.

As mentioned earlier, the hike in oil prices after of the Arab-Israeli war, and owing to a decrease in the value of the dollar, at which oil was pegged, brought about huge accumulations in the hands of the oil-rich nations (Bagchi, 1998:4; Legrain, 2002:105). However, owing to ill-intended advices, these huge accumulations found its way into the MNC banks of advanced nations (Jubilee, 2000:2). Through these MNC banks, these accumulations from the oil-rich nations were used for industrial investments and other undertakings, in speculation and in granting loans to Third World countries (Bagchi, 1998:4). MNC banks, flooded with petrol-dollars, grew

eager to extend loans to the developing nations, and most of these loans, which carried a low interest rate, were granted on the condition that either the loans are supervised and utilised for projects involving some of the banks subsidiaries, or granted to Third World political bourgeoisies who were willing to undertake undercover work for capitalist expansion (McGiffen, 2002:75; Pasricha, 2005:62).

Even most of the oil-producing nations that had earlier placed their huge accumulations into the advanced nations, and who, in the 1970s, appeared most probable to jump from a Third to a First World, were also entangled in the same trap, simply because the First World nations were not interested in encouraging further industrialisation or other forms of economic diversification within the Third World, which they believed could trigger a new form of competition (Smith, 1994:139-141). In the same vein, Stiglitz (2000, quoted in Shah, 2005:8) reiterated this while analysing the African case: *“African countries require essential investments in health, education and infrastructure before they can compete internationally. The World Bank and IMF, instead, required countries to reduce state support and protection for social and economic sectors. They insisted on pushing weak African economies into markets where they were unable to compete with the might of the international private sectors”*.

As such, in order to intensify the third worldization of the Third World, countries with surplus accumulations were simply lured to export it to the Western banks, which lent it to other Third World nations that were in need of cheap capital (Jubilee, 2000:2). Much of these monies were used on irrelevant, environmentally disastrous and socially maligned mega-projects, as well as dams. A simple

reasoning that real development would come from dealing with widespread, small-scale problems, such as the delivery of clean drinking water to everyone, investments in education, human resources development, as well as addressing of natural hazards such as flooding, earthquakes, volcanoes and hurricanes with a view to reducing a loss of life and damage to property, were rejected in favour of projects where the biggest beneficiaries were shareholders of the MNCs that were involved (McGiffen, 2002:75). In that sense, obvious priorities were ignored in favour of ill-thought energy projects, costly roads that were hugely expensive to maintain and machinery which could only be kept in good condition with a frequent supply of parts from the MNCs, which were developed and manufactured by them. McMichael (2000:139, cited in Sklair, 2002:46) observed: *“But the mechanism of the debt regime institutionalised the power and authority of global management within states’ very organisation and procedures. This was the turning point in the story of development”*.

However, the media and the West have always blamed the Third World debts, in respect of the corrupt practices of the third world elites, but failed to consider the fact that many post-colonial countries have had to suffer rules by western sponsored elites and dictators (Jubilee, 2000:2) such as General Pinochet who, after over-throwing the state government, abandoned all but the dubious pretence of using it for any purpose other than to subjugate the rest of the population, while amassing wealth. In this regard, therefore, the Western governments, banks and international financial institutions should have a share of the blame for encouraging such irresponsible accumulation of ‘*odious debts*’ (Shah, 2005:2) by dictators, or for not enforcing any real standards and by pushing governments in response to the irresolvable debt crises which were

provoked, in part, by such irresponsible lending, into adopting monetarist policies, which exacerbated the debt burden (McGiffen, 2002:74-5).

Additionally, owing to rising world interest rates, a global recession and low commodity price, the debt expanded. The obligation to pay in trading hard currency, the tendency of Third World countries currencies to decline in value (making external debt effectively more expensive), and a secular downward trend in the prices of the kind of primary commodities on which many have been coerced to rely on, have all played a major role in the unsustainable indebtedness of the Third World (McGiffen, 2002:75). Therefore, debt servicing has had deleterious effects on the living conditions of the popular classes in Latin America and has placed the region in an ever-increasing hook to transnational finance capital (Robinson, 2004:140). For example, in Argentina, payment on interest alone absorbed 35.4% of export earnings in 1998. For Brazil, the figure was 26.7%; Colombia, 19.7%; Ecuador, 21.2%, Nicaragua, 19.3%, Peru, 23.7% and Venezuela, 15.3% (ECLAC, 1998-1999:11, cited in Robinson, 2004:140).

The story is also not rosy with Sub-Saharan Africa. For example, \$10 billion every year in debt servicing, which is about four times as much money as goes on health care and education in Sub-Saharan Africa alone (McGiffen, 2002:74). Through a process of loans to the Third World and debt creation, these institutions produce a '*debt treadmill*'. The institutions can then promise new cash flow to service debt, if Third World countries will implement policies that are advantageous to First World elites and their transnational corporations (Kirkbride, 2001:34). This process is sometimes undertaken through a conspiracy between First World and Third

World elites (Pasricha, 2005:62). Accordingly, foreign investors and MNCs are permitted to extract natural resources and wealth from the Third World, while the local elites receive a kickback in return, which they spend on control apparatus to perpetuate their rule (Kirkbride, 2001:34).

Presently, most developing countries have been caught in a massive debt trap. Debt has, in fact, halted the progress of development, however, the amount of money owed by poor countries continues to surge. Servicing debt, through attempts at repayment or simply trying to keep up with accumulating interest, has led to more borrowings, and has hindered countries from attending to immediate problems such as malnutrition, inadequate sanitation and poverty alleviation. It also starves the resources to make infrastructural investments that are needed to raise living standards, quality education, healthcare, transport system, scientific research or simply improving the capacity of the state or non-state institutions, in order to deliver improved services or bring hopes into reality.

This indebtedness has made the Third World nations and their elites entirely dependant on the advanced countries. Professor Sethi has termed this phenomena as '*International Economic Darwinism*', which is a set of relationship between countries and people on the principle of '*survival of the fittest*', with the exception that countries or people do not disappear, only because it is neither in the interest of the fittest nor is it in their power to make the unfit completely disappear. They are obliged to make the least fit survive, but only marginally or as destitute living within ghettos. If developing nations attempt to break this vicious circle, all kinds of pressure are place on them. Modern Darwinism presupposes that people and nations will generally remain intact. The North-South

divide is derived from this Darwinism, reflecting that under all assumptions made so far, no matter how the present order is reordered, it will allow the weak and more unfit to survive, but not to participate in and certainly not to decide on the global order (Sethi, 1991:16). In line with this argument Legrain (2002:90) noted that *“The richest country was around three times richer than the poorest one at the start of the nineteenth century, ten times richer at the start of the twentieth and now sixty times better off”*. Therefore, all energies are directed at making the weak and unfit dependent on the strong and fit for years to come (Pasricha, 2005:63).

However, if the national leadership is effectively strong and well intentioned, it will not accept foreign domination and will not consent to its nation falling into a trap of this economic *Darwinism*. However, when the national leadership becomes a malleable tool, and starts campaigning for what they should precisely check, the nation is then doomed to languish in economic slavery. Therefore, this should motivate a serious re-appraisal and revision of basic assumptions of the current global economic logic (World Bank, 1997; Scholte, 2000:287). Frankly, genuine reforms are not merely about liberalisation, deregulation and privatisation (Stiglitz, 2002:142-4), but about investing in human beings (human resources), addressing their real needs, raising living standards, reducing inequalities, not only through the market, but also through judicious state intervention, particularly on behalf of the poor (Pasricha, 2005:64). However, the rich nations and the international organisations are not willing to see things from this angle, which they themselves have, at one time or the other, adopted to resolve their own economic and social crises (Kirkbride, 2001:34; Stiglitz, 2002:60; Shah, 2005:12). They considered any other logic to solve

Third World woes, apart from their own, as destructive utopianism and wastage of resources and, instead, continued to inform Third World countries that the only means out of the debt crises and economic bottlenecks, are liberalisation, deregulation and privatisation (which will be discussed later), which are the products of the infamous Structural Adjustment Programme (SAP) that became the forerunner of capitalist globalisation (Ghai, 1992:11). In other words, the Third World debt, which weakened the Third World in global politics and decision making, can be cited as one of the causes of present capitalist globalisation.

4.6.1.6 SAP policies of liberalisation, deregulation and privatisation

These three related policies of liberalisation, deregulation and privatisation became the corner-stones of the infamous Structural Adjustment Programme (SAP) and advice of the Washington Consensus throughout the 1980s and 1990s, which promoted the free market policies that operationally devastated most of the Third World nations and countries under transition (Ghai, 1992:6). Accordingly, these policies shall be discussed one after the other to get a better understanding of how these have affected people and, consequently, boosted current globalisation.

4.6.1.6.1 Liberalisation

Liberalisation implies that countries have to adopt a softer economic outlook, instead of the strict autarchy economic policies of restriction and protectionism that hindered the free flow of international trade and prosperity. Thus, liberalisation, in this very context, means the removal of governmental interference of financial markets, capital markets and of barriers to trade (Stiglitz, 2002:59). In other words, it means liberating trade and industries

from unnecessary restrictions and at making the industries more competitive. Therefore, controls are replaced by liberalisation (Jain, 1996:381). Trade liberalisation has a huge support in many countries as it was perceived to enhance the national income of a country by channelling resources from less productive utilisation to more productive ones, based on the theory of *comparative advantage* (Seth, 1994:472). However, in a situation whereby resources are deployed to zero productivity zones, as witnessed with most IMF programs, comparative advantage is then bound to turn to comparative disadvantages, as trade liberalisation could lead to job destruction, when local industries are forced out of business owing to global competition (Stiglitz, 2002:59; Sklair, 2002:92).

Although some Liberalists argue that new additional productive jobs would be created as previously unproductive jobs that have been created behind protectionist walls, are eliminated. However, on many occasions, this has not been realised and many economists presently disagree with the instantaneous job creation theory since the Great Depression of 1929 (Stiglitz, 2002:59). With regard to the less developed nations, two main problems are visible. In the first place, they lack academic and entrepreneurial developmentalism and secondly, they lack proper bank financing to boost their capital and entrepreneurship, which are necessary to withstand global competitiveness (Bagchi, 1992:5). This has disempowered them from creating lasting employment for their people. Moreover, the IMF austerity policies have not helped matters in the developing countries and have made the necessary capital for development hugely expensive, since it charges high interest rates of between 20% to 50% and exceeding 100% in some cases (Stiglitz, 2002:59).

Hence, under such circumstances, investment and job creation can only be a wish even under a palatable economic environment. Thus, it is not surprising that trade liberalisation does cause fear among the developing countries' firms and workers, owing to the mismatch in the competitive race. *"The fact that, even during the booming 1990s, American workers could be so worried about the threat of liberalised trade to their jobs should have led to a greater understanding of the plight of workers in poor, developing countries, where they live on the verge of subsistence, often at \$2 a day or less, with no safety net in the form of savings, much less unemployment insurance, and in an economy with 20 percent or more unemployment"* (Stiglitz, 2002:60). The World Bank (cited in Stiglitz, 2002:61) has estimated that Sub-Saharan Africa, the poorest region in the world, witnessed a decline in its income by more than 2% as a result of the trade liberalisation agreement. In fact, the strong discontentment towards trade liberalisation is that, in many cases, it has not lived up to its expectations of creating more opportunities, instead, it has created more unemployment as local firms are forced out of business in the south (Sklair, 2002:92) and has also brought unemployment in the north as firms migrate or outsource to low cost countries (Anderton and Brenton, 1998:3).

Nonetheless, the main hostility to trade liberalisation is reinforced by the hypocrisy of those pushing for trade liberalisation (Kirkbride, 2001:34). For example, the Western nations pushed trade liberalisation for the products that they exported but, at the same time, continued to protect those sectors in which competition from developing countries might have threatened their economies (Kalam and Rajan, 1998:4). This kind of double standard of liberalisation has mainly angered the South owing to the long history of hypocrisy and inequities. In addition, the liberalised

economic model, promoted by the WB and IMF to the Third World, is not the same one as the First Advanced economies actually used to develop themselves. Major economies such as the US, Japan, UK, Germany and France, as well as some of the new Asian 'tigers' (Korea, Singapore and Taiwan), used a heavily state-interventionist model to build and develop their economies and only at that point came liberalisation and deregulation (Hersh and Schmidt, 1996:44; Kirkbride, 2001:34). Most often, liberalisation and deregulation have been used interchangeably, however, in an economic sense, they may convey broadly two different but interrelated dynamics. Whereas liberalisation means to soften economic policies so that freer trade can be enabled, deregulation is a process towards full liberalisation.

4.6.1.6.2 Deregulation

Deregulation simply means to stop or discontinue all those regulations that place constraints on finance and capital movement, and also to cease or discontinue the regulation of the labour laws (that protects workers from excessive exploitation), labour markets (so that wages can be lowered or manipulated), labour and environmental standards (so that no matter how the work environment is organised, including pollution or poor hygiene) that is not the business of government, so that companies can engage in unfettered business at reduced costs (Watson, 1998:40, cited in Brynard, 2003:4). Deregulation was envisaged to bring increased investments at reduced labour and material cost in order to enhance the company's competitiveness and to increase profitability, which would, in turn, induce the creation of new jobs.

However, accelerated deregulation has resulted in massive crises in capital markets around the world, including the developed countries.

Stiglitz (2002:65) noted that the infamous savings-and loan debacle in the United States, while it was a key factor that gave impetus to the 1991 recession and cost American taxpayers more than \$200 billion, was one of the least expensive (as a percentage of GDP) bailouts that deregulation has introduced, just as the U.S. recession was one of the mildest compared to ones in other economies that suffered similar crises. Stiglitz (2002:65) argued that, in spite of the fact that the advanced industrialised countries, with their sophisticated institutions had had a bad experience from financial deregulation, the IMF was carrying this gospel of Reagan and Thatcher to the developing countries, knowing full-well that these countries may not be strong enough to withstand the risk associated with financial deregulation- an experiment, which has, under the best circumstances, proven difficult within the advanced countries (Shah, 2005:12). Moreover, the advance nations waited for many years in their developmental path to be strong enough to embrace capital market deregulation. For example, European nations waited until the 1970s to get rid of their capital market controls (Stiglitz, 2002:65).

However, presently, the developing nations have been encouraged and even coerced to deregulate their capital market as fast as possible. The consequences of capital market deregulation has been economic recession and banking crises, which, although painful for developed nations, was disastrous for developing ones, which have few safety nets to soften the impact of recession (Shah, 2005:8). Moreover, deregulation was expected to decrease the rate of interest through competition between different financial agencies within capital markets. However, it is obvious today that competitions are limited in financial markets, as big financial monopolists have taken over the market, making it difficult for deregulation and

liberalisation to bring promised benefits of lower interest rates. For example, farmers (particularly in developing countries) sometimes found that they had to pay higher interest rates, making it more problematic for them to buy the seed and fertiliser required to make a simple subsistence living. In this vein, Stiglitz (2002:65) opined: ***“Capital market deregulation entails stripping away the regulations intended to control the flow of hot money in and out of the country- short-term loans and contracts that are usually no more than bets on exchange rate movements”.***

Apart from the financial side of the story, labour laws and trade union actions have also been identified as barriers to free enterprise development under the new economic dispensation (Uriarte, 1999:3). Therefore, all regulations that were supposed to protect the workers against exploitations, have to be lifted so that business can flourish, even to the detriment of the working class. Labour deregulation has also accelerated the influx of technology into many countries (Scholte, 2000:75; Shah and Mehta, 1998:227). Technology has replaced manpower and generated flexibility in work organisations, while it has triggered an economic system that destroys employment and fragmented existing employment (Shah and Mehta, 1998:230). The main disadvantage of technological explosion from a labour perspective, is that as technologies continue to replace manpower, the importance of workers diminish and their weight on the economy and politics also dwindles (Anstey, 1990:126). Uriarte (1999:5) observed: ***“Due to the priority consideration of capital over labour and the growing replacement of manpower by technology, it is ever possible to produce better with fewer workers. Today labour is less needed. The obvious and natural consequences are the increase of unemployment and social exclusion. Since current economy***

destroys jobs but society keeps considering work as the foundation for social citizenship and inclusion”.

Hence, the current labour deregulation move protects mainly the interest of the employers exactly at a time when they are failing in their social responsibility of creating more jobs (Martin and Schumann, 1997:103; Rifkin, 1995:166). It was conceived that deregulation would enhance the global competitiveness of different nations in the area of labour utilisation (Matthews, 1998:379). Therefore, labour is not an end in itself, but a means to satisfy corporate interests (Robinson, 2004:143). The implications of this is first and foremost that the government is not supposed to intervene in any contract between a worker and his employer, and secondly, the government may only intervene in those areas that hinder the progress of business, namely restrain and, if politically possible, put an end to trade unionism, collective bargaining and strike actions (Manicas, 2000:9). This would be the case because from the neoliberal lens, collective bargaining, strikes and unionism are neither fundamental right nor equity instruments in the hands of workers, but rather as monopolist practices of workforce salesmen, obstructing the free play of the market.

However, Uriarte (1999:4) is of the opinion that this program of methodical destruction of collective sphere focuses on the objective to bring about the complete individualisation of labour relations. In other words, deregulation may establish between worker and employer, an individual relationship without trade unions, without collective bargaining, without the right to strike, without special legislation, without labour inspection and without a specialised system of justice (ibid). Therefore, labour deregulation would lead to the segmentation of workforce because productive flexibility

encourages decentralisation of work organisation, which is facilitated by the flexibility of labour laws (Scholte, 2000:223). This has encouraged informality and outsourcing, and enterprises tend to organise themselves on the basis of two clearly separate groups of workers of a focal group of stable, protected workers, with good remunerations and qualifications and an unstable, precarious, rotating, outsourcing or informer '*periphery*' (Manicas, 2000:7). The set relationship could trigger some discontentment among the worse-off workers and result in labour disunity and disharmony. In addition, labour deregulation has systematically led to the abolishment of the labour relations system and its replacement, in a free market, by multiple private relations of each working person with its employer. In that case, labour law would be replaced by civil or business law and instead of labour relations, there would be civil or business relations, which may, in the end, not protect the interests of workers (Uriarte, 1999:65).

Therefore, both financial deregulations and labour deregulations are risky for the local economy, particularly in the developing countries. Financial deregulation introduces speculative or hot money in an economy, which is often pulled back when there is a sign of economic down- turn in the host nation (Went, 2000:14). Hot money cannot be used for long term investments and, therefore, cannot be regarded as a stable source of employment creation (Pasricha, 200:72). Labour deregulation, on the other hand, increases the precariousness of work, since it leads to the removal of most clauses that protect workers from their employers (Glyn, 2003:2). Even local workers may not be protected from the exploitations of the major TNCs as already witnessed in the EPZs (Martin and Schumann, 1997:146; Scholte, 2000:77) and most EPZ zones in the Third World (Martin and Schumann, 1997; Klein, 2001;

Sklair, 2002). However, deregulation, in a variety of forms, has bolstered FDI flows to many countries and has accelerated the pace of acquisition and privatisation.

4.6.1.6.3 Privatisation

The 1990s witnessed the implementation of privatisation programmes in many countries of the former eastern block, such as Russia, Romania, Czechoslovakia and countries in Sub Saharan Africa such as Nigeria, South Africa, Ghana and Morocco. However, Chile was one of the first countries to start the privatisation move around the 1970s (Igbuzor, 2003:4). It is on record that more than 8500 public enterprises, in over 80 countries, have experienced the wind of privatisation in the past 12 years (World Bank, 2003, cited in Igbuzor, 2003:4). Privatisation implies the conversion of state-run enterprises into private ones. Itheme (1997:2) defines privatisation as: *“...any of a variety of measures adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and, accordingly, to reduce the usual weight of public ownership or control or management”*. In other words, for him, privatisation connotes the transfer of ownership (and all the incidence of ownership, including management) of a public enterprise to private entrepreneurs. Hence, privatisation is a shift from the public to private sectors, and not within sectors (Starr, 1998:2). In this case, the purchase of government enterprise by another wing of government, either in the form of state government purchases or local government purchases, does not amount to privatisation (Igbuzor, 2003:3). Also, the purchase of a private firm by another private firm does not cause privatisation.

Therefore, the main prerequisite for privatisation is the existence of a public sector, which is converted into a private one (Nwoye, 1997:1; Brynard, 2003:2). Thus, privatisation involves changes in the relationship between government and the private sector in the areas of control, ownership, production and finance (Igbuzor, 2003:2; Brynard, 2003:1). In most of the then developing *Mixed Economies* such as India, Nigeria, Mexico and other developing nations, although no economy has ever been completely unmixed (Dutta, 1983:27; Dhar, 1999:8), there was the palpable existence of a kind of dichotomised economic system that accommodated both the public/nationalised sectors and private/individualised sectors, and, in most cases, priorities were previously accorded to the public sectors, while activities of the private sectors were constantly regulated and controlled by the government, which would discourage the development of monopolies and other unfair trade practices (Sharma, 1994:246). Thus, under previously set relationships, the private sectors have always felt marginalised and desired liberation from the excessive control and regulations of the government/public sectors (Jain, 1996:381).

However, as fate might have it, and being pressured by international organisations such as the International Monetary Fund (IMF), the World Bank and WTO, liberalisation and privatisation was propelled into the forefront of public policy in the 1980s, the same period in which the United Kingdom, under the leadership of Margaret Thatcher, implemented rigorous privatisation moves (Igbuzor, 2003:4). Although it was always argued that the desire to privatise is mainly to promote efficiency, however, Ihome (1997:4) has argued that the British decision to embark on a privatisation programme, was largely informed by the need to cut back on public spending, rather than on the need to promote efficiency and

competition. Moreover, the Reagan administration never took into consideration the efficiency or competitive criterion when it linked US foreign aid to privatisation (Shah, 2005:21). All they wanted was liberalisation and privatisation at all costs (Stiglitz, 2002:54). Hence, it could be asserted that liberalisation brought liberation to private entrepreneurs and foreign MNCs in order to exploit and expand their full potential in any business and place that they chose.

The exponents of privatisation have argued that privatisation would lead to the eradication of unnecessary bureaucracy, red-tape, corruption, sluggishness and losses that are prevalent in the public sector and, finally, promote efficiency, productivity and profitability, which are capable of boosting further investments and jobs (Nwoye, 1997:7; Legrain, 2002:68). On these grounds, it was believed that private management is inherently more efficient than state management, which is buffeted by bureaucratisation, red-tapism and corruption (Jain, 1996:380). In addition, the proponents of privatisation also see a social welfare benefit in the process, as the spontaneous outcome of an economy, which is organised by a network of competitive markets, free of government interference and social engineering (Brynard, 2003:1). Viewed in this context, privatisation would ensure higher capacity utilisation by private hands and reduce expenditure of governments in granting subsidies to maintain unproductive nationalised assets, and instead of granting subsidies to inefficient public sectors, the government could channel its funds to other vital areas of governmental activities such as, education, health, rural area development and poverty alleviation (Nwoye, 1997:6).

Moreover, if the size and function of government activities are made smaller, it would allow the government to concentrate on good governance, in addition to meeting up with some other *intricate* developmental imperatives (Jain, 1996; Nwoye 1997). It has also been argued that only through privatisation can inefficient workers be discarded and, as such, privatisation is capable of turning state enterprises from losses into profits by trimming the payroll (Stiglitz, 2002:56). Hence, according to the supporters of the Washington Consensus (Stiglitz, 2002:53), privatisation is good for economic efficiency and progress. There may well be some element of truth in the above argument.

However, from a perspective of a majority of the working class, the poor and some other groups, privatisation is, indeed, socially maligned (Bell, 2001:114), and these concerns, expressed by the opponents of privatisation, cannot be taken for granted. It may be necessary to restructure state enterprises through privatisation. However, shifting workers from low performance jobs in the public sector to unemployment do not enhance the national income of a nation, and does not even increase the welfare of the citizens (Stiglitz, 2002:57). One should not forget that privatisation entails the destruction of the public sectors that previously accommodated huge numbers of workers, and the creation of a private sector, which attempts to shed every cost, including labour (Brynard, 2003:2). In that case, workers have been made scapegoats of privatisation moves in a sense that most of the privatisations witnessed around the world, have resulted in organisational restructuring and downsizing, which have led to the retrenchment and discarding of a huge section of the work-force, while workers who are dismissed as a result of these privatisations and have great difficulty finding new work and are sometimes forced to accept lower paid jobs with less

security and fewer benefits (Stiglitz, 2002:57). Against this backdrop, with reference to India, Jain (1996:390) reiterated: *“Retrenchment and unemployment are an inseparable part of current privatisations. For example the first year of privatisation in India resulted in the lay-off of more than 50,000 workers in the National Textile Corporation alone. Profitability will enforce the application of capital-intensive techniques with unemployment as a natural corollary. This will lead to a struggle between labourers and the capitalists, adversely affecting production”*.

Pasricha (2005:161), in concordance with Jain’s view, accentuated that the policy of privatisation has not been able to generate employment in the organised sector commensurate with the growth of the labour force in India. To be sure, there are enormous social costs that are attached to these growing rates of retrenchment and unemployment, which have manifested in its worst forms by urban hostility, increased crime, social and political instability (Stiglitz, 2002:57). In addition, other huge costs that are associated with retrenchment and unemployment, include wide-spread anxiety even among workers who have survived retrenchments, a broader sense of isolationism, increased financial burdens on members of the family who have maintained their work and stopping children from schooling in order to support the family financially. These kinds of social costs remain longer than the immediate loss of a job (ibid).

One critical issue worth pondering, is why public sector workers should be thrown onto the street, and made to bear the burden of privatisation when, in actuality, it was the politicians and bureaucrats that caused the inefficiencies and bureaucratic huddles that resulted in the low performances within the public sectors (Nwoye, 2007:5). Indeed, this could be seen as injustice. The issue

of privatisation, as unemployment generator, can be more palpable in a situation where public sectors are purchased by TNCs. National companies may realise the social costs of retrenchment and be merciful not to shed labour when there are no alternative employments. For example, in South Korea, indigenous private owners demonstrated a great social conscience and were reluctant to discard their workers. They were unwilling to abrogate the social contract even if it affects their profitability (Stiglitz, 2002:57). However, the TNCs' interest is the returns on shares (ROS) or maximising the stock market value of shares, through labour cost reductions (Nel, et al, 2004:590). This style of cost reduction, in the form of retrenchments, has become the prime obligation of foreign companies to their shareholders. No wonder that, currently, there is a growing positive correlation between the retrenchment of workers and the stock value of shares (SVS) in most stock exchanges (Martin and Schumann, 1997:129).

To exacerbate the plight of workers, most of the modern, privatised establishments do not encourage labour unionism since almost every-thing is based on individualism (Leatt, *et al.*, 1986 Uriate, 1999; Manicas, 2000). Therefore, union powers are as much as possible curtailed, and almost all democratic and collective bargaining mechanisms, put aside (Steers and Porter, 1983:584). This, in effect, affects the industrial relations system, and industrial democracy becomes systematically supine, as workers are no more consulted before decisions that affect them, are made (Nwoye, 1997:6). In essence, given minimal protection, employers can dismiss workers with little or no costs, including, at best, minimum severance pay and this is the reason why privatisation has been so widely criticised by workers because, unlike the new '*Greenfield investments*', privatisation has often been a source of job

destruction rather than job creation (Stiglitz, 2002:56). In the advanced nations, the pain of retrenchment is well-acknowledged and, in most cases, ameliorated by the safety net of unemployment insurance but this is not the case with the underdeveloped world where unemployment insurance schemes are totally absent (ibid). This may be the reason why, from the onset, labour movements have persistently organised through strikes and counter-strikes against any decision to privatise a government agency (Nwoye, 1997:5). In this sense also, privatisation has become a source of industrial cacophony.

In addition, privatisation can lead to the concentration of economic power in the hands of a few rich ones at the expense of the workers and the majority of poor individuals (Hersh and Schmidt, 1996; Nwoye, 1997:5). This concentration of economic resources in a few hands is capable of breeding monopoly or oligopoly, which can lead to price manipulations and these have negative consequential effects on consumers and the poor (Nwoye, 1997:5; Stiglitz, 2002:60). The aggravating impact of this monopolistic tendency is worsened when the privatised establishment is sold to a foreign company. For example, in Cote d'Ivoire, when the state telephone company was privatised, the government was lobbied by the French firm that bought the company to grant it a monopoly power, not only on the existing telephone services, but also on the new cellular services and, once permission was granted, private firms raised prices to an extent that university students, for example, could not afford Internet connections, which is necessary to bridge the already-huge digital divide between rich and poor (Stiglitz, 2002:56).

Moreover, it should be borne in mind that whether privatised monopolies are more efficient in production than the government,

they are often more efficient in exploiting workers and consumers through their monopoly position because once vested (personal) interest is created, it has the propensity and resources to maintain its monopoly position, squelching regulation, competition and distorting even the political arrangement in the process (Jain, 1996:390; Stiglitz, 2002:56). It is one reason why local citizens perceive privatisation as the handing over of precious national assets to local (or foreign) fat cats, which simply amounts to replacing a public monopoly with a private monopoly (World Bank, 1997:64).

Thus, in so many cases, privatisation in the developing nations and most countries that are in transition, have resulted in corruption (Jain, 1996:390; Stiglitz, 2002:58). Indeed, privatisation has become another way for powerful politicians and businesspersons to '*scratch each other's backs*', and get rich at the expense of the people (Dhar, 1999:56; Shah, 2005:21). For example, there is a growing concern that most of the privatised government establishments in Nigeria and many other developing countries are being taken over by corrupt politicians and military leaders who have negatively impacted the public sector by stealing from the state exchequer (Socialistworld.net, May 5, 2005; Vanguard, 11 January, 2007). This can best be described as using the people's money to purchase the people's assets. Thus, in contrast to what the rhetoric of market fundamentalism asserts, privatisation has not been able to eradicate corruptions that take place in the form of *rent-seeking* activities of government officials who either steal the profits of government enterprises or grant contracts and work to their friends. In line with the same trend, privatisation has exacerbated these activities, which have assumed the name, "*briberisation*" (Stiglitz, 2002:58) in many countries.

It should be borne in mind that a corrupt government is incapable of perfecting privatisation that is free of corruption. Therefore, privatisation may not be a panacea to the corruption in the public sector because the same corrupt government that has mismanaged the public sectors, will also direct most of the privatisation processes (Jain, 1996:390). Among the government officials within the Third World nations and most countries that are in transition, privatisation has meant that they no longer need to wait for a whole year to steal from the government's annual profit, but are entitled to the sale of government enterprises at below market prices, receive a substantial portion of the value of the assets for themselves, instead of abandoning it to successive public servants (Stiglitz, 2002:58). In other words, they should embezzle large amount of what would have been stolen by their successors during there tenure in office.

Hence, in many countries, privatisation processes have been rigged to amplify the amount of embezzlement accruing to government leaders, and not the amount that would go to the government's treasury, which would accelerate the general efficiency of the economy (Stiglitz, 2002:58). Schneider (1990) observed that in Eastern Europe, as elsewhere, whether investment decisions are good or bad, is not determined by whether they are made publicly or privately. He argued that the German (Public) Trenhandanstaltdt, which is responsible for privatising their public sector, has been making bad (dis)investment decisions in the East to serve oligarchs' interests in the West (cited in Hersh and Schmidt, 1996:56). Similarly, the privatisation of government establishments in Russia, *without appropriate legal structures and market institutions, does prove that privatisation is not a panacea for efficiency and veracity, since most of the new owners have used the opportunity to strip*

assets instead of using them for industrial expansion and job creation (Stiglitz, 2002:157). The case of Russia might as well be archetypical to most developing nations and other nations that are in transition. Hence, once the efficiency criterion is by-passed owing to corruption, privatisation would amount to nothing but distributive injustice (Hersh and Schmidt, 1996:56). This is why some sections have argued that privatisation is unnecessary and believes that if the public sector is properly managed by efficient management and a competent board of directors, with less political obstructions and rationale pricing mechanisms, it can achieve better results in terms of efficiency and profitability than the private sector (Jain, 1996:390; Nwoye, 1997:5).

In concordance with the above view, a commentator in the World Bank report declared: *“Why put ourselves through this trauma? Let’s just manage our state enterprises better”* (World Bank, 1997:64). Also supporting the above view, Hersh and Schmidt (1996:56-7) have pointed out that *“the current privatisation craze is just as economically irrational and politically ideological as was the earlier nationalisation craze. It makes little difference whether an enterprise is owned privately or publicly: For all have to compete with each other on equal terms in the world market. The only exceptions to this rule are public enterprises that are subsidised by state budgets, or private enterprises that are also subsidised from state budgets and/or are bailed out in the public interest. Moreover, in the market, public and private enterprises can both make equally good and bad investment and other management decisions”*. Hence, privatising public enterprises now at bargain basement stock prices that would double shortly afterward on the stock exchange, is as deceitful a practice as nationalising loss-making enterprises and paying for them at above-

market values, or nationalising profitable enterprises with little or no indemnification (Hersh and Schmidt, 1996:56).

In spite of these shortfalls, privatisation supporters are hard on the argument that private sectors are more efficient with more productivity and more profitability than public sectors. However, it should be remembered that the main objective of establishing the public sector was not to earn supernormal profits, but to make available public utility services at cheap rates, developing backward and underdeveloped regions, generating employment opportunities, establishing basic and heavy industries, promoting exports, contributing to the national income, helping the development of small and cottage industries and helping in the achievement of self-sufficiency. These were the main mandates to public enterprises, otherwise they could also make profits, if mandated to do so (Jain, 1996:390). *“No scholar in the world has ever succeeded in demonstrating that service provision by the private sector is less expensive overall than by the public sector. Privatisation is, above all, an expression of the Zeitgeist and in the rise of the new right, there is no general scientific rationale for it”* (Kicket, 1994, quoted in Went, 2000:30).

Hence, the remedy or alternative does not lie in promoting privatisation. Privatisation is not the only panacea of industrial backwardness (Stiglitz, 2002:157). It has some inherent maladies, which are bound to cause disequilibrium in the economy. One should not overlook evils such as monopolistic tendencies, exploitation of the people and the problem of black money, hoarding and profiteering that are associated with privatisation. Indeed, nothing much will be served by transferring the ownership from government to private hands. For example, in India, more than 236,000 units in

private hands are weak and about \$125.86 billion bank loans are outstanding against them (Jain, 1996:390). India is not the only case; in fact, most local private sectors in the developing countries are too weak to withstand global competition and without effective state enterprises, most economies will surely grind to a halt (World Bank, 1997). It should be remembered that the most efficient steel mills in the world are those that are established and run by the Korean and Taiwanese governments (Stiglitz, 2002:54).

Morocco is another case where the public sector outperformed the private sectors in the production and distribution of customer-satisfied (quality chicks) products. The private sector that took over from the government sector in the distribution of chicks after the IMF pressured privatisation on the Moroccans, liquidated shortly after they took over the new role owing to the inferior chicks they supplied to female farmers who were no more willing to patronise their inferior brand of chicks that died few weeks after purchase. Therefore, privatisation could lead to the production and supply of substandard goods and services since everything is based on vested self-interest and profitability (Stiglitz, 2002:55).

Furthermore, privatisation is perceived as a foreign capitalist ideologically promoted product since it was imposed by foreign capitalists and agencies, such as the IMF, the World Bank and WTO. For the mere fact that it is not an indigenous idea, makes its workability in other regions extremely difficult (Nwoye, 1997:5; Igbuzor, 2003:6). In addition, ideologically promoted privatisation has not remedied the ills of central/eastern Europe or brought stability to Latin America and elsewhere. Indeed, during the present worldwide recession, these privatisation policies have only socialised and aggravated poverty (Adhikary, 2000:597). Moreover,

when the Regan administration decided to attach foreign aid to privatisation, the action calls for suspicion of another hidden agenda by the West, as most of the public concerns in the East and South, which were sold to Western TNCs, were paid with devalued domestic currencies or swapped for debt by foreign companies or joint ventures with foreign exchange from abroad (Shah, 2005:6).

In fact, much of the FDI to the Third World has been spent on privatisation (McGiffen, 2002:37). Went (2000:30) has noted that between 1988 and 1992, for example, 25 developing countries privatised a total of \$61.6 billion worth of companies. This has increased the vulnerability of developing countries, leading to a wave of financial crises in Latin America and the Far East (Adhikary, 2000:597). This wave of privatisation, which has characterised the last two decades, is part of a contradictory process through which western TNCs are seeking to maintain and enhance their control of the international economy (McGiffen, 2002:37). In sum, the privatisation debate could be far less about productive efficiency than about distributive (in) justice (Hersh and Schmidt, 1996:57).

The IMF simply believed that markets came to meet people's needs when, in actuality, state enterprises emerged because markets could not provide essential services. There are so many examples to illustrate this point. For example, when many European countries created their social security systems and unemployment and disability insurance systems, there were no well-functioning private annuity markets and no private firms that would sell insurance against these risks that played such an important role in individuals' lives. Even when the US created its social security system, during the Great Depression as part of the New Deal, private markets for

annuities did not work well, and even presently one cannot receive annuities that would insure one against inflation (Stiglitz, 2002:55). Again, in the US, one of the reasons for the creation of the Federal National Mortgage Association (Fannie) was that the private market did not provide mortgages at reasonable terms to low- and middle-income families. In the developing countries, these problems are even worse; eliminating government enterprises may leave a huge gap and even, if eventually, the private sector enters, there could be enormous injury to the masses (ibid).

There is a natural reason why the IMF has been less concerned about competition and regulation. Privatising an unregulated monopoly can yield more revenue to the government to pay their debts. This is the only focus of the international organisations, instead of overall efficiency (Kirkbride, 2002:35). The free-market policies, promoted by the WB and IMF, have been disastrous. The 'structural adjustment policies' (SAPs) of the WB and the IMF, ensures that Third World countries pay off their debt, but at the expense of increasing poverty, exploiting local workforce, reducing social services and reducing the ability to develop a strong domestic economy (Shah, 2005:12). In other words, the WB, IMF and WTO have 'sap the poor to fatten the rich' (Kirkbride, 2001:34). In summary, these SAP policies of liberalisation, deregulation and privatisation have led to a massive openness of most economies, especially the Third world, and have resulted in the full dominance of the TNCs in global economic affairs. This might as well be considered as one of the major causes of globalisation.

4.6.1.7 Dominance of transnational corporations (TNCs)

Since the East India Company of England and Holland took over the affairs of India and Indonesia, with the Royal Niger Company taking

over the affairs of West Africa, TNCs have been exerting greater influence and control around the globe, and their dominant position has accelerated over the years without any sign of abating (Bhagwati, 2004:446). According to Viviane Forester (1999, quoted in Legrain, 2001:132-3), *“A long, a very long and very patient, secret and surreptitious process conducted in the shadows must have led to the abandonment, which has facilitated the hegemony of a now anonymous private economy, group by means of massive mergers on a world-wide scale into intricate networks so inextricable, mobile and ubiquitous that it is difficult to locate them... they need not bother much about states, which, compared to them, are often so powerless and helpless”*. As a matter of fact, TNCs have currently not only influenced the economic policies of the nations in which they reside, but have advanced to global political activities in other nations to promote their ideas (Choudry, 2003:8) Their enormous resources and lobbying potential helps to promote their biddings (Legrain, 2002:138). It is said that the aggregate annual incomes of the largest 200 corporations are bigger than those of 182 nation states, which hosts over four-fifths of humanity (Clarke, 1999:158). TNCs now control the greater part of the global Gross Domestic Product and have acquired a dominant position in controlling and influencing the world’s economic activities (Went, 2000:21). According to David Korten (quoted in Legrain, 2002:137), *“companies wield power through their brands, which has been known to hypnotise even the most hardened Taliban fighters into submission”*. In fact, most of the consumer goods and services today are increasingly controlled by the major TNCs, which have the dominant power to nurture, support or strangle consumers. Business has become so powerful that TNCs are determining the rules of the game, and most governments are mere

referees simply carry out rules that are imposed on them by the corporation (Hertz, 2001; Legrain, 2002:132).

Thus, enterprises, to a certain extent, constitute a form of private government since some of the legal rules, which they create, are final and may not be reviewed by the state (Gill, 2000:8). Along this development, the balance of power between states and TNCs has shifted in favour of the latter. Although some regard this as inevitable, whilst others have argued that TNCs appear to be more powerful than governments only because they have, in effect, taken them over, both are run by people with identical interests who went to the same schools and often even come from the same families (McGiffen, 2002:19). Whatever the truth of this, it is worth noting that General Motors' annual sales are worth more than the total GDP of large, middle-income countries such as Turkey and South Africa, or a small, rich nation like Denmark. The top five corporations have sales over three times as great as the combined GDP of the whole of sub-Saharan Africa (New Internationalist, issue 296, 1999. <http://www.newint.org/issue296/facts.html>). In this respect, Klein (2001) succinctly remarked: *"Corporations are much more than purveyors of the products we all want; they are also the most powerful political forces of our time... Shell and Wal-Mart basked in budgets bigger than the Gross Domestic Products of most nations... of the top hundred economies, fifty-one are multinationals and only forty-nine are countries"*. The efficiency and efficacy of these corporations stem from the fact that they are organised by an international team of managers, they have research and production facilities in many countries, (which enable them to be in control of the media technology), and use parts and components from the cheapest sources around the world. In addition, they sell products, finance their operations, and are owned

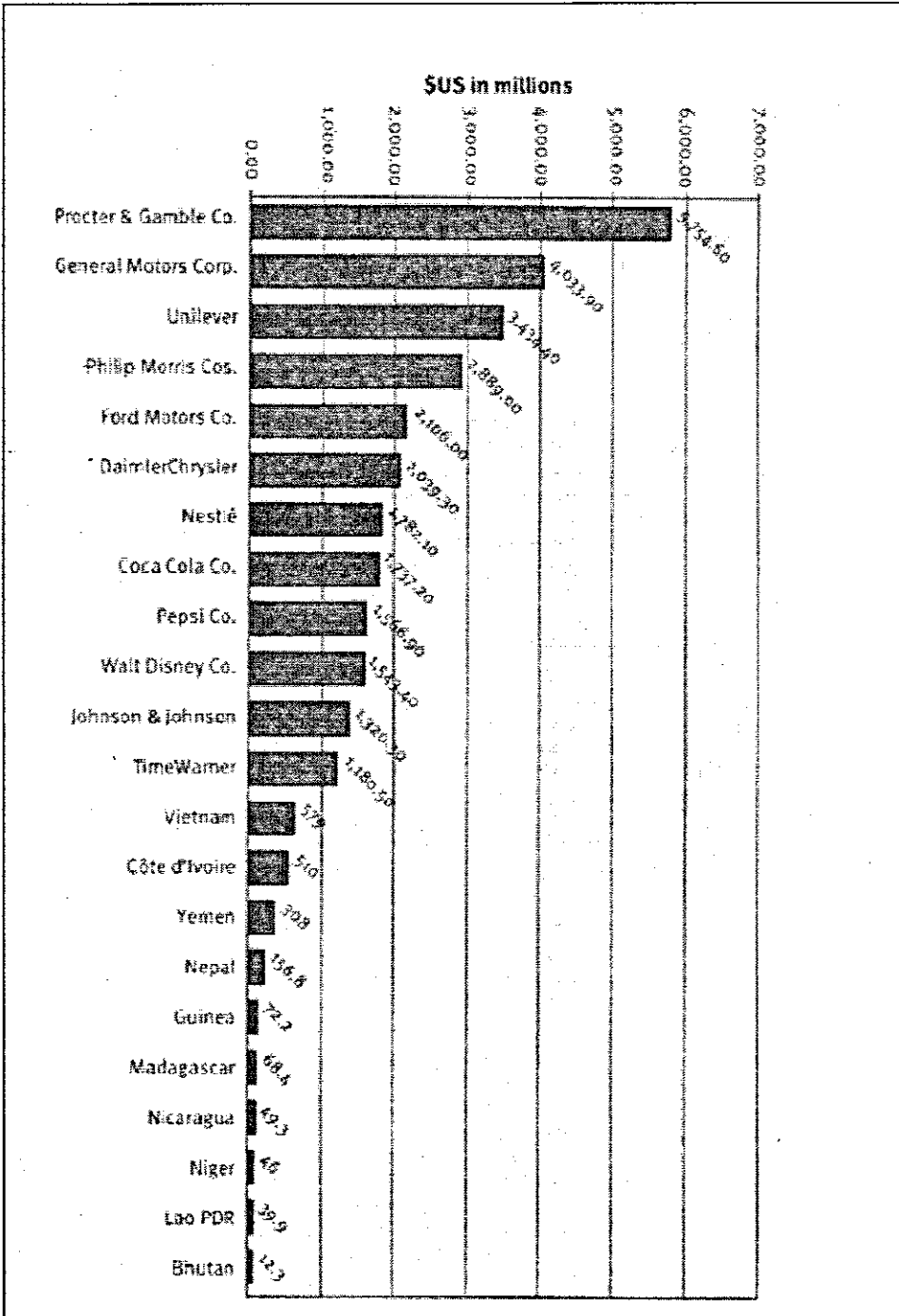
by stockholders that are spread across the globe (Salvatore, 2004:543). The irony behind this type of power concentration within the TNCs is that it could result in the production of inequality through their influence over governments, their tax evasion schemes, market power, and dumping practices (Amin, 2004:7).

TNCs, have, in fact, been recognised as the B-52s of globalisation (Bhagwati, 2004:440), while globalisation is perceived as a political process, driven by the TNCs and the Washington Consensus institutions (the US government, the IMF, WB, WTO, G7, and various free market lobbyists and apologists) and legitimated by the states that stand to gain, as well as those that are informed to believe that there is no alternative to neo-liberalism (Choudry, 2003:3). Bourdieu (2002:31) believes that so powerful has been the grip of the TNCs, to the extent that these states have actually consented to divest themselves of the power to control economic forces and to actively encourage globalisation. Most of the states have undertaken this project partly in the hope of some economic returns, but also owing to the influence of the transnational capitalist elites (composed of TNC executives and their local affiliates, the globalising bureaucrats and politicians who are based in major international organisations, the mobile professions based in foundations, think tanks, the mass media, and business-led networks such as the European Roundtable of industrialists) that has taken the necessary steps to institutionalise its transnational role (Fotopoulos, 2001:255). TNCs have achieved this through the huge amount they spend on advertisements. In fact, it was categorically mentioned that the advertisement expenditure of some TNCs is greater than most Third World educational budget (Sklair, 2002:205; Slabbert, 2005:738). For instance, *Figure 2* below reveals that the advertising expenditures of some TNCs such as Procter & Gamble, General

Motors, Unilever, Phillip Morris, Ford Motors, Daimler Chrysler, Nestle, Coca Cola, Pepsi, Walt Disney, Johnson & Johnson, and Time Warner, are, far more than the educational budget of some Third World nations such as Vietnam, Cote d'Ivoire, Yemen, Nepal, Guinea, Madagascar, Nicaragua, Niger, Lao PDR, and Bhutan. Moreover, it is a naked truth that the corporations have a significant influence on governments through such advertising for decades, through the '*revolving door*' by which government office holders are exchanged to corporate employment and vice versa (Haines, 2001:873). Therefore, through knotted relationships between the wealthy and powerful politicians, in addition to intensive lobbying, and, in most cases, through contributions to political campaigns, TNCs have intensified their influence in government policies (Choudry, 2003:8). Indeed, one notable example of the corporate influence on the government, is the power that the tobacco companies were able to wield on the US congress, until recently, and the current sway of the gun lobby. Congressmen, who were against cigarette smoking, were afraid to vote for anti-tobacco legislation in an effort not to lose the campaign contributions, which they derive from the tobacco companies (Haines, 2001:374).

In addition, Haines (2001:873) noted that the influence of big business has grown as the economy has grown, and that corporations have increased in size and monetary strength. Moreover, thanks to the increasing consolidations and mergers that have produced ever larger organisations. This growth has given TNCs overwhelming dominance in the global institutions, such as the WTO, WB, IMF and western governments, to postulate and perpetuate their desires. This is more reason why their desire to globalise was not resisted by any global body. Hence, this dominance aspect of the TNCs, in global affairs could be cited as one of the causes of globalisation.

Figure 4.3: Advertising vs Educational Budget



Sources: Sklair (2002:205); Slabbert (2005:738)

4.6.1.8 Pressures from the globalising institutions and the West

Another notable cause of globalisation is the enormous pressure received by other nations, particularly the Third World, from international organisations and the West, to embrace globality in the form of more openness (Shah, 2005:8; Kirkbride, 2001:34), which, according to them, guarantees a win-win solution to all in the face of global economic crises (Legrain, 2001:50-51). It is, in fact, one of these crises, in the form of debt-trap, that has made international organisations enter Third World economic affairs and pressured most of them to embrace the Structural Adjustment Programme, which has become the forerunner of current economic openness that resulted in the inflow of FDI to countries, which abides by the rules and regulations of Western governments and globalising institutions such as the WTO, WB, IMF and G7 (Shah, 2005:14). These putative pressures have also led to the privatisation of most of the public's concerns in the Third World and the acquisition of their national assets by foreign TNCs and wealthy private individuals (McGiffen, 2002:37), which has led to an increase in the inflow of technology and information and, to a certain extent, compressed the world into a smaller, global enclave (McLuhan, cited in Manicas, 2000:9; Scholte, 2000:74).

In Europe, these pressures could be perceived from the Cold War between the West and the Soviet bloc, which finally led to scarcity in the East, and made the region ungovernable until it finally disintegrated (Shleifer and Vishny, 1991:6), heralding an overwhelming triumph of capitalism over socialism (Turner, 2001:15). This saw socialist East Germany rushing to infuse with the capitalist West Germany (Bataoel, 2003:5) and Russia pleading to the international organisations and the West for aid and

assistance in their economic management (Stiglitz, 2002:143). As is always the case, the only advice to Russia by these international institutions and the Western government was to adopt more openness, which entails economic restructuring in the form of liberalisation, deregulation, acquisition and privatisation and, as stated earlier, this became the brainchild of the current globalisation move in those parts of the world. The failure of the USSR also accelerated the pressure by the international organisations on other mixed economies such as India, Argentina, Brazil, Indonesia and the Philippines, to name a few, to adopt a more liberal perspective in their economic policies (Adhikary, 2000:538; Ghai, 1992:7). The climax of this pressure occurred when China became a member of the WTO after years of sequential openness (Stiglitz, 2002:64). In this regard, it can be concluded that these pressures from the international organisations and the Western governments, contributed to the accelerated pace of globalisation and may be considered of one of the major causes of globalisation.

4.6.1.9 The willingness to embrace globality

Another important aspect to discuss when considering the causes of globalisation is indeed the willingness of the global community to embrace globality. Therefore, in addition to the Supreme Mandate, global consciousness and rationalism, there has been an innate desire of the global populace to blend together in some related ways. In India, for example, there was a longing desire to patronise foreign products from overseas, which they perceived as more superior to local goods (Pasricha, 2005:164). Previously, it was difficult to see a Punjabi Indian lady wearing a jean, trouser or a mini-skirt. However, today they have willingly and easily become more flexible in their dress codes to an extent that they now prefer the elite western modes of dressing to the Punjabi saris (Asgary and

Walle, 2002:62). In that sense, there has been an innate willingness to embrace other practices from far-away lands.

Another aspect to buttress this particular point, is the rapid emigration of African citizens to Europe to work or enjoy the splendour of those beautiful environs. It should be noted here that most of these movement were not triggered by force like the days of the slave trade and slavery, but a movement, which was based on freewill (Kirkbride, 2002:81). The same freewill triggered an upsurge in the movement of tourists to India, Mauritius, Indonesia, South Africa and other parts of the globe (Scholte, 2000:85). These movements symbolised the willingness of the global populace to enhance and embrace globality (Scholte, 2000:95). Therefore, the desire and willingness of people around the globe to integrate and learn from each other, has always been ever-present (Legrain, 2002:96). The West wanted new markets to dump their surplus products (Choudry, 2003:8; Pasricha, 2005:111), while the East wanted to live a more sophisticated life in the form of patronising western products and minimising the scale of poverty and scarcity within their domains (Shleifer and Vishny, 1991:2) and, most importantly, the majority of people desired freedom from oppressive regimes. This explains why the US abandoned Ferdinand Marcos in the Philippines, Augusto Pinochet in Chile and "Baby Doc" Duvalier in Haiti, and also why the governments of Mobutu Sese Seko in Zaire and Suharto in Indonesia, were allowed to fall (Burbach, 2001:5). In the south most people wanted an end to hunger and famine, and there was a growing desire for the southern labour forces to relocate to the West in order to earn better wages and living conditions (Kirkbride, 2002:79). All these multifaceted factors, combined, triggered a kind of global desire towards embracing globality. Therefore, this willingness to embrace

globality made globalisation irresistible when it finally arrived with its rosy slogans and propagandas (Bataoel, 2003:8; Choudry, 2003:3). Hence, the willingness to embrace globality and indeed globalisation, was ubiquitous and may be cited as a cause of globalisation.

4.6.2 Consequences of globalisation

Globalisation has affected people and things in different ways. Some sectors feel that globalisation is a blessing to humanity. For some other groups of people, globalisation is a phenomenon, which is characterised by mixed feelings. However, from an extreme left globalisation is evil, uneven, marginalising and maligning. These varied views can be attributed to the varied consequences of globalisation on varied individuals. Indeed, globalisation has both economic and social consequences.

4.6.2.1 Economic consequences of globalisation

Economically, globalisation has fared well. It has opened up new frontiers for business activities. Presently, new products and companies have penetrated different regions as never before. FDI flows to developing nations have increased, which has helped to accelerate the pace of development in those backward regions. In short, the economic consequences of globalisation may be explicated as follows:

- a) **Effective integration of the world:** Economically, globalisation has resulted in the effective integration of peoples around the world. Business ties now unite people from different parts of the global reach (Streeten, 2001:11; Kirkbride, 2001:14; Pasricha, 2005:20). Information has boosted the knowledge of how close and related people from different regions of the globe are. Most people in Africa or

Asia can now watch what happens in America from their television screens. International events and activities, such as the FIFA World Cup, the Olympics, Miss World or Miss Universe beauty pageants, to mention a few, can now be viewed in an instant from television by people from different parts of the globe (Scholte, 2000:75; Legrain, 2002:155). Presently, the world is experiencing the advent of global managers and corporations (Salvatore, 2004:543; Kirkbride, 2001:20). In this case, you need not be an American to be a manager in an American corporation. This trend has also encouraged cultural integration (Asgary and Walle, 2002:60). People in America now enjoy the experience of African food or modes of dressing, while Chinese food has infiltrated different parts of the globe and Japanese electronics can now be found in the remotest part of the global enclave (Asgary and Walle, 2002:68). Hence, globalisation has boosted the level of global integration and, global integration has been aided by technological advancement, which economic globalisation has activated.

- b) **Technological advancement:** Much has been said about technology advancement in section 4.5.4. However, it should be reiterated here that one of the direct consequences of economic globalisation, is technological advancement (Shah and Mehta, 1998:227; Went, 2000:52). Globalisation has, to a certain extent, resulted in a kind of borderless world, and porosity within the global village has metamorphosed a kind of global competitiveness, in which each actor tries to outperform its rivals (Martin and Schumann, 1997:108; Matthews, 1998:379). In order to win within the global market, each competitor should be technologically inclined (Streeten, 2001:66; Sklair, 2002:63). This trend has brought

innovation and advancement in the way technology is utilised. The rivalry in an open market leads to more advancement, while technological advancement leads to productive efficiency, which can lead to a reduction in the price of goods and services and consumers are well-benefited (Stiglitz, 2001:68; Pasricha, 2005:35). In addition, technological advancement has boosted communication and people around the globe can now take advantage of the new technology to facilitate their business transactions. For example, through Western Union money transfers, individuals can now easily send money from advanced countries to their siblings in Africa, Asia and other backward regions within a few minutes (Scholte, 2000:101). Technological advancement has also facilitated and enhanced banking transactions and activities around the globe. Money can now be moved from one bank to another at the touch of a computer button. Therefore, one of the key economic consequences of globalisation, is technology improvement and advancement, and this trend has boosted major economic activities.

- c) **Boosting of economic activities:** Globalisation has intensified and accelerated the number of business activities and transactions taking place around the globe. TNCs are currently moving to other parts of the globe for business purpose as never before (Matthew, 1998:385). In fact, present global corporations are now hosting global shareholders that are spread across the globe (Martin and Schumann, 1997: 129). There is now an easy movement of goods and services across the border owing to the advancement in technology, which is reflected in the decrease of prices of goods and services that were previously

expensive (Pasricha, 2005:35). For example, the cost of air freights and sea freights have decreased and this development has made the movement of goods and services including corporations from one part of the globe to another, cheap and easy (Legrain, 2002:108). In that sense, one of the economic benefits and consequences of globalisation is accelerated business activities, which, at the same time, is responsible for an increasing exchange of ideas, particularly in the area of education.

d) Exchange of ideas including education: Globalisation has brought about new ways of doing things. The compression of the world into a global enclave has boosted and enhanced the exchange of ideas and information in diverse activities, including education (Stiglitz, 2004:470; Prasad, 2004:115). The academic world has become increasingly standardised owing to growing computerisation taken place both in the North and South. This ease in the flow of ideas owing to the global forces at work, has enabled those in less-developed nation to learn from the advanced world easily and, if possible, to achieve or improve upon what has been tried elsewhere in the world. Moreover, research activities have proliferated both within corporations, institutes and universities (Burton-Jones, 1999:90; Stokvis, 2001:11; Lall, 2002:8). This development has been aided by the products of globalisation, namely computer technology and the internet system that have tremendously connected the globe.

e) Accelerated pace of economic progress in many nations: Globalisation, if anything, has brought economic progress and prosperity to many nations. Former poor nations, such as India, can testify to this fact (ILO,

2004:13). During the period of planning and protectionism, India economic policy was inward-looking, and all efforts were directed towards the development of their domestic companies (Inder-Singh, 1997:30). However, this kind of autarky economic policy, has stifled competition for years and kept the India economy stagnant. In addition to the inferior goods produced by local companies and the rampant smuggling of both genuine and inferior foreign products across the border through corrupt border policemen or custom officers, have been marketed in India at exorbitant prices for the rich class and the few middle class that desire to make use of the foreign products in order to satisfy their egoistic values (Legrain 2002:68). However, globalisation has made India outward-looking and today India has realised that they cannot carry on without attracting foreign capital and investment from abroad (Kishore, 2002:120; Pasricha, 2005:143). Although there were few MNCs previously in India, presently more and more MNCs are trouping into India with huge capital and are willing to invest and settle in India (Inder-Singh, 1997:30). Globalisation has opened ways for mega-technological cities, such as Bangalore, to expand and improve its infrastructure in order to accommodate the mighty corporations, which come to invest in India (Salvatore, 2004:545). On his first visit to India, Bill Gates donated more than a million dollars towards the development of computer technology in Bangalore. Since then, more and more donations and offers are finding its way to Bangalore. Currently, an increasing number of companies in the West are outsourcing most of their services to Bangalore and Bombay (Martin and Schumann, 1997:100). Even US corporations are presently recruiting most of their foreign

expatriates from Bangalore, India and this has contributed to India foreign earnings (ibid). No wonder that India did not feel a pinch of sanction after the Agni II (nuclear weapon) test, when Pakistan was hard pressed by the same sanction (Kalam and Rajan, 2002:199). Another country where globalisation has brought notable progress, is China. Over the years China, has locked its enormous economic potential, namely massive human capital to waste in idleness (ILO, 2004:16). However, owing to globalisation, the opening of the Chinese economy and the admission of China into WTO, more and more corporations have trouped into China in order to take advantage of the huge and cheap human resources and raw materials, which would enable a competitive advantage with their rivals. This move has seen corporations like Nike, Wal-Mart, McDonalds and Motor rollers move into China and this has brought huge investment and modernisation to China (Legrain, 2002:1; Stiglitz, 2004:468), in addition to absolving the huge labour force that was almost becoming vagabonds on the streets of China (Legrain, 2002:15). Apart from welcoming foreign TNCs, Chinese corporations are also now moving outward to other parts of the world to flex their transnational muscles. Presently, African nations believe that it is better to do business with Asia and China in particular, than the Western nations (China courts African leaders, 2006:2). However, this competitive prowess of China has adversely affected so many nations. For example, the South African textile industry has been seriously squeezed by the influx of Chinese textiles to Africa and many European countries that were formerly patrons of South African textile products (Noffke, 2006:12). Nevertheless, South Africa is not worst-off in the global economy. It has taken a dominant

role in Africa. Through the NEPAD initiative, the Nigerian government has granted most South African Telecommunication companies like MTN and other technological companies, easy access to invest and grow in Nigeria (Daniel, Naidoo and Naidu 2003:3). This is something that would have been unimaginable during the apartheid days of the late PW Botha. A South African security company is currently supplying security personnel to some African leaders. However, recently, some of them were arrested in the Democratic Republic of Congo (DRC), as coup plotters, but it is an allegation, which they have all denied (afrol News, 24 May, 2006:1). These are part of the general stories of globalisation within South Africa. Presently, South Africa is dubbed to host the FIFA 2010 soccer world cup and has been admitted as a non-permanent seat member of the UN Security Council after some wrangling with Nigeria and Egypt, an achievement that would have been impossible in a closed world. Nevertheless, Nigeria has also benefited from globalisation. For one thing, democracy is finally back in Nigeria although there is still scope for improvement as the current democracy tends to benefit the rich and former military juntas at the expense of the poor and majority (Odewale, 2004:1). However, one good thing that has happened to Nigeria under the Obasanjo's administration, is that Nigeria is no longer a debtor nation and has enormous foreign reserves (BBC News, 21 April, 2006). Nonetheless, these reserves should not be kept dormant in the Western banks, but should be utilised in the building of secondary technological investment capacities that could facilitate job creation and earn back huge revenue for the government, so that at least focus can be shifted from

the major primary product (crude oil), to some secondary products (production of technology and consumer goods), which could enhance the productive diversity of the Nigerian economy. Other nations that have witnessed economic progress in the era of globalisation are South Korea, Japan, Singapore and Malaysia in Asia and Uganda, Ghana, Libya and Mauritius in sub-Saharan Africa, as well as the US, Germany, Britain and Italy in the West. Therefore, globalisation notwithstanding the other side of the story, has immensely brought progress and prosperity to some nations around the world.

f) Information explosion: The products of globalisation, namely technology and the internet, has boosted and facilitated the way information is processed and disseminated. Presently, a subsidiary company in Asia can receive information from the parent company in Britain within a twinkle of an eye. Research information and articles have proliferated in the internet (Scholte, 2000:200; Legrain, 2002:108). Nowadays, university students are unravelling mysteries from the internet to solve most of their academic problems. Moreover, other distance learning has developed on virtual campuses via television and computer networks (Scholte, 2000:199). Indeed, the full history of the world can be found on the internet. The internet has answered so many questions in the areas of religion, philosophy, science and technology. Managers, pundits and academic gurus have come to terms with the fact that the present era is an information one (Went, 2000:56; Prasad, 2004:115). Therefore, to succeed in the current era, it is necessary that one is very much informed. It is through information that a modern manager can strategise to overcome his company's

rivals, since information takes his corporation ahead of others. In an academic sense, it is only through information that a solid presentation can be made. A diligent student can only convince his lecturers or supervisors if he/she is well equipped with information because textbooks alone are insufficient to mesmerise what takes place in the current fast-changing world (Scholte, 2000:199). It is through information that India was able to develop their nuclear weapons (Kalam and Rajan, 1998:194). The same information made the world aware of the Uranium enrichment in Iran, as well as in North Korea (Coughlin, 2007:1). It took a few seconds for the world to know that Pope John Paul II is dead (abc News International, 2 April, 2005), and also a few seconds to realise that Pope Benedict XVI is the new Pope of the 1 billion Catholics that are spread across the globe (CNN.com, 20 April, 2005). Indeed, the power of information and what information can do, as well as globalisation, has accelerated and facilitated ways information is spread across the globe. In this sense, globalisation has triggered a kind of information explosion.

g) Accelerated business transactions: The information explosion, as a direct consequence of globalisation, has accelerated business transactions across the globe. Subsidiary corporations in Africa need not wait for weeks for the postman to deliver decisions and minutes taken at the head office before actions are implemented (Gordon, 2001:2; Gomory and Baumol, 2004:426). These transactions can easily be facilitated through the internet, and actions are executed promptly. Even currently, most consumers purchase their goods from the internet, and make their payments through the internet, while the goods are delivered at their

doorsteps without the middlemen (Martin and Schumann, 1997:137). Therefore, business is now capable of moving directly from the producers to the ultimate consumers, without hitches. Another way to buttress this particular point is the current rapid bank transfer of funds. Huge amounts of money can now be transferred from one bank account in one country to another within a few minutes (Scholte, 2000:76). This development has also facilitated the speed with which business is transacted between nations. Even today, shares, air tickets and train tickets, can be purchased electronically. These are all dividends of globalisation.

h) Quick solutions to world problems: Globalisation has enabled the world to respond promptly to world problems. At least today, the world has become sensitised for the first time about the HIV/AIDS and tuberculosis pandemic, which is ravaging the African continent, and massive donations and contributions have been directed toward minimising the risk of these terminal diseases (Scholte, 2000:86). Also, information is disseminated to different countries on how to tackle these health problems and other pressing issues that face countries. For example, the world is planning a rapid response to the Darfur crises in Somalia (International Herald Tribune, 31 August, 2006). It took the world a few months to respond to the SARS (bird flu) pandemic that began in Asia (BBC News, 18 October, 2005) and also a few months to respond to the Ebola fever in the Congo (DRC) (Public Health Agency of Canada, 2005) otherwise, those diseases would have been more disastrous than HIV/AIDS. The quick solution of globalisation to world problems has also brought world leaders and scientists together in order to rationalise ways to minimise the emissions emitted from

greenhouses, which is the highest source of global pollution and is responsible for the ozone layer depletion that has caused the *Black Hole* on the surface of the earth (Scholte, 2000:84). Globalisation has also enabled the world to respond swiftly to the war in Kosovo, Yugoslavia, otherwise the world would be heading to another form of ethnic cleansing, which could be reminiscent to that witnessed in the Second World War at the concentration camps where German troops destroyed the lives of more than 6 million Jews in the gas chambers (Brajkovic, 1980:2). However, the question of why the world was too slow to respond to the war and genocide in Rwanda, continues to beg for an answer. In any case, globalisation has resulted in quick solutions to most other world problems. Hence, in general, globalisation has positive economic consequences. That said, the social consequences of globalisation will now be examined.

4.6.2.2 Social consequences of globalisation

Globalisation may have done very well from an economic perspective, however, from a social angle, globalisation has been found wanting. In fact, most of the vices in societies at present, have been attributed to globalisation, global products and transnational activities. Globalisation has succeeded in creating a 20:80 society (Martin and Schumann, 1997:5) where the wealth of the first twenty percent of people continues to increase rapidly, while the bottom 80 percent wither away in abject poverty. Most social consequences of globalisation may be explained as follows:

- a) **Unemployment:** One very repugnant aspect of globalisation is the increasing rate of unemployment in societies around the globe. Global unemployment is on the rise and there is a growing sign that this trend will continue

unabated (Slabbert, 1996:43; Streeten, 2001:35). This increase in rate unemployment can be attributed to the manner in which the world of work has been reorganised in the present global economy. Today, there is a growing tendency towards flexibility, casualisation and informalisation of employment (Uriate, 1999:5; Scholte, 2000:223). These new employment paradigms have created a kind of vacuum in the employment relations system and employers are now being equipped with the power to hire and fire without taking recourse to the labour laws, simply because most of the employees are not in the permanent payroll of the organisation and may not be in a proper position to challenge most of the employers' decisions (Scholte, 2000:223). Moreover, globalisation has triggered a winding competition. This competition has resulted in an organisational overhauling and a trend towards costs consciousness (Matthews, 1998:383). Therefore, most organisations believe that one best way to reduce costs in order to remain competitive in the global village, is by trimming the payroll (Scholte, 2000:224). This is why today more and more workers are being retrenched or told that there is no more work for them (Bendix, 2005:387). This tendency has exacerbated the rate of unemployment around the globe. In addition, most of the workers that were chased out, are replaced by technology that is capable of doing the job of more than 10 workers more efficiently. Hence, there is a growing tendency towards favouring machines to man (Slabbert, 1996:44; Rifkin, 1995:166). In other words, technology has become another source of job destruction within the global economy. Apart from these factors explained above, there are other factors that have contributed

to the massive unemployment around the world such as the current privatisation move, (which was discussed in sub-section 4.6.6.2), the growing mergers, amalgamations, acquisitions and absorption, (which were also briefly discussed in sub-section 4.5.3) and conglomeration, which entails the total restructuring of the organisations affected and the creation of a new one that would be more efficient. However, one popular efficiency criterion in the global village and, which also have a direct effect on the stock price of a given business concern, is the trimming of the payroll through the retrenchment of workers (Martin and Schumann, 1997:121). Other causes of unemployment in the north are outsourcing (Feenstra and Hanson, 1996:1; Anderton and Brenton, 1998:4), relocation of corporation (Matthews, 1998:385), and cheap immigrant workers (Kirkbride, 2001; Singh and Zammitt, 2003: 23). In the south, unemployment occurs when local firms are chased from the market owing to open borders and global competition (Sklair, 2002:92). In fact, it should be mentioned here that there is a positive functionality between globalisation and global unemployment. In addition, global unemployment and global crimes are functionally related.

- b) Crimes:** The growing unemployment and underemployment within the global economy have, to a certain extent, intensified the crime rates that are heard and witnessed around the globe. It was said that '*an idle mind is the devil's workshop*'. Hence, most qualified workers who were chased from work, after staying at home for some time doing nothing, begin to think of other ways to move on in life. Indeed, to be sure, one best simple option left to them in the face of nothing, is crime (Matthews 1998:384). In America,

the stronghold of capitalism, crime, has skyrocketed to a record level, to an extent that in California, which is the seventh-largest economic power on earth, expenditure on prisons has overtaken the whole of the educational budget (Martin and Schumann, 1997:9). According to Egan (1995, cited in Martin and Schumann, 1997:9), *“Some 28 million Americans- more than 10 percent of the population have barricaded themselves inside guarded skyscrapers and housing estates. US citizens now spend much money twice on private guards as their government does on the police”*. Moreover, growing global unemployment could be the reason why one could find some university graduate criminals nowadays in Nigeria. These are able-bodied men who are willing and ready to work after years in the university, and a whole year of national service, but no job (Heanacho, 2006:1). Even some previously employed graduates may have to face the wind of competition, which global forces have triggered, and it seems that the only way out for corporations, is to respond to these putative global forces, which is mainly through further retrenchments and unemployment (Slabbert, 1996:44). Hence, frustration has led many youths into crime. Presently, about 90% of criminals that are arrested, say that the problem for taking to crime, was hunger (Matthews, 1998:384). In addition, the growing number of graduates unemployed around the world, has increased the rate of some sophisticated crimes such as money laundering, drug trafficking, human trafficking, terrorism, bank and lottery fraud (popularly known as 419 amongst Nigerians or 420 amongst the Indians), child labour and women trafficking, to name a few. Other lower cadre crimes which are particularly found in South Africa, include

armed robbery, rape, child abuse, prostitution, pick-pocketing, shop-lifting, car hijacking and smashing and hijacking of cash-in-transit, have intensified in the era of globalisation and, in most cases, aided by some of the global products such as cellular telephones and the internet (Bataoel, 2003:18).

c) **Internet:** The internet has become one of the most utilised global products (Kirkbride, 2001:95; Legrain, 2002:108). It has facilitated the ways information is dispersed to other centres that require such information and enhance the process of business transactions between two transnational companies in different regions or countries (Kirkbride, 2001:99). However, from a social perspective, the internet has also been recognised as the source of innumerable social ills (Streeten, 2001:126). For one thing, the internet has boosted child pornography. Paedophiles, who understand the risk of carrying naked children magazines, have now resorted to the internet as a medium to perpetrate their ugly acts (Streeten, 2001:126). There is a growing rumour that pornographers pay higher for child pornography in the pornographic industry. As a matter of fact, child pornography is a crime. It amounts to child abuse and exploitation and should be condemned with all vehemence (Rama, 2001:18). However, it is a pity that the internet has become an escape route for these paedophiles. Apart from child pornography, the adult pornography also corrupts the minds of young ones that are regular visitors to the internet (Rosenberg, 2004:325). In other words, the main problem with the internet is that most of the information contained in it, is not censored (Rosenberg, 2004:302). Hence, bad information could move some little minds to practice what

has been expressed in the internet. For example, more than seven children around the world hanged themselves after watching Saddam Hussein's execution-by-hanging from the internet (news.Com.au, 9 January, 2007). In addition to pornography, the internet has bolstered crimes and fraudulent activities around the globe. Currently, email boxes are piled with hoax letters of congratulations for winning a lottery, a job or a contract. Frankly, many have fallen prey to these fraudsters or 419 boys, who even have the capacity to defraud big banks and some state departments. Of course, information has proliferated in the era of globalisation owing to the internet. However, too much information can also lead to contradicting, misleading and confusing information. For example, 26 years after the discovery of HIV/AIDS, some experts still contend that HIV is not the cause of AIDS and this is contained in the internet (Demeo, 1993:1). This kind of contradicting information is capable of confusing the world in tackling and responding to this pandemic. Another place where the internet has performed contrarily, is in the area of terrorism. Terrorists now connect, plan and communicate through the internet (Kennedy, Messner and Nuscheler, 2002:35; Bataoel, 2003:18; Rosenberg, 2004:299). Therefore, the internet has facilitated and enhanced the activities of terrorists. No wonder that terrorism has blossomed in the era of globalisation.

d) Cultural homogenisation: From a social context, globalisation, to a certain extent, has adversely affected the cultural background of some ethnic groups and regions (Kennedy, *et al.*, 2002:36). There is a growing tendency towards the Americanisation of the world's cultures (Sklair, 2002:110). This has also influenced the behavioural patterns

of people around the world, and any behaviour that is un-American, could be considered as outdated or archaic (Scholte, 2000:23). For example, in India, most youths now prefer to go out with more flexible ladies who wear jeans, rather than the previously set cultural standards of *sari* garments, which may now be considered as an old-fashioned style of dressing. This influence of western culture and behaviour, is exacerbated by the domination of western media and technology, through which TNCs can advertise even the worst product to sell in another land (Sklair, 2002:180). Through these media technologies and rigorous sales promotions most people have been lured to abandon their cultural values, dress codes and taste (Asgary and Walle, 2002:60). Presently, McDonalds and Coca-Cola have infuriated the food and soft drink culture of many nations including China (Asgary and Walle, 2002:61). KFC has taken over South Africa (*New York Times*, 21 June, 1994), Mr Biggs has taken over Nigeria (Nigeria Business info.com, 22 March, 2003) and Wimpy has taken over India (*Embassy of India in Paris information*, 2004). These are all western transnational food corporations striving to dominate the food industry of other nations and, in most cases, have succeeded in their biddings (Martin and Schumann, 1997:18). Apart from food and dress, western culture also has a major influence on the musical and dance cultures of most nations. For example, in Bollywood (Indian film industry), it was previously observed that kissing was not allowed between a male and female actor during the acting process. However, today, it seems that kissing, romance and even sex takes place in Bollywood films, have surpassed that witnessed in Hollywood films (American film industry) (Asgary and

Walle, 2002:71). Moreover, previously, Bollywood films would focus on love and moral lessons. However, presently, their film productions have tended to become more violent, such as those in Hollywood, while their dancing pattern have changed from the peaceful Punjabi kind of dance to the American style of hip-hop dancing steps. This is, indeed, an example of how western cultural influence has dominated the local cultures of many nations. As a matter of fact, India is not an exclusive case, since this cultural influence has also affected some in the Islamic world. Today, McDonalds has come to stay in Kuwait and more and more Kuwaiti women have given up the compulsory face veiling and are demanding additional rights (BBC News, 16 May, 1999). Similar occurrences are in the offing in Iraq where American and British influences have dominated the minds of most people. In Nigeria, unlike South Africa, most of the new generation banks prefer every worker to be in a suit (British style) instead of the previous long sleeve and tie or native attires (BBC News, 1 March, 2004). These are all signs that other nations are learning fast from the West, and the more they learn and practice the cultural patterns of the West, the more their own cultures yield a diminishing return. Hence, the chief problem with globalisation is that it has a tendency to promote cultural homogenisation and, in most cases, American and western cultures have been elevated at the expense of other cultures.

- e) **Impoverishment of local communities:** Another awkward aspect in the social consequences of globalisation, is the increasing impoverishment of local communities. For one thing, globalisation has favoured urban communities at the expense of local ones (McGiffen, 2002:39). An

increasing number of service industries have been created in cities like Bangalore and Bombay in India, Shanghai in China and Kuala Lumpur in Malaysia, at the expense of local communities such as those existing in the rural areas of Bihar, Assam and Orissa in India, which continues to live in a state of grace (Dhar, 1999:68). Due to globalisation and transnational practices, some of the forests, which stand as a source of livelihood for some rural communities in Mexico and others closed by nations, have been pulled down to give way to the biddings of some transnational corporations (Choudry, 2003:13). Within a few seconds, hunting, herbal extraction and farming activities of these communities were exterminated in favour of some transnational practices that do not bring additional dividends to the local people (ibid). For example, in the Ogoni land in Nigeria, the activities of Shell Petroleum were well-documented. The oil drill of Shell has, to a great extent, cannibalised the farm-lands of the Ogoni people and other people who live in the Delta region of Nigeria. The oil spillages of Shell into the Ogoni Rivers have rendered the people of those communities handicap from farming and fishing activities, which they mainly depend on for their livelihood (Klein, 2001:383). The protest by Ken Saro Wiwa (an Ogoni son of the soil) with his entourage, had cost him his life and there was silence in this regard for some time. However, the resurgence of some Delta militant groups that are currently abducting some Shell and other TNCs' workers, while demanding for their rights in the Nigeria oil revenue, shows that the battle did not end with the murder of Ken Saro Wiwa (SABC News, 10 January 2007; Shahara Reporters.com, 25 January, 2007). Protests over the destruction of local communities' natural resources do not

end in Nigeria. Recently, the Botswana High Court ordered the Botswana government to hand back the land that was seized from the Basarwa people. This was land that was taken from the Bush people by the government for diamond extractions, which has brought huge criticism from human rights and environmental activists around the world, against the Botswana government (SABC News, 13 December, 2006). Mexico, Panama, Nicaragua and Colombia are other notable places where local communities have protested over their right in the natural endowment of their lands (Choudry, 2003:18-19). Hence, the act of protest in the first place, is a reflection of grievance, which becomes a dispute or conflict, because the new standard of transnationalisation has failed to meet with the old standard of localisation and also because the promised dividends to the local communities, could not be realised. Indeed, this amounts to impoverishment.

f) Profit motive: - The global economy is a profit economy. Under the set rule, profit is all that matters and, what happens to workers and the products in the bid to earn a higher profit, may not be very important. The main yardstick used to measure efficiency within the global economy, is the amount of profit that accrues to an organisation after all expenditures have been met. Today, profit is sought at the speed of light (Martin and Schumann, 1997:48) and, in most cases, human welfare is sacrificed as a result of it. The massive retrenchments and poor working conditions, witnessed both in the developed and developing countries, are all in the bid to make super-normal profits by the major organisation (Bloch, 1998:19). Nowadays, corporate profits are rising in double digit leaps, whereas wages and salaries of workers, continue to decrease (Martin & Schumann,

1997:7). The craze for profit can also explain the reason for the range of sub-standard goods and services that are brought to the market today (Hooker, 2004:4). Even the global economy is capable of sacrificing human health in the name of profit. For example, the pollution by most of the TNCs has been ignored in the name of profit (Scholte, 2000:211). Another notable example where human health has been sacrificed for profit, is the current rivalry and acrimonies, which take place among pharmaceutical companies over the supply of life saving drugs such as ARVs for HIV/Aids patients. It is obvious that the politics involved in these entire struggles boil down to profit maximisation (Sklair, 2002:193). Therefore, globalisation has brought about an economic system whereby everything could be sacrificed in the name of profit. This is, in fact, not the best for humanity.

g) Ecological disorder: A rising internationalisation of production also has grievous ecological effects (Martin & Schumann, 1997:30). The productions of goods and parts by TNCs have accelerated over the years around the world. However, the social and ecological costs of these gargantuan production exercises for present and future generations, play no role in decisions about investments, location of production and what is produced, since globalisation is based on capitalist concept where individuals' decisions are based on self-interest (Went, 2000:39). Moreover, under the current set-up, every decision is centred on profitability and the rationale to achieve such profit irrespective of the effect on people and pollution within the environment (Hilfiker, 1998:1). Due to globalisation, the free movement of capital has made it tougher for citizens to mobilise themselves and to use their governments to restrain polluting corporations

and impose rules. Environmental organisations rightly object to the single, global market and the WTO. Trade liberalisation encourages a particular type of economic growth- the current, wasteful type- and leads, in this way, to still more environmental destruction (Choudry, 2003:20). It has become harder for countries to institute stricter environmental standards for products. For example, the safety requirement for food are higher in the US than international requirements norm, but, as a result of the WTO treaty, Brazil can export fruits, which are sprayed with DDT and other chemicals to the US, even if pesticides are not allowed by US law. Brazil can simply make a case before the WTO in Geneva that the US requirements restrain trade (Went, 2000:40). If applied completely consistently, this would lead to a complete elimination of product norms (Noakes, 1994:9). The WTO treaty no longer allows countries to keep out products because of its production or harvest methods (Pasricha, 2005:130). The treaty also prevents countries from restricting the export of goods, animals or products that they want to protect, such as tropical wood or elephants (Went, 2000:40). Therefore, the WTO can sabotage international environmental agreements by banning any measure to hinder free trade. However, free trade, within the global era, could lead to a levelling of environmental norms for products down to the lowest level, since everything should be produced at the lowest costs in order to be globally competitive (Matthews, 1998:382). The cessation of the regulation of trade and production, would lead to more worldwide freedom to pollute, in addition to the integrated world market for toxic waste disposal. International trade in dangerous wastes has become a

growing trend, with more and more junk being dumped in poor countries. Within 1989 and 1994, there have been over 500 attempts to dump more than 200 million tons of toxic waste from 24 rich OECD countries in 122 non-OECD countries (Went, 2000:41). For example, the government of Guinea-Bissau agreed, in 1988, to permit the dumping of 15 million tons of toxic waste in its territory, in return for \$600 million, which is four times the country's Gross National Product. When the minister was asked why his country conceded to such a disastrous proposal, he simply replied that his country needs the money (Forster, 1994:7). Currently the toxic waste, which has been dumped in the heart of the Cote d'Ivoire capital, is the cause of renewed sickness and death. *Table 4.2* below, reveals the level of ecological disorders.

h) Undermining of democracy: Another social consequence of globalisation is that it undermines democracy (Scholte, 2000:262). In fact, liberalisation amounts to less participation of citizens in the economic affairs of their nations (Martin and Schumann, 1997:185). More countries are now members of the WTO and, the WTO, to a certain extent, controls the economic activities of most member states (Pasricha, 2005:116). However, it should be mentioned here that the WTO is not a democratic organisation because it does not operate by consensus, but is dominated by powerful governments such as the US, EU, Japan and Canada, which then tries to impose their decisions on other WTO members. By contrast, access to negotiation for poorer countries, which are often under-resourced and excluded from key sessions, is limited (Choudry, 2003:6). The WTO has all sorts of power and abilities to take action against

disobedient countries and governments. Ralph Nadar has strongly criticised the way the WTO runs its business: *“one country can lodge a complaint about another country’s laws before a WTO tribunal in Geneva, and if the complainant wins- the defendant country must prove its innocence – then the defendant country must change its laws, pay fines or accept sanction being taken against it”* (Noakes, 1994). In that case, the WTO has become the Judge, Jury and Defendant. The same characteristics can be expressed about NAFTA. In its treaty, the market is strongly recognized as the only standard which will govern economic activity in North America. This is implemented through the institution of the basic rules, prohibition of state action to advance the public sector and restricts the government power to control the private sector effectively, by limiting or eradicating certain forms of regulation and by giving corporations more loopholes to avoid rules (Choudry, 2003:17). In this manner, NAFTA places a restriction on democracy by limiting the people’s ability to exercise political control over their own economic lives (MacEwan, cited in Went, 2000:41). Even in the EU, similar events have occurred. Its European Central Bank is independent and accounts to nobody. In that sense, European monetary policy has gone beyond the reach of any democratic control and influence (Went, 2000:41). Also, financial markets and unaccountable international institutions are obtaining additional power and influence. The trend towards independence and autonomy, for national and international organisations, has been called the new constitutional discourse (Choudry, 2003:5). The discourse concerns institutional arrangements that are designed to segregate the important economic agencies, such as central

banks from political interference, so that the economy is not manipulated for electoral purposes. For example, the former UK Chancellor of the Exchequer, Nigel Lawson, who used an inflationary boom to win the 1987 General Election for the Conservatives in Britain, is even in support of independent banks and a strengthening of the WTO and IMF inspection (Went, 2000:42). Moreover, the transfers of power and authority to bureaucratic, international institutions and trading blocs, which takes their decisions behind close doors, means that the future of humankind is determined without their knowledge and beyond their reach by unaccountable authorities, which is, in fact, undemocratic.

- i) **Commodification:** Another adverse consequence of globalisation is the total commodification of every relationship. Hence, a resource becomes *commodified* when it is incorporated into a capitalist accumulation process. For example, a forest might be commodified through exploitation by the timber industry, while a song might be commodified through recording and sale by the music industry (Scholte, 2000:112). At present, the integrated market has strengthened this process of commodification through which everything is reduced to a commodity, which can be bought and sold (Choudry, 2003:20; Scholte, 2003:112-3). Market relations have become the most attractive form of social and individual interaction (Hilfiker, 1998:2). In fact, commercialisation and accumulation have come to pervade all areas of life as never before. Relationships between people have progressively become business-oriented (Uriate, 1999). According to Went (2000:42), "*For many people, solidarity has become an old-fashioned, discredited concept- and no wonder, when it is used for arguments such*

as: *“You should agree to cut your wages out of solidarity with the unemployed. Social links and networks through which people help each other, are disintegrating because of poverty, unemployment and the way people and causes are constantly played against each other”*. Hence, ubiquitous commercialisation simply signifies that money can be made by increasingly converting facets, such as patents on animals, plants and human genes, leisure time (television, shopping expeditions, amusement parks for day-trippers, casinos), culture (media commercialisation, corporate sponsorship of museums, exhibits and cultural events) sex (sex tourism, pornography, sex lines) and human organs into commodities (Went, 2000:43; Scholte, 2000:112). In fact, the present change in the function of the state, has played an important part in the recent commodification. As the state is financing and organising lesser and lesser social and public services, many aspects of social life, such as education, health-care and culture, are being commodified, while money plays a dominant role in the daily life of people.

j) Human stratification: Globalisation has encouraged and intensified the cultural pattern of human stratification between the core and periphery (Scholte, 2000:237). Currently, in the workplace, there are core, permanent workers who are well-educated and technologically inclined and the non-permanent, casual, outsource and temporary peripheries (Burgess and Connell, 2006:132). This trend has resulted in inequality in the workplace, while those core workers tend to express their ego over periphery workers. Indeed, such behaviour is capable of causing industrial acrimony and hatred and, instead of building a united work force, other dysfunctional aspects of industrial physiology

begins to surface (Kumar, 2000; Prasad, 2004). Apart from the workplace, human stratification is witnessed among people living in the cities. Globalisation, as triumphant capitalism, has triggered an economic system where the rich becomes richer and the poor becomes poorer. This increasing division between the rich and the poor within societies, has also resulted in increasing human stratification (Martin and Schumann, 1997:9). Presently, most rich people are now living behind high walls, for fear that one day the poor majorities could descend on them (ibid). Therefore, the concept of core and periphery also applies to human beings, living on the streets. In fact, globalisation has a stratifying impact between men and women, since globalisation tends to favour men more than women (Scholte, 2000:250). In addition, this concept of the core and periphery, also applies to countries, regions, cities and towns within the global village (Scholte, 2000:242). For example, there are global centres like New York, London, Frankfurt, Paris and Tokyo, which represents the core cities of the global network and peripheries such as New Delhi, Johannesburg, Lagos, Kuala Lumpur and Taipei. Hence, this stratification between the core and the periphery, exacerbates globalisation's unevenness.

- k) Depleting social responsibility of business towards labour:** Business has a social responsibility to play towards labour. In the words of Kumar (1993:12), *"It is the employee who supplies the breath of life, the brain and brawn to the business. As such, it is the pious duty of the business to keep them satisfied and content"*. Therefore, the function of business and management is to manage workers and work (Drunker, 1991, cited in Kumar, 1993:12). The growth and

development of business is mainly dependent upon the attitude and work potentiality of employees. Therefore it is the duty of management to sincerely consider related issues, such as fair wages, satisfactory working conditions, security of employment, prospects of promotion, incentives for work and opportunities for career development (Tripathi, 1999:279). In addition, an employee spends a sufficient time of his active life in the environment created by management. Therefore the management should try to build their character, high morals, and set high standards for them (Sharma, 2000:218). However, the social responsibility of business to workers seems to be depleting daily in the era of globalisation. For example, the EPZs have witnessed some deplorable states of working conditions, which are characterised by labour warehouses where great numbers of workers are packed under suffocating working conditions (Klein, 2001:225). Moreover, the wages in these zones do not amount to much. There are even some workers who receive wages that cannot meet the poverty subsistence line (Bloch, 1998:20). The EPZs are not the only culprits of these types of negative working conditions. Even in South Africa domestic workers have been found complaining of the worst kinds of working environments, characterised by abuses, sexual harassments and worker killings. (Geldenhuis, 2006:7). In the US and Europe, workers have seen a continuous depletion of their wages overnight, and job security has become a thing of the past around the world, owing to the global logic of profit making (Martin and Schumann, 1997:48). In the developing countries, workers have been found engaging in some dangerous work without a facial shield or adequate protection (Scholte, 2000; Klein,

2001). Children and female workers have been exposed to toxins in one form or the other. In this sense, globalisation has resulted in a depletion of business' social responsibility towards labour.

Table 4.2: Indicators of ecological disorders.

	Agro	Coastal	Forest	Fresh Water	Grassland
Food/Fibre production	Decreasing (Good)	Decreasing (Fair)	Increasing (Good)	Mixed (Good)	Decreasing (Fair)
Water Quality	Decreasing (Poor)	Mixed (Fair)	Decreasing (Fair)	Decreasing (Poor)	(Not assessed)
Water Quantity	Decreasing (Fair)	(Not assessed)	Decreasing (Fair)	Decreasing (Fair)	(Not assessed)
Biodiversity	Decreasing (Poor)	Decreasing (Fair)	Decreasing (Poor)	Decreasing (Bad)	Decreasing (Fair)
Carbon Storage	Mixed (Fair)	(Not assessed)	Decreasing (Fair)	(Not assessed)	Decreasing (Good)
Recreation	(Not assessed)	Unknown (Good)	(Not assessed)	(Not assessed)	Decreasing (Good)
Shoreline Protection	(Not assessed)	Decreasing (Poor)	(Not assessed)	(Not assessed)	(Not assessed)
Wood Fuel Production	(Not assessed)	(Not assessed)	Unknown (Fair)	(Not assessed)	(Not assessed)

Note: decreasing/mixed/ increasing refers to condition of ecosystem; text in bracket refers to the estimated capacity of the ecosystem for sustainability.

Source: data compiled from the *Ecosystem Scorecard' World Resources 2000-01* (cited in Sklair, 2002:54).

Therefore, within the context of the consequences of globalisation, it could be concluded that although globalisation may be economically benign, it is, however, socially malign. That said, at this juncture, it is imperative to consider the divergent views concerning globalisation.

4.7 Divergent views about globalisation

Globalisation has impacted on people, societies and nations around the world in varied ways. Whereas some groups have benefited from

a more globalised world, others have reaped the worst from the global economy (Streeten, 2001:31). In other areas, some people believe that globalisation will bring immense benefits to the world, while others believe that irrespective of the level of progress that accrues in the world, many would continue to be losers within the global village (McGiffen, 2002:37). These contending views by different groups of people have brought about globalists and anti-globalists. Whereas the globalists are supporters or drivers of globalisation, the anti-globalists represent the opponents or opposers of globalisation (Kirkbride, 2001:31). Hence, under this section, it would be worthwhile to consider these divergent views.

4.7.1 Supporters and drivers of globalisation

The main drivers and supporters of globalisation are transnational corporations (TNCs), governments of the industrialised capitalist countries, international financial and trade institutions, such as the WTO, IMF, WB, G7, Swiss Bank and the Paris club, capitalist pundits and lobbyists, Third World leaders and elites, who are made to believe that there is no alternative, and transnational capitalist classes in capitalist nations (Bhagwati, 2004:440; Kirkbride, 2001:32). This particular group regularly meets and discusses under the aegis of the World Economic Forum (WEF), which is also known as 'Davos', after the small Swiss town, where it has always gathered to discuss global, economic issues of mutual interest (McGiffen, 2002:67). They have argued that globalisation is good for the world and to vindicate their stance, they have made some powerful comments, which are worth pondering.

According to the World Bank Development Report (1995), *"increasing globalisation helps to expand opportunities for nations and, on average, helps workers in rich and poor countries alike"*.

Indeed, it is true that globalisation helps to expand opportunity for nations, however, it is equally true that not all nations have benefited equally from these opportunities (Salvatore, 2004:546-7; Luiz, 2006:626). Of course, nations like India and China, have reaped opportunities from globalisation (ILO, 2004:16). However, for the most part of Sub Sahara Africa, these global opportunities remain a wish (Streeten, 2001:28). Moreover, both the workers in the North and South, have complained bitterly about massive retrenchments and unemployment, which have taken place on both sides of the world owing to the current global logic (Slabbert, 1996:43; Burbach, 2001:56).

While supporting globalisation, the Director of the IMF, Michael Camdessus, (cited in Adams, *et al.*, 2005:3) commented: *“globalisation is a positive development for the world economy... to begin with, globalisation is the continuation of the trend of growing openness and integration among economies that has brought the world a half century of unparalleled prosperity”*. It is indeed, true that globalisation has brought prosperity to some parts of the world. However, to claim that it has brought the world a half century of unparalleled prosperity, may amount to exaggeration, as more and more people from both the North and South have been excluded from the global prosperity (Haines, 2001:867; Scholte, 2000:238). Moreover, it is difficult to locate the parameters on which Michael Camdessus has based his arguments. Nonetheless, the fact that two of the most populous countries, namely China and India, have prospered in the era of globalisation, cannot be disputed (Legrain, 2002:15).

In his comment of support for globalisation, the Director General of the WTO, Renato Ruggiero (cited in Adams, *et al.*, 2005:3) has

stated: *“Anyone who believes that globalisation can be stopped has to tell us how he would envisage stopping economic and technological progress; this is tantamount to trying to stop the rotation of the earth”*. Globalisation cannot be stopped for now because it is currently the dominant ideological set-up (Turner, 2001:15; Sklair, 2002:299). However, like any other ideological framework, globalisation could be stopped if it begins to produce a diminishing return even to those who drive it. For example, at one stage, socialism was envisaged to become the dominant global ideological order (King, 1996; Sklair, 2002). However, when it began to produce a diminishing return, it became disfavoured and discarded by many countries (Giddens, 1994:52; Sassoon, 1996:647). A similar scenario could occur in the case of globalisation if it begins to produce total, global diminishing returns (Sklair, 2002:300). For example, many countries, including France, are not happy about the dominant position of the USA in the era of globalisation. This is capable of making globalisation unpopular in the long-run (Bhagwati, 2004:462). Additionally, to compare the cessation of globalisation with the rotation of the earth, is indeed ludicrous. Whereas globalisation is man-made, the rotation of the earth is an abstract event. Therefore comparing both events may amount to a comparison between man and God. These are two separate entities that cannot be compared.

Therefore, Camdassus has made an overdrawn statement. In addition, there has been technological progress and prosperity in the bi-polar world. The Chinese were the first to develop their steel industry (Dhar, 1999:429; Legrain, 2002:84) and the Russians were the first to send a man into space (Dhar, 1999:429). Even the Agni II of India was a fully, domestically prepared nuclear weapon (Kalam and Rajan, 2002:199). These events are good signs that

economies and technologies would have also strived in the absence of globalisation. In fact, a time may arrive when technological progress will be stagnated owing to less competition between the USA and other nations. In line with this argument, McGiffen (2002:22) has contended that the apparent triumph of a single orthodoxy does not appear to have accelerated the growth of global prosperity.

Still on the positive side of globalisation, Gomory and Baumol (2004:426) have remarked: “... *globalisation can enhance growth and innovation in every region they touch and can extend their benefits, in the long run, to countries that previously were left behind*”. Indeed, globalisation can enhance growth and innovation in different regions. However, this can only be possible if the dominant, rich countries would allow the growth and innovation to trickle down to the less-developed countries (Jubilee, 2000:3). However, capitalism is all about greed, self interest and competition (Klein, 2003:389; Heibroner, 2003:3). As such, no nation and region would want to lose out in the competitive race (Scholte, 2000:245). It should also be kept in mind that competition is based on a zero-sum game theory, namely that the gain of one region, amounts to the loss of other regions (Seth, 1994:425). This is the reason why the Doha round of the WTO talks had failed (Shah, 2006:1). Indeed, globalisation has not brought much innovation to Sub Saharan Africa and many other Third World nations. In fact, it seems that there is a growing conspiracy to keep the Third World nations as perpetual consumers of western products and dumping practices (Oxfam, 2002:1; Pasricha, 2005:164).

In his support for globalisation, Legrain (2002:24) has stated: “*I believe that globalisation is generally a good thing. Yes, the world*

is changing fast. Yes, it can be scary. Yes, people will lose out at first. But we should opt to live in a more globalised world because it offers greater opportunity for everyone, rich and poor, to make the most of their potential. Globalisation offers a richer life- in the broadest sense- for people in the richer countries and only realistic route out of poverty for the world's poor". Globalisation is good and the world is changing fast. There is no doubt about these facts. However, globalisation is not only scary, but also disastrous for a majority of the people, particularly those workers that have lost their jobs in the face of global job shock, as well as those who have lost out in the share of global prosperity (Choudry, 2003:20). The question here is how can people make use of their potential, as argued by Legrain, when there are no more jobs for them? As a matter of fact, globalisation has made the rich richer and the poor poorer, both between and within nations (Amin, 2004:1; Haines, 2001:684). The notion that it would, after some time, turn the poor man's plight around, still continues to be far from sight (Haines, 2001:865). However, globalisation can be made good if the rich ones can understand the plight of the poor and contribute towards their welfare (Jubilee, 2000:3; Sachs, 2005:288). Undeniably, globalisation is man-made and, as such, it is man alone who could tailor it to work for humanity as a whole.

At Aspen Institute's Conference in August 2000, Mr Wolfensohn, President of the World Bank, in defence of globalisation, told the audience that *"globalisation is a practical methodology for empowering the poor to improve their lives"* (World Bank Report 2000). This is merely a wish and not a definition. It is also untrue in the face of the real consequences of global economic integration (Pasricha, 2005:232).

The most swaying analyses to buttress the globalists view, are the researches conducted by David Dollar and Aart Kraay, both at the World Bank. The first, *'Growth is good for the poor'* (World Bank, 2000), utilised data from eight countries over four decades, to show that openness to international trade assists the poor by boosting economic growth. They observed that this is not a trickle down effect whereby the rich becomes richer, while benefits eventually trickle down to the poor, but that both the rich and poor improve their standards of living simultaneously. In their view, improvements in the rule of law help because reducing inflation is particularly pro-poor. In addition, they find that the incomes of the poor tend to rise in line with average incomes because when GDP, per person, rises by 1 percent, the income of the poorest fifth of the population tends to rise by 1 per cent too. They asserted that what is true in boom is also true in burst, and that contrary to what many people think, poor people's income do not suffer disproportionately in economic crises. However, they maintained that a 10 per cent decrease in income when you are poor, is likely to hurt more than a 10 per cent decrease in income when you are rich, and argued that it is not true as some people claim, that growth has previously benefited the poor but no longer does. In fact, the incomes of the poor increased in line with the average incomes in the 1980s and 1990s, as well as the 1960s and 1970s. In summary, the research of Dollar and Kraay show that globalisation boosts economic growth and that the rising tide equally lifts all boats.

Their second study, *'Trade, Growth and Poverty'*, (World Bank, 2001), is even more reinforcing. In this study, Dollar and Kraay found that whereas in the developing countries that are globalising, GDP per person increased by 5 per cent a year in the 1990s, it rose by only 1.4 per cent a year in the non-globalising ones.

Furthermore, they stated that the living standards doubled every fourteen years in globalising countries, but would take fifty years to do so in the non-globalising ones. They also maintained that growth, in income per person, has sped up in globalising countries from 2.9 percent a year in 1970 and 3.5 per cent in the 1980s, but slowed in non-globalising ones, from 3.3 per cent a year in the 1970s and only recovered slightly from the 0.8 per cent-a-year rise in the 1980s. Finally, they concluded that globalising countries are catching up with rich countries, where GDP per person rose by 2.2 per cent a year in the 1990s, while the non-globalising countries are falling further behind.

Both studies and its findings are convincing as they were able to show that a rising tide lifts all boats in the globalisation era, and that the globalising countries prospered more than the non-globalisers. However, it is unconvincing to use the statistics of just 8 nations to generalise events taking place in the rest of the world. No one seems to provide an acceptable explanation as to why Sub Saharan Africa is still left behind after years of embracing globalisation (Luiz, 2006:1; Tsikata, 2001:12). Mexico and some South American nations like Argentina and Brazil, were first to embrace globalisation before China. However, China has prospered more than the rest (Ghai, 1992:7).

In Africa, Uganda was one of the first countries to embrace globalisation. However, today, most of its citizens are migrating to other nations in Europe and South Africa as economic refugees, but pretending to be running from the John Koni war, which is taking place in the smallest, remotest part of northern Uganda (Stiglitz, 2002:76; BBC News, 6 February, 2004). The truth is that more and more graduates are unemployed in Uganda and the increasing

incidents of rural and urban poverty is alarming; a reflection that globalisation is different when it comes to Africa (Stein, 1999:3; Tsikata, 2001:10). Moreover, the mere fact that these studies by Dollar and Kraay were conducted under the auspices of a globalising institution, namely the World Bank, may create some doubt in the minds of the opponents of globalisation whether these studies were free of all biases (Summer, 2003:4).

Other positive comments attributable to globalisation are stated below: According to a commentator in Uganda: *“globalisation could lead to greater democracy, education and employment”*. A commentator in China remarked: *Globalisation has spurred economic growth and industrial productivity, and has helped China come to grips with the country’s major challenges: employment”*. In Chile, a commentator observed that globalisation was *“associated with the spread of democracy in the region and with growing public awareness of issues such as gender inequality, human rights, and sustainable development. The smaller global world of today was making the cross-fertilization and circulation of ideas much easier”*. Although there are opposing views in the Arab world, however there are some who argued that *“economic modernisation through globalisation was the path to greater strength and the ending of dependence on foreign powers”*. (All cited in ILO, 2004) In her view, the former Prime Minister of Britain, Margaret Thatcher, rounded up the topic by stating that *“There is no alternative to the free market”* (Choudry, 2003:3), and the list goes on. It would now be appropriate to consider the views of the opposers of globalisation.

4.7.2 Opponents or opposers of globalisation

The main opponents of globalisation comprise of most labour unions around the world such as the Congress of South African Trade Unions (COSATU), most leftist political parties around the world such as the Brazilian Workers Party, Non Governmental Organisations (NGOs) voicing for a change from the current global logic, the Association for a Tobin Tax in Aid of Citizens (ATTAC), Indy-media, anti globalisation groups and lobbyists, academics clamouring for a change, think-tanks who believe that another world is possible, religious organisations and leaders who are clamouring for a globalisation with a human face, feminist and environmental activists, individuals who have been shattered by the current global logic (McGiffen, 2002:68-71; Kirkbride, 2001:32), to name a few. Currently, these globalisation opponents have set-up a new forum known as the World Social Forum (WSF), to counteract the activities of the globalisers at WEF (McGiffen, 2002:66). To drive home their points, they have left some powerful comments, which are also worth appraising.

According to COSATU (1997), *“In the name of globalisation and international competitiveness, there is a new ideological attack on workers rights, Trade Unions, and labour standards. Increasing investments are shifted to countries where no unions are allowed”*. Of course, the fact that globalisation has affected workers’ rights in many countries, cannot be disputed (Choudry, 2003:20; Bloch, 1998: 20). One of the fundamental rights of humans, is the right to work (Uriate, 1999:3). However, the globalisation logics of retrenchment, downsizing/rightsizing, mergers and amalgamation, have, to a certain extent, taken away this fundamental right when large segments of the workforce are chased out of work in order to be more efficient in the face of global competition (Scholte, 2000:221).

In addition, the capitalist logic of private property, self interest and individualism, have brought about a need to discourage unionism when public firms are privatised (Stiglitz, 2001:56). Presently, the fact that TNCs have become the most powerful global economic players, cannot be over-emphasised (Bourdieu, 2002:31). It is equally true that most of the TNCs are not union-friendly (Martin and Schumann, 1997:145).

Hence, through their powerful influence, most corporations have pressed upon some governments to discourage unions' activities (McGiffen, 2002:19). In some countries today, to be a member of a union is a natural acceptance to forfeit your job (Martin and Schumann, 1997:146). The global economy is a profit economy. In the name of profit, there is a growing downward spiral in the maintenance of labour standards around the world, particularly in the EPZ regions (Martin and Schumann, 1997; Klein, 2001). Moreover, the migratory character of most TNCs, enable them to hub from one nation to the other, searching for countries where unions are barred, and other favourable conditions that enhances their profit maximisation objective (Matthews, 1998:385; Went, 2000:28). Therefore, the concerns expressed by COSATU cannot be denied.

In her book, 'The Silent Takeover, Hertz (2001) noted: *"Rather than the rising tide of the market lifting all boats, structural adjustment and liberalisation policies with no concomitant obligation on redistribution, appears to have sunk some social groups, especially the poor and the vulnerable"*. Indeed, the rising tide has lifted some boats in some parts of the world such as China, India, Vietnam, South Korea and Singapore, to name a few, while the process is ongoing (Scholte, 2000; ILO, 2004). However, for

some countries in Sub Saharan Africa and South America, the law of the *'rising tide'* continues to be a mirage (Stein, 1999:3; Luiz, 2006:629). Instead of the rising tide lifting all boats in these countries, the structural adjustment program and liberalisation policies with no simultaneous obligation on redistribution, appears to have sunk most social groups, especially the poor and the weak (Haines, 2001:865). Additionally, even within those countries, which have been lifted by the current economic logic, widening inequality still abounds between regions, social groups and individuals (McGiffen, 2002:39). For example, although China has benefited from globalisation, these benefits have not been felt by those living in rural areas (Tisdell, 2001:584).

While expressing his resentment towards globalisation, the commander of the Zapatistas National Liberation Front of Mexico, Subcommandante Marcos (1996), opined: *"In the name of globalisation, a new world order has begun, but now it is against humanity, as in all world wars, what is at stake, is a new division. This new division of world class consists of increasing the power of the powerful and the misery of the miserable"*. To an extent there is some proper reasoning in this comment. Globalisation, as an economic logic based on capitalism, continues to increase the wealth of the rich man at the expense of the poor man (Haines, 2001:864; Amin, 2004:1). As more and more people are rendered redundant owing to the current global division of labour, the rate of poverty and misery of the working man has intensified at the same time when capitalists are accumulating wealth and power (Clarke, 1999:158). This amounts to econocide, namely economic crimes against humanity, which is equivalent to genocide, which is war crimes against humanity (Slabbert, 2005:737).

Although an ardent opposer of communism, Pope John Paul II could not hide his displeasure with the current capitalist global logic, when he stated: *“More and more, in many countries of America, a system known as ‘neoliberalism’ prevails; based on the purely economic conception of man, this system considers profit and the law of the market as its only parameters, to the detriment of the dignity of and the respect due to individuals and peoples”* (Cited in Antony 2001:9). The Pope was right. Neoliberalism is purely based on the economic conception of man (Kumar, 2000:51). The global economy recognises man as a commodity to be bought and sold in the global labour market and discarded when their economic value begins to yield a diminishing return (Bloch, 1998:14). Hence, under the prevailing system, man is recognised as one of the 4Ms (material, money, machine and man) in the factors of production. The simple reasoning that man has emotions, feelings, mind, belief, culture and other characteristics, and as such should be treated quite differently from other factors of production, is most often sacrificed in the name of profit (Sharma, 2000:18). No wonder that most global corporations have descended on the working man as a way of bringing down their costs, instead of resorting to other cost reduction measures, such as material control, reduction of wastages, waste control, purchase bargaining and economies of scale (Jain and Narang, 2004:4), which are all the products of efficient management. However, when these points are not considered, except the destruction of work, it is obvious that the dignity of the human person is detrimentally affected. In short, the profit motive market ideology, through the globalised economic system, is a real threat to the very dignity of the human person (Antony, 2004:14).

In her book, ‘No Logo’, which is very popular among anti-globalists, Klein (2001) regretfully observed: *“In North America,*

the back end of an eighteen-wheeler heading for Mexico, workers weeping at the factory gate, the boarded-up window of a hollow-out factory town and people sleeping in doorways and on sidewalks, have been among the most powerful economic images of our time: metaphors, seared into the collective consciousness, for an economy that consistently and unapologetically puts profits before people". In fact, Klein was not wrong in the above comment. Most corporations today consistently and unapologetically places profit before people (Kowalski, 2000:11). In today's global world, corporations are now mobile and are more eager to move to any part of the world where wages are low and labour conditions are favourable, in order to earn a higher profit (Manicas, 2000:7). For this particular reason, most corporations in America have adopted the tactics of forcing workers to accept low wages, poor working conditions and less union activities, otherwise face unemployment when corporations relocate to other parts of the world, where they can take advantage of cheap labour and a favourable business climate (Bloch, 1998:20). Hence, the global and mobile economy has empowered corporations at the expense of the working class.

The president of the union of Needletrade, Industrial and Textile Workers, Jay Mazur (2001:1), has opposed the current global economy by stating that: *"Millions of workers are losing out in a global economy that disrupt traditional economies and weakens the ability of government to assist them. They are left to fend for themselves within failed states against destitution, famine and plagues. They are forced to migrate, to offer their labour at wages below subsistence, sacrifice their children, and cash in on their natural environments and often their personal health- all in a desperate struggle to survive"*. This assertion should not be taken for granted because it contains some elements of truth. Millions of

workers are losing out in the global economy (Martin and Schumann, 1997:102). In America, for example, many workers lose out when their jobs are outsourced to other countries where production and service costs are cheap. Moreover, the global economy is a technological one (Went, 2000:52; Streeten, 2001:71), and unlike the public sector, which is labour intensive, the corporations rely mostly on technology. Technology has been found to be another source of job destruction and, indeed, unemployment (The Jobs Letter, 2003:2). For example, a single computer can perform jobs that were previously assigned to 20 persons, more efficiently. In the face of the job shocks triggered by the global economic logic, most governments seem to be handicapped to save the situation (Scholte, 2000:136). Today, government officials and state leaders are bold enough to assert that the government does not create jobs (Martin and Schumann, 1997:5-6). These nonchalant attitudes of governments have pushed most people into destitution, hunger and unable to treat themselves in the face of chronic diseases (Chronic Poverty Report, 2005:10). Some workers in poor nations who are courageous enough, have taken all forms of risk to cross into affluent nations to offer themselves as low wagers in order to survive (Kirkbride, 2001:81).

In his book 'The captive state', George Monbiot (2000), lamented: *"Globalisation...has enabled companies to hold a gun to government's head: if it refuses to meet their demands, they threaten to disinvest, move their plant to Thailand, and damage its credibility by making thousands of workers redundant"*. Monbiot got it wrong to assert that globalisation has enabled corporations to hold a gun to governments' head. This statement is actually over-hyped. Corporations are not war-like soldiers with guns. Their managers are ordinary civilians and pose no threat to the

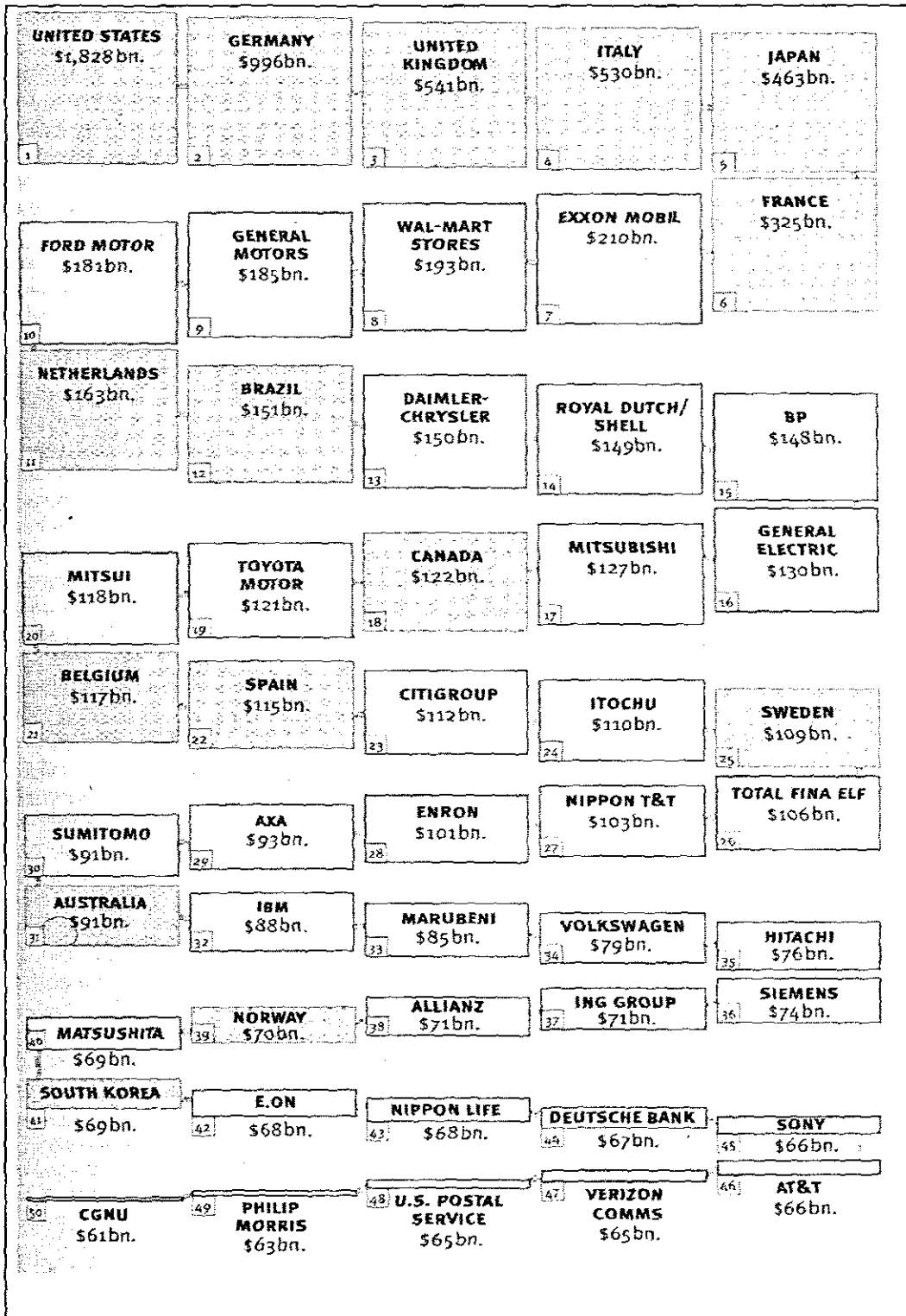
government. Legrain (2002:133) had dubbed corporations as giants with clay feet. One company boss stated that if people think corporations are powerful, they have not been in a corporation. Corporations are by no means powerful. They are confined and restricted in what they do. Consumer choice does not allow them to have unfettered power (cited in Legrain, 2002:134). Therefore, if a strong government wants to refuse their demands, it can do so without huddles. However, there are some weak states and economies that cannot resist the dictates of some of these big corporations, knowing full well that the departure of these corporations may adversely affect their economic revival. Therefore, most of these governments prefer to be dancing to the tunes of these big corporations, even at times to the detriment of their workers in order not to lose a developmental partner (Bourdieu, 2002:31). The Philippines, Thailand and Indonesia are good case studies (Martin and Schumann, 1997:146). Therefore, corporations do not force governments at gunpoint. Indeed, they have some ways of extracting concessions from government but not through force. Some corporations are richer than some states as reflected from the chart in *Figure 4* below. For example, the revenue of corporations such as Exxon mobile, General Motors, Wal-Mart and Fort Motors, are comparable to some bigger states such as France, Canada, Brazil and Netherlands. However, such wealth may not be enough to buy-over some small state governments. For example, the credibility of Venezuela's government still remains intact within Venezuela and some other countries in spite of their strong measures against some major oil TNCs (Ellsworth, 2005:8).

In his book, *'Has Globalisation Gone Too Far?'*, Rodrik (1997) pinpointed that *"globalisation has made it exceedingly difficult for*

governments to provide social insurance... international integration is taking place against the background of receding governments and diminished social obligations". Globalisation cannot be blamed for everything. The decision of the government not to provide social insurance is a matter of choice. South Africa still provides some kind of social welfare to its underprivileged citizens in the era of globalisation. Sweden and Switzerland are still doing the same in some other areas (Scholte, 2000:144). Although it can also not be argued that some governments have receded from their role as social service providers owing to the huge tax exemptions, which they render to most TNCs and the ongoing privatisation, in order to remain globally competitive for investment (Shah, 2005:8).

According to Pasricha (2005:231), *"Globalisation is not a phenomenon, much less the destiny of humanity, as some would like to present the concept. It is also not a moral or social goal to strive for."* Pasricha cannot be correct in her assertion. She seems to be too anti-globalist as if globalisation is the cause of all problems. Globalisation may not be the problem, but those who operate it, should be blamed. Like it or not, globalisation has become the destiny of man, and cannot be reversed (Drucker, 1986:768). What is important is to strive for a more inclusive globalisation (ILO, 2004; Amin, 2004:5). Agreed, globalisation, to a certain extent, is both morally and socially maligned (Bell, 2001:144).

Figure 4.4: World biggest economic entities by revenues



Source: Fortune Global 500 (23 July 2001).

However, since globalisation is man-made, there is an urgent need for more consensus agreements towards creating a more benign global system (ILO, 2004:10). Globalisation is the current dominant economic order that no one should shy away from but should face it with bravery. The main thing is for humanity, at large, to rationalise ways of making it a more decent one.

Other opposing comments in terms globalisation, may be listed as follows: According to one commentator from Egypt: *“we were sleeping on the shore when a big wave came”*. A commentator in Costa Rica stated: *“There is a growing feeling that we live in a world highly vulnerable to changes we cannot control; a growing sense of fragility among ordinary people, countries and entire regions”*. In the Philippines, a commentator lamented: *“There is no point to a globalisation that reduces the price of a child’s shoes, but costs the father his job”*. In the words of some commentators in Senegal, globalisation is *“the re-colonization of our countries. It was unwanted, foreign and forced on Africa. It is an unequal combat, which would lead to certain death. Africa needs to develop a culture of resistance to globalisation in order to avoid being reduced to the status of a beggar economy”*. (All cited in ILO, 2004). Finally, former President of France, Jacques Chirac, has expressed concern that *“globalisation is not making life better for those most in need of its promised benefits”* (Stiglitz, 2002:4), and the list goes on. Based on these divergent views, what could be said about globalisation? Is it a good or bad phenomenon? This question leads to a third sub-section entitled, *‘globalisation: good or bad’*.

4.7.3 Globalisation: Good or bad

Giddens (1999:17) noted: *'Is globalisation a force promoting the general good? The question can't be answered in a simple way, given the complexity of the phenomenon'*. Indeed, Giddens was correct. It would be difficult to obtain a unanimous answer to the above question given the complexity and complication of the subject (Scholte, 2000:1). This type of question is responsible for the sharp divergent views expressed in the preceding sub-sections (4.7.1 and 4.7.2). While the proponents of globalisation would generally stand on the good side of the proposition, the opponents of globalisation would unequivocally stand on the bad side (Kirkbride, 2001:37). Moreover, globalisation has affected countries and people differently. For example, while a country like China and India may stand on the good side of globalisation, owing to their economic performance, many nations in Sub-Saharan Africa and South America, may line up on the bad side of globalisation (Salvatore, 2004:550; Streeten, 2001:27-8). On the effect of globalisation on people, while many poor people who have been cut from the global prosperity, would argue that globalisation is bad, investors and other professionals who have been included and have benefitted from the global economy, would definitely proclaim that globalisation is good (Sumner, 2003:5). Moreover, while most TNCs would naturally assert that globalisation is good, most workers may state the opposite (Choudry, 2003:17).

From the author's perspective, as mentioned earlier in sub-section 4.6.1.1, globalisation is God-ordained and, therefore, not a bad thing, if it is used in the best interest of humanity (Pope John Paul II, cited in Antony, 2001:12). As such, globalisation would be a good thing when more and more people are included in the share of the global prosperity (Bataoel, 2003:23). Globalisation would be

regarded as a good phenomenon if global economy players do not put profit ahead of man (the image and likeness of God) (Hilfiker, 1998:2) and, if inequality, unemployment and hunger are reduced to the lowest ebb in societies around the world (Haines, 2001:876). Additionally, globalisation would be perceived as a good thing if affluent nations begin to cater for the less privileged nations in terms of debt cancellation (Jubilee, 2000:3; Went, 2000:123; Sklair, 2002:298), developmental aids (Shah, 2005:10), and put an end to their hypocrisy (Stiglitz, 2002:60). Globalisation would be more welcomed if people from different regions could see themselves as brothers' keepers and begin to realise that the human family originated from one source (Antony, 2003:10). Globalisation would be considered good if America could lead the way to nuclear disarmament (McGiffen, 2002:84) for example.

Globalisation would be bad when only a few corporations and individuals siphon the global wealth to the detriment of the global populace (Haines, 2001:1; Amin, 2004:1). It would amount to a sour globalisation when more and more people are rendered jobless, homeless and foodless. The consequences of job destructions and joblessness are heavy on societies. Homelessness, in the midst of affluence, amounts to man's inhumanity toward man. Foodlessness, in a world of plenty, is actually a sin and a crime against humanity (Haines, 2001:869). Globalisation would be bad if the dignity of humans are jeopardised and trampled upon in the name of profit and competition (Pope John Paul II, cited in Antony, 2001:11). It would amount to a selfish globalisation when only a few global players control global affairs and activities (Leatt, *et al.*, 1986:13; Went, 2000:21). Moreover, environmental pollution and degradation, associated with globalisation, is, indeed, bad (Scholte, 2000:84; Went, 2000:39; Choudry, 2003:21). Globalisation could actually be

bad and nonsensical if the whole world is at the mercy of only the USA as a dictator of global policies (McGiffen, 2002:85; Bhagwati, 2004:462), for example. Therefore, to answer the question whether globalisation is good or bad, it could be concluded that, to some extent, globalisation is good, however, in other cases, it is bad. Therefore, globalisation, as a phenomenon, is good, as well as bad. It depends on how it has affected different people in different ways, and what a particular individual feels about it at any given time because *'those who feel it, knows it best'*.

It is now time to ask the main, contentious question of this particular chapter, and the thesis, in general: Is globalisation good for human resources? Some group of people seem to believe so (Legrain, 2002:46; Intriligator, 2003:21). However, other group disagree with the above views and believe that globalisation has some negative consequences for human resources (Martin and Schumann, 1997:102; Bloch, 1998:19). How true is this latter assertion? This discussion is found below in the next section, which takes a closer look at the relationship between globalisation and human resources.

4.8 Globalisation and human resources

Globalisation has opened the door to many benefits. It has encouraged openness and promoted a freer exchange of knowledge, ideas, goods and services. Innovations, creativity and investments have blossomed across the globe (Scholte, 2000:19). In the East Asia region, growth lifted over 200 million people out of poverty in a single decade (ILO, 2004:3). Good communication and information systems have boosted awareness of rights and identities, and have facilitated social movements' mobilisation to improve the global condition of things (McGiffen, 2002:72). Consequently, a truly

global consciousness is coming into reality, sensitive to the inequality of poverty, child labour, gender discrimination, and environmental degradation wherever these may occur (ILO, 2004:3). Therefore, it is reasonably logical that global human resources would not be left out in the new progresses that are triggered by the current high-tech global revolution. Indeed, the new high-technology revolution could mean fewer work hours and greater benefits for millions of workers (Rifkin, 1995:70).

Economists and business leaders have reached a conclusion that the dramatic technological advances would yield a trickle-down effect, bringing down the cost of products, stimulating an increase in consumer demands, creating new markets and putting more people to work in better-paying, new high-tech jobs and industries (Shah and Mehta, 1998:231). The Labour Force Survey (LFS) statistics have indicated that South Africa created about 658,000 jobs in the year 2005 (Business Times, 29 January, 2006). Hence, increasing globalisation would help to expand opportunities for nations and, on balance, assist workers in rich and poor countries (World Bank Development Report, 1995). The head of the US National Economic Council, Laura D'Andrea Tyson has pinpointed that the Information Age would bring a plethora of new technology and products that are yet known and, therefore, many new kinds of jobs would be created. She reflected that that when the automobile replaced the horse and buggy, some people lost their jobs in the buggy trade but many more found work on the assembly line, and believe that the same operating rules will govern the information era of globalisation (The Job Letter, 2003:3; Shah and Mehta, 1998:228). In this sense, Wolfensohn may not be wrong to assert that, "*globalisation is a practical methodology for empowering the poor to improve their lives*" (World Bank Report, 2000).

In a study of 73 countries, Chakrabarti (2000) observed that global international trade is capable of reducing inequality measured by the Gini-coefficient (cited in Yusuf, 2001:4). Thus, globalisation should actually be the least of the worries of workers (Legrain, 2002:25). In a similar frame-of-mind, Yusuf (2002:22) concluded that there appears to be a good case to embrace all the key elements of globalisation. In fact, these pro-globalisation views may not be far from the truth. Of course, information technology has bolstered and cheapened the way work is organised and has increased the efficiency of workers who are in the process of executing their duties (Streeten, 2001:72-3). Competition among workers will, in fact, help management to identify the weak links in an organisation and help to locate those dead woods in the organisational payroll whose efforts amount to nothing, in order to know where inefficiency is creeping into the organisation (Leatt, et al, 1986:13). Moreover, accelerated international trade, in the era of globalisation, has helped to create more jobs in the service sectors, such as, advertising, sales promotion, secretaries, stock brokering, job men, agents and cyber experts (Legrain, 2002:44). In addition, globalisation has enabled TNCs to expand to other part of the globe which has brought millions of jobs to most of the region that used to be the worst nightmare for unemployment (Sklair, 2002:91).

Hence, new investments, in new areas, would booster job creation and increase the aggregate income of workers and, as consumers, workers can spend more on the goods they produce, thereby increasing the profit of producers and motivating further investment, which ultimately benefits general workers (Seth, 1994:571). Moreover, TNCs, as stated earlier, are technologically-inclined. This characteristic would enable workers to acquire new

skills in technical areas and help to improve the human resources development of a nation, as a major prerequisite for final economic development (Dhar, 2003:78). Presently, most workers have now become aware of their right through information spread across the globe via the internet. Labour unions from different parts of the globe can (if they like) communicate to themselves and move an international solidarity towards issues of mutual interest (McGiffen, 2002:71).

Moreover, workers are now equipped with more information to know better where their expertise is needed across the globe. This has accelerated the pace of the inflow and outflow of workers from one country to another (Kirkbride, 2001:85). Additionally, the world has witnessed an outsourcing boom, in which poor country workers can benefit, if acquainted with the expertise to perform the outsourced duty. For example, most of the western TNCs have outsourced most of their data processing to India (Martin and Schumann, 1997:100). This trend has boosted the national income of Anji-Land (India). Moreover, the new paradigm of retraining, retooling, and re-inventing workers in the global economy, will enable workers to occupy positions of higher challenges, which would increase their knowledge base in order to challenge difficult situations independently. In this sense, globalisation has a positive impact on human resources.

Nevertheless, a second thought of events taking place in the current global world of work, may necessitate some contrary, but plausible, opinions of grave concerns, which could erode the strength of the first contentions. These negative aspects of globalisation in respect of human resources are discussed accordingly below.

4.8.1 Growing downward spiral on wages and working conditions

Globalisation has brought a downward spiral in the wages and working conditions of workers owing to a high profitability drive and the new cut-throat global competition (Went, 2000:28; Martin and Schumann, 1997:160). The global economy is mainly based on profitability (Hooker, 2004:4), and profitability is a product of efficiency. However, efficiency and profitability have been achieved at the expense of poor workers whose wages have stagnated and most of their jobs, casualised (Bloch, 1998:19). Another global rationale to maximise profit, is through downsizing and cost-cutting. In most cases, financial markets openly celebrate news of such events in a flourish of rising stock prices (Martin and Schumann, 1997:121). Therefore, the notion of a *'job for life'* has become a metaphor for resistance to change, and inefficiency (Matthews, 1998:384). In the words of Lloyd and Thurow (1997:95), *"Downsizing is being justified on the grounds that it makes the organisation more efficient. But if you look at those organisations that have done it, three years later you find that they are not more efficient. But the CEOs' salaries have usually increased significantly"*. Frankly, most CEO's salary in the current global organisation, is bigger than the total combined remuneration of the entire workforce in some huge organisations and, the increments to their salaries after successful downsizing, could have been sufficient to pay for the wages of all the workers that were retrenched (Cohen, 1992:30).

Indeed, one of the most powerful propellers of the globalised economy has been the shift of production and jobs from high-wage to low-wage areas (Matthews, 1998:383). In other words, the primary concern of producers is to decrease costs in order to

achieve maximum profit. In the process, not only are jobs lost, but whole communities are shattered by the loss of their economic base (Antony, 2001:5). Moreover, the current trend has necessitated a global market for low wage workers, characterised by women and children who perform long hours of work without benefits (Went, 2000:38). The practices employed for profit motives are low wages, unhealthy working conditions, absence of social obligations, environmental pollution and the exploitation of the adolescent labour and, for the fact that wages are so low, profit becomes very high (Antony, 2001:5). In South Africa, for example, the share of workers' wages in the national income fell to 45% from around 57% in 1991 (Hartley, 2005:18). There are a number of companies in the USA where the workforce has found that their wages have been reduced across-the-board by 20-30 per cent. At the same time, the overall real wages of CEOs increased 30 per cent the previous year, while the real wages of the workers decreased. This could not have taken place 20-30 years ago, or else either socialists would have won elections, or unions would have prevented it from occurring, or both.

However, today the norm to be a traditional capitalist, is to be mean towards your workforce (Lloyd and Thurow, 1997:94). Currently, America seems to have a national policy to shrink wages, which is known as a 2% growth rate, and that means that one cannot have growth that is greater than 2% without inflation, which means that real wages will decrease or unemployment will increase (ibid). Moreover, during the 100 years before 1973, real average hourly earnings of American workers rose by nearly 2% a year. At that rate, real earnings were supposed to double every 36 years. In other words, the standard of living of each generation of workers, was double than that of the previous one. This long-standing rise in the

standard of living stopped suddenly in 1973 (Economic Policy Institute (EPI) 1999, cited in Singh and Zammitt, 2003:2). However, the average real wage decreased over the twenty years between 1979 and 1998, instead of increasing (Singh and Zammitt, 2003:2).

4.8.2 Job destruction and losses

Furthermore, globalisation is associated with job losses in formerly protected sectors and is also associated with the replacement of permanent workers, who have more of a privileged status than temporary and casual workers, who enjoy lesser benefits (Rama, 2001:35). Bloch (1993:19) predicted that *“Many jobs will deteriorate into downgrading and downsizing. Stable, fulltime jobs will mutate into part time, contract and temporary jobs, which will minimise costs and the responsibility of firms, and similarly minimise the economic and social welfare of the workers”*. In similar vein, Lloyd and Thurow (1997:95) observed: *“As more and more workers are placed in temporary part-time and contingent employment and experience a decline in wages, purchasing power diminishes. Even those workers with permanent jobs would find their wages and benefits falling”*. Globalisation has created a global labour market in which no job is safe. Morocco, for example, witnessed significant employment losses in specific groups of firms, which began to rely more on low-pay and temporary workers (Rama, 2001:14). The share of temporary employment in manufacturing increased by nearly 20% point between 1984 and 1990 (ibid). The loss of privileged jobs is especially dramatic in the context of public sector downsizing.

In addition, the need to increase competitiveness has often moved governments to privatise state-owned enterprises, abolish legal monopolies in utilities and retrench redundant workers (Rama,

2001:35). Retrenchments, backed by the doctrine of '*flexible or lean*' manufacturing, lower wages and longer working hours, erosion of basic worker rights and a reduction of collective bargaining power, has resulted in an increasing rate of job losses (Adams, *et al*, 2006:9) and, for the mere fact that job destruction is proceeding faster than job creation, integration into the global economy could result in extensive, permanent unemployment (Rama, 2001:35). In Mexico, trade reform reduced the rents available to be captured by firms and workers. As a result, an average tariff reduction of 20 percent, led to an implied wage reduction of more than 5% (Rama, 2001:14). In Uruguay, trade liberalisation was linked with lower wages in the period when trade unions were inactive, in spite of the significant decline in employment. In the period of active unions, the membership rate was powerfully correlated with tariff barriers and concentrated at an industry level. The correlation had suggested that workers in protected sectors enjoy better wages and better working conditions than most of their counterparts in other sectors that were exposed to foreign competition (*ibid*). Belser and Rama (2001, cited in Rama (2001:15), maintained that up to half of the workforce in the state-owned enterprises, should be considered redundant before any privatisation can take place in those sectors. In other words, globalisation stimulates productivity growth and increases wealth for a few individuals, and inevitably brings with it the globalisation of poverty, social exclusion and the lowest levels of social rights, unemployment, job destruction and losses.

4.8.3 A race to the bottom in labour standards

Additionally, globalisation has led to a labour market in which all workers, around the world, are in direct competition with each other. Therefore, it seems that an inexorable force has been placed on firms and countries to struggle directly with each other in order

to be more competitive (Ohmae, 1995, cited in Matthews, 1998:1). This trend has resulted in a *'race to the bottom'* as far as labour standards are concerned (Went, 2000:28). It does not benefit workers anywhere in the developing countries and even threatens the successes of workers in the advanced nations. At the maximum, only a small group of workers will secure some jobs for a short period of time until capital locates favourable conditions elsewhere (Adams *et al* 2006:9). In accordance with the above view, Bhagwati (2004:458) has remarked: *"The corporations would then be able to seek profit by searching for the most likely locations to exploit workers and nations, thereby putting intolerable pressure on their home states to abandon their gains in social legislation. This is what is known as a race to the bottom"*. Presently, most American workers have now come to terms with the fact that there is a truly competitive workforce around the globe, which is willing and able to do their jobs at a cheaper cost (Scholte, 2000:224).

Currently, almost all the advanced countries are increasingly outsourcing their work to emerging markets in order to keep costs down and to remain globally competitive, while workers in advanced countries have started to raise strong objections to the transfer of their skilled jobs abroad (Salvatore, 2004:545). Even the UN has joined in this *'race to the bottom'* and has contemplated outsourcing some of its work to other cheaper countries, outside the US, to minimise costs (BBC News, 8 March, 2006). In fact, in the near future, additional work will be shifted to emerging markets that are best equipped to do jobs most economically, and, if the governments in advanced nations tried to contain the movement of work abroad to protect local jobs, their firms would risk losing international competitiveness and may end up having to shift all their operations abroad (Salvatore, 2004:545).

Hence, public policies have mainly turned to the servants of market demands, with little or no regard for other values. The International Confederation of Free Trade Union (ICFTU) (1999) has opined: *“Competition from cheap labour, resulting from low labour standard, in the South, is unfair. Unless labour standards are observed in all nations, there will be a ‘race to the bottom’ with respect to the terms and conditions of work”*. Even service industries are not immune to the current global competition. For example, more than 3,500 workers on the Island of Jamaica are linked to the US by satellite dishes to make airline reservations, process tickets, answer calls to toll-free numbers and do data entries for US airlines at much lower costs than could be done in the United States (Salvatore, 2004:545). In addition, highly-skilled and professional people are not excluded from global competition. For example, when Texas Instruments set up an impressive software programming operation in Bangalore, a city of four million people in southern India, other American multinationals soon followed. Motorola, IBM, AT&T, and many other high-tech firms are now doing even greater deals of business research abroad. In 2004, IBM indicated that it would shift about 7,500 high-tech jobs abroad because of lower costs (ibid).

The UK possesses the largest number of TNCs aside from the USA. British companies have a history of developing production facilities abroad (Coates, 1994). Over the last decade, the top 25 British companies have destroyed 200,000 British manufacturing jobs and acquired, or created, a similar number of jobs overseas, although, Japanese newcomers to Britain created just 25,000 manufacturing jobs (Williams *et al.*, 1992, cited in Matthews, 1998:385). Expansion of the service sector has not been able to absorb the

unemployment that was created by declining manufacturers (The Job Letter, 2003:3). Much of it serves local markets and offers a type of employment, which is mismatched to the predominantly unskilled and male-unemployed who are displaced from industry. This competitive trend has resulted in job flight and redundancy in the advanced nations. For example, Europe has been afflicted by mass unemployment and, in a popular perception, this is attributed to outsourcing by multinationals and the unfair competition emerging from the developing countries (Feenstra and Hanson, 1996:1; Anderton and Brenton, 1998:2). It is true that these jobs from the advanced nations are beneficial to workers in the developing nations, however, most of these jobs do not arrive in the developing nations in the same way that it has left the advanced nations in terms of pay packages, job security and working conditions (Sklair, 2002:92). This amounts to a reduction in the aggregate value of remuneration and a responsibility towards the global workforce by global businesses. In this sense, a global race to the bottom in labour standards, is set in motion.

4.8.4 Effect of work flexibility and casualisation on labour

The tendency to exploit workers has made labour flexibility an alluring economic choice in the era of globalisation (Scholte, 2000:223). According to the current practice, workers are divided into a core group of multi-skilled, permanent employees and a peripheral workforce, which is employed on short-term contracts or through sub-contracting. These distinctions are made on the basis of how important workers' skills are in relation to long-term profitability (Adams, *et al*, 2006:10). While this arrangement may bring benefits to companies, it inflicts great misery on peripheral workers. One notable example of companies using this medium of

employment, is the sport shoe company, Nike, which employs only 9000 core workers but has more than 75,000 workers in the chain of sub-contractors, which supply its labour (Martin and Schumann, 1997:118; Adams, et al, 2006:10). Nike is not alone in the use of casual labour, since most retail outlets in South Africa, such as Pick' n Pay, Shoprite, Seven Eleven, Spur and many food outlets such as KFC, McDonalds, Nandos, Hungry Lions, Wimpy and other restaurant businesses, strongly depend on flexible labour (Davey, Skinner and Valodia, 2006:1).

Moreover, there are facts that government offices in South Africa are also not excluded from the practices of using temporary or casual workers. For example, a random enquiry from Amanda Khanuka, a worker at the Khayalitsha Municipal Council, revealed that at least 70 or more percent of the Council's workers are engaged in temporary appointment. This may not be the only case. A further enquiry at other government departments may reveal a greater tendency towards informal employment. Moreover, there are other cases where casual or temporary employment has been used in other countries around the world. For example, at the CBN in Nigeria and many government parastatals, the use of temporary workers has become a fashion (Nigeria Labour Congress (NLC), 2006). The negative aspect of these forms of employment is that the workers' rights are not always properly protected or guaranteed.

4.8.5 Effect of corporate mergers on workers

Global competition in the global village has, for one thing, resulted in a growing merger boom, which has destroyed many jobs. For example, the AT&T merger claimed 10,000 jobs, following its \$67 billion take-over of rival BellSouth. The US operator said the staff reduction would be made by 2009 in a move to reduce costs at the

combined group. The new cuts are in addition to 13,000 job losses over three years already announced by AT&T, following a previous US telecoms merger (AT&T merger to claim 10,000 jobs, 2006:3). In the USA, the high tech companies have set the inroad to merger and acquisition, which predictably, results in downsizing or, put in another way, the destruction of jobs. One notable example of this trend is the buy-out by America Online (AOL) in 1999 of Netscape, an internet browser company which is located in the Silicon Valley. Immediately after the buy-out, AOL based in Texas, announced that 700 to 1,000 employees would be eliminated, about one-tenth of the labour force of the combined companies (New York Times, March 25, 1999, cited in Burbach, 2001:56). Corporate mergers and acquisitions have often resulted in substantial job losses. For example in the pharmaceutical sectors, the merger between Glaxo and Wellcome, resulted in an 11% shrinkage of the payroll, while Pharmacia and Upjohn closed 40% of plants in the context of their merger (FT, 5 March, 1996:23; 7 March, 1996:1 cited in Scholte, 2000:221). When Chase and Chemical Banks merged, 12,000 workers were laid off (FT, 1 April, 1996:23 cited in Scholte, 2000:221).

In fact, the late 1990s witnessed an unparalleled merger boom. At its summit, in 2000, the value of mergers and acquisitions concluded world-wide, amounted to \$3.7 trillion, in which cross-border deals amounted to \$1.1 trillion. The ten biggest mergers of all time have all occurred since 1998 (Legrain, 2002:134). According to Legrain (2002:134), *“Every where you look, companies have been mating with gay abandon”*. For example, in computing, Compaq purchased Digital Equipment and has merged with Hewlett-Packard. In the mobile phones industry, Britain’s Vodafone took over America’s Airtouch in 1999 and then usurped Mannesmann for \$173 billion in

2000 (the biggest take-over ever). Deutsche Telekom bought Voicestream and One-2-one (now T-Mobile), while France's Telecom acquired Orange. In America's telecoms market, SBC Communications bought two other six Baby Bells, which had spun-off from AT&T: Pacific Telesis and Ameritech. Bell Atlantic and GTE combined to form Verizon; while WorldCom took over MCI. In aerospace, Boeing purchased McDonnell Douglas. In retailing, America's Wal-Mart acquired Britain's Asda, which was followed by the French marriage of Carrefour and Promodes (ibid).

In drinks, GrandMet and Guinness joined to form Diageo, which produces Smirnoff Vodka, Johnnie Walker and J&B whisky, Gordon Gin, Malibu, Baileys and Guinness. In the motor vehicle industry, Germany's Daimler Benz, which manufactures Mercedes, was purchased by America's Chrysler; France's Renault got its hands on Japan's Nissan; and Ford bought Volvo. In pharmaceuticals Pfizer, which produces Viagra, purchased Warner-Lambert; GlaxoWellcome (itself a product of Glaxo and Wellcome) and SmithKline Beecham became GlaxoSmithKline; Switzerland's Ciba and Sandoz formed Novartis; and Sweden's Pharmacia joined with America's Upjohn. In the oil industry, Exxon, (which trades as Esso outside the US) bought Mobil; Britain's BP usurped American's Amaco and Arco in progressive succession; Total, Fina, and Elf all merged; and Chevron purchased Texaco. In the banking industry, Citicorp merged with Traveler's Group from Citibank, Chase Manhattan purchased JP Morgan, Morgan Stanley snapped up Dean Witter and Discover, Swiss giant UBS and SBC combined, HSBC took over Midland, Lloyds acquired TSB, Royal Bank of Scotland absorbed NatWest, France's BNP purchased Paribas. In the accounting world, PriceWaterhouse and Coopers & Lybrand became PricewaterhouseCoopers. In media, Disney purchased ABC, Viacom

took over CBS, Germany's Bertelsmann bought America's Random House and France's Vivendi purchased Canada's Seagram, which owns Universal film studio and Universal Music, the world's biggest record company. In early 2000, America Online, the king of new media, purchased Time Warner, the biggest old-media baron, for \$94 billion, to form AOL Time Warner (Legrain, 2002:135), and the list goes on. However, it should be reiterated here that almost all these mergers are achieved at the expense and detriment of workers. Most organisations do not have the interest of workers at heart when considering undertaking a merger. In fact, to them, corporate interest is all that matters. Worker can do whatever they like after retrenchment. This is not the business of business.

4.8.6 Less training to workers

Presently, instead of *in-service training* for workers, which would take up higher responsibilities in new areas, what is often witnessed since the advent of globalisation, is retrenchment and hiring contracted professionals (Slabbert, 1996:43). Therefore, training, career and management path development, seems to have been eroded under the current global economic logic. In this regard, Uriarte (1999:6) noted: "*A competitive enterprise requires personnel who is qualified and involved with the objectives of the company. And it is not reasonable to pretend that an employer would invest in training a worker that he knows would soon be out of the enterprise, nor is it reasonable to pretend that the worker may feel involved with the objective of a company, knowing that it will oust him shortly*". Therefore, the current state of things has reduced the level of commitment and patriotism between business and labour. The fact that absenteeism and labour turnover have increased in the era of globalisation, is a reflection of workers apathy and low commitment in a particular organisation.

4.8.7 Less expenditure on workers but more on sales promotion and advertisement

The need to make mountains of profit has triggered an upsurge in the amount, which is paid towards advertising and sales promotion, to the extent that the amount paid to one advertising star can be more than that paid to all the workers in most organisations. In 1992, for example, Nike paid Michael Jordan more (\$20 million) than it paid its entire 30,000 Indonesian workforce who made the products (Adams, *et al.*, 2005:10). *“In a single image, the brand-name sweatshops tells story of the obscene disparities of the global economy: corporate executives and celebrities raking salaries so high they defy comprehension, billions of dollars spent on branding and advertising- all propped up by a system of shantytowns, squalid factories and the misery and trampled expectations of young women like the one I met in Cavite, struggling for survival”* (Klein, 2001:329). Indeed, the global corporation takes care of the CEO and advertising stars at the expense of the workers.

4.8.8 Problem of Unemployment

Currently, more and more people are unemployed and desperately looking for jobs, which may not be easy to come by, owing to certain factors in the global business environment. The expanded definition of unemployment broadly includes everybody who can work, but is without a job (SA suffering from chronic skills mismatch, 2006:6). Joblessness in South Africa has often led some female unemployed into the den of rapists in the process of job searching (SABC News, 25 January, 2006). According to Statistics SA, 60,000 of the country's unemployed are graduates. The CEO of Adcorp Holdings, Hilton Brown, has stated that there are tens of thousands of qualified people, some even with work experience, who

are without jobs. This shows that the unemployment situation in South Africa is understated, as more and more graduates are now desperately willing to accept relatively lower-paying jobs in the South African Correctional Services, for example (Naidoo, 2006:1). Currently, about 40% of South Africans, are unemployed. In this sense, South Africa has the phenomenon of a rising unemployment with significant job destruction. Recently, South African Airways has decided to axe 1000 jobs in order to reduce costs (Phasiwe, 2006:1). South Africa is not the only case. While concerns over unemployment are mounting in Japan, the same fears have reached a near fever-pitch in Western Europe and Australia, where one in nine workers, is currently jobless (Berry, 1996:1).

Since the early 1970s, European countries have experienced a high rate of increased unemployment, such that the average level of unemployment rose from an average of 2.7% in 1964-1973 to 10.3% in 1990-1999. In 1995, unemployment in France, Italy and the UK rose to 10% of the labour force and in Spain and Finland it rose to over 15%. Even in Sweden, which previously had maintained a high level of employment, the rate of unemployment rose rapidly from 1.5% in 1990 to 10% in 1995 (Singh and Zammitt, 2003:4). It is, indeed, true that during the last two decades, the labour market in developed economies, have exhibited unfavourable tendencies, especially compared to the previous two decades of the Golden Age. These shortfalls have been manifested in three important areas: increased inequality of wages and incomes, de-industrialisation and mass unemployment. Most research points to the fact that there is a positive correlation between globalisation, internationalisation and unemployment. In fact, one major effect of globalisation and internationalisation of business is structural unemployment (Slabbert, 2006). It thus implies that there is an escalation in the

bottom level of unemployment owing to the current policy of world-wide tariff reductions and the trend towards transferring some business and production facilities abroad (Adams, *et al*, 2006:9).

Some authors have suggested that the normal unemployment rate lies within the range of 5-7%. This rate is considerably higher than the 1-2% normal unemployment rate witnessed twenty years ago. The implication of this is that globalisation has provided an opportunity for labour exploitation and, recently, many skilled workers have begun to occupy the jobs for which they are over-qualified owing to the great pool of unemployment around the globe (*ibid*). This has resulted in wide-spread job insecurity and an increase in the number of workers who fall victim to employment without benefits (Matthew, 1998:385). Understanding the current plight of the global worker, the new Pope Benedict XVI, organised a prayer section for jobless and exploited workers, and celebrated a mass with some members of Italian trade unions and Catholic organisations for workers. According to the Pope, *“work enables people to realise their potential and contribute to the good of society as long as their work is undertaken in full respect of human dignity and common good”*. The pope asked St Joseph, patron of workers, to take special care of young people who have difficulty entering the world of work, the unemployed and those who suffer from difficulties related to the wide-spread employment crises (Wooden, 2006:4).

4.8.9 Expanded global inequality

The continuing trends in unemployment have exacerbated the rate of global inequality. It has been established that the division between the global rich and the global poor, has been growing (Haines, 2001). For example, while the income gap between a fifth of the

world's population living in the richest countries and a fifth living in the poorest countries, was 30:1 in 1960, by 1997, it had grown to 74:1 (UN, Human Development Report, 1999). By the late 1990s, the richest 20 per cent of the world's population enjoy 86 percent of the world's GDP, while the poorest 20 per cent own a mere one per cent. The income of the wealthiest tenth of the world's households is more than eighty times the purchasing power of that of the poorest tenth (Therborn, 2001, cited in Amin, 2004:1). This disparity is a product of the rich becoming richer and the poor becoming poorer; a trend affecting the developed countries, but very severe among the developing nations, with large sections of the population in sub-Saharan Africa, East and South Asia, Latin America, and the post communist states pushed back every day into abject poverty. As Lloyd (2001:21) noted, *"half of the global population- roughly 3 billion people live in abject poverty; nearly half of these- 1.2 billion in 2000- live in utter destitution, on less than \$1 a day, in danger of death by starvation or related diseases. Access to safe drinking water is unknown to 1 billion people; 2.4 billion have no adequate sanitation"*.

As a matter of sincerity, the consequence of this is an appalling index of misery, which is manifested by swelling early mortality, diseases and malnutrition, prostitution, child labour, displacement and forced migration, the violence of social breakdown, state social control and fractional war, acute risk and uncertainty, environmental degradation and vulnerability, and loss of existential material security (Amin, 2004:1). While tenure and security have changed only marginally for the majority, job offers for the unemployed have become increasingly unstable and lower paid (Matthew, 1998:385). For example, the real average hourly wage of the average US worker, declined continuously between 1979 and

1989 and that of those at the bottom end of distribution, namely the lowest 10 per cent declined over an even longer period between 1973 and 1998. Moreover, the real hourly wages stagnated for all other groups except those in the top 10 per cent of the distribution.

Even for the top deciles, real wages have risen by a mere 6.6 percent over the 25 years between 1973 and 1989 (McCall, 2000:21-3). In South Africa alone, 22 million people live, on average, on less than R144/ (about \$21) per month, the poorest 40% citizens remain overwhelmingly African, female and rural, 60% of female-headed households are poor versus 31% of male headed-households, two out of 3 children live in poverty, 3.1 million jobless African families in 1999, in comparison with 1.9 million in 1995, 38% of the working population are unemployed, while one of the most uneven societies in the world, is South Africa (Adams, *et al.*, 2005:13). In the US alone, corporations have eliminated more than 2 million jobs annually. Although some new jobs are created in the economy, they are, for the most part, in the low-paying sectors, and many are only temporary jobs or part-time positions, which do not guarantee good pay and job security (The Job Letter, 2003:2). This has also boosted the rate of global inequities (more information on inequality was revealed in *Tables 1.1 & 1.2* in chapter 1).

4.8.10 Increasing rate of poverty

The rate of global poverty has risen owing to global inequality. Indeed, increases in income inequality and poverty in the poorest developing countries, over the past decades, can be attributed to globalisation (Salvatore, 2004:548). Bonded and trafficking labourers owing to restrictions on global labour mobility, are locked into livelihoods that provide no opportunity to move out of poverty (Chronic Poverty Report, 2005:17). An initial guesstimate by Hulme

and Shepherd (2003:412-13) gave a range of 389-727 million people in 32 developing countries, including China and India, as chronically poor. However, recent data from the Chronic Poverty Report (2005:9), put the figure at around 300-420 million people. Chronically poor people are found in all parts of the world, while the largest numbers live in South Asia (135-190 million). However, the highest incidence of chronic poverty is in Sub-Saharan Africa, where 30-40% (about 90-120 million people) live on less than \$1 per day. East Asia also has significant numbers of chronically poor people, between 55-85 million, who live mainly in China.

The UN Research Institute for Social Development (UNRISD, 2000) approximated that the number of people living on less than \$1 per day, rose from 1,196,500,000 in 1987 to 1,214,200,000 in 1998. UNRISD maintained that although there is a reduction of poverty in East Asia and the Pacific, the Middle East and North America, however, there are increases in the growth of poverty in post-communist Europe, Central and South Asia, Latin America, the Caribbean and Sub-Saharan Africa (Sklair, 2002:47). *"The incidence of poverty has increased in the past few years not because the world, as a whole, is getting poorer, but because the benefits of growth have been unevenly spread. There has been a striking increase in inequality* (UNRISD, 2000:11 in Sklair, 2002:48). The data of 85 Third World countries revealed a wide range of deprivation among them. For example, 3.9% of the population in Uruguay were in severe poverty in the late 1990s compared with the 64.7 percent in Niger. In general, more than one-third of the people in developing countries were in extreme poverty (Chronic Poverty Report, 2005:9). In a shocking report on human poverty, UNDP recorded the income or consumption share of the poorest 20% of the population in fourteen countries in four

continents. Based on these figures, the people in the poorest quintile in Brazil who shares merely 2.5% of total income, appear to be the worse-off. Comparable figures for South Africa are 2.9, for Russia 4.2, and for Thailand 5.6. In conclusion, UNDP (2000b:43) stated: *“Economic growth cannot be accelerated enough to overcome the handicap of too much income directed to the rich. Income does not trickle down; it only circulates among the elite groups* (cited in Sklair, 2002:49). Indeed, it is not poverty, but a fear of poverty, which is a danger to democracy (Martin and Schumann, 1997:11). In the context of poverty in the era of globalisation, renewed problems of increasing unemployment, inequality, job destruction, technological displacement of workers and wage reductions have exacerbated the rate of global poverty, and there is little sign that this ongoing trend would ever stop.

4.8.11 Restricted labour mobility

Globalisation entails the opening of borders for the movement of goods, services and people. However, it should be mentioned here that although other things have been liberated to move at will across borders, there are still certain restrictions on free labour movements (Bagchi, 1998:3). The only workers who have been able to move easily are the professionals and expatriates that are in short supply in other parts of the world (Kirkbride, 2001:81). The persistent prevalence of innumerable barriers and restrictions to the free mobility of labour, contrasts sharply with progress in other markets (Kirkbride, 2001:78). Labour immobility in the era of globalisation could be reflected in the number of Africans who undergo all forms of risk in order infiltrate the Spanish enclave of Ceuta and Melilla to penetrate into Europe (Kirkbride, 2001:79; Pasricha, 2005:231). Although, in some of the trading blocs such as the European Unions, there has been a remarkable achievement towards the free mobility

of labour, however, the scope of movement may be constrained by language skills, accredited qualifications or credentials and the non-existence of xenophobic tendencies. However, in most other trading blocs, such as NAFTA, there are certain restrictions on the free movement of labour (Pasricha, 2005:231).

In fact, it seems that most of the developed nations are united in their opposition to uncontrolled labour mobility. This is the reason why some desperate migrants struggle against such odds by trying to infiltrate into *Fortress Europe* or across to Rio Grande. At time the risk to cross into Europe is severe. For example, in the summer of 2000, about 58 Chinese would-be immigrants suffocated in a container while trying to cross into Britain. According to Kirkbride (2001:79), *“This resistance to immigration, although explicable in terms of political and social pressures within the developed countries, ignores the massive contribution made by mobile labour to the process of economic and social development. The population movement within Britain from agriculture to manufacturing during the Industrial Revolution, is widely recognised as having been crucial to that process of transformation”*. In fact, the mobility of people within Britain, including the labour mobility from Ireland to Britain boosted the later development of heavy industries and coal mining. The evolvement of the USA as the world’s industrial powerhouse, was also through the efforts of immigrant workers that were pumped into the USA in the nineteenth century (Donaldson and Pollin, 1978:22; Ho, 2001:6). The accelerated flow of refugees from the East to the West had boosted the reconstruction and recovery efforts of Western Germany around the 1950s (Pasricha, 2005:87). In fact, in the absence of labour mobility, these stages of economic development would have been severely stunted and may have simply

been wasted. This is more reason why a growing economy, like South Africa, should not be xenophobic towards foreign workers.

4.8.12 Worker exploitation and abuse in the EPZs

Other ugly sights of labour utilisation are witnessed in the EPZs. Due to lax governmental supervision and less unionism, these zones in the developing countries have witnessed all forms of poor working conditions. As a result, jobs in the EPZ are less secured than formal sector jobs outside of them (Rama, 2001:16). The zones are characterised by all forms of negative labour practices such as unhealthy environments, workers' abuse, longer working hours and poor remuneration (Martin and Schumann, 1997; Klein, 2001; Sklair, 2002). It should be remembered that most of the jobs in the EPZ, are held by women. In the Caribbean Zones, approximately 80% of the workforce is female, and the percentage is almost as high in the Philippines. This female bias is especially strong in garment production. Several reasons have been cited to explain why women, many young and single, are sought-after as prospective employees. Some stated that women are more diligent and more nimble than men. Moreover, the fact that most of them will get married and depart after a few years, implies that they are less likely to join trade unions. In addition, women are paid less than their male counterparts (Rama, 2001:16).

Previously, the public sectors usually offered incentives that are greatly appreciated by women, such as maternity leave, flexibility of hours and day-care facilities. However, these benefits are difficult to find in the private sector, and are generally absent in the informal sector (Rama, 2001:16). There have been documented instances of 24 hours work assignments for workers in the Chinese EPZs in the sweatshops, and indeed union leaders are not allowed to

protest about these deplorable working conditions because any attempt could result in a severe consequence. This is more reason why these zones are featured by low wages and poor working conditions (Martin and Schumann, 1997; Scholte, 2000; Klein, 2001). For example, in one of the Chinese EPZs, the fury over unpaid wages and abuse drove a worker called Wang to murder his boss, Wu Xinguo and three others. Wang was later sentenced to death and hanged by the state for his action (Yardley, 2006:2).

4.8.13 Abusive labour relationships and employee killings

Abusive labour relationships in the era of globalisation, does not end in the EPZs. Even in South Africa, abusive labour relationships abound. Most domestic workers have always managed to endure insults and abuse from most of their employers. In most cases, their wages may be denied for no just cause. Some have even been killed or asked to resign at gun-point. For example, on the morning of January 4, the bodies of three women employed at the Protea laundry in Vereeniging, South Africa, were discovered. Jocelyn Lesito, 28, Victoria Ndwene, 30 and Constance Keke Moeletsi, 22, had been killed the night before. On January 10, gardeners Samuel Mzizi, 37 and Jacob Dlamini, 43, employed by laundry boss Charl Colyn were arrested for the murders. Two days later both made statements to the police implicating their bosses. The men said that they had witnessed the killings. The same day, Colyn, 54, his daughter Isabel, 22, his son-in-law, Jacque Smith, 25 and Ruan Swanepoel, 20, were arrested. Colyn, his daughter and his son in-law own and manage the Protea Dry-Cleaner and the adjoining laundry, in the Vereeniging suburb of Three Rivers. Also, previously at the same laundry, another woman named Isabel Mayekana testified that she was forced to resign from the same laundry at gunpoint (Geldenhuys, 2006:7). This is indeed one

uncivilised aspect of globalisation, and incidents such as these take place because workers' rights are not properly protected (Choudry, 2003:20). In Nigeria, poor working conditions and less social responsibility of businesses can be found in the way Julius Berger, one of the biggest construction TNCs that entered Nigeria since the oil boom of the 1970s, convey its workers to work. Every morning large numbers of Julius Berger's workers are compacted like sardines into a trailer headed for work at another construction site. Conveying workers (human beings) in a trailer alone amounts to insult, since trailers are, in most cases, used for the conveyance of goods and live-stocks such as goats and cattle from one part of the country to another. The profits that Julius Berger has made from Nigeria since it entered the country during the boom period, are enormous enough to fulfil its social responsibility towards labour, namely providing a good conveyance for its workers, proper health facilities and so on (Daily Independence, 14 August, 2006). However, it has not acted towards that direction because no one from either the government or the unions has compelled it to do so. There is even a renewed, growing rumour that most senior governmental officials have some stake in the company and, therefore, may not be in position to compel them to act otherwise.

4.8.14 Industrial actions and violent protests

The growing discontentment among workers within the current state of affairs can be perceived from the growing numbers of industrial actions witnessed around the world. Violent industrial action could be the outcome of poor industrial relations in an era of capitalist globalisation. For example, South Africa has witness more than 10 industrial actions that were seriously violent in 2006 (International Herald Tribune, 21 September, 2006). The security workers' strike claimed hundreds of lives through the worst barbaric style of

killings and assassinations. Some security workers who tried to resist the industrial action paid with their lives. The security workers' strike was followed by the Baker's industrial action. Within a few days, the price of bread skyrocketed.

Other notable strikes in 2006 were the Shoprite workers' general strike for salary increase, textile workers' industrial action over Chinese competition, amongst others. These strikes were followed by SATAWU's general strike, which led to a serious confrontation between police and striking workers, culminating in the arrest of some union leaders (Dolley, *et al.*, 2006:1). It was a march to Parliament, which began on the open grounds close to the Cape Town campus of the Cape Peninsula University of Technology's e-learning centre and was witnessed by the present author. Prior to this, the South African Police Services (SAPS) had thought of engaging in industrial action if their plight remained unchanged. One wondered what would have happened in South Africa, if such a strike was allowed to happen. South Africa is not the only case where the police force has contemplated to move towards industrial action. Even the Nigerian police force, one of the poorest paid forces in the world, has contemplated industrial action but later backed down, realising full well what Nigeria would have turned into before the strike was over (BBC News, 1 February, 2002).

France, a country that is aware what industrial action means to an economy, abandoned a law, which was passed in 2006 to make it easier for companies to hire and fire young workers in the first two years of employment so that flexibility could be inculcated into the labour market, after hard weeks of student protest and confrontation with the police, which ended in injuries to both parties (Paris protests take dangerous turn, 2006:15). These protests are not as

huge as the ones witnessed in Seattle, Doha, Devos, Cancun and Washington. As a matter of fact, these protests within and around the globe point in one direction, namely the present state of globalisation is bad for the majority, particularly workers, as consumers and producers.

4.8.15 Increasing crimes, congested jails and forced labour

Increasing unemployment and inequality within the global economy, has accelerated the pace and rate of global crimes. A circular relationship exists between unemployment and crime. Increased unemployment increases the number of idle persons and, hence, the number of criminals. As the crime rate increases, investors' confidence wanes. Decreased economic growth leads to a higher level of unemployment, while the unemployed are unable to make a living and turn to crime (Bendix, 2005:493). It can, therefore, be asserted that, as unemployment decreases, the crime rate will decrease but the problem lies with fuelling the necessary economic growth, while crime prevails. Crime affects every aspect of society and business. A balance should be achieved between the needs of business for economic feasibility and the need to curtail unemployment, which indirectly influences the crime rate. Companies, which are quick to retrench workers without considering the social effect it may have, may be acting irresponsibly and will, in the end, suffer the consequences of increased crime and economic fallout (Bendix, 2005:493). While the evidence is not definitive, many studies of criminal behaviour have linked it to inequality, pointing to the fact that high rates of crime are associated with falling income.

The demography of criminality reflects a group that has endured the largest losses in real earnings such as young, under-educated males. Surveys of inner cities, show that many youths currently perceive crimes as more lucrative in comparison to work (Freeman, 1995, cited in Matthews, 1998:384). The crime rate has persisted around the world owing to the huge number of men and women who have lost their jobs. Presently, the South African Correctional Services, has complained of congested jails around the country. In India, the congestion at the Tehar jail at New Delhi, as well as other jails in places within the country, has eroded the justice system of most inmates awaiting trial. Tens of thousands of innocent victims are dumped in most Indian jails only to be declared innocent after 10 years of languishing and wasting in the jail for an alleged crime, which would have carried a 3-year sentence, if found guilty (Asian Human Rights Commission in News, 26 August, 2006). The Kirikiri jail, also known as Ayoko-city, in Lagos, Nigeria, is another notable example where the congestion of inmates, has become alarming. In America, crime has taken an epidemic dimension, to the extent that in California, expenditure on prisons is more than the whole of the educational budget (Martin and Schumann, 1997:9). In spite of the huge expenditure, there are still reported cases of congested jails. However, no one seems have an answer to the global trends of congested jails. One crucial contributing factor could be global unemployment and the global job shocks. Ironically, some western governments and corporations are reaping the benefits of congested jails in the form of cheap and forced labour (Singh and Zammitt, 2003:23).

Presently, with regard to forced labour, the requirement for prisoners and youths in detention to work for derisory pay, is normal in the US and in Europe. The prison inmates in the US, are

over 1 million, while half a million are in local country jails (ibid). There is an uneven number of blacks and Latino persons, who were arrested in most case for minor offences and perhaps as a type of social control (Freeman, 1995; Martin and Schumann, 1997). Prisoners are forced to work in factories, as well as clothing factories that have located their operations in prison sites, where they have a captive pool of cheap labour. An estimate in 1998 stated that prison labour produces over 280 products worth over \$9 billion and replaced about 400,000 jobs, which were otherwise done by the *normal workforce in the US* (Singh and Zammitt, 2003:23). Prison labour receives the minimum wage, however, after deduction for taxes, room and board and victims' compensation are taken the pay may be only \$60 a month for a nine-hour day. A number of harsh disciplinary measures and other penalties are imposed if prisoners refuse to work. US federal law prohibits the domestic sale of prison-made goods unless prisoners are paid the going-wage. Thus, US prison industries often export their products to countries in Asian (ibid).

4.8.16 Child labour

There is a growing concern that participation in the global economy has been associated with an increasing use of child labour. The use of child labour could have short-term and longer negative effects on child welfare, through reduced education. Thus, reform policies, which endorse labour intensive production, could consequently bring mixed blessings to the poor. A current study of child labour in a city in western India, for example, concluded that: "*The prevalence and absolute expansion of child labour in a period and region of relatively high growth of aggregate output, indicates that the nature of economic growth is flawed*" (Swaminathan, 1998:1526, cited in Rama, 2001:17). This contention warrants a

proper analysis. Whether sectors exposed to international competition are more demanding in the use of child labour, is an important issue worth considering. Regrettably, there seems to be marginal evidence to advocate this point. Nevertheless, statistics conducted by the International Labour Office, has stated that about 70% of the children work, are employed as family helpers in rural areas (Ashagrie, 1997, cited in Rama, 2001:18). The number of children employed in export industries could be roughly about 5% (Rama, 2001:18). The carpet industry in Uttar Pradesh, India, is a notable example of industries that depend on child labour. According to an International Labour Office survey, about a quarter of the workers in carpet-weaving enterprises, was less than 14 years old. This should have prompted the Mexican Professor, Gueramina Valdes-Villava (cited in Rourke, 2000:493), to remark that *"We have begun to see more fourteen-year-olds in the plants...workers do not age in this industry- they leave. Because of how intensive it entails, there is constant burn-out. Workers lose efficiency, begin to have problems with eyesight, allergies and kidney problems"*.

Moreover, even the WTO rules do not allow countries to treat products differently based on how they were produced, irrespective of whether they were made with brutalised child labour, with workers exposed to toxins or with no regard for species protection (Pasricha, 2005:130). There also seems to be no distinction in terms of productivity between the work done by children and adults. However, children workers are paid lower wages. A ban of child labour, given the nature of global competition, may adversely affect some industries, which rely on cheap children workers. *"Competition between companies involved in manufacturing in developing countries, is often ruthless. We are seeing what Korten describes as a race to the bottom. With each passing day it*

becomes more difficult to obtain contracts from one of the mega-retailers without hiring child labour, cheating workers on overtime pay, imposing merciless quotas, and operating unsafe practices” (Madeley, 1999:103).

Bangladesh garment manufacturing industries are notorious examples of industries that rely on child labour. The plight of children workers has been worsened by the exploitation of child labour in poor countries like Indonesia. Some enterprises have stopped the recruitment of children who are less than 14 years of age owing to a consumer boycott in the industrialised countries. It is in the sex industry that globalisation could have its most harmful effect on the children of developing countries. Lower travel costs and better information networks have boosted sexual tourism, including paedophilia. Although the children affected may only represent a tiny fraction of all children who work. However, the implications for their well-being are sufficiently dramatic to warrant swift public action (Rama, 2001:18).

4.8.17 Effects of foot-loose speculative capital on workers

Another important aspect to consider in the era of globalisation, is the foot-loose capital. Funds are now moving from one part of the globe to another at the speed of sound. The regretful part of this trend is that these funds are not used in the creation of additional employment for workers, but utilised for speculative activities in the stock exchanges (Went, 2000:15). If the share prices of stocks in a particular country are good, funds move towards that direction and vice versa. A situation where there seems to be a downward spiral in a particular economy, funds are then repatriated back to where they came from, to the suffering of workers. This was what happened during the East Asia crisis. *“The hundreds of thousands of workers*

thrown out of jobs in East Asia in the midst of the East Asia crises, and the multitude of small businesses that were forced into bankruptcy by extremely high interest rates, were innocent victims of globalisation gone awry” (Stiglitz, 2004:467).

4.8.18 Effects of technology on workers

Technological forces in the era of globalisation have actually led to growing unemployment and a global depression (Rifkin, 1995:170). Rifkin (1995:164) observed that: *“Within less than a century, mass work in the market sector is likely to be phased out in virtually all of the industrialised nations of the world”*. For example, in the US, around the 1950s, 33% of all workers were employed in manufacturing. This figure decreased to 30% in the 1960s, 20% in the 1980s and decreased further in 1995 to 17% (Rifkin, 1995:167). In Canada, the percentage was 23.5% in 1966, 17.2% in 1986, 14.7% in 1991 and, finally, 14.2% in 1996 (Statistic Canada, cited in www.ucs.mun.ca/~alatus/2801/FutureofWork.html). *“But this revolution won’t apply only to ‘blue collar’ workers. Think of the Moravec’s Universal Robots: The new computer-based technologies promise a replacement of the human mind itself”* (Rifkin 1995:166). In line with this view, Wassily Leontief (quoted in Rifkin, 1995:166) stated that *“the role of humans as the most important factor of production, is bound to diminish in the same way that the role of horses in agriculture production was first diminished and then eliminated by the introduction of tractors”*. Rifkin (1995:170) opined: *“For some, particularly the scientists, engineers, and employers, a world without work will signal the beginning of a new era in history in which human beings are liberated... from a life of backbreaking toil and mindless repetitive tasks. For others, the workerless society conjures up the notion of a grim future of mass unemployment and global destitution”*.

In his disturbing, persuasive and ultimately promising book, '*The End of Work*', Rifkin (1995) contended that the world is moving into a new chapter in history, which is characterised by the steady and inevitable decline of jobs. According to him, worldwide unemployment is now at the highest level since the Great Depression of the 1930s (also see Slabbert, 1996:42). The number of people who are under-employed or without jobs has accelerated sharply as millions and millions of new entrants into the workforce find themselves victims of an extraordinary high-technology revolution (Shah and Mehta, 1998:230). Sophisticated computers, telecommunications, robotics, and cutting-edge technologies have fast replaced human beings in almost every sector and industry—from manufacturing, retail, and financial services, to transportation, agriculture and government (Rifkin, 1995; Shah and Mehta, 1998). Rifkin (1995) believes that the world is fast polarizing into two potentially irreconcilable forces: on the one hand, an information elite that controls and manages the high-tech global economy; and on the other, the growing number of permanently displaced workers, who have few prospects and little hope for meaningful employment in an increasingly automated world. According to him, from the beginning of civilisation, people's daily lives have been structured, in large part, around the concept of work. However, presently, for the first time in history, human labour is being systematically eliminated from the economic process. Therefore, before the end of the next century, employment, as it is known, may likely be phased out in most of the industrialised nations of the world (The Job Letter, 2003:2).

The foundation stone of the current dimension was cast when corporations spent more than a trillion dollars in the 1980s and

early 1990s on computers, robots, and telecommunication satellites, as well as other automated equipment (Shah and Mehta, 1998:227). It is only recently that these massive investments have begun to materialise in terms of increased productivity, reduced labour costs, and greater profit. However, the current trend has been disastrous for labour. For example, when the first interstate Bankcorp restructured its operations, 9,000 jobs (25 percent of its workforce in 1996) were eliminated. Motorola has decided to re-engineer its production processes, administration and distribution systems in order to trim excess fat and, in the process, more than 10,000 workers (10% of its total workforce in 1998) were removed from the company's payroll. McDonalds announced in June 1998, that they would lay-off 25% of their corporate staff to become more competitive in the fast food industry, which was their first lay-off at corporate level. Other companies such as Scott Paper, GTE, NYNEX Corp, IBM and Arvin Industries, are pursuing equally aggressive labour-cutting policies (Rigdon, 1994:1).

The increasing number of layoffs associated with corporate downsizing and combined with new forms of work (part-time, self-employed and working from home), has increased corporate profits on one hand, however, on the other hand, it may lead to a global economy towards the end of work as it is known (Shah and Mehta, 1998:227). Some of the most modern companies and industries, in terms of technology, are now losing workers easily. These machines, together with new forms of business organisation and management, are forcing millions of blue-and white-collar workers into temporary jobs and unemployment lines (The Job Letter, 2003:2). Automated technologies have been reducing the need for human labour in every manufacturing category. For example, between 1991 and 1995, IBM lost 85,000 of its workers to technology, AT&T lost 83,000, Nynex

lost 22,000 and Kodak lost 14,000 (Head, 1996, cited in Matthews, 1998:383). A new generation of sophisticated information and communication technologies is being introduced into a wide variety of work situations. It is believed that within 10 years, fewer than 12% of the US work force will be on the factory floor, and by the year 2020, less than 2% of the entire global workforce, will still be involved in factory work. Over a quarter-century, there would be an almost eradication of blue-collar and mass assembly-workers from the production process (The Job Letter, 2003:2).

On the basis of extensive data, Paul Krugman of Stanford and Robert Lawrence of Harvard, has pointed out that *“the concerns widely voiced during the 1950s and 1960s that industrial workers would lose their jobs because of automation, is closer to the truth”* (The Job Letter, 2003:2). They were not alone, as Peter Drucker (cited in The Job Letter, 2003:3) added that *“the disappearance of labour, as a key factor of production, is going to emerge as the critical ‘unfinished’ business of capitalist society”*. In 1980, US steel, the largest integrated steel company, employed 120,000 workers. By 1990, it had produced roughly the same amount of steel using only 20,000 workers owing to automation in the steel industry (Kenney and Florida, 1993:3). The accelerated pace of corporate re-engineering, technological displacement and declining income, is a reflection of the stagnant inventories and sluggish growth, which sequentially detonates a new spiral of re-engineering, technological displacement and wage cuts, which further increased the downward drift in consumption (The Job Letter, 2003:4).

4.8.19 Erosion of labour unions’ power

The only facet to resist these negative impacts of globalisation, is organised labour. However, organised labour has been weakened by

40 years of automation, a decline in union membership, and a growing, temporary workforce that is difficult to organise (The Job Letter, 2003:5). Hence, it is becoming more and more difficult for unions to recruit workers within the new economy. Organising at the point of production becomes complicated and, in most cases, unfeasible when dealing with leased, temporary, part-time and contingent workforces in addition to the growing number of telecommuters (ILO, 1995; Slabbert, 1996).

Simultaneously, the strike has increasingly become irrelevant in an age of automated production processes (The Job Letter, 2003:5). The current erosion of trade unions' power in the US has been another notable deterioration of labour standards. The US always claimed that its Constitution guarantees workers' rights and freedom and, as such, cannot be made to sign the ILO Conventions. However, a closer look at the labour practice in the US would reveal a widespread failure to conform to some of the ILO's core labour standards (Singh and Zammitt, 2003:3). Indeed, a number of textbooks and research works point to the fact that American labour law no longer protects workers fundamental right to join a union (McGiffen, 2002:19). Most of the states in the US have passed anti-union legislation asserting the '*right to work*', which makes it more difficult to organise union or industrial action. In addition to this encouragement given to non-union plants, the right to organise is strictly curtailed in the agricultural sector, which is among the lowest paid. For example, by the early 1990s, only 15% of American workers were organised in unions and their role in protecting and improving the terms and conditions of workers through collective bargaining, has diminished (Singh and Zammitt, 2003:3).

Nevertheless, with the tightening of the labour market in the last two or three years, union membership has at least stopped declining, however, the US is still considered to have a relatively unregulated regime with regard to labour market issues and what is referred to as a '*union-avoidance culture*' (Brown, 2000; Uriarte, 1999; Sklair, 2002). During the period 1980 to 1988, trade union membership declined in all countries except Sweden and Finland. In France, trade union membership decreased from 19 to 12%, in Italy from 50 to 39% and in the Netherlands from 40 to 26%. In the UK, trade union membership fell from over 50% to about 33%, covering only one in three employees (Milbank, 1993; Singh and Zammit, 2003). While the freedom to associate largely remains intact in Europe, the actual strength of trade unions, in terms of membership, has *diminished significantly and their role in collective bargaining has been considerably eroded* in the last twenty years. These changes were an integral part of the post-1980 economic order, which is rooted in different social norms and which has involved the unravelling of the social pact between government, employers and labour (Singh, 1990:16). Unionisation becomes particularly difficult when a considerable part of the workforce consists of illegal migrant labour, as is the case in parts of the USA. Employers, are of course, keen to employ such workers, since these are willing to work on almost any terms and conditions of work. Moreover, the fear of being charged and repatriated as illegal immigrants, prevent them from joining unions to improve their terms and conditions of work (Singh and Zammitt, 2003:23). This is why American employers are strong about maintaining access to immigrant workers, and exerts all political pressure to prevent enforcement of any laws against them (Porter, 2006:6).

In South Africa, labour unions' influences would have declined under a pro-globalist-cum-capitalist Mbeki administration, if not for the tripartite alliance between the ANC, SACP and COSATU. Even so, the SACP and COSATU continue to complain about the way the ANC conducts business without consulting them. Therefore, if the ANC has a choice, it could relegate the labour alliance to the background. This perceived attitude of the ANC towards labour, could be the reason why there is such an overwhelming support for Jacob Zuma whom the labour movement regards as a friend (Hartley, 2005:18).

In Nigeria, the labour unions seem to have been rendered inactive. When democracy was restored back in the country in 1999, the union's voice was loudly heard and workers were happy. However, a few years into the putative democracy, the Nigerian Labour Congress (NLC) seemed to have been bought-over by the government. Most of their statements have become weak and rhetorical (Socialism Today: Socialist Party Magazine, 1 May, 2004). Some rumours contained that the government gave some fleets of cars and other presents to most of the union leaders in Nigeria. This amounts to favouritism (an offence that sent Tony Yengeni, a parliamentarian in South Africa to jail) (Breytenbach, 2006:1) and, of course, union leaders are bound to reciprocate, in kind, gestures or otherwise return what was received. Hence, those who were supposed to move the course of the working class, have become government sycophants. No wonder that the Neo-liberal policies are taking its swift in Nigeria without much opposition. Instead of agitating about the massive retrenchments and unemployment, as a direct consequence of the growing privatisation of the government parastatals, union leaders are now busy educating Nigerian workers that privatisation is good for them (In Defence of

Marxism, 12 May, 2003), with the slogan that *“the country progresses when we privatise”*. Only few of them could protest the fact that current privatisation in Nigeria is rigged or bogus that has favoured only the rich and political class at the expense of workers and the majority. These are not the only cases. In fact, all around the world, human resources have suffered a huge surgical wound in the surgical operation of globalisation, and there seems to be a growing tendency to weaken the power and strength of unionism, hence, the downward spiral in the global labour conditions.

4.8.20 Erosion of industrial democracy

Industrial democracy has been explored during Chapters 3. Hence, there is no requirement to dabble into it again in detail. In fact, certain criteria should be met before a nation or organisation can achieve industrial democracy. First and foremost, the need for labour representatives, collective bargaining mechanisms, friendly industrial atmosphere, authority and responsibility, permanent adult workers, respect for workers democratic rights, good industrial relations, an understanding management team, good consultation, idea sharing, good remuneration to workers, industrial partnership, job security, good working conditions, management by exception (MBE), management by objective (MBO) and motivation incentives. Other major prerequisites are profit sharing, labour directors, joint decision making body and labour shareholder. However, regrettably, these enumerated ingredients of industrial democracy have been eroded owing to the weakening of labour unions by automation, flexible employment patterns, lapsed labour laws, rising unemployment, less consultation, autocratic management styles, the greed for abnormal profit, the use of children and women labour, in addition to the use of forced labour. These multifaceted, but circular variables in the global economy, could be responsible for

the dwindling state of workers' participation in decision making. Hence, under the current dispensation, industrial democracy has systematically turned into wishful thinking.

In short, as a matter of fact, these multi-explicated analyses are sufficient enough to convince even a layman, that the current state of globalisation has a negative impact on human resources.

4.9 Conclusion

In conclusion, globalisation is the new world economic system prescribing and describing the ways businesses and things are organised around the world. It is a phenomenon that has affected every sphere of life. It has, however, affected people differently and created a kind of polarised world (Scholte, 2000:255; Bataoel, 2003:1). Globalisation is presently an economic, political, religious, and scientific topic. It is, in fact, a topic that no one should shy away from otherwise that person may lose out in the events that take place in the current world. Globalisation is not a myth but a fact of the present era, with its own distinctiveness and uniqueness apart from other prodigies (Gordon, 2003:4). Although it is based on capitalism, however, it cannot be the same as capitalism. At the same time, it entails increasing internationalisation, however, it is not the same as internationalisation, although there is a positive relationship between globalisation and internationalisation. Globalisation is not ahistorical. Indeed it has a long history, which even some authorities have traced back 5000 years ago (Legrain, 2002:82). The main causes of globalisation include the Supreme Mandate, global consciousness and rationalism, the triumph of capitalism, technological advancement and innovations, Third World debts, SAP policies of liberalisation, deregulation and privatisation, the dominance of transnational corporations, pressure from

globalising institutions such as the WTO, WB, IMF and western nations' governments, and, finally, the willingness of people to embrace globality.

Globalisation has both positive and negative consequences. It is, indeed, economically benign but socially malign (Bell, 2001:114). The state of affairs under the global economy have a polarising effect on people, which is the reason for the divergent views about it, with supporters asserting that it is good for the world, and opposers asserting that its impacts are not encouraging. Therefore, globalisation may be good or bad. It depends on the state of mind and circumstances of the individual making such assessments (Kirkbride, 2001:37). Although globalisation has brought some good tidings to different parts of the world, however, there is a growing consensus that it has detrimentally affected one aspect of the macro economic system, namely human resources. In the area of good human resources utilisation, the woes of globalisation have been well- documented.

These negative effects of globalisation on labour can be traced through the lens of the growing downward spiral on wages and working conditions, job destruction and losses, a race to the bottom in labour standards, effect of corporate mergers on workers, problems of unemployment, effect of flexibility and casualisation on labour, less training to workers, more expenditure on advertisements and less on workers, expanded global inequality, an increasing rate of poverty, restricted labour mobility, workers' exploitation and abuse in the EPZ, abusive labour relationships and employee killings, industrial action and violent protests, increasing crimes, congested jails and forced labour, child labour, footloose speculative capital, the impact of technology on workers, the

erosion of labour unions' power and the erosion of industrial democracy. Hence, there is no denying the fact that the current state of globalisation has great, adverse consequences for human resources and industrial democracy and, indeed, the utilisation of labour which will be discussed in the following chapter.

Chapter 5

Utilisation and analysis of labour in a global sense

5.1 Introduction

It has taken many centuries for human civilisation to develop fully on the surface of the earth, a surface, which is apposite for the origin of human beings but rather hostile for the growth of civilisation. Material resources were in abundance but how to optimise their use for the development of the human race was unknown (Inder-Singh, 1998:1; Prasad, 2004:40). Previously, there was hardly any difference between a human being and other living creatures, as both were always wandering in search of food and shelter. However, soon humans with their brilliant brains, advanced ahead of other species. The first lesson for the ancient human was perhaps to live in groups, both for protection and collective action for food gathering (Peet, 1991:86; Piderit, 1998:1689). Thus begins a process of transforming civilisation from an individual effort to a collective effort (Leacock and Lee, 1982:1). A group of collective action means a need to manage things in order to get the desired results. This was the beginning of the origin of a significant phenomenon, namely management. Therefore, the origin of management hails from the very origin of human civilisation, namely when human began to plan to utilise things (Prasad, 2004:40). Collective efforts at the time were managed for hunting and other primary task (Leatt, et al, 1986:3). Humans were, however, not aware of this unique phenomenon, which they had just entered at the time but, presently, the reason for the massive development around the world, is management, that is, the proper utilisation of people, who, in turn, utilises things.

Thus, it has become an integral part of every human activity to use the smallest resource to achieve maximum output. Moreover, with fast depletion of natural and material resources, and the global population explosion, it is rather important to manage efficiently and successfully, and to do that, there is a need for optimum utilisation of labour.

5.2 Important eras of labour utilisation

Management is the act of doing things through people in an orderly, organised manner. This act of doing things through people has come in different forms at different times over the years. Since the inception of the production function to the current period of globalisation, people have utilised other people to achieve some desired results. However, this process of utilising people over the years has not been an easy task. It is, therefore, relevant to consider some of the important eras of labour utilisation.

5.2.1 Pre-industrial revolution era

The pre-industrial revolution period dates back to the inception of the production function and extends to the era of industrial revolution that occurred around the 18th century in Europe. Thus, it includes a time from the beginning of man's co-operative efforts, to the time when steam engines altered the world of work. It also included the period of Agricultural Revolution, which happened around 10 000 years ago (Slabbert, 2006:1), while the need for mass labour in agriculture, triggered a kind of population increase (Dhar, 1999:97). However, notable progress was made in the art of labour utilisation during this momentous era. Contributions in the field of human resources utilisation came from a variety of sources. For example, the concept of organisation and administration of men

existed in Egypt as far back as 1300 B.C. Confucius parables included suggestions for proper public administration and admonitions to choose honest, unselfish, capable, public officers long before Christ. Kautilya offered sound principles of state administration in 320 B.C. The Roman Catholic Church introduced the concept of staff personnel in church administration, which was further carried on by military organisations. The Cameralists, a group of German and Austrian public administrators and intellectuals, emphasised systematic administration as a source of strength during the 16th century. These contributions provided insights into how human resources could be utilised more effectively (Prasad, 2004:41). However, during this period, business was considered as one man's empire and there was no distinction between the owner and the organisation. One needed only to be in a position of authority. Authority meant power and control in social and economic systems. Workers were almost completely dominated by the owners of business. The whip and the ball and chain were effective ways of getting things done through people. Workers were content with their lot. It was a time when everything took ages to accomplish (Kumar, 2000:38). For example, it took centuries to build cathedrals and pyramids.

During this period, there were no professional managers to properly utilise labour. The level of production was limited. Markets were restricted. Producers were in close touch with consumers. Business ownership and management were traditional, hence, it was a period of craftsmanship. Some groups of craftsmen who preferred the same type of work, formed guilds, which could be regarded as the precursors of modern trade unions. However, the influence of these guilds was restricted. The struggle to service was their primary concern. These guilds were buried at the beginning of the fourteenth

century. Hence, within this period, owners were absolutely in control of workers, as decisions were not delegated and workers were not allowed to contribute to decisions that affected them. It was a period of full autocratic leadership or, if you like, management. Thus, the fact that every decision was taken by a single individual, resulted in a kind of sluggish growth during this ominous era. As this lethargic growth continued, people began to rationalise new ways of conducting business and utilising people. Therefore, necessity within this momentous period, became the *'mother'* of all inventions and brought to birth the industrial revolution that began around the 18th century.

5.2.2 Industrial Revolution era (Taylorism)

The Industrial Revolution, which took place in the late 18th and early 19th century in England, was the next major substantial shift in the way labour is utilised within the industry. The reality was that the steam engine irrevocably altered the world of work, and succeeded in turning both man, horse and buggy into a less marketable commodity. Nevertheless, eminent industrialists of this time such as Robert Owen (1771-1858), could not hesitate to emphasise the primacy of humans in the production process. In his view, the return of investment in human resources would be far more superior to the investment in machinery and equipment. Therefore, managers should take workers into confidence and should not only tell them what is expected of them but also why those expectations are required of them, because an enlightened worker is a better worker (Bedi, 1998:8; Prasad, 2004:41).

Contrary to Owen's view, other thinkers were concentrated on developing concepts relating to effective utilisation of resources on the shop-floor. For example, the inventor of the forerunner to the

modern computer, Charles Babbage (1792-1871), in his book, *'The Economy of Machinery and Manufacturing'*, laid emphasis on specialisation, work measurement, optimum utilisation of machines and tools, wage incentives and discovery of improved methods for purposes of cost reduction (Bedi, 1998:8). In his view, the progress of technology in production can be measured by the degree to which the assignment to each worker is simplified and integrated with those of other workers. The process would reduce the price employers have to pay for employing labour and the time that is needed to learn each job in addition to weakening the workers' bargaining power and, in the process, keep wage costs down (Giddens, 1995:493).

However, Max Weber (1864-1920) analysed functioning of different profit hunting, as well as non trading concerns and suggested that bureaucratic structures are most suitable to all of them. Bureaucracy involves a hierarchy of authority, which involves superior-subordinate relationships, division of labour to reap advantages of specialisation, a well defined system of rules, regulations and procedures, and authority and power entrusted through law. Bureaucratic power is part of the office and does not belong to an individual. The main disadvantage of a bureaucratic model in the utilisation of labour, is its rigidity, as managers cannot deviate from standard rules and procedures. Moreover, the human factor within organisations is ignored.

The world witnessed a second industrial revolution within the second half of the nineteenth century and the early decades of the twentieth century. Whereas steam engines generated the first Industrial Revolution, the driving force behind the second Industrial Revolution was oil and electricity (Slabbert, 1996:42). As a result,

major new developments and inventions appeared, but the emphasis shifted even further from direct contribution, which humans could make toward the profitability of an economic concern. This use of machinery in production began the factory organisation and the ownership of large industries shifted from individuals to joint stock companies. A separate class of capitalists and workers emerged. The concept of a wage paid for work done, was recognised. The doctrine of private property became a dominant theme. People began to search for new methods of production, while more emphasis was placed on the efficiency of workers and the prevention of wastage. Standardisation of production, production equipment, scientific selection of workers, training and monetary incentives, as well as the use of scientific managerial techniques in place of rule-of-thumb became major ideas of management literature (Kumar, 2000:40).

Then, a proper *scientific approach* of utilising workers was heralded by Frederick W. Taylor, a mechanical engineer, in his book, '*The Principle of Scientific Management*', published in 1911. Taylor's premise was that the organisational goal of high production at low cost, and workers' expectations of high wages, could be reconciled by analysing every component of a job to determine the most efficient method, by selecting the best worker for a job, training him or her in the correct methods of executing the job and paying incentives for greater efficiency (Bergh and Theron, 2005:12)

Taylor's principles were first applied at the Bethlehem Steel Company in America. His work gained wide acceptance in industry and became known as *Taylorism*. Taylorism was based on the view that humans are rational-economic beings. It held the view that humans are inherently lazy, inefficient and unreliable, that only financial incentives will induce them to work and their fallibility

can be counteracted by training them according to clearly set standards (Bergh and Theron, 2005:12). Bedi (1998:9) enumerated the basic thoughts and principles, which were enunciated by Taylor as follows:

- The method of science can be applied to management.
- Observation, measurement standardisation and specialisation are elements, which can be applied to industry.
- High wages and financial incentives motivate workers to high efficiency and productivity, which is mutually beneficial to workers and managers.
- Standardised working conditions can improve workers' efficiency and sustained attention to work.
- Working conditions, which minimise fatigue and an allowance of Tiffin breaks and light refreshment during working hours, are conducive to higher industrial efficiency and over-compensate the employer against the costs involved.
- Quantification of each job and setting of a target is a basic condition of higher output and productivity.
- Each job has the best method of doing it. By standardising this best method of doing work (method study), higher efficiency can be reached and sustained.
- The motions involved in doing work, have a less-fatigued combination, which when balanced with an economy of motion and adopted, would lead to higher output and efficiency. This is achieved through motion study.
- A job, for which a high-time (Standard Time) is set, is always performed better. Establishing the time standard is achieved through time-study. The standard time is broken into element time for each small unit of work.

- The total work should be broken by each day's (or shift's) quota or, if necessary, each hour quota. Thus, only enthusiasm can be sustained and standards reached.
- Jobs should be given to high performance workers who are good at specific job, and low performance workers whose output in the trade is poor should be encouraged to transfer jobs.
- As a corollary, Taylor formulated his differential piece work plan with progressive and pronounced incentives for above-standard performances.
- It is postulated that high-workers would be less prone to transfer jobs than low-workers, as the incentive is concentrated on an above standard performance.

Taylor considered that the value of his system lay in the fact that it would produce a '*mental revolution*' on the part of both management and labour. Employees, he reasoned, would be quite willing to work harder if they could earn a great deal more by doing so, while management would profit so much more by the increased productivity that it would be willing to pay more. Since the amount of work to be done in a day and the payment for it would be '*scientifically*' determined, there would be no reason for industrial dispute. Nevertheless, the mental revolution that Taylor predicted did not occur, but the system did produce a revolution in management thinking, which led to higher productivity. Managers were induced to plan work more carefully than they had before and, more important, they began to realise that improvement in methods need not depend on chance inspiration but can be discovered by systematic study. Numerous authors who contributed to scientific management include Henry Fayol, who popularised the universality of management principles, Edward Jones who stressed the

trusteeship role of management, Frank and Lillian Gilbreth who made significant contributions in the field of motion and time study, Henry Gantt, who studied the habits in the industry and Harrington Emerson who stressed efficiency and standardisation (Kumar, 2000:40).

Apart from the theoretical consideration, Taylorism was opposed by trade unions, industrialists, and the general public. The opposition was so grave that Taylor had to defend his scientific management before a special US congressional committee in 1912 (Worsfold, 2004:1). The introduction of scientific management led to agitation by trade unions in different production units. Prasad (2004:46) stated the major reasons for the opposition of scientific management as follows:

- Many followers of Taylor took aggressive mechanical views of production and sidelined human aspects within the workplace, which created an aggressive attitude among workers.
- Work had previously been performed under close and strict supervision, which was based on an authoritarian approach. Workers were not allowed to raise their voices even for genuine grievances.
- There was a lack of scientific standardisation of work and whatever standards were set by management, workers had to follow strictly. Such standards would often raise production norms without taking into consideration the factors affecting such norms.
- The most crucial element, which was under contention, was the differential piece rate system. The workers, even the efficient ones, as well as their unions, opposed this system on a plea that it was a new method of exploiting workers by the

industrialists. It should be mentioned here that trade unions were quite popular at the time.

According to Bergh and Theron (2005:12), *“the criticism of Taylorism included seeing it as exploitation of the workers, without consideration of individual psychological needs. It was also seen as fostering unemployment because individuals became specialists in a particular job, which made them stay in their jobs, not making room for others. This also negated their personal growth and innovation”*. In accordance with these views, Kumar (2000:40) remarked: *“The worker had been reduced to the role of an impersonal cog in the machine of production. His job became narrowly specialised. It reduced his overall involvement and pride in his job. Thus, the approach of scientific management dehumanised the organisation member. He was assumed to be without emotion as a simple factor of production like a machine”*. In fact, Taylorism turned the human operative into the simplex, narrowest of operatives, trained to what he or she is best at, and then that is all they ever do, with management functions elsewhere (Worsfold, 2004:1). As workers are not given any opportunity to show their initiative and skills, but are required to work strictly according to the direction of the foreman, it mars their initiative, introduces monotony in them, which finally results in industrial unrest (Kumar, 1993:48). Beundex (cited in Kumar, 2000:40) has very aptly remarked on the weakness of scientific management: *“As the art of manufacturers improve, the artisan recedes; as the masses are lowered, the masters are raised and no human bond exists between employers and the employed”*. Even Taylor himself suggested three reasons for animosity against scientific management:

- Workers' views that an increase in output results in unemployment;
- A system of management, which lead to workers restricting output to protect interest (systematic soldiering); and
- Habitual work practices that waste effort (cited in Worsfold, 2004:4).

In fact, these animosities and displeasures towards Taylorism led some experts to start experimenting and rationalising further ameliorating ways of utilising labour in the workplace, and one notable outcome of those rationalisations and experimentations, was the human relation approach of managing people.

5.2.3 Human relations approach (Elton Mayo)

The findings of the earlier writers, particularly of scientific management, which focussed attention on the mechanical and physiological variables of organisational functioning, were tested in the field to increase the efficiency of organisations. Surprisingly, positive aspects of these variables could not evoke positive responses in work behaviour, and researchers tried to investigate the reason for human behaviour at work. They discovered that the cause of human behaviour was something more than mere physiological variables. Such findings generated a new phenomenon about human behaviour and focussed attention on the human beings within the organisations. Hence, this approach was called the Human Relations Approach of Management (Prasad, 2004:55). In literal terms the human relations in industry, is a term generally used for organisational behaviour. From a management perspective, human relations approach motivates people in organisations to develop a spirit of teamwork in order to fulfil their needs and achieve organisational goals efficiently and economically. According to

Keith Davis (cited in Kumar, 2000:305), *“Human relation is an area of management practice in the integration of people into a work situation in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction”*.

The approach of human relations deals with the psychological variables of organisational functioning, which would increase efficiency in organisations, while it is a process of integrating man-to-man and man-to-organisation. Though land, labour, capital and enterprise are fundamental factors of production, without the willingness and co-operation of workers, it is not possible for management to produce anything. Therefore, management can obtain the co-operation of workers through the human relations approach. Indeed, to follow the human relations approach in an organisation, is a major form of motivation. Therefore, managers should realise the fact that a business organisation is a complexity of human relations and certain social variables. Thus, the human relations approach amounts to a humane treatment of employees within the organisation. The problem of human relations is a moral and social problem and its main object is to make ‘man-to-man’ and ‘man-to-group’ relations, satisfactory. It is a process of integration between organisational goals and individual motives.

The first experiment on the human relations approach was conducted by Professor Elton Mayo (a psychologist), at the Hawthorne plant of the General Electric Company, Chicago. This is the reason why he is recognised as the father of the human relations approach. His other associates were John Dewey, Kurt Lewin, Whitehead and F.J. Roethlisberger (sociologists) and company representative, William Dickson. The issue was that the Hawthorne plant of the General

Electric Company, Chicago, manufactured telephone system bells. It employed about 30,000 employees at the time of the experiment. Although in respect of material benefits to the workers, this was a most progressive company with pension and sickness benefits and other recreational facilities, there was also a great deal of dissatisfaction among workers and production was not up to the mark. After the utter failure of an investigation conducted by efficiency experts in 1924, the company requested the assistance of the National Academy of Science, which selected Mayo as a leader to investigate the problems of low productivity in the company. The researchers originally set out to study the relationship between productivity and physical working conditions. They conducted various research in four phases with each phase attempting to answer the question raised in previous phases. The four phases were as follows:

- I. experiments to determine the effects of change in illumination on productivity, illumination experiments (1924-1927);
- II. experiments to determine the effects of change in hours and other working conditions on productivity, relay assembly test room experiments (1927-1928);
- III. conducting plant-wide interviews to determine worker attitudes and sentiments, mass interviewing programme (1928-1930); and
- IV. determination and analysis of social organisation at work, bank wiring observation room experiment (1931-1932).

In most of the experiments, the researcher proceeded on the hypothesis of scientific management. A relationship of the physical and social factors with the level of output, was examined. The illumination studies were conducted with the usual controls of scientific experimentation. The original assumption was that there

was a correlation between the intensity of illumination and workers' productivity. The researcher found no difference in the quantity and quality of production owing to the change in physical conditions. Then they experimented the rest periods, shorter working days and wage incentives, while they also tested the influence of fatigue and monotony on output. They studied the psychological factors that seemed to exert a greater influence on output and the changes in rest periods, wages, hour of work and the quality of work life.

The Hawthorne studies provided evidence that an organisation is not merely a formal arrangement of men and functions, more than that, it is a social system, which can be operated successfully with the application of psychology and other behavioural sciences. From the Hawthorne experiments, Mayo and his associates were able to show that:

- The amount of work done by a worker is not determined by his physical capacity but by the social norms.
- Non-economic rewards and sanctions play a significant role in influencing the behaviour of the workers.
- Generally workers do not act or react as individuals, but as members of a group.
- Informal leaders play an important part in setting and enforcing group norms.

According to the Hawthorne researchers, "*Subordinates could not be forced into co-operation, strategy (for some), psychology (for others) and understanding (for few), and had to be substituted for force (in) human relations. Satisfied and contented employees were a necessary pre-requisite for effective collaboration*". The main implications of the experiment may be presented below:

1. **Social factor in output:** An organisation is basically influenced by social factors. In fact, Elton Mayo (1933, cited

in Prasad, 2004:59) has described an organisation as “*a social system, a system of cliques, informal status system, rituals and a mixture of logical, non-logical behaviours*”. Thus, an organisation is not merely a formal structure of functions in which production is determined by the official prescription, but the production norm is set by social norms. Since people are social beings, their social characteristics determine the output and efficiency in the organisation. Economic rewards and productivity do not necessarily go together. Many non-economic rewards and sanctions affect the behaviour of workers and modify the impact of economic rewards. While motivating workers, these factors should be kept in mind.

2. **Group influence:** Workers are social beings, since they create groups, which may be different from their official group. In fact, groups are formed to overcome the shortcomings of formal relationships. The group determines the norm of behaviour of members. If a person resists a particular norm of group behaviour, he tries to change the group norm because any deviation from the group norm will make him unacceptable to the group. Thus, management cannot deal with workers as individuals but as members of a work group, which is subject to the influence of the group.
3. **Conflicts:** The informal relations of workers have created groups, and there may be conflict between organisations and groups that are created. The conflict may be because of incompatible objectives amongst the two. However, groups may help to achieve organisational objectives by overcoming the restraining aspect of the formal relations, which produce hindrances to productivity. Conflict may also arise because of the maladjustment of workers and the organisation. As the individual moves through time and space within the

organisation, there constantly arises a need for adjustment of the individual to the total structure.

4. **Leadership:** Leadership is important for directing group behaviour, and this is one of the most important aspects of managerial functions. However, leadership cannot come only from a formally-appointed superior as held by earlier thinkers. There may be informal leaders and, at times, informal leaders are more important in directing group behaviour because of their identity with group objectives. However, a superior is more acceptable as a leader if his style is in accordance with the human relations approach, that is, the superior should identify with the workers.
5. **Supervision:** The supervisory climate also has an important role to play in determining the rate of output. Supervising workers in friendly manner, being attentive and genuinely concerned, would affect productivity favourably.
6. **Communication:** The experiments show that communication is an important aspect of organisation. Through communication, workers can be explained the rationality of a particular action, while participation of workers can be sought in decision-making concerning matters of importance, problems faced by them can be identified and attempts can be developed by identifying, between management and workers, their attitudes, opinions and methods of work, while suitable action can be taken with regard to these.

Therefore, the Hawthorne experiments opened a new frontier to the study of labour utilisation, which has been followed by many behavioural scientists later on. In respect of the Hawthorne experiments, Henry Landsberger observed that: *“a most spectacular academic battle has raged since then- or perhaps it would be more*

accurate to say that a limited number of gunners have kept a study barrage, re-using the same ammunition. The beleaguered Mayo garrison, however, has continued its existence behind the solid protection of factory walls" (Landsberger, 1951:1-2, also see Kumar, 2000:213). Besides the Hawthorne experiments, other contributions to human relations have come from Bakke and Argyris' fusion process, which integrates individuals and organisation, McGregor's-human side of enterprises, March and Simons' problems of organisation and the Likert-management system theory of motivation. The main justification for the human relations approach may be stated as follows:

- It helps to promote efficiency and productivity;
- It helps in the maximum utilisation of manpower;
- It is socially, morally and psychologically justified;
- It helps to prevent industrial action and promotes co-operation; and
- It boosts the development of industrial humanism.

5.2.3.1 Criticisms of Hawthorne experiments

Though the Hawthorne experiments had introduced a new episode in management by emphasising the importance of social factors in output, it is not without fault. The experiments have been widely criticised by some behavioural scientists because of a lack of scientific objectivity, which is used in arriving at various conclusions. Some critics felt that there was bias and preconception on the part of the Harvard researchers. One writer developed a detailed comparison between the conclusions drawn by the researchers and the evidence presented, and found that their conclusion were almost entirely unsupported. He asked the question *"how it was possible for studies so nearly devoid of scientific merits, and conclusions so little supported by evidence, to gain so*

influential and respected a place within scientific disciplines and to hold this place for so long” (Carey, 1967:403). Following this, other criticisms have been made against the Hawthorne experiments:

- The Hawthorne researchers failed to pay enough attention to the attitudes that people bring with them to the workplace. They failed to recognise forces such as class consciousness, the position of unions, and other extra plant forces on the attitudes of workers.
- The Hawthorne plant was not a standard plant because it had numerous negative aspects as a workplace. Therefore, the result could not be generalised.
- The Hawthorne studies looked upon workers as a means to an end, and not an end to themselves. They assume acceptance of management’s objectives and look on workers as those who are manipulated by management.

Nevertheless, in spite of these shortcomings, the Hawthorne experiments will be remembered for discerning the importance of human factor in labour utilisation within an organisation. Meanwhile, the human relations approach of utilising labour was punctuated by the third industrial revolution (although some authors still considered it as part of the second industrial revolution). However, the present author would prefer to refer to it as a technological revolution.

5.3 Technological Revolution

From the Stone Age to the Industrial Revolution, was indeed a period of marvellous achievements on the part of human civilisation. The human fascination with artefacts that mimicked human behaviour is longstanding and has inspired tales and legends from many cultures. Particularly noteworthy, are the automata built by the Jacquet-Droz family of Switzerland between 1768 and 1774.

The theme of robots and their ambiguous relation to other human creators, has been expressed in such works as *Frankenstein*, *R.U.R.* and *2001: A Space Odyssey*. In the 20th century, Isaac Asimov, in his robot stories, and George Lucas, in his *Star Wars* series of movies, presented robots whose sole purpose has been to serve their human masters (Rosenberg, 2004:62).

However, presently, humans are in the midst of a higher revolution, which is having a greater impact than the industrial revolution (Inder Singh, 1998:1). This latest revolution is known as the technological revolution, which occurred towards the end of World War-II. This revolution was unprecedented owing to the introduction of numerically-controlled machines and computers in the realm of work (Slabbert, 1996:42). These new inventions became the precursor of the information revolution and the rise of artificial intelligence (AI). Indeed, this series of events coincided with the Second World War, which gave rise to a new discipline called AI. Most important, of course, was the development of the digital computer, which was significantly accelerated by the needs of war research. An important paper, which was written in 1943 by McCulloch and Walter Pitts, called 'A Logical Calculus of the Ideas Immanent in Nervous Activity', stimulated a number of people to explore the possibilities of achieving intelligent behaviour from a machine (Rosenberg, 2004:56). However, it should be remembered that computers did not suddenly appear. Technological innovation does not arise from thin air. There are strata of previous technological achievements. Although it is always believed that the technological wonders were created by modern scientists, however, the efforts of ancient craftsmen, inventors and scientists, which had laid the necessary foundation for modern computer development, should not be ignored.

The main distinction between the Industrial Revolution and the technological revolution is that, during the Industrial Revolution machines were developed to augment muscle power. However under the current revolution, the computer is being used to augment the power of the mind. Rosenberg (2004:55) reiterated: *“Computers are applied to an incredibly wide variety of tasks, including many that were formerly the sole province of humans. This gradual encroachment on a private domain has undoubtedly indicated to many people that it is only a matter of time until no exclusively human activities or skills remain. As has often been pointed out, whereas the first industrial revolution replaced man’s muscle, the second is replacing his hand and brain”*. In fact, the new revolution has well-changed the present society as much as the industrial revolution changed the agrarian society that it overthrew. Among the electronic devices invented by humans, computers have made the greatest impact on society than any other device. According to Inder Singh (1998:1), *“The computer is a general purpose, automatic, stored, programmed electronic device. It uses digital signals for recording and moving data and instructions. It can perform any task that can be carried out systematically, using a precise step by step method. Computers have strengthened man’s power in numerical computations and information processing and have there by increased the effectiveness of organisations especially those that collect, store and disseminate information”*.

Therefore, the computer is a machine, which can help to process data and perform certain repetitive tasks at very fast rates, without blunders. Indeed the advent of the computer machine has made it possible for humans to collate, integrate and disseminate information with an efficiency and speed unparalleled in history.

When talking about a computer, it means a holistic computer system because a mere computer would be useless without other systems. Hence, a computer has the capability of performing all the tasks that are expected of it, however, it would be totally redundant if it lacks other systems to receive, transmit and communicate information through other required devices. In fact, these devices are to a computer, what the eyes, ears, hands and mouth are to human beings. Therefore, the computer proper can be compared to the brain of a human being.

The development of the first computer could be attributed to Herman Hollerith, who devised a system of machine to process the results of the 1890 population census of the USA. His contract involved punching 56 million cards and the system was a great success as the results were processed in one fourth of the time that was needed for the previous census. In 1896, Hollerith left the US census to form the Tabulating Machine Company, which later became the International Business Machines Corporation (IBM). Even today, IBM is one of the largest manufacturers of computers. Before Herman Hollerith, the history of computers appears to be quite ancient. It began with the development of a device called the abacus invented by the Chinese, which was used for systematic calculations of arithmetic operations (Inder Singh, 1998:1; Rosenberg, 2004:69). During the first decade of the 19th century, Jacquard invented an automated loom operated by a mechanism which was controlled by punch cards (Rosenberg, 2004:69). Another device, called the difference engine, was developed by Babbage and was used to calculate the values of polynomials, by using the difference techniques (Giddens, 1995:493). Babbage also conceived of another machine known as the analytical engine which combined the concepts of both the automated loom and the difference engine.

This device had provisions for inputting data-storing information, performing arithmetic operations and printing out results and provided a base for the modern computer (Inder-Singh, 1998; Rosenberg, 2004).

However, it was Howard Aiken, in 1944 that developed a fully automatic calculating machine in collaboration with IBM. His aim was to develop a machine for solving vast calculations, which were manually impracticable. The Harvard Mark I, also called the automatic Sequence Controlled Calculator (SCC), which was huge in size and complex in design, was thus developed. It was capable of performing five basic operations: additions, subtraction, multiplication, division and table reference. It was, in fact quite slow in comparison to today's standards, but it represented a major technological breakthrough for computer development (Inder Singh, 1998:2). As already mentioned, the computer did not arrive as a serious tool for numerical work until well after the Second World War, with the invention of transistors and then the integrated circuits. Since this period, the impact of computers on society has overwhelmed human imagination. In fact, there were three stages of development. The first was the use of computers for big sciences such as Astronomy, Physics, Chemistry and Engineering. In these areas, the computer has been able to solve problems, which were beyond human effort. Then, the management base users came to relied on computers to generate management decisions that were used on calculated risks and invented such terms as management information systems. All these developments demonstrated the power of the computer and its benefits to society. However, this positive impact was only felt by a limited group of highly selective people. Later the scope of computers had been widened to include non-numerical data manipulation and an innumerable host of

applications in almost every facet of life, which is no exaggeration to admit that human civilisation is now witnessing a revolution in data processing, storing and transmitting, commensurate in its likely effect with the Industrial Revolution that was sparked in the 18th and 19th century by then-newly harnessed power of the steam (Inder Singh, 1998:1). In fact, the hallmarks of this new revolution in the current world of work, are globalisation and internationalisation (Slabbert, 2006:1). Moreover, it should be reiterated here that all these developments did not occur in a single day. Of course, the computer does now have different generations like human beings.

5.3.1 Computer generations

The development of the computer has passed through different difficult phases or generations. Thus, this section briefly describes these significant stages in the development of the computer.

5.3.1.1 First generation computers (1940-52)

Increasing development in science and technology had led to the development of the tube which popularised the use of high speed vacuum switching devices in place of electromagnetic transmitters. This development saw the beginning of the Electronic Numerical Integrator and Calculator (ENIAC). The ENIAC could calculate within an hour what would have taken the Harvard Mark I, a week or more to perform. Another milestone in computer development was when Von Neumann developed the idea of the stored program. His idea was that a stored sequence of instructions should direct the flow of operations and manipulations of data and that these instructions themselves might then be altered and further manipulated. Indeed, the Electronic Discrete Variable Automated Computer (EDVAC), in 1952, was one such computer. In 1946, Eckert and Mauchly formed their own company, which was incorporated as

the UNIVAC division of Remington Rand Company Ltd in 1949. In 1951, it developed the UNIVAC 1, which became operational at the census Bureau. Thus, the first generation computers were marked by the use of vacuum tubes as electronic components and mercury relay lines for storage. Paper tapes and punched cards were also used. Electronic time per operation ranged from 0.1 to 1 milli second, while memory access time was 1 milli second (Inder Singh, 1998:2).

5.3.1.2 Second generation computers (1952-64)

Whirlwind I was designed and developed at the Massachusetts Institute of Technology in 1952. This computer used a magnetic core memory instead of a vacuum tube, which made it more compact, reliable and fast. In the early 1950s and 1960s, the switches used in computers were valves, which were very expensive. However, in 1947 William Shockley invented the transistor, which earned him a Nobel Prize, when he used germanium to make the transistor, which brought an end to the valve industry. However, germanium transistors had one drawback, namely warming up. Later, Shockley and Robert Noyce, set-up a company called Fair Child Corporation and developed a technique of making several transistors on a single silicon chip thereby decreasing the cost of the transistor. Thus, the second generation computer was marked by magnetic core storage and the use of the transistor in place of vacuum tubes. The electronic time, per operation, was 1 to 10 micro seconds, while magnetic tapes, drums and punched cards, were used as secondary storage (Inder Singh, 1998:2; Rosenberg, 2004:68).

5.3.1.3 Third generation of computers (1964-70)

The technology of putting more transistors into a single chip, developed fast, and by 1963, about 8 transistors were put on a single chip. This new technology was called Integrated Circuit (IC).

However, currently, the figure is a quarter of a million transistors to a single chip. In other words, from merely a Small Scale Integration (SSI), to Medium Scale Integration (MSI), namely the integration of a few components and the integration of up to a hundred components. The third generation was marked by the use of Integrated Solid State Circuits, improved secondary storage devices and new input-output devices. All these made possible multi-processing and multi programming, whereby a number of data-processing jobs from different sources could be run virtually at the same time on a single, centrally-located computer. The electronic time, per operation, of the integrated circuit, was 0.1 to 1 microsecond (Inder Singh 1998:3).

5.3.1.4 Fourth generation of the computers (1970-1980s)

The dream of Fair Child Corporation to put a whole computer into a single chip, heralded the entry of the micro processor. This was made possible by Robert Noyce. The technology of Large Scale Integration (LSI) became known as the Fourth Generation Technology. It is very much owing to the LSI technology, which introduced micro computers with a micro processor. A micro processor is a tiny, solid state device, about the size of a thumb nail, which, in itself, is a small computer capable of performing arithmetic and logical operations. The revolution brought about by the microprocessor, led to the development of large computers that are much faster, less expensive and of a much greater capacity than equivalent-sized third generation computers. Among the advanced input/output devices, employed by the fourth generation computers, are optical readers (by which whole documents can be fed to a computer), audio response terminals (by which an operation can be vocally communicated with the computer) and graphic display terminals (by which pictures can be obtained from the computer).

During the 1980s, some computers, known as super computers, were introduced to the market. These computers are exceptionally high speed machines. The Cray 1 and Cyber 205 performed 100 million per seconds, consisting of several computers acting simultaneously. The costs of these computers are extremely high and, as such, are used mostly in certain complex applications such as space technology.

5.3.1.5 Fifth generation computers (1980s to present)

The fifth generation computers are the so called '*Thinking Machines*', as they have the capability of reasoning, learning and making informed judgements or decisions. The key to this artificial intelligence lies in the newer method of programming. One can imagine such computers communicating with humans via audio visual means. In the field of medicine, they are capable of providing invaluable assistance owing to their massive data base. The reality of the present moment is that humans are on the threshold of new discoveries and a new global world, previously beyond man's comprehension. In 1981, a conference of 300 computer scientists and engineers from 14 countries, which was held in Japan, was to discuss the features of the fifth generation computers (Inder Singh, 1998). The fifth generation computer system was conceived as a knowledge information processing system, based on innovative technologies. This new revolution has accelerated the pace of globalisation (Scholte, 2000:100) and globalisation is mainly conceived of as a product of technological revolution (Went, 2000:52). This latter watershed in the technological revolution, began in the 1980s, and early 1990s when corporations spent more than a trillion dollars on computers, robots, telecommunication satellites and other automated equipments. It has been only in the past few years that these massive expenditures have begun to pay

off in terms of increased productivity, reduced labour costs and supernormal profit (Shah and Mehta, 1998:227).

Presently, whether it is in the areas agriculture, manufacturing or service sectors, machines are quickly replacing human labour and promising an economy of near-automated production (Rifkin, 1995). In the coming years, new technologies will bring civilisation even closer to an automated world. The technology advancement will reshape how workers will perform their jobs in the 21st century. By 2010, information technology (IT) will influence many positive changes, but it will lead to job destructions and losses, depersonalisation and boredom (Shah and Mehta, 1998:227). IT will change the nature of jobs, as well as how workers perform their jobs, in 90 percent of the workforce by 2010 (Hines 1994:9). The growing substitution of machine for workers will force every nation to reconsider the role of human beings within the social process. Accordingly, Shah and Mehta (1998:227) declared: *“We are pushing the relationships between machines and work beyond the uneasy accumulation of the last 200 years into a new relationship whose configuration will be markedly different from that of the past”*. According to Landes (1976, cited in Kennedy, Messner and Nuscheler, 2002:10), *“it is true that human ingenuity has been making its mark for millennia, and also true that ever since the Industrial Revolution, the interaction of science, technology, and economics, releasing humankind’s energies just like Prometheus unbound, has accelerated that upward spiral in a seemingly unstoppable way”*.

In their view Kennedy *et al*, (2002:10) observed: *“It is hard to believe that the flurry of inventions of the past 50 or so years- jet aircraft, telecommunications, great advances in biotechnology and*

health sciences, space exploration, to name a few- is not transforming our lives in an even more intense and rapid way than in any previous era". If this trend of artificial intelligence continues, the role of workers, as the prime factor of production, is definitely going to diminish in the same way that the role of horses in agricultural production was first diminished and eliminated by the introduction of tractors (Rifkin, 1995:166; Shah and Mehta, 1998:228; Job Letter, 2003:3). The difference between the earlier technology and the current ones is that while the former replaced the physical capability of human labour with machines for body and strength, the latter promises a replacement of the human mind itself by substituting thinking machines for human beings. For example, automated machinery, robots, and sophisticated computers, can perform most of the repeated tasks at a faster and cheaper rate. The new economy is a knowledgeable one.

According to Nayar (2000:52-4), *"in a knowledge economy, virtual assets will replace physical assets and the economies will not be that of scarcity, but rather of abundance. Unlike most resources that deplete when used, information and knowledge can be shared, and actually grow through application... In order to survive in today's competitive market, businesses need to recognise and manage the knowledge within the organisation as an asset"*. The Knowledge Based Economy (KBE) revolves around the introduction and rapid diffusion of information and communication. The World Wide Web, e-mail, fibre optics, wi-fi (wireless fidelity), telephones and satellite, are changing the ways in which societies are organised, relate, do their business and compete internationally. Frankly, this allows people in societies, to access, adapt, produce and apply information with less difficulty and much more speed than in the past. Information and communication technologies (ICTs) will

permit unlimited access to information of all kinds, which could, inter alia, allow access to a range of new realities. Barriers to knowledge and participation and involvement in most economic/knowledge spheres, are no longer as daunting as it once were (Stokvis, 2001; Gomory and Baumol, 2004; Slabbert, 2006). Indeed, Slabbert (2006:3) noted: *“Over the past 200 years, neo-classical economists have recognised only two primary factors of production, i.e., capital and labour. Dramatically, this has altered to a scenario where information and knowledge are substituting capital and energy as primary wealth creating factors, in the same manner as which the latter two removed labour and land as factors more than 200 years ago. Furthermore, expansive technological developments have enabled knowledge to become a primary wealth-generating factor, eliminating physical work as such a factor”*.

Thus, TNCs have accelerated the alteration from human labour to machines owing to increasing global competition and the rising costs of labour. For example, most airlines have home pages on the internet, where anyone can purchase an aeroplane ticket at any time without involving a travel agent or any human being (Martin and Schumann, 1997; Legrain, 2002). This leads to substantial cost savings for airlines since they do not have to pay commission to travel agents or telephone operator wages. In fact, technology has enabled TNCs to consolidate work, institute remote workstations, and be flexible in today's turbulent global economy (Shah and Mehta, 1998; Rosenberg, 2004). Thus, TNCs are currently restructuring the workforce to make it compatible with the high-tech culture, while they have done this through the use of three popular global economic paradigms of outsourcing, re-engineering and retrenchment (or downsizing).

5.4 Outsourcing

Outsourcing or the foreign 'sourcing' of inputs is one important aspect of globalisation in production, which is the reason why outsourcing is at times referred to as globalisation of production. As a matter of fact, there are barely any products these days that does not have some foreign components in it. Thus, this method of production has developed so rapidly, to the extent that it has become difficult to determine the nationality of most products. Indeed, Salvatore (2004:544) has stated: *"should Honda Accord produced in Ohio, be considered American? What about a Chrysler mini-van produced in Canada, especially now that Chrysler has been acquired by Daimler-Benz (Mercedes)? Is a Kentucky Toyota or Mazda that uses 50% imported Japanese parts American? It is clearly becoming more and more difficult to define what is American and opinions differ widely. One could legitimately even ask if this question is relevant in a world growing more and more interdependent and globalised. Today, the ideal corporation is strongly decentralised to allow local units to develop products that fit into local cultures, and, yet, it is much more centralised at its core to coordinate activities around the globe"*.

Indeed, outsourcing has become a requirement for corporations to earn higher profits and to respond to import competition (Feenstra and Hanson, 1996:4). In this case, companies that refuse to look outward for lower-cost inputs may loose their local and international competitiveness under a global setting. Salvatore (2004:544) further maintained that the need to be competitive, *"...is the reason that \$625 of the \$860 total cost of producing an IBM PC was incurred for parts and components manufactured by IBM outside the United States or purchased from foreign producers*

during the mid- 1980s. Such low-cost offshore purchase of inputs is likely to continue to expand rapidly in the future and is being fostered by joint ventures, licensing arrangements, and other non-equity collaborative arrangements. Indeed, this represents one of the most dynamic aspects of the global business environment of today". According to Roger Herman, of The Herman Group (Greensboro, North Carolina, USA) (cited in Nel, Van Dyk, Haasbroek, Schultz, Sono and Werner, 2004:589), *"One area that will continue on its current part, is outsourcing*. Indeed, outsourcing has greatly increased over the last two decades. For example, between 1972 and 1990, imported intermediate inputs to Britain alone increased from 5.3% of materials purchased to 11.6% of materials purchased (Feenstra and Hanson, 1996:4). In fact, substantial evidence points to the fact that outsourcing has become widespread among modern producers. For example, Nike only employs 2,500 persons in the USA for marketing and other headquarters services, whereas about 75,000 persons are employed in Asia to produce shoes that are purchased back by Nike. Also, currently, General Electric in the US imports from Samsung in Korea all the microwaves that are marketed under their brand-name (Magaziner and Patinkin, 1998; Klein, 2001). Outsourcing is also claimed as an important activity in industries such as footwear (Yoffie and Gomes-Casseres, 1994; Adams, *et al.*, 2005), textiles (Gereffi, 1993; Legrain, 2002) and electronic (Alic and Harris, 1986 cited in Anderton & Brenton, 1998:2). These aforementioned examples demonstrate that outsourcing applies to both finished goods and intermediate inputs (Anderton and Brenton, 1998:2).

Reflecting a bit on the meaning of outsourcing, Anderton and Brenton (1998:5) have stated that *"outsourcing takes place where companies take the benefit of both the low wage costs of relatively*

labour-abundant countries and modern production techniques, and whereby the process of producing a product can be broken into a number of discrete activities, by shifting the low-skill intensive section of production abroad, but continue to carry out the high-skill intensive activities themselves, and, once the low-skill activities have been completed, the goods are then imported back from the low-wage countries and either used as intermediate inputs or sold as finished goods". Hence, outsourcing includes parts and components arrangement from offshore and contract work done by others. Moreover, another category of outsourcing includes goods that are produced entirely by subcontractors, where the outsourcing manufacturer attaches its brand-name to the completed product. An example of such outsourcing is reflected in the statement of the president of the American division of Levi Strauss, John Ermatinger (quoted in Klein 2001:195): *"Our strategic plan in North America is to focus intensely on brand management, marketing and product design as a means to meet the casual clothing wants and needs of consumers. Shifting a significant portion of our manufacturing from the U.S. and Canadian markets to contractors throughout the world will give the company greater flexibility to allocate resources and capital to its brands. These steps are crucial if we are to remain competitive".* Similarly Klein (2001:198) noted: *"From El Paso to Beijing, San Francisco to Jakarta, Munich to Tijuana, the global brands are sloughing the responsibility of production into their contractors; they just tell them to make the damn thing, and make it cheap, so there's lots of money left over for branding. Make it really cheap".* Indeed, contracting a foreign firm to manufacture goods that have been designed and distributed by companies in the advanced country, has become an important form of outsourcing.

Another type of outsourcing includes contract work done by others through the use of foreign plants for product assembly. Currently, assembly services represent large shares of U.S. imports from low-wage countries. For example, imports from offshore assembly plants accounted for 42.2% of U.S. imports from Mexico (Feenstra and Hanson, 1996:4-5). Therefore, within the context of globalisation and the need to respond to competition, organisations are reverting to their core functions, consolidating these functions and casting off or outsourcing peripheral activities. (Bendix, 2005:408). Hence, Kirkbride (2001:77) observed that *“The merits of large highly integrated corporations occupying multiple stages in the value chain were diminished in favour of ‘focus, focus, focus’. This new conventional wisdom decreed that organisations should concentrate on those activities in which they have significant, competitive advantage. Any ‘non-core’ activities should be outsourced”*.

Indeed, with respect to the global economy, outsourcing has become the manufacturer’s new international economies of scale. Salvatore (2004:544) noted that *“just as companies were forced to rationalise operations within each country in the 1980s, they now face the challenge of integrating their operations for their entire system of manufacturing around the world to take advantage of the new international economies of scale. What is important is for the firm to focus on those components that are indispensable to the company’s competitive position over subsequent product generation and ‘outsource’ all the rest from outside suppliers in order to have a distinctive productive advantage”*. On this keynote, Klein (2001:197) stated: *“Many companies now bypass production completely and instead of making the products themselves, in their own factories, they ‘source’ them, much as corporations in the*

natural-resource industries source uranium, copper or logs. They close existing factories, shifting to contracted-out, mostly offshore, manufacturing. And, as the jobs fly offshore, something else is flying away with them: the old-fashion idea that a manufacturer is responsible for its own workforce”.

In fact, the origin of outsourcing could be traced to two important revolutions that occurred in business, namely the MNC and the ‘Retail’ business revolutions. In the first instance, the MNC revolution enabled business to learn how to render high-tech innovations that complements with globally mobile production systems. Moreover, MNC activities offered a first scope within which capital was able to put labour in international competition, and this competition, indeed, has had significant, negative effects on manufacturing wages, employment and union membership (Bronfenbrenner, 2000; Bronfenbrenner & Luce, 2004). Then, the second revolution, namely the retail business revolution, was linked to some new sourcing model based on big-box discount stores. The first phase of this revolution could be traced back 40 years ago with the surfacing of big-volume discount stores like Wart-Mart, which was founded in 1962 (Palley, 2006:2). During this phase, the business model was mainly based on national sourcing, and the big-box stores bought from the cheapest, national manufacturers. These stores created competition for producers nationally, so that for example, companies in California were forced to compete with those in New York. This national rivalry provided lower prices, and it was beneficial because all suppliers were located and operated within the same territorial jurisdiction. However, to some extent, it also led to cut-throat competition as it pressured some manufacturers to move southward to non-union ‘right-to-work’ states where

organising workers was much more difficult and labour costs were lower (Palley, 2006:2).

However, the most contested phase of this revolution commenced in the 1980s, when the big-box discount stores began to move out of their territorial boundaries to outsource goods and services. The consequence of this new trend was that US suppliers were no longer merely in national competition, but they were in an international bidding competition. Thus, California was no longer only competing with New York, but US producers were now forced to compete with companies in China, Indonesia and Mexico. According to Palley (2006:2), *“The economic logic of this global sourcing model is simple. Scour the world for the cheapest supplier and lowest cost- the so-called ‘China price’- and then require US manufacturers and workers to match it if they wish to keep their business”*.

However, today outsourcing is not only a game of the retail sector, but has drifted to the production and service sectors. In fact, production and service companies, in the advanced countries, are now busy shifting their activities offshore (have become transnationals) in order to compete with low cost companies, in the developing countries. Feenstra and Hanson (1996:5) reported that more and more TNCs are engaged in a substantial amount of outsourcing. For example, the Compaq Computer Corporation purchases parts for personal computers from its foreign branches and from outside foreign suppliers. In both cases Compaq imports components that it could have previously produced domestically. Hence, both forms of outsourcing will definitely affect the range of activities that Compaq would perform in its local production operations. Another example is when Texas Instruments, which set up an impressive software programming operation in Bangalore in

India some few years ago, was emulated by other American MNCs. Presently, Motorola, IBM, AT&T, and many other high-tech firms have currently shifted a lot of their basic research abroad and, in 2004, IBM indicated that it would shift about 7,500 high-tech jobs abroad to lower costs (Salvatore, 2004:545).

Thus, outsourcing can be viewed as an application of the retail sector's sourcing model to production and service sectors, and this development has been accelerated by technological innovations and improvements in computing, electronic communication and the internet (Streeten, 2001:45). Chanda (2004:3) reiterated: *"In a way, the latest outsourcing phase is simply a result of the internet bubble. Thousands of kilometres of fibre optic cable and high bandwidth connections, laid during the boom years, have united much of the world in high speed connectivity. Relentless growth in storage capacity and high-speed transmission (digital scanning is currently at 200 pages a minute), has meant that anything can be digitised and sent anywhere for processing"*. Similarly, Palley (2006:3) remarked: *"Owing to improvements in electronic communication and the internet, many services that were previously non-tradable, have become tradable. These include basic computer maintenance and software programming, tax preparation and accounting, architectural planning, and telephone call centres. Even retail sales are potentially tradable, as indicated by the success of the Amazon.com business model"*. In effect, all types of companies are now engaged in outsourcing, and also want suppliers to meet the so called 'China price'. These dynamics, though originating in the retail sector, have eroded manufacturing and service jobs and wages.

Outsourcing does, indeed, deliver low prices but at the expense of workers (Palley, 2006:2). In this regard, with American workers, Chanda (2004:2) observed: *“Blue-collar workers, long wary of outsourcing, have been joined by programmers, engineers and office workers. The media is covering the story more than ever before. One CNN program has begun campaigning against outsourcing, compiling a web based list of companies (so far totalling 326) that it accuses of ‘exporting America’ by ‘either sending American jobs overseas, or choosing to employ cheap overseas labour, instead of American workers”*. Anderton and Brenton (1998:5) felt that trade with the low-wage countries via outsourcing, will surely shift employment away from less-skilled towards skilled workers in the advanced nations and put a downward pressure on the relative wages and employment of low-skilled workers within industries.

Although it was previously believed that outsourcing was companies’ response to global competition, however, from the 1980s onward, it became clear that most TNCs have resorted to it, in order to counter some of the rigidities necessitated by government regulations in some countries. A majority of the TNCs adopted it because it provided some leeway from a legal point-of-view against labour. However, there remain innumerable pitfalls with such modes of outsourcing, particularly where skilled jobs are sent away. In such situations, employers may find in the long-run, that the decision to outsource is not as sagacious as envisaged (Bendix, 2005:493-494). For example, the negative repercussion of this style of outsourcing, can be exemplified by the two US auto part companies Visteon and Delphi, former subsidiaries of Ford and General Motors, respectively. Visteon and Delphi had initially competed nationally. However, as both Ford and General Motors

announced in 2005 their intentions to outsource from low cost companies in order to meet the '*China price*' of being globally competitive, both Visteon and Delphi, owing to higher union wages and benefits in America, joined the race by shedding jobs and moving production offshore, including to China. However, in the long run, both came to realise the difficulties that are associated with this mode of outsourcing and in October 2005, Delphi became bankrupt (Palley, 2006:3).

In fact, this increasing drive to outsource began after the 1987 recession, when companies became desperate for cost-cutting measures to boost profits. Thus, with manufacturing transferred overseas, high-speed imaging and communication technology helped to reduce costs in software applications, data processing, accounting and customer service. In addition to the high-tech innovations, there was also an increase in the number of English-speaking accountants, engineers and business students who came from low cost country universities, such as India and, for many of these new graduates, the call centres are a first step into the job market, while indeed, many of these graduates are willing to obtain a little portion of what their counterparts earn in America and Europe. This is the main reason why most TNCs have rushed into India's cyber-office space (Chanda, 2004:4). Presently, most TNCs have become '*virtual manufacturers*'. Although their product design and marketing is done in their parent countries, the actual production work is carried out in lower cost locations, such as China or Mexico (Chanda, 2004:3). Kirkbride (2001:77) commented: "*Much was written about the advent of the 'virtual corporation' that would only exist as a brand. Labour market problems were to be vanquished in the electronic lightning of new technology*".

The positive side of this story is that countries like India, have leapfrogged into the 21st century by setting up high speed networks, effectively turning their cyberspace into virtual office space for the West. In that case, an employee sitting in Chennai, in India, can examine the image of a medical insurance claim in the West on his computer screen and complete the form for processing. In that light, Andrew Grove, CEO of Intel Corporation (cited in Chanda, 2004:3) exclaimed: *“From a technical and productivity standpoint, the engineer sitting 6,000 miles away, might as well be in the next cubicle and on the local area network”*. Certainly, it is this imperceptible worker that is willing to work for a little fraction of the average US wage, that has eroded America jobs. Indeed, McKinsey’s (cited in Chanda, 2004:2) prediction that by 2008 IT services and back-office work in India will grow fivefold and will employ four million people. This is indeed a sign that the upward trend in service outsourcing to low cost nations, will continue unabated to the detriment of service workers in advanced countries. In this respect, Chanda (2004:4) retorted: *“There is a gnawing fear that, given the cost advantages and unlimited supply of competent workers, jobs now leaving the US may not come back. The savings that corporations achieved through outsourcing will reduce consumer prices and raise shareholders’ profits, but without necessarily creating any jobs at home. The classic solution to the problem of job loss, created by technology, has been to promote education and retraining programs. But, if an unlimited supply of workers with similar skills is available at the end of a broadband wire for a tenth of the salary, the textbook economics remedy may not work. There will obviously be many office jobs requiring direct client and team contact, but those jobs that can be done in isolation, are increasingly up for grabs in a global labour market”*. Indeed, work that was previously done in the United

States and other industrialised countries, is now done at a lower cost in the developing countries. This is not only for low-skilled assembly-line jobs but includes job requiring high computer and engineering knowledge.

Previously, it was a general belief in the US that only the unskilled job would fly away, leaving American workers with the highly paid white-collar jobs. However, recently IBM has moved millions of white-collar jobs to countries like India and China, and contended that such moves enhance their competitive advantage, hold costs down for American consumers, and help to develop poorer nations while supporting overall employment in the United States, by improving productivity and the nation's global reach. Nevertheless, this rationale does little to calm the growing concerns of many politicians and employees in the US and other advance countries that are affected. This is the reason why it was predicted that outsourcing will result in unemployment, resentment of foreigners training in the US and retaliatory unionisation efforts (Greenhouse, 2003:1). However, in spite being concerned about the repercussions, IBM continued with their plans to outsource thousands of jobs overseas. According to the company's employee relations officer, Tom Lynch (cited in Raynor, 2003:4), *"This challenge really hits us squarely between the eyes. We don't want to sit back and say 'don't do it' because it's going to be a real problem. Our competitors are doing it and we have to do it"*. Similarly, Salvatore (2004:545) commented: *"Globalisation in production and labour markets is important and inevitable- important because it increases efficiency; inevitable because international competition requires it. Besides the well-known static gains from specialisation in production and trade, globalisation leads to even more important dynamic gains from extending the scale of operation to the entire*

world and from leading to the more efficient utilisation of capital and technology wherever they are more productive. Otherwise, competitors would do so and the firm would lose its markets and might even be forced to shut down. For the same reason, firms must outsource labour services or employ labour off-shore where it is cheaper or more convenient". However, one computer company executive worried that *"Once those jobs leave the country, they will never come back"* (YaleGlobal, 2007:4).

John Ermatinger, while explaining the decision to shut down twenty-two Levi plants and lay-off more than 16,000 workers, stated: *"As far as the company is concerned, those 16,310 jobs are off the payrolls for good, replaced by contractors throughout the world. Those contractors will perform the same tasks as the old Levi's-owned factories- but the workers inside will never be employed by Levi Strauss"* (Klein, 2001:201). Indeed, most Americans have only now come to fully realise that there is a truly competitive labour force around the world that is willing and able to do their jobs more efficiently at much lower costs. Thus, service industries are not immune to global competition and outsourcing. For example, more than 3,500 workers in the island of Jamaica, are connected to the United States by satellite dishes to make airline reservations, process tickets, answer calls to toll-free numbers, and do data entry for US airlines at a much lower cost than could be done in the United States. Therefore, even highly skilled and professional people are not spared from the competition which is triggered by outsourcing (Martin and Schumann, 1997; Matthews, 1998).

Outsourcing in production is the cause of the decline in the demand for, and the wages of semi-skilled and unskilled labour in the advanced countries (Streeten, 2001:45). For example, in the age of

outsourcing, companies throughout the Silicon Valley have abolished many permanent jobs, and contracted work to agencies for temporary staff, where they have few or no benefits (Bacon, 1996; Burbach, 2001:55). Regular employment in major computer companies, like Sun, Hewlett-Packard and Apple, is stagnant or declining, while these same companies subcontract for many of their components with manufacturers who pay 30% less to their employees (Benner, 1998:32). Indeed, most workers will turn to free agents, and a number of them will sell their services through an international network of brokers (Nel, *et al*, 2004:589-90).

Therefore, outsourcing could be one the main culprits for the widening inequality in the advanced nations. In this regard, Feenstra and Hanson (1996:1) pointed out that since the late 1970s, the wages of less-skilled U.S. workers have decreased dramatically, both in real terms and relative to the wages of more-skilled U.S. workers. Indeed, two main explanations frequently offered for the apparent shift in demand away from low-skilled workers in the UK and other industrial countries, are that skill-biased labour-saving technical progress has reduced the relative demand for unskilled workers and that increased international trade with nations that have an abundant supply of low-skilled and low-wage labour, has decreased the demand for low-skilled workers in the advanced, industrialised countries (Anderton and Brenton, 1998:1). Therefore, ignoring outsourcing misses an important channel through which trade affects the demand for labour of different skill types (Feenstra and Hanson, 1996:1). Hence, when firms outsource, they narrow the range of activities that the domestic industry performs, which can reduce the industry unit demand for less-skilled labour (Feenstra and Hanson, 1996:6). In that case, outsourcing can have a damaging effect on the economic fortune of the less-skilled within the

advance countries (Anderton and Brenton, 1998:18), and, indeed, that could explain the reason why workers who were retrenched in the US during the 1980s, were not rehired (Feenstra and Hanson, 1996:8).

Ensuing job losses appear more unnerving for three additional reasons. Free trade theorists, Stolper and Samuelson (1941, cited in Palley, 2006:4) have long established that when a rich capital-abundant country engages in free trade with a poor labour-abundant country, wages in the rich country decrease. Therefore, by combining global sourcing with globalisation of production, the new system places the Stolper-Samuelson effect on motion (Palley, 2006:4). Hence, one explanation of how trade with low wage countries may push down the relative wages and employment of unskilled workers within industries, is provided by the notion of 'outsourcing' (ibid).

Outsourcing can account fully for 51.3% of the increase in the non-productive wage share. Therefore, outsourcing performs substantially better in accounting for the increase in the relative demand for non-production labour in advanced nations. This should not be too surprising, since the new measure of outsourcing is a much more direct estimate of the extent to which industries move production activities offshore (Feenstra and Hanson, 1996:7). For example, the price of imports from low-wage countries, relative to the price of UK products, explains some of the rise in UK inequality. It may be the case that this relative price term captures the 'threat' of increased competition from low-wage countries, arising from appreciation of the UK currency. Therefore, as an alternative to reducing labour costs by outsourcing, may have also encouraged other firms to implement measures, which restrain the

wages and, perhaps terminate the employment of less-skilled workers in order to remain competitive against low-wage countries.

At the same time, this *'threat'* may have made it considerably easier for firms to obtain the agreement of their workforce for the implementation of such measures (Anderton and Brenton, 1998:17-18). In the UK, the relative wages and employment of the low-skilled, have indeed fallen dramatically during the 1980s. For example, the real earnings of the top tenth of male earners in the UK, rose at a rate five times faster than that of the earnings of the bottom tenth of male earners (OECD, 1993:157). The unemployment rate of less-skilled males in the UK rose from 6.4% in the mid-1970s to 18.2% by the mid 1980s, whereas over the same period, the unemployment rate of skilled males only rose from 2.0% to 4.7% (Nickell, 1996 cited in Anderson and Brenton 1998:3).

Furthermore, outsourcing is deeply embedded in the service sectors and has led to a spate of retrenchments in this sector. This development will continue to be a cause for renewed concern in the advanced countries. For example, in the US today, the discordance towards outsourcing is not like that of the past decades when manufacturing jobs left America for cheaper shores, and then, some opposition were calmed by the prospect of US workers moving *'up the economic ladder'*, as the US transitioned to a service economy. However, currently, the upper end of that very growing sector of the US economy, is under threat. Unlike in the 1990s, when a period of mass lay-off was more than offset by the net creation of 22 million new jobs, the current job creation machine seems to be sluggish (Chanda, 2004:2). Mandel (2003, cited in Raynor, 2003:2) reiterated: *"Two decades ago, the loss of auto jobs and other high paying manufacturing jobs sparked fears of a hollowing-out of the*

US economy. Yet, painful as the loss of those positions were, strong economic growth and innovation created far more- and better- jobs to replace them. Now, the same process, many economists argue, is going on in services. Yes, some individuals are losing out as well-educated programmers or engineers can do the same jobs for far less halfway across the globe. But, as the US economy evolves, innovation will create new high-paying jobs. Others, though, argue that the outsourcing of highly skilled service jobs is fundamentally different- and poses greater risks for the US economy”.

According to a private IT research firm, Forrester, about 400,000 American service jobs have been moved overseas since 2000. Over the last decade, the top 25 British companies have destroyed more than 200,000 British manufacturing jobs, and acquired, or created, a similar number of jobs overseas (Matthew, 1998:385). Forrester further maintained that by 2015, about 3.3 million American service jobs will be off-shored. Disturbed about the current events, an Illinois congressman, who chairs the US House Committee on Small Business, Don Manzullo, opined: *“What do you tell the Ph.D., or professional engineer, or architect, or accountant, or computer scientist to do next? Where do you tell them to go?”* (Chanda, 2004:4)

Indeed, global outsourcing poses some new economic challenges and its solution requires a new set of institutions. The task is complicated by problems associated with a lack of global, regulatory institutions and changes in the balance of power between the government and the TNCs that makes it difficult to enact needed reforms. The eminent researcher and writer, Dr Craig Roberts, expressed his remorse towards the current logic and maintained that:

“Trade implies reciprocity. It is a two way street. There is no reciprocity in outsourcing, only the export of domestic jobs...if there are no given endowments because of business know-how, capital and technology are globally mobile, the advantages lies with countries with untapped pools of educated and skilled low-wage labour” (Roberts, March 7, 2003, cited in Raynor, 2003:2). In a similar frame of mind, the former US Democratic Party Presidential candidate, Senator John Kerry, criticised companies outsourcing American jobs, and nicknamed them ‘*Benedict Arnold companies*’, after the most reviled traitor of the American War of Independence. In his presidential campaign, Kerry stated: *“Companies will no longer be able to surprise their workers with pink slips instead of pay check; they will be required to give workers three months notice if their jobs are being exported offshore”*. (Chanda, 2004:3). Dr. Alfie Kohn believes that outsourcing is essentially detrimental, and believes that even productivity would all be improved if this pattern of relentless competition is abandoned (Catlin, September 20, 2003, cited in Raynor, 2003:4).

Presently, a plethora of anti-outsourcing legislation has been introduced to US state legislature, and the US Senate has considered banning the outsourcing of government-funded projects (Chanda, 2004:2). Though, previously, tough immigration policies worked to keep millions of Third World workers out of the developed country shores. Nevertheless, the challenge of a global, virtual labour force will necessitate a new global development strategy. Of course, trade protectionism may seem plausible under the current dispensation. However, the solutions of another era may not measure well in the post industrial age (Chanda, 2004:4). In fact, sooner or later, firms may come to realise that they are trading off long-term interest, in

favour of short-term gains for immediate returns. In fact, most firms that outsource, may eventually find that other alternatives would have been wiser to protect their knowledge assets and workers, rather than search the globe for the next low-wage earners. They may come to realise that their real strategic advantage comes from maximising knowledge and leveraging ideas in the long run, instead of maximising employee costs now for short-term gain (Raynor, 2003:5).

Moreover, Dapice's (cited in YaleGlobal, 1 March, 2004:1) argument that outsourcing allows hundreds of thousands of people in developing countries, like Vietnam, the chance to earn wages, pull themselves out of poverty and, in turn buy goods that are produced overseas, is unrealistic. In fact, most of the workers in those poor nations cannot afford the goods, which they have produced for the TNCs in their countries, much less the ones produced overseas. In addition, most of these jobs sent to the Third World nations are of low quality, cheap, and do not arrive in the Third World in the same form that it left the First World. This, indeed, amounts to a global depletion of the value of labour. Furthermore, countries in the Third World do not need cheap or devalued jobs because these have not brought development and growth to the region. It simply drains their human resources. What are most needed in the poor countries are the cancellation of their debts, reparation and developmental aids and overheads. These would enable them to create jobs for their people rather than be exploited by so-called job providers who pay mere subsistence wages.

Outsourcing, off-shoring, foreign-sourcing, globalisation of production and whatever other name it may be called, is nothing but

division of labour (discussed in sub-section 2.6.1), which has assumed an international dimension. Whereas previous division of labour was localised, the current one has been internationalised or globalised to provide capital with additional leverage to exploit labour globally. No wonder the growing spate of acquisitions and mergers occurring around the world, the corollary of which is endemic of re-engineering.

5.5 Re-engineering

The forward march by 'Visual Corporations' to outsource in the era of globalisation has been augmented by a more popular modern paradigm, known as re-engineering, which, according to its supporters, is the use of a variety of methods to transform a moribund organisation into a dynamic and responsive one. The term, re-engineering, has become very popular in the USA as an all-purpose synonym for virtually any kind of reorganisation or change (Meiksins, 1996:1). However, Davis has called it a business buzzword useful for advertisement but devoid of content, and has asserted that re-engineering is the business school stuff, big ideas with no science, the few successes reported, and the many failures forgotten (Davis, 1992:2). The main originators of this big idea are management consultants, Michael Hammer and James Champy, whose book, '*Re-engineering the Corporation*' was published in 1993 as a manifesto for change. According to Hammer and Champy (1993): "*Business reengineering means putting aside much of the received wisdom of two hundred years of industrial management. It means forgetting how work was done in the age of the mass market and deciding how it can best be done now. In business reengineering, old job titles and old organisational arrangements—departments, divisions, groups, and so on—cease to matter. They are artefacts of another age. What matters in reengineering is how*

we want to organise work today, given the demand of today's markets and the power of today's technologies".

Therefore, technology, namely computers and telecommunications systems, should play a dominant visual role in the process of organising business. Thus, re-engineering emphasises the need to simplify work processes so that companies can arrive at its objectives in an efficient and cost-effective way. Indeed, re-engineering was originally intended to refer to an approach of corporate reorganisation, which promises to do more with less by rejecting the traditional approaches to efficiency, which emphasises a simplification of jobs and specialisation of workers (the assembly line) or a replacement of workers by machines (automation). Unlike previous efficiency approaches, re-engineering focuses on the use of sophisticated electronic data processing and communication technology in order to reduce the size of workers, simplify corporate hierarchies, and create flexible polyvalent workforces, which could respond rapidly to changing organisational needs.

Meiksin (1996:1) stated that the re-engineers both rejected engineering as far as it identified with automation and job simplification, and embraced it as far as it identified with computerisation and high technology. Indeed, the major excuses for business re-engineering are efficiency, streamline operations, improved service, increased productivity and cost reductions. For example, usually, middle managers are in charge of co-ordinating the upward and downward flow in the organisational hierarchy. However, as a direct result of the introduction of IT, those jobs turned obsolete, redundant and costly (Garvin, 1995; Turban et al., 1996, cited in Shah and Mehta, 1998:229). Unlike downsizing and restructuring, which signifies doing less with less, re-engineering

revolves around doing more with less (Hammer and Champy, 1993:48). Hammer and Champy (1993) believes that re-engineering cannot be carried out in small and cautious ways because it is an all-or-nothing proposition that produces dramatically impressive results and, therefore, companies have no choice but to muster the courage to do it, as re-engineering is the only hope for breaking away from the ineffective, antiquated ways of conducting business that will, otherwise, inevitably destroy them (Rosenberg, 1993:163). This idea of Hammer and Champy was further popularised by Fortune and Business Week Magazines. On August 23, 1993, Fortune triumphantly proclaimed: *“Reengineering the Company: It’s Hot, It’s Happening, It’s Now, How it Works- and doesn’t”*. Business Week then declared four months later: *“The Horizontal Corporation: Hierarchy is dying. In the new corporate model, you manage across- not up and down. Here’s how”*.

In fact, one notable example of corporate re-engineering is IBM’s Credit Corporation, which provides credit to IBM customers. Some years back, specialists were responsible for each stage of the business. For example, one department of skilled clerks and low-level managers logged in credit applications; while another such department prepared special conditions for particular customers; and a third department decided the interest rate; another gathered all the information necessary for the ‘quote letter’ and so on. In this regard, IBM Credit Corporation was a vast assembly line, taking several weeks to transform one set of forms into another. However, today, a single clerk, a ‘deal structurer’, can generally do the entire job in a few minutes, and only in rare cases, should a specialist be consulted. In other words, the old assembly line has now become a software package inside the computer on each deal structure’s desk, and most of what the old system’s clerks and managers knew, has

now been digitalised. This is, indeed, amazing. However, the most startling thing is that productivity at IBM's Credit Corporation rose by not just 100%, but by 10,000%. Therefore, for every hundred clerks and managers who had previously worked at IBM's Credit Corporation, there is now a single deal structurer (Davis, 1996:1). Indeed, re-engineering is an attempt to recreate organisational models for the Information Age. Hammer and Champy (1993) have provided explanations of how work in the re-engineered company would be reorganised as follows:

- Work unit change- from functional departments to process teams.
- Jobs change- from simple tasks to multi-dimensional work.
- People's roles change- from controlled to empowered.
- Job preparation changes from training to education.
- Focus of performance measures and compensation shifts- from activities to results.
- Advancement criteria change- from performance to ability.
- Values change- from protective to productive.
- Managers change- from supervisors to coaches.
- Organisational structures change- from hierarchical to flat
- Executives change- from scorekeepers to leaders.

In addition, they provided a few remarks about the role of IT in re-engineering from a perspective of the early 1990s:

- A company that cannot change the way it thinks about information technology, cannot re-engineer. A company that equates technology without automation, cannot re-engineer. A company that looks for problems first and then seeks technology solution for them cannot re-engineer.

- Re-engineering, unlike automation, is about innovation. It is about exploiting the latest capabilities of technology to achieve entirely new goals.
- ...the real power of technology is not that it can make the old processes work better, but that it enables organisations to break old rules and to create new ways of working- that is, re-engineering.
- The sheer capacity of increasing affordable computing power, creates new application possibilities for companies (cited in Rosenberg, 2004).

Indeed, re-engineering could be a solid management tool. Slabbert (1996:44) has noted that the process of re-engineering is directly responsible for a transformation of the traditional company structure and, in the process, escalating productivity levels and profit margins to new heights. The *Wall Street Journal* (1993b, cited in Slabbert, 1996:44) reported an overall increase of 2.8% in productivity in the USA during 1992, due to re-engineering. The main rationale to re-engineer is to restructure company layouts in order to become computer-friendly. Accordingly, the traditional levels of management are condensed, job categories are done away with, employees become multi-skilled and administration structures are restructured, leading to a rise in productivity. However, it is unfortunate that most organisations have misapplied this concept, in their bid to downsize and make higher profits, in the era of globalisation. Downsizing through re-engineering, when done improperly, is appropriately referred to as dumb-sizing (Reh, 2007:1).

In fact, re-engineering is a business term like 'cutting out the fat'. This is more reason why any announcement that a corporation will

re-engineer presages the loss of many jobs. For example, IBM dismissed 63,000 employees as part of its re-engineering in 1993; Sears dismissed 50,000 workers the same year, Boeing retrenched 28,000 workers; Digital Equipment discharged 20,000 employees as part of its 1994 re-engineering; Lockheed Martin dismissed 15,000 workers in 1995. In January 1996, AT&T announced the elimination of 40,000 positions as part of its re-engineering. Thus, about 216,000 jobs were lost in only six companies within three years in the US. Moreover, these job losses are not mere '*lay offs*' of ordinary assembly-line workers owing to temporary drops in demand, as neither demand nor production has dropped. Also, these are not jobs that have gone overseas in search of cheap labour. However, most of these lost jobs are '*white collar*', well-paid jobs (many of them in managerial positions) that have merely disappeared overnight (Davis, 1996:1).

In fact, even re-engineering managers should also be sceptical about their fate in the company, since middle managers are often the targets of re-engineering. Certainly, most re-engineering tries to reduce the number of middle managers, levels of corporate hierarchy and corporate dependence on specialised experts. Thus, such reductions could eliminate many management jobs. Some observers have concluded that re-engineering is likely to diminish the ability of managers to obtain secured corporate employment, and that more and more managers will slide into the insecure world of consultancy and contingency (Meiksin, 1996:2). In fact, Davis (1996:1-2) has noted that the concern of most advisory board members, namely the executives or former executives of manufacturing companies who suggested re-engineering, is that, many of the employees that loss their jobs through re-engineering, are not merely young workers with little seniority and plenty of opportunities, but senior

employee who have given their careers to a company, expecting knowledge, skill and hard work to see them through to retirement. In this regard, Meiksin (1996:1) remarked: *“As experience with re-engineering grows, one hears more and more of organisations discovering that, in their zeal to ‘obliterate’ jobs and achieve flexibility, they have lost crucial expertise, which is difficult to replace and expensive to obtain on a contract basis”.*

Although these job losses presage a rise in most of these companies' stock prices (Martin and Schumann, 1997), it destroys the vital element of corporate existence, namely job creation. For example, Rifkin (1995, cited in Slabbert, 1996:44) had estimated that re-engineering could possibly eliminate around 1 million to 2.5 million jobs every year. Attali (1991, cited in Slabbert, 1996:44) stated that the effect of re-engineering is most deeply encountered in the manufacturing sector, where machines have been aptly described as the new proletariat. Indeed, the decline in manufacturing jobs is part of a long-term trend that has seen the increasing replacement of human beings by machines at the factories. For example, in the 1950s, 33 percent of all US workers were employed in manufacturing, while today, less than 17 percent of the workforce is engaged in manufacturing (Drucker, 1993; Job Letter, 2003). Moreover, although the number of manufacturing jobs has declined, manufacturing productivity has grown. For example, annual productivity, which was growing at about 1 percent per year in the early 1980s, has climbed over 3 percent owing to re-engineering (Shah and Mehta, 1998:229). Flint (1993:40) reported that from 1979 to 1993, productivity increased by 35 percent in the manufacturing sector, while the workforce decreased by 15 percent in the same sector. Moreover, it is estimated that 25% of the US workforce is temporary, and that it would probably be 35% by the

end of the decade (Vogl, 1995:44). Some estimates even proclaimed that some other countries' figures of temporary workers could be more than that of the US (Shah and Mehta, 1998:229). Based on current trends, Slabbert (1996:44) succinctly remarked: *"If retrenchment and re-engineering are viewed as processes with parallel results, the logical conclusion is that unemployment will dramatically increase during the next decades. The concept of the workerless world is receiving increased attention in diverse application fields- indeed, a world without work is often considered to be the logical end result of the forces, which have been set in motion, and which are, for all purposes, not reversible in nature. Protesting voices have been raised, but conclusive evidence mounts that the trickle-down effect is, indeed, a trickle and not the required flood, which is necessary to balance the forces at play in the equation"*.

In fact, it seems that re-engineering is merely another of management's ploys to control and manipulate engineering (Meiksin, 1996:2). Indeed engineers have long worked to improve efficiency. Time and motion studies of Taylorism are only an instance of engineering's hard efforts to reorganise production in order to achieve efficiency. Nevertheless, re-engineering has become a new field of engineering, but what seemed to distinguish it from the older engineering fields, are the huge increases in efficiency and the massive number of those that have been dismissed (Davis, 1996:2). Currently, re-engineering has become a pervasive term, which has extended to other disciplines, such as marketing and customer relations, and also promises to streamline jobs in those areas. Indeed, Harmer and Champy (1993:212) forewarned: *"It would be nice to say that re-engineering is a win program that leaves everybody better off; it would be nice but it would be a lie;*

re-engineering isn't to everyone's advantage...some people will lose their jobs and some workers may be unhappy with their jobs". In conjunction with the above statement, Slabbert (1996:44) opined: *"The concept of the lean-production method of management, first introduced by the Japanese, in conjunction with the just-in-time principle, is making an impact in every industry. These phenomena are actively altering the traditional methods of business management and, in the process, millions of job and hundreds of jobs categories are eliminated".*

More recently, Champy has added a follow-up to re-engineering, which he called X-engineering. According to Champy, X-engineering is simply re-engineering, which is accelerated by IT. He maintained that the three forces that are fundamental to the original model of re-engineering, namely increased competition, more demanding customers and a faster rate of change, remain in effect and, if any thing, have only intensified, and stated that, what was new in the past decade, is pervasive connectedness in the form of the internet, which creates the possibility of redesigning business processes to a greater extent than before (Florida, 2002:1).

Moreover, other new terms such as '*Business Process Re-engineering or Innovation*' (BPR or BPI) has currently achieved currency. In fact, it was practiced as a formal discipline as early as the 1920s. It was called '*Method and Procedure Analysis*', in those days and was utilised for searching new ways of restructuring work-flows or improving business organisation. Indeed, this term seems to have taken the place of Hammer and Champy's original ideas of re-engineering and has been defined as follows: *"Business Process Innovation (BPI), also called Re-engineering, is an approach to dramatically improve operating effectiveness through redesigning*

critical business processes and supporting business systems, as opposed to incremental improvement. It is a radical redesign of key business processes that involves examination of fundamental processes itself. It looks at the details of the process, such as why the work is done, who does it, where is it done and when. By focusing on examining the process of producing the output, it is an examination of the process's ability to add value".

However, given the enormous amount of publicity associated with BPR, it is appropriate and even necessary to cite the cautionary voice of Paul Strassmann, who has been around long enough to be wary of latest fads, no matter how enthusiastically it has been hailed as a cure for many real and imaginary illnesses: *"Re-engineering is certainly not a breakthrough in management thinking but a convenient bandwagon on which management and consultants could readily hop in search of a quick remedy to the unfavourable financial health of US industrial corporations that had been festering for a long time. A wholesome by-product of this rush is the long overdue reinstatement of the primacy of business process analysis that was neglected during three decades of over-emphasis on computer systems and prior to those two decades of socio-psychological experimentation. It has also freed funds for innovative computer-aided business analysis tools, which make business process improvement and systems analysis much easier to do"* (Rosenberg, 2004:136).

On a similar note, Professor Thomas Davenport of the University of Texas, and one of the original founders of the re-engineering movement, who had earlier published a remarkable article in late 1995, and offered his unique insight to the incredible success of re-engineering from the late 1980s to the mid 1990s, later admitted

that the concept was clearly oversold as a basic solution to all the ills of US corporations. He maintained that one of the major problems associated with re-engineering was that it was frequently implemented in complete disregard for its impacts on employees, their feelings, and even their very jobs. On these grounds, Davenport (1995) stated: *“Reengineering didn’t stand out as a code word for mindless bloodshed. It wasn’t supposed to be the last gasp of Industrial Age management”*. He further asserted: *“When I wrote about “business process redesign” in 1990, I explicitly said that using it for cost reduction alone, was not a sensible goal. And consultants Michael Hammer and James Champy, the two names most closely associated with reengineering, have insisted all along that layoffs shouldn’t be the point...But the fact is, once out of the bottle, the reengineering genie quickly turned ugly. So ugly that today, to most business people in the United States, reengineering has become a word that stands for restructuring, layoff, and too-often changed programmes...Reengineering treated the people inside companies as if they were just so many bits and bytes, interchangeable parts to be reengineered. But no one wants to be ‘reengineered.’ No one wants to hear dictums like ‘Carry the wounded but shoot the stragglers’- language that makes workers feel like prisoners of war, not their company’s most important assets...The 1994 CSC Index ‘State of Reengineering Report’ had the answer: 50% of the companies that participated in the study reported that the most difficult part of reengineering is dealing with fear and anxiety in their organisation; 73% of the companies said that they were using reengineering to eliminate, on average, 21% of the jobs; and, of 99 completed reengineering initiatives, 67% were judged as producing mediocre, marginal, or failed results”*.

In 1996, the term downsizing, a by-product of reengineering, gained popularity, as several large, very profitable, high-technology companies announced sizable workforce reductions. Downsized employees usually do not get new jobs at their old salaries. In fact, the older an employee, the longer he may have to wait to get any job at all. Companies that have downsized, usually end up replacing people in those positions with lower paid workers. In other words, they have replaced older, more experienced employees with younger employees who are willing to work for less pay. Thus, CEOs only, are well remunerated (Crotty, 2006:2). This has resulted in higher inequality in most societies. Additionally, most of those workers who have been downsized, may not easily recover emotionally or financially. In fact, studies have shown that even employees, who are retained, also suffer from health and emotional problems, as most of them who saw the organisation as a family, feel lost without their familiar networks. This could lead to de-motivation and disloyalty. Indeed, there is an increased distrust of management and more fraud among workers who have survived downsizing, while most of the employees who are retained, usually end up working longer hours. Indeed, for a while, the retained workers may work harder for fear of being retrenched, but sooner or later, many of them may wish they were better not retained, and some may even try to sabotage the company (Tripod, 9 January, 1999:1). In any case, more recently, with downturn in the high-tech sector, particularly in the telecommunications industries, re-engineering and downsizing or rightsizing (as most pro-globalist pundits may prefer to call it) have, indeed, put a forward-gear on retrenchment.

5.6 Retrenchment

Retrenchment of workers has become a common occurrence within the global economy. This rise could be attributed to the global

competition, which has pressured most corporations to adopt some recent cost cutting measures, such as flexibility of work, lean production, outsourcing, automation, re-engineering and downsizing. Some of these new measures automatically result in redundancy in organisations, and makes retrenchment unavoidable. Hence, retrenchment is the removal of an employee from the payroll because of factors beyond his or her control, and relates to negative external issues that face an enterprise in its entirety (Nel, *et al*, 2005:157). Previously, most organisations regarded retrenchment as the last option when other measures to minimise costs of production, had failed. However, presently, most organisations feel that one best way to reduce costs in order to remain competitive in the global village, is to retrench workers (Scholte, 2000:224). In other words, retrenchments have become a popular efficiency criterion in the global village, and this could indeed explain the reason why most organisations, that have retrenched workers, have also witnessed a rise in their stock prices (Martin and Schumann, 1997:121). Thus, today retrenchment has become a standard norm among corporations to meet up with the challenges of global competition. No wonder that today, more and more workers are retrenched or informed that their positions have become redundant (Bendix, 2005:387).

This global dynamics have also infiltrated into the public sectors. Belser and Rama (2001, cited in Rama, 2001:15) have maintained that up to half of the workforce in state-owned enterprises should be considered redundant before any privatisation could take place in those sectors. Currently, the loss of privileged jobs in the public sector owing to privatisation, redundancy and downsizing, is, indeed, dramatic and, at the same, traumatic (Rama, 2001:35). The more traumatising issue is that, presently, more than 2,500 workers

are retrenched every day in the USA alone (Johnson et al., 1995, cited in Slabbert, 1996:43). Since 1982, Transnet, in South Africa, has retrenched more than 164,000 workers; Iscor retrenched 7,000 workers since 1989, while workers retrenched in the mining industry could be more than 120,000 (Slabbert, 1996:44). A few months ago South African Airways decided to retrench 1000 workers in order to reduce costs (Phasiwe, 2006:1). Those figures are meagre when compared to other retrenchments that have taken place in other parts of the world. For example, IBM retrenched 85,000 workers and General Motors did the same to 74,000 workers in the USA, which resulted in a loss of 176,000 manufacturing jobs during 1993 alone. In spite of the fact that the USA created 2.5 million new jobs during the same year, those posts were in part-time or low-wage service posts, which offer no growth prospect (Walsh, 1994, cited in Slabbert, 1996:43). In Europe, Daimler Benz retrenched 20,000 workers and planned to retrench another 50,000 in 1993. In the same year, German metal industry reduced its labour component by 600,000, and Volkswagen workers supported a management decision to work a 30-hour week in order to save 31,000 jobs, following a previous retrenchment of 18,000 workers (Church, 1993; Martin and Schumann, 1997). In Italy, the largest private corporation, Fiat, retrenched about 22,000 workers from 1989 to 1994 (Walsh, 1994, cited in Slabbert, 1996:44). In fact, this trend resulted in widespread job insecurity and increased the number of workers who became victim to employment without benefits (Matthew, 1998:385). Moreover, on a global scale, it has become the exception rather than the rule to see companies, which have not gone through the traumatic experience of retrenchment. In due course, retrenchments are self-destructive, since purchasing power is demoted and manufactured goods cannot be sold, leading to further retrenchments in order to earn super-normal profits (Slabbert, 1996:44).

Indeed, on the macro-level, the growing incidents of retrenchment could be attributed to the inadequate working of the capitalist global system. According to Dave Lewis, "*Retrenchments and economic crises are neither the act of God nor part of the natural order- but a direct outcome of the capitalist system itself. Crisis is inherent in the capitalist accumulation, which entails increasing capital intensity, a declining rate of profit and problems of inadequate markets- although theorists may debate the precise mechanisms and relationships*" (Bendix, 2005:387). Adams *et al* (2006:9) pointed out that retrenchments, backed by the doctrine of 'flexible or lean' manufacturing, lower wages and longer working hours, erosion of basic worker rights and a reduction of collective bargaining power, is responsible for the increased rate of job losses. As a direct consequence of these new employment paradigms, a vacuum has been created in the employment relations system and employers can now hire and fire without taking recourse to the labour laws. The situation is further exacerbated by the fact that most of the employees are not on the permanent payroll of the organisation and have less legal power to challenge most of the decisions of their employers.

In fact, facing a threat of job loss and seeing others loss their jobs, could, indeed, be traumatising. Presently, more and more workers are anxious about their jobs. Indeed, it was reported that anxiety disorders, as well as sub-clinical fears, worries and apprehensions, and related stress disorders, such as insomnia, seemed to be pervasive and more and more rampant in workplaces in the 1990s, to the extent that the Wall Street Journal has dubbed the 1990s as a job-related 'Age of Angst' (Zachary and Ortega, 1993, cited in Beaton, 2007:1). Retrenchments, downsizing, threat of existing

benefits, rumours of impending retrenchments, global competition, skill obsolescence and '*de-skilling*', restructuring, re-engineering, acquisitions, mergers and other related sources of industrial turbulence, are all recent developments that have eroded employees' sense of job security and have contributed to some noticeable but complex work-related anxiety (Buono and Bowditch, 1989, cited in Beaton, 2007:1) In spite of the facts that there seem to be some individual differences and situational moderator variables, Kuhnert and Vance (1992, cited in Beaton, 2007:1) reported that both blue-collar and white-collar manufacturing employees who reported more '*job insecurity*', indicated significantly more anxiety and obsessive-compulsive symptoms on a psychiatric checklist. From the 1990s onward, the myriad of organisational changes taking place in the US marketplace, have, indeed, contributed to this spate of work-related stress disorders, as well as, for example, anxiety disorders (Jefferys 1995; Northwestern National Life, 1991, cited in Beaton, 2007). Indeed, the problem of stress at work and occupational-related psychological disorders seem to be global in nature, however, there is a shortage of statistical information outside the United States to analyse the nature and extent of this problem (Cooper and Payne, 1992, cited in Beaton, 2007:1). The data available from European countries seem to confirm similar adverse mental health effects of job insecurity and high-strain employment on workers such as those seen in the US (Karasek and Theorell, 1990, cited in Beaton, 2007).

However, owing to the stigma attached to mental disorders in most other cultures, societies and countries, psychological symptoms such as anxiety related to work (outside the United States), go undetected, unreported and untreated (Cooper and Payne, 1992, cited in Beaton, 2007:1). In some cultures, these psychological disorders are, at times, manifested as more acceptable physical

symptoms (Katon, Kleinman and Rosen, 1982, cited in Beaton, 2007:1). For example, a recent study of Japanese government workers recognised occupational stressors, such as workload and role conflict, as significant correlates of mental health among workers (Mishima *et al*, 1995, cited in Beaton, 2007:1). Further studies of this kind in other parts of the world, such as Asia, Africa and post-communist countries, may reveal some worse effects of psychological job stressors on workers mental health (Beaton, 2007:1). However, in spite of these warning signs of a quack global logic that have negatively affected the mental health of workers, job destructions and retrenchments seem to be proceeding faster than job -creations. In this sense, it could well be argued that global integration has, to a great extent, escalated the level of global unemployment.

5.7 Global unemployment and labour analysis

Indeed, global unemployment has increased since the era of globalisation and the chances that this fad would ever reverse, is very slim (Streeten, 2001:35). In fact, so many studies have revealed that there is a functional relationship between globalisation, internationalisation and unemployment (Slabbert, 2006). This fact could actually explain why unemployment has blossomed in the current global world. Indeed, the ILO had warned as early as 1994, that, global unemployment is on the increase since the days of the Great Depression. It was reported in 1994 that about 800 million people are either underemployed or unemployed, namely about 30% structural unemployment (International Labour Organisation, 1994). The severity of this matter is that more than 6% of workers in God's own country, the USA, are jobless. The USA is not the only case where the rate of joblessness has reflected an upward trend. In Japan, a country that has been hailed for its

economic miracle, the number of unemployed was estimated at 7.5% (Wall Street Journal, 1993a). In Western Europe and Australia, the problem of unemployment has become of great concern as one in nine workers, is unemployed (Berry 1996:1). In Germany, the total joblessness is estimated at 4 million (Crash landing for West Germany economy, 1993:2). Since the 1970s, European countries have experienced an astronomical increase in unemployment, to the extent that the average level of unemployment rose from 2.7% in 1964-1973 to 10.3% in 1990-1999. Unemployment in France, Italy and the UK rose to 10% of the labour force and in Spain and Finland it rose to over 15% in 1995. In the same year, unemployment exceeded 11% in both Denmark and Belgium. Even in Sweden, which had maintained a low level of unemployment, the rate skyrocketed from 1.5% in 1990 to 10% in 1995 (Singh and Zammitt, 2003:4). These statistics are a basic reflection of the fact that since the era of globalisation, labour markets in developed economies have been exhibiting unfavourable tendencies when compared with the previous two decades of the '*Golden Age*'. Moreover, it should be reiterated here that some causes of unemployment in the advanced countries are among others, outsourcing (Feenstra and Hanson, 1996:1; Anderton and Brenton, 1998:4), relocation of corporation (Matthews, 1998:385), and cheap immigrant workers (Kirkbride, 2001; Singh and Zammitt, 2003:23). Moreover, these increasing trends in unemployment have manifested in three important areas, namely increased inequality of wages and incomes, de-industrialisation and mass retrenchment.

The current trend in global unemployment is worse when an analysis of Third World nations is taken. For example, if proper data is available, unemployment in India and Pakistan could range within 15% to 17% (Rifkin, 1995; Slabbert, 1996). South Africa, which is

the most successful economy in Africa since the end of apartheid, has an unemployment rate of about 47% (COSATU, cited in Slabbert, 2006). The scale of unemployment in SA is a reflection of the fact that 1.4 million people applied for 11,000 advertised public service posts in 1994 (Slabbert, 1996). Moreover, in SA, as in other developing countries, some women have been defrauded and sexually abuse and raped in their bid to secure a job (SABC News, 25 January, 2006). Statistics SA has estimated that more than 60,000 of SA graduates, are unemployed. The CEO of Adcorp Holdings, Hilton Brown, further maintained that tens of thousands of qualified people in SA, some even with work experience, are jobless. It was mentioned that only one in every ten jobseekers will have success in securing permanent employment in South Africa. This, indeed, explains the reason why more and more SA graduates are now desperately willing to accept relatively lower paying jobs such as those in the SA Correctional services (Naidoo, 2006:1). The implication of this trend is that globalisation has provided an opportunity for labour exploitation and, recently, many skilled workers are occupying positions for which they are over-qualified owing to the large pool of the jobless workers around the globe (Adams, *et al.*, 2005; Martin and Schumann, 1997; Bloch, 1998). Unemployment escalates in the developing countries, when local firms are chased out of the market owing to openness and global competition (Sklair, 2002:92). Indeed, global competition and globalisation have relatively increased the rate of global crime, since global unemployment and global crimes are functionally related.

According to the 1994 World Labour Report, this global trend in unemployment began deteriorating in 1993, which was reflected in increasing levels of joblessness, stagnating or decreasing wages and

a shift towards informal employment. Indeed, the normal unemployment rate, which ranges from 1-2% twenty years ago, changed to 5-7% (Adams, *et al.*, 2005:9). It is reasonably natural to link employment trends to productivity and economic growth. However, most of the economic growths witnessed around the world since the period of globalisation, have not actually yielded additional jobs. In 1993, whereas the world economy grew by only 1.5%, the economies of Western and Central Europe declined by 10%, while those of East and South East Asia expanded by 5% and that of China by 11%. This data is a basic reflection that productive and remunerative employment has become difficult to find since the period of economic openness. This situation is exacerbated by the fact that about 43 million people are joined to the global labour force every year (Slabbert, 1996:43), in addition to the two billion workers that are added to the global labour market, after the end of economic isolationism in India, China and the former Soviet bloc countries (Freeman, 2004, cited in Palley, 2006:3). In Africa alone, it is reported that about 323 million new workers would enter the labour market within the next three decades (Rifkin, 1995, cited in Slabbert, 1996:43). It was reported in 1993 that, on a global level, more than one billion jobs would be created to accommodate new job entrants to the market (UNDP, 1993).

In 2001, a day before economic leaders met for the annual world economic forum in Davos, Switzerland, the ILO again warned that the world should create at least 500 million jobs within the next decade in order to contain the number of new job seekers in the labour market. Indeed, to quote the author of the ILO employment report, Rashid Amjad: *"The global economy will have to generate 500 million new jobs during the next 10 years just to accommodate new seekers of the labour force and reduce the current level of*

unemployment" (BBC News, 24 January, 2001). The request of the ILO stemmed from the fact that in 2001, about 1 billion, namely 1/3 of the global workers, were unemployed. As a matter of fact, the World Employment Report in 2001 stated that about 160 million workers were unemployed; 50 million of the jobless workers were in the industrialised countries; 500 million workers were unable to keep their families above the \$1 per day poverty line, and 460 million new young jobseekers would arise over the next 10 years, of which 2/3 would be from Asia (BBC News, 24 January, 2001). Thus, the ILO believed that 500 million jobs would reduce the effect of unemployment on the new entrants to the global labour market. Moreover, it was hoped that these new jobs would be created through information technology (IT) development (ibid). However, this reasoning was, indeed, ludicrous, considering the fact that IT has been blamed for many job destructions and losses in the advanced countries that currently face unemployment problems. The failure of this guesstimate was reflected in 2002, when the number of people unemployed, globally, became 185.4 million, and, of these, about 107.5 million were men, while 77.9 million were women (ILO, 2002 cited, in Prison Planet.com, 2003).

In 2003, the unemployment figure rose to about 185.9 million, namely about 6.2% of the total global workforce. Of this figure, about 108.1 million were men and 77.8 million were women, and it was the highest unemployment figure ever recorded before 2003. Additionally, the most affected in that very year, were about 88.2 million youths with an unemployment rate of 14.4% (ILO, 2003, cited in Prison Planet.com, 2003). Concerned about the development the ILO Director-General, Juan Somavia, stated: *"Our greatest concern is that if the recovery falters and our hopes for more and better jobs are further delayed, many countries will fail to cut*

poverty by half as targeted by the Millennium Development Goal for 2015” (quoting from Prison Planet.com, 2003). While indirectly acknowledging the imperativeness of government intervention in redressing the current trend, he further remarked: *“But we can reverse this trend and reduce poverty if policy-makers stop treating employment as an afterthought and place decent work at the heart of microeconomic and social policies...It’s too early to say the worst is over”*. Nevertheless, he predicted in 2003, that if the current estimates of global growth and domestic demand remain constant, the global employment scene may improve in 2004. In fact, his prediction never occurred as the rate of unemployment expanded again to 188.8 million in 2004.

In 2005, the number of people unemployed worldwide, rose to a new height, as robust economic growth could not counterbalance an increase in the number people searching for jobs, particularly among the huge and rising number of jobless youths (ILO, Global Employment Trend, 2005, cited in OneWorld South Asia News, 2005). The total unemployment at the end of 2005, increased to 191.8 million, which represents an increase of 2.2 million since 2004 and 34.4 million since 1995. In the same year, the ILO informed that half of the more than 2.8 billion workers in the world do not earn enough to lift themselves and their families above the US\$1 per day poverty line. In addition, the report noted that, in spite of the 4.3% global GDP growth in 2005, only 14.5 million of the world’s more than 500 million extreme working poor, were able to rise above the US\$1 per day, per person poverty line. Also, the ILO report observed that almost half of the world’s unemployed were young people aged 15 to 24, and that this group was three times unlikely to obtain a job as an adult. This development was actually of great concern, considering the fact that youths made up

just 25% of the working-age population. The only bright side of the 2005 ILO employment report, was the marginal reduction in the employment gap between women and men since the past decade. For example, in 2005, women made up approximately 40 per cent of the world's labour force, and 52.2 per cent of adult women were working, compared to 51.7 per cent in 1995.

However, the number of active women in the labour market had differed by region. For example, while the number of active women working in Latin America and the Caribbean decreased, the Middle East and North Africa saw an increase of female participation in 2005. On the whole, the trend of the rising workforce's participation rates among women of the 1980s and early 1990s in regions such as South-East Asia and South Asia, remained constant and overturned in Central and Eastern Europe (non-EU) and the CIS countries, East Asia and Sub-Saharan Africa. In general, the regional employment trend in 2005 reported that the largest increase in unemployment took place in Latin America and the Caribbean, where the number of unemployed increased by nearly 1.3 million and the unemployment rate increased from 0.3 per cent between 2004 and 2005 to 7.7 per cent. Also, the Central and Eastern Europe (non-EU) and CIS region witnessed a year-to-year increase in unemployment, which stood at 9.7 per cent, up from 9.5 per cent in 2004. However, in developed economies and the European Union (EU), the unemployment rate declined from 7.1 per cent in 2004 to 6.7 per cent in 2005. Unemployment rates in the Asian Sub-region did not change remarkably. East Asia's unemployment rate was 3.8 per cent, and remained the lowest in the world. South Asia's unemployment rate was 4.7 per cent and South East Asia and the Pacific was 6.1 per cent. With a 13.2 % unemployment rate in 2005, the Middle East and North Africa remained the regions with the

highest unemployment in the world. Sub-Saharan Africa's rate was 9.7%, and was the second highest in the world, but also had the highest share in working poverty.

Furthermore, the employment to population ratio of the share of people employed within the working age has differed between regions. For example, the region with the highest ratio was East Asia with 71.1 per cent in 2005. It was also the region that saw the highest percentage change over a decade, with a decrease of 3.5 percentage points. The Middle East and North America regions had the lowest ratio at 46.4 per cent in 2005. However, working poverty at the US\$1 per day level declined in 2005 in all regions, except in Sub-Saharan Africa, where it increased by another 2.5 million and the Middle East and North Africa where it was relatively constant. Additionally, the aggregate number of US\$2 a day working poverty only decreased in Central and Eastern Europe (non-EU) and CIS, Latin America and the Caribbean and, very significantly, in East Asia. However, it increased in South-East Asia and the Pacific, South Asia, the Middle East, North Africa and, particularly Sub-Saharan Africa. The 2005 ILO report further maintained that there are different effects of high energy costs on poverty and employment between regions.

Thus, in Asia, a region, which is in the right position to attain the Millennium Development Goal (MDG) of halving-poverty by 2015, it was predicted that the impact would only become significant if higher energy costs were sustained. In Sub-Saharan Africa, a region that is already off-track towards the poverty MDG, the likely short-term impacts of higher energy costs were significant, and have diminished the hopeful signs recently witnessed by some countries in the long run. The report also stated that economic shocks, as well

as natural disasters, affect those who are already poor disproportionately hard and, in the recovery process, they are the last to return to pre-shock conditions. In this regard, Juan Somavia commented: *“The current pattern of globalisation continues to have an uneven social impact with some experiencing rising living standards and others being left behind”* (One World South Asia News, 2005). While commenting on the insignificant impact of the expansion in the service sector to the current plight of workers, the report stated. *“In many countries agricultural workers are leaving a life of rural poverty in the hope of finding something better in the city but end up little or no better off in casual labouring jobs or petty trading. Such issues need to be addressed by policy makers if they are to make sure that the development process will lead to poverty reduction”*.

As in 2004, the ILO Director-General, Somavia, stressed for a redirection of government policies in 2005: *“We are facing a global jobs crisis of mammoth proportions, and a deficit in decent jobs that isn’t going to go away by itself. We need new policies and practices to address these issues... there is a need to reformulate development and growth strategies”*. Indeed, the weaknesses of most economies to turn GDP growth into job creations or wage increases, coupled with a spate of natural disasters and rising energy prices in 2005, have adversely affected the world’s working poor (OneWorld South Asia News, 2005). Thus, while more people were actually working in 2005, a great number of people were still unemployed more than before. This development could at least serve as a testimony in itself that economic growth alone in the global economy is not sufficient to address global unemployment problems.

In 2006, notwithstanding the strong economic growth in many countries, the figure of global unemployment rose to a new historic height of 195.2 million at a global rate of 6.3%. Again, Juan Somavia commented: *“The strong economic growth of the last half decade has only had a slight impact on the reduction of the number of workers who live with their families in poverty and this was only true in a handful of countries. In addition, growth failed to reduce global unemployment”*. The ILO reported that only modest gains have been achieved in lifting some of the world’s 1.37 billion working poor, namely those working but living on less than the equivalent of US\$2 per person, per day, out of poverty, and maintained that there were a shortage of decent and productive jobs to lift this group and their families above the US\$2 per day poverty line.

Hence, in order to reduce unemployment rates, the ILO emphasised the need for a link between growth and job creations: *“To make long-term inroads into unemployment and working poverty, it is essential that periods of strong growth be better used to generate more decent and productive jobs...Reducing unemployment and working poverty through the creation of such jobs should be viewed as a precondition for sustained economic growth”* (ILO (Global Employment Trends), 2006). Moreover, the 2006 report noted that since the past 10 years, economic growth has been reflected more in higher productivity and less on job creation. For example, while world productivity increased by 26%, the number of those in employment globally rose by only 16.6 per cent. Also, the report observed that young people (aged 15 to 24) were the worst affected, with 86.3 million of them representing 44% of the world’s total unemployment rate in 2006. Furthermore, the report noticed an expansion in the gap between the men and women employed in 2006.

It was observed that only 48.9 per cent of women aged 15 years and older, were working compared to 49.6 per cent in 1996. The comparable male employment-to-population ratios were 75.7 in 1996 and 74.0 in 2006. In the same year, the share of the service sector in the global employment grew from 39.5% to 40% and overtook the share of agriculture for the first time, which decreased from 39.7 per cent to 38.7%. The industrial sector stood at 21.3 percent of the total employment for the year 2006.

With regard to the regional dimension of the employment trend, the report noted that the largest decrease in unemployment occurred in the region of the developed economies and European Union, where the unemployment rate decreased by 0.6 percent between 2005 and 2006 to 6.2%. East Asia's unemployment rate was 3.6% and continued to be the lowest in the world. For South Asia, the unemployment rate was 5.2%, and for South-East Asia and the Pacific, it was 6.6%. At an unemployment rate 12.2%, the Middle East and North Africa continued to be the region with the highest level of unemployment in 2006. Sub-Saharan Africa was the second highest in the world with an unemployment rate of 9.8%, and was also the region with the highest share in working poverty, where 8 out of 10 workers lived on less than \$2 a day with their families, underscoring that tackling the decent work deficit was urgently needed in that region. Furthermore, the report specified that the share of people employed within the working age population, varied between regions. East Asia had the highest ratio with 71.6 per cent in 2006 but its ratio dropped by 3.5 percent over the last 10 years. The Middle East and North Africa region had the lowest ratio at 47.3 per cent in 2006. In Latin America, the ratio gained 1.8 percent up to 60.3 per cent of people who were employed within its working age population in 2006.

The ILO estimates showed that the total number of working poor on \$1 per day declined between 2001 and 2006 in all regions except in Sub-Saharan Africa where it remained more or less constant. Within the same period the total number of US\$2 a day working poor declined in Central and Eastern Europe (non EU) and the CIS and, most remarkably, in East Asia by 65 million. However, it increased in South-East Asia and the Pacific, South Asia, the Middle East and North Africa, with the biggest increase of 26 million occurring in Sub-Saharan Africa. Thus, the ILO report maintained: *“Every region has to face major labour market challenges... young people have more difficulty in labour markets than adults; women do not get the same opportunities as men, the lack of decent work is still high; and the potential a population has to offer is not always used because of a lack of human capital development or a mismatch between the supply and the demand side in the labour markets”*. In addition, the ILO re-emphasised in 2006, the importance of government intervention in job creation: *“Nowadays, the widespread conviction is that decent work is the only sustainable way to reduce poverty, which is why the target of full, productive and decent employment will be a new target within the Millennium Development goals in 2007. Therefore, it is now time for governments, as well as the international community to make sure that the favourable economic conditions in most parts of the world will be translated into decent job growth”*. Nevertheless, in spite of a forecast of 4.9% of global economic growth, there is a growing pessimism that the growth would reduce the level of global unemployment and working poverty at the end of 2007 (EuropaWorld, 26 January, 2007) and subsequent years.

An analysis of these trends show that global unemployment will continue to increase and, this is capable of further expanding the inequality and poverty in most societies, except that policy reforms are taking to redress the growing unemployment crises. The right to gainful employment was, indeed, one of the fundamental rights of every individual as enshrined by the UN Charter for human rights, as far back as 1945 (UNDP, 2003:1). However, it is a pity that the current global logics have exacerbated the erosion of this very fundamental right of the working person.

5.8 Conclusion

In conclusion, as mentioned earlier, population increases have brought about the problem of scarcity, while scarcity has brought about the need for proper management of various facets. The efforts to manage facets properly, has necessitated efficient utilisation of people and the outcome of effective human resources' utilisation is surplus or profit. Profits then increase the remuneration of workers, the amounts, which are shared by the owners of business and boosts investments further, which finally accelerates the pace of economic development and growth. Therefore, profit and human welfare becomes the end game of business. Thus, since time immemorial, the businessperson has always tried to use the least available resources to achieve the greatest returns. Nonetheless, this particular objective could not be realised during the pre-industrial revolution era owing to the manner in which labour was organised and utilised. For example, business was based on sole proprietorship and workers were forced to abide by the strict dictate of the owner of business. In addition, everything was done with muscle power. This could, indeed, explain the reasons for the sluggish growth of that very era.

However, everything towards achieving growth in society at large, has changed during the industrial revolution era, when the capitalist mode of production altered the world of work, as steam engines succeeded in replacing and turning the muscle powers, namely the horse, buggy and humans into less marketable commodities. It was during the same period that Taylor's Scientific Management approach was introduced into the workplace. Taylorism, which implies the use of scientific methodologies in the utilisation of labour, brought with it higher productivity, but was considered by many as exploitative in nature, as workers were demoted to the position of impersonal components in the machine of production. Specialisation under Taylorism mars the initiative of workers and resulted in unemployment. The most outrageous criticism against Taylorism was that it failed to give consideration to the emotional or psychological needs of the working person.

The weakness of '*Mechanical Taylorism*' to address those critical issues had led eminent researchers, such as Elton Mayo and associates, through their Human Relations Approach, to rationalise ways of addressing those vital psychological issues that have adversely affected workers' performance and productivity in most organisations. The conclusion of their findings point to the fact that workers are human beings with emotions and should be treated as such because employees cannot be forced into cooperation, since strategy is needed for some of them, psychology is required for others and understanding for the rest. These three ingredients, according to the human relations approach, should be substituted for forced human relations because satisfied and contented employees are necessary for effective collaboration. Unlike Taylorism, which regarded workers from a negative perspective as lazy, weak and who should be motivated by monetary incentives, the human relations

approach was based on '*industrial humanism*' and perceived workers from a positive light as hard working people, who, apart from the monetary incentives, could be motivated by non-monetary incentives. Thus, whereas Taylorism focussed on profitability and the financial rewards to workers, the human relations approach focussed on the general well-being of the working man. Hence, it can be argued that with regard to welfarism, industrial harmony, increased performance and productivity, the human relations approach is more superior to Taylorism.

Nevertheless, before the human relations approach could maintain a balance in the workplace, it was overshadowed by the technological revolution, which further altered the workplace. The main difference between the Industrial Revolution and the technological revolution is that in the former, machines were used to augment the power of muscle, while in the latter, technology, namely the computer, has been used to augment the power of the mind. More than that, the computer has started to play the role of humans in some productive organisations, hence, it is not surprising that some of the adjectives used in qualifying human beings, such as '*generation*', is now used for computers. In due course, this overwhelming technological revolution resulted in greater internationalisation and, in fact, globalisation. However, since the advent of globalisation, most organisations, in their bid to remain globally competitive and earn super-normal profits, as opposed to the previous norms of normal profitability and welfarism, have resorted to all forms of cost-cutting measures by becoming more technological or computer-friendly, which is capital intensive. As they do this, another vital segment of the macro economic system, namely workers, bears the brunt, as they see their jobs evaporate through outsourcing, re-engineering and retrenchments. Indeed, this could be described as

the era of higher Taylorism, which promises to cause more havoc to workers than the previous Taylorism.

The current development has actually resulted in pains and anxiety disorders within the workplace. It should also be mentioned here that these three global human resources logics of outsourcing, re-engineering and retrenchment, in addition to the new virtual corporatism, are indeed impediments to industrial democracy in the workplace. Moreover, these current inhumane globalisation logics could be blamed for the year-to-year escalating trends in global unemployment. That said, it should be reiterated here again, that the current global system has negative consequences for human resources and industrial democracy. Therefore, the need for a total overhauling of this pattern of globalisation, which places profit before humans, is long overdue. The present researcher would like to make an attempt in the final chapter entitled: *'The way forward and conclusion'*.

Chapter 6

The way forward and conclusion

6.1 The way forward

Laborious efforts have been made in the preceding chapters to conceptualise and analyse the functional relation between globalisation, internationalisation, human resources and industrial democracy. The study has found that although globalisation is internationalisation, however, internationalisation is not globalisation, because whereas *internationalisation* is an extension of economic activities across national boundaries and a quantitative process, which leads to a more extensive geographical pattern of economic activity, globalisation refers to the geographical expansion of economic activity across national boundaries and the functional integration of such internationally dispersed activities. Thus, globalisation is, of course, quantitatively and qualitatively different from internationalisation. Nevertheless, there is a positive functional relationship between both of them, as extensive internationalisation is a catalyst for globalisation. Thus, although globalisation and internationalisation may have some dissimilarity in certain respects, both co-exist. This could explain the reason why globalisation has been referred to, in certain sections of this thesis, as extreme internationalism. In that case, to a certain extent, the researcher has intertwined globalisation and internationalisation.

Another important issue in the study is globalisation and (triumphant) capitalism. Here also, the researcher maintained earlier that globalisation is capitalism but capitalism is not globalisation. This implies that globalisation contains all the characteristics of capitalism, which is why it was also referred to as capitalist globalisation in Chapter 1. However, the contention of this thesis is

that both globalisation, as extreme internationalism and globalisation as capitalist globalism, have produced the worst nightmare for human resources and industrial democracy. Indeed, the problem statements of this thesis were specified earlier as follows:

- Globalisation and internationalisation have unfavourable consequences for labour.
- Globalisation has extreme consequences for industrial democracy.
- Globalisation accelerates the concentration of economic power in a few hands, thereby exacerbating the disparity between the capitalists and the working class.
- Technological development and advancement leads to job destruction, retrenchments, temporary jobs and unemployment.
- Globalisation has placed more emphasis on capital and competition instead of human resources development and growth.

Indeed, the findings of this research collaborate with the above mentioned problems. In fact, since the end of the socialist alternative, capitalist globalisation has produced some disastrous consequences for human resources and industrial democracy. These negative effects have been tackled in almost all the preceding chapters. However, Chapter 4.8 has clearly delineated them as: a growing downward spiral on wages and working conditions; job destruction and losses; a race to the bottom in labour standards; effects of corporate mergers on workers; problems of unemployment; effect of flexibility and casualisation on labour; less training for workers; more expenditure on advertisements and less on workers; expanded global inequality; increasing rate of poverty; restricted labour mobility; workers exploitation and abuse in the

EPZs; abusive labour relationships and employee killings; industrial actions and violent protests; increasing crimes; congested jails and force labour; child labour; footloose speculative capital; effect of technology on workers; and erosion of labour unions' power and erosion of industrial democracy.

Moreover, the effect of technology on workers was elaborated in Chapter 5. Indeed, technology has increased the pace of outsourcing, re-engineering and retrenchment. These trends, summed together, have increased the level of global unemployment, which adversely affects current and potential workers. Moreover, technology has brought about virtual corporation. The current virtual corporation promises a reduction of the labour force as more and more purchases can be electronically manipulated. In addition, most corporations are now empowered to send their data processing to any part of the world that could do the work more cheaply. This is actually the same story of the '*race to the bottom*,' which is detrimental to global workers as they under-bid themselves. Furthermore, the virtual corporation does not promote industrial democracy as it deals with invisible workers. It does not also promote unionism, which is an essential ingredient for industrial democracy. The absence of worker representatives and, indeed, industrial democracy, has laid a solid foundation for workers' exploitation. No wonder that since the era of globalisation, workers have experienced the worst exploitation in the form of depleted wages, temporary employment, increasing hours of work, most particularly in the EPZs, an uncongenial working atmosphere and a poor quality of work life. The former belief that an employee is the most vital resources within the organisation, that should be developed through education and training have become passé, because it would be unwise to train a person who would be

retrenched sooner or later as the market forces dictate, since profit is all that matters in the global economy, no matter how it is achieved.

These exploitations, in varying degrees, have expanded the level of inequality in societies. The divisions between the capitalists and workers have indeed, distended. This development has resulted in ill-feelings in societies as the major global cities have become a centre for recurring protests and street battles- a warning sign that urgent solutions are desirable, if society should be rescued from the wreckage of an atrocious economic system, otherwise a global catastrophe could be pre-ordained in a few years to come. Based on this concern, therefore, the present author has charted out some tangible, but not exclusive, suggestions towards the building of a more inclusive and fairer globalisation that could ameliorate the plight of global workers, while promoting industrial democracy. These suggestions are outlined below.

1. A global commitment towards the enshrinement of industrial humanism in the workplace

There is an urgent need for a global commitment towards the enshrinement of industrial humanism in the workplace. A global industrial humanism would focus on the rights and dignity of the human person within the workplace. More than that, industrial humanism would point to the fact that just like the capitalists, workers are also human beings striving for development, growth and self-actualisation, and not machines that simply respond to external pressures. Therefore, there should be a need for a global realisation that, just like organisations, humans, including workers, have an innate inclination towards psychological growth and self fulfilment. Unlike Taylorism, industrial humanism should direct focus on the

positive aspects of the conscious mental activity of human elements within the organisations.

Therefore, organisations should assist worker to become their authentic selves, have positive views about themselves and find meaning in the work they do. It should eradicate the impersonal, mechanistic life of alienation and marginalisation of workers in the workplace. In fact, employers should focus on the human person, as a whole, and give consideration to the feelings, thinking and perceptions of workers. Management should consider the impacts of their decisions on the feelings, emotions and esteem of their workers. Indeed, there is the need for management to realise that workers have the ability to take responsibility and, that, if provided with the right opportunities, such as challenging work, and participation in decision making, through, for example, power sharing, profit sharing and labour directors, they will be effective and satisfied workers. The problems in the workplace should be solved in a humanistic way. In fact, the South African spirit of '*Ubuntu*' should be inculcated into the global workplace. In that sense, both workers and employers should cater for one another and avoid any kind of '*industrial madness*'. Under such circumstances, the role of women in society should be respected in the workplace- maternity leave should be granted to them during pregnancy, crèches should be provided for their children after birth. In addition, their young children should be assisted to go to school, which would reduce the menace of child labour and child crimes. The commitments to observe industrial humanism could be enforced through the ILO conventions whereby member states can be requested to inculcate it into their industrial relations system.

2. Extension of the general democratic principles to the workplace on a global level

In respect of industrial humanism, there is a need to extend the general, democratic principles to the workplace on a global level. A majority of the civilised world cannot profess democracy when authoritarian regimes of managers rule the global workplace. Democracy, which refers to a government of the people for the people and by the people, should extend to every nook and cranny of society, including the workplace. In that case, management cannot take decisions affecting the organisation and workers without a general consensus. In fact, workers should be consulted on issues affecting them. Management should no longer take decisions on outsourcing, automation, re-engineering and retrenchment, without the consent and sanction of workers. The decisions on the working conditions of workers and the organisation of the working environment, should be democratically structured and oriented on a global scale. In fact, countries that profess democracy, should be informed that limited democracy is not a democracy at all. Real democracy implies the recognition of the fundamental rights of the human person, including the right to gainful employment or work. Therefore, the USA as a nation, spreading democracy around the globe, should also be called upon, as an example, by inculcating democratic values into its workplaces, as increasing job losses, unemployment, inequality and insecurity are, indeed, threats to democracy and true democratic spirit.

3. A global commitment to adhere to core ILO labour standards

In addition to the extension of democracy, there is a need for a global commitment to adhere to some important ILO labour standards, such as those core labour standards that are contained in ILO Conventions No. 87 and 98, which revolve around the freedom

of association and collective bargaining, freedom from forced labour, non-discrimination and the abolition of child labour. The need to adhere to these standards is morally justified on the grounds that they are basic human rights. This does not suggest that other labour standards, such as minimum wages, employment guarantee and health and safety measures, are not equally important, however, the implementation of core standards helps to fulfil other standards. For example, freedom of association would help to produce an effective union that can bargain properly on behalf of its members with regard to issues concerning wages and working conditions. Collective bargaining would assist workers' representatives to put down on paper issues regarding employment contracts, including the tenure of employees and health measures in place in the workplace. Freedom from forced labour addresses issues of slave and bonded labour. Therefore, granting slaves and bonded labourer their freedom in recognition of their human rights is also important. Freedom from discrimination will ensure that nobody is discriminated against owing to his/her gender, colour, race, religion, culture, taste or belief within the workplace, because they are fundamental human rights, which harmonises with the general spirit of humanism. Abolition of child labour will promise hope for future generations as more children will return to school. In fact, the maintenance of labour standards would assist to reduce industrial disharmony by providing an institutionalised way of minimizing disruption, improving co-operation between employers and employees and, thereby, create a favourable atmosphere for investment, which would generate employment and greater growth in the economy.

It was argued by some southern countries that adherence to some of the core labour standards would reduce their '*comparative*

advantages' over the advanced nations in terms of labour supply, productivity and export. However, the present author does not sympathise with this argument. Human rights cannot be sacrificed for productivity and export and should be respected at all times. Moreover, it is important to remark here that most exports from south to north are produced by a small number of NICs, while the vast majority of developing countries export only a meagre of the total. Hence, the implementation of core labour standards will not broadly affect developing countries' comparative advantage in production and trade. Nevertheless, there is a need for expansion in a number of core Conventions, which would make them inclusive and relevant to the needs of the global working population.

4. A global agenda to improve the quality of work life for workers

Attuned with a commitment to adhere to some core labour standards, should be a global agenda to improve the quality of work life (QWL) for workers. The study has shown that, since the advent of globalisation, there has been a downward spiral on the QWL of global workers, particularly in the EPZs. Most of the jobs in those zones have reflected abusive working relationships, casualisation of employment, poor working conditions, depleted wages, long working hours and less worker participation in decisions. There are also signs that these poor working practices have also crept into the advanced countries, as there is a tendency to sacrifice civilisation for competition. Hence, in order to address this issue, the need for government monitoring of the QWL of workers on a global scale, is, indeed, necessary. The significant predictors of QWL, that governments should consider in their monitoring, should include the degree to which management treat employees with respect and display confidence in their abilities; variety in daily work routine;

amount of challenge in work; the degree to which present work leads to good future work opportunity; self esteem; extent to which life outside work affects life at work; and the extent to which work contributes to society. In addition, opportunities should be provided for employees' psychological and material growth. Their jobs should be enriched to make the jobs more pleasurable through job rotation and multi-skilling, which would meet with the changing circumstances in a dynamic world.

5. Adoption of the human relations approach of management in the global workplace

In agreement with good QWL, there is a necessity to adopt the human relations approach of management in the global workplace. Every organisation should have an industrial psychologist to assist workers with their emotional problems. This measure is in full recognition of the fact that workers are human beings with emotions, have blood flowing in them, and have feelings. The presence of a psychologist alone can give workers some level of job satisfaction, as long as they can see someone in a professional capacity to speak to when they feel that they are weighed down. Apart from a psychologist, the workplace should be properly laid-out with good ventilation and lighting, which implies that the presence of a good operation or project engineer is required in the workplace. More than that, there is a need for global managers to permit the existence of informal groups in the organisation, as this could motivate workers more than the former structures because group influences are contagious. Moreover, managers should try, as much as possible, to be concerned, friendly and attentive towards workers. This attitude positively affects productivity and boosts further investment, which keeps everyone happy. Also, workers should be communicated with about the rationality of any decisions

taken by management in due course. In fact, the participation of workers, in most decisions, will reduce further questioning. Any conflict or dispute should be resolved through dialogue, which would promote industrial harmony. The rationale of adopting human relations in the workplace is that it would integrate all partners in the workplace so that they are motivated to work together productively, co-operatively and with economic, psychological and social satisfaction. The end-game of this measure would be productivity increase, expanded investments and a reduction in the level of unemployment.

6. Utilisation of industrial democracy as a motivational technique in the workplace

In addition to the other suggestions, global organisations should endeavour to give room to industrial democracy in the workplace. Industrial democracy can only thrive in the presence of effective unionism and collective bargaining. Unions can help to tackle those external and internal issues concerning workers. Moreover, workers should be given a voice in day-to-day decisions, which affect them in the workplace because association of workers with management provides them with a sense of importance and involvement and self-expression, while they would consider themselves as an indispensable constituent of the organisation. This would help to create a feeling of belonging and motivate them to give all to the organisation. More than that, workers should be freed to have additional-say in planning their personal career paths, and in the way their work is performed. This measure would help to give them a sense of ownership in their jobs and helps them tackle the problems arising from job performance. There is a need to empower workers through industrial democracy so that instead of running away from responsibility, they will begin to contribute to

organisational growth. Indeed, workers need empowerment because empowerment gives workers a feeling of control over their future, and this has important implications for their feelings of self-worth, motivation, mental health and participation in the organisation. Thus, having a sense of control of their future, particularly their work destiny, is important for their psychological state and level of motivation. This would lead to greater productivity, investment and growth. Therefore, it is important that global managers take into consideration this often ignored motivational imperative, namely industrial democracy when dealing with global workers.

7. A global government policy and commitment towards job creation and security

Still on the list is a global government policy and commitment towards job creation and security. In other words, there should be a government policy which creates decent and permanent jobs. Therefore, any policy that is contrary to this objective, should be discouraged or curtailed. The implication of this is that those business practices of casualisation and flexibilisation of employment relations without security and benefits, should be properly documented, monitored and, as much as possible, be minimised. The goal of the government and private sectors should be focussed on an expansion of employment opportunities. Instead of full privatisation, the government should enter into a joint venture with the private sector. This will ensure that more jobs are not destroyed. Moreover, instead of selling government enterprises to rich politicians and philanthropists that have embezzled the nation, workers can be requested to purchase the business, which will be sold. This will give higher responsibility to workers and they will endeavour to turn the inefficient business into an efficient one without the discharge of many workers. In fact, this is one way

of job creation, retention and security. Moreover, instead of retrenching workers, government should create jobs for them by encouraging and supporting them to venture into small-scale industries and cooperative societies. Thus, if the removal of state monopolies on communication and energy, as well as the opening up of previously protected sectors of the market, has a devastating effect on the labour market, then any call for liberalisation and openness should be suspended until there is a substantial reduction in unemployment.

8. Regulation of technologies that destroy job faster

In-line with government policy to create lasting employment, there should be some kind of regulation of technologies that destroy jobs faster and bring misery to workers. The rationale for technology creation and promotion should be to serve human interests. As such, technologies, which dehumanise human beings and render them obsolete, should not be promoted. Technologies should be created to enhance the working person's potentialities. It should be created to serve humans and not otherwise because it is greatly unjust for the creator to serve the created. One possible way to regulate some of these technologies should be through higher taxation on energies and resources that are used for the manufacturing of these technologies, so that the cost and prices of technologies can push up. Under such circumstances, human labour would be more highly valued, and energy-intensive automation would be less profitable. Moreover, governments of the world should try to regulate other activities, which technology has promoted to the detriment of workers. Activities such as outsourcing, re-engineering and retrenchment, which are all by-products of the technological revolution, should be regulated so that workers are not adversely affected. More than that, before the introduction of technology into

the workplace, management should see to it that there is already a place in the organisation to accommodate workers who are displaced by technology in a higher position. In addition to that, men like Bill Gates, who has benefited immensely from technology production and promotion, should also be called upon to contribute, in a philanthropic way, in assisting to ameliorate the plight of workers who are so adversely affected by what they have created and promoted. It could also be part of the general social responsibility of business to workers as community members.

9. Complementary and comprehensive ideological order

The regulation of technologies, commitment to create jobs and adoption of core labour standards would be futile in the absence of a complementary and comprehensive ideological order. Socialism has failed and capitalism is in the process of failing. Therefore, the only hope left to resurrect socialism and resuscitate capitalism, is a complementary and comprehensive ideological order. In that sense, capitalism should be ready to marry socialism, and socialism should be ready to work with capitalism. In fact, there is a need to complement the positive aspects of both ideologies. This is not to postulate the mixed economic system of the 1960s and 1970s because even then, there was a competitive, but not complementary, relationship between both ideologies. Thus, the difference between the previous ideological set-up and the current one, which the present author is referring to, is that instead of competitive ideological orders, there should be a complementary and comprehensive one.

In a nutshell, there could be other, better global alternatives to the current single capitalist triumphant orthodoxy. This particular view is reinforced by the recurring protests and confrontations around the

world. The first large public protest against the current logic came in Seattle 1999 November at the WTO Ministerial Conference. This was followed by street protests in Bangkok in February (during the UNCTAD conference), in Washington in April (during the World Bank-IMF Spring meeting), and in Melbourne (during the Asian Summit of the World Economic Forum), in Prague (during the World Bank-IMF annual meeting) and in Cancun, at Doha, to name a few. These popular protests across the world are basic reflections of the majority's yearning for an alternative ideological-cum-global-order. Hence, as opposed to Francis Fukuyamas' assertion, history has not actually ended and there are many symptoms that capitalism may not after all, be the '*last man standing*'. There could still be the possibility of a complementary relationship between capitalism and socialism (effective state), so that a higher human, social and economic order is realised. This is actually what Slabbert (1996:49) meant by '*capisocism*'.

10. The power of the state should increase

In fact, the suggestions mentioned above cannot be realised in the absence of an effective state, which would be strong enough to regulate and coordinate the activities of the economy and nation. No matter how small a state is, it should be in-charge of all policies within its territorial boundaries. There should be no excuse that the state could not act because of the enormous powers of the TNCs. In fact, the powers of the TNCs should be made smaller in comparison to the state as the custodian of society. More than that, the state should be free to carry its daily functions and should not be stampeded into rash decisions by the influences of big private business. It also shows that the public's interest should not be sacrificed for self interest. An effective state alone can make policies that are favourable to the majority of the populace. The

state should be a powerful participator in the labour relations system of the country. Hence, the state cannot be a passive onlooker of industrial disharmony, because humans, in search of peace and progress, have surrendered their sovereign identity to the state. The state is, indeed, a fine product of human civilisation. It is the authoritative supreme power- the actual sovereign, which has to formulate and execute the will of the people. In this regard, there is a need for a '*developmental state*'- a state, which is democratic and interventionist in nature with the capability of regulating the operations of the market forces. In other words, the state should not be a passive onlooker of the propagandist slogans of capitalist triumphalism, but should play a catalytic, facilitating role, encouraging and complementing the activities of private businesses and individuals. This would be the best remedy towards a sustainable human, social and economic development in the current post Cold War era, particularly in developing nations.

11. Debt cancellation and more developmental aids to the poor nations of the world

There is a need for a global agreement to cancel the debts of poor nations. The efforts of jubilee 2000 towards this direction is quite commendable, however, additional efforts should be made to ensure that all debts owed by poor nations to the advanced nations, are stroked off once and for all. Debt payment and servicing has kept most of these Third World nations backward from venturing into developmental projects that could enhance the living standards of their people. More than that, debt payment and servicing have disenabled most poor nations' governments from providing social services, including decent jobs for their people. In fact, it should be remembered that most of these so-called debts arose from the advanced countries' irresponsible lending to Third World dictators

who have used this money for self-aggrandisement, and the arduous debts inherited from the colonial masters.

Therefore, it is unreasonable that the poor people in these countries should face the brunt of these irresponsible lending and mounting debts that refuses to finish or stop. Thus, it is high time that the world is free and cleansed from debt and debt crises. Indeed, if globalisation means a new economic world order, it would then be reasonable that everyone or nations should be freed to start anew. This would minimise the already unevenness in globalisation. Furthermore, not only should debt be cancelled, but the developed countries should assist the developing countries with developmental aids. This would boost investment and employment in the developing countries, making it difficult for the TNCs to hover around poor nations looking for the next cheap shore to exploit. In fact, it is high time to realise that most of the jobs created by the TNCs in the poor nations, are merely artificial jobs that could evaporate at any moment. Therefore, the best job should be those that are created by the people, for the people and of the people. However, these dreams could only be realised if the debt of poor countries are cancelled, in addition to developmental assistance.

12. A global commitment to alleviate and eradicate poverty

In congruence with debt cancellation, there should be a global commitment to alleviate and eradicate poverty. Jeffrey Sachs, in his book, *'The End of Poverty'* (2005), has already reminded the world that it is possible to eradicate poverty. Therefore, every hand should be on deck to ensure that this vision is realised. Poverty cannot be eradicated if millions within the global populace are without a decent job. Poverty cannot be eradicated if a majority of the world's workers earn less than the \$1 per day poverty line. In that case, the

solution to alleviate poverty lies in the creation of decent jobs, in addition to good remuneration. Hence, instead of depleting the wages of workers as has been witnessed in the global economy, there should be conscientious efforts to improve the amounts that are paid to workers for their inputs in production. More than that, there is a great need to supply the poorest nations in Sub-Saharan Africa, with high variety yield seeds and fertilisers to cultivate enough food for their hungry population because a hungry person is a listless and angry person, who does not have interest in growth and development, except that their immediate problem (hunger) is solved. In fact, wars in Chad, Ethiopia, Eritrea, Somalia and Sudan, could probably be attributed to hunger. Thus, hunger and poverty are positively correlated. Poverty alleviation should include sending of more children to school, and empowering small scale businesses in the rural areas. This will reduce the number of workers rushing to the cities to create the worst nightmare of city slums, as witnessed in most global centres.

13. A progressive taxation system on a global level

The objective of poverty alleviation can only be achieved if a progressive taxation system is instituted around the globe. Even Queen Elizabeth need not be excluded from progressive taxation. The rich should be taxed according to their wealth. It is blatantly unfair for the rich to be displaying their wealth and flamboyant lives on televisions to the intimidation and misery of the poor without paying or showing for it. Progressive taxation simply means that the rich should give back more than the poor to the society where they have made their fortune and are still amassing wealth in addition to their riches. The proceeds of taxation can be used to create employment in the economy, thereby reducing the scourge of poverty and the menace of criminalities. For example, if Bill Gates

and others, who are as rich as or richer than him, are properly taxed, the proceeds from such taxation could solve the problem of hunger in the whole of sub-Saharan Africa. Progressive taxation does not only apply to individuals. In fact, most of the TNCs in the Third World enjoying tax heaven, should be properly taxed for the poor nations to attend to the developmental requirements of their people. Tax holidays, environmental concessions and permission to TNCs to plunder the economy and workers of the Third World, are a great injustice to the people. Thus, there is need for attitudinal change in Third World governments, and TNCs should pay accordingly for all resources extracted or used in the poor countries. Moreover, all monies moving across the globe, for speculative activities, should be heavily taxed. In fact, Tobin Tax initiatives will not be sufficient alone to address this issue. In short, fund movement that does not create value for the indigenous of the destination country, should as much as possible, be restricted. There should be a certification that at least 50% of the funds moved across the globe, generates employment.

14. Discouragement of cut-throat global competition

Additionally, there is a great need for the global government to discourage unhealthy or cut-throat global competition that has taken place since the advent of globalisation. In fact, competition is good as long as it brings general development to a wider section of the masses. Competition is good if additional value is given to a product due to it. However, if competition leads to the economic exclusion of a greater number of people in the community, as witnessed since the era of globalisation, then that competition becomes cut-throat, unhealthy, counterproductive and should as much as possible, be discouraged. Competitions should direct towards the positive impact it creates for the society. For example,

organisations could be made to compete on the number of jobs they create in the society, and not on the number of jobs they were able to destroy in order to earn a profit. In this regard, a report card could be kept by the world governments and awards could be given to organisations, which were able to enhance the wellbeing of a community by creating additional jobs or adding value to products or services. This would go a long way to promoting goodwill and, of course, profitability of organisations that have done better. In fact, global corporate managers should be made to understand that job destruction does not enhance competitiveness. They should realise that they can still enhance their profitability without killing jobs. As far as the present author is concerned, competition in the global village has turned to a trade war between global corporations, which has also trickled down as a war between organisations and their workers. Thus, as corporations fight external wars with other corporations, they also come back to fight an internal war with their organisational members through retrenchment. This is, in fact, unethical, unhealthy and unwarranted. Therefore, any competition that tore organisations and nations apart, should be discouraged as much as possible. In short, competition should be directed towards positive ends.

15. More democratic decision making international bodies

Furthermore, there is a need for more democratic decision making international bodies. Indeed, multi-lateral organisations should have multi-lateral decision making bodies. Decision making in the UN, WTO, IMF and World Bank, should incorporate the views and aspirations of all member states. No longer should any nation be given special treatment in organisations that represent the world family. There is an urgent need to encourage the participation of more Third World nations in most of these international bodies.

America and Britain should learn not to take unilateral actions on behalf of organisations that are purported to represent the world family. The decisions to enforce any resolution should be sanctioned by the majority of the member states. The activities of American corporate lobbyists in most of these organisations, should be documented and, as much as possible, discouraged. Few corporations should not be allowed to determine the fate of 6 billion people through their influence within the international bodies. They should be told the truth no matter how bitter it may sound. The focus of the international organisations should be to create a better and equal world of opportunity for all. This measure would create a kind of balance equation in the global economy.

16. A global affirmative action

Almost in close relation to equal world of opportunity and poverty eradication, there should be a need for a global affirmative action. Economic empowerment and affirmative action should not only be utilised in South Africa to redress the legacy of apartheid, but should be extended around the globe to address issues that have kept some members of the global communities backward. Needless to mention here that apartheid is not only a South African phenomenon- it is, indeed, everywhere. The segregation between the rich and the poor in societies around the world is, in fact, apartheid of the highest order. The retrenchment of large numbers of workers from civil services and corporations around the world, at the dawn of globalisation, is worse than apartheid. Apartheid is racism, and the world cannot deny the fact that the level of racism is high across the globe.

Today, as Mugabe continues to unleash intolerable conditions for workers and citizens in Zimbabwe, someone should at least remind

him that his actions are reminiscent of apartheid of the highest level. Apartheid need not be distinguished by the colour of the skin or by race. It should be told that the oppression of a black man by another black man, is apartheid at the highest level. A situation where few groups have been in power since the independence of that nation, as witnessed in most African countries, and amassing wealth for even their families who have yet to be born. They should learn more about the meaning of apartheid in the true sense of it. In America, Europe, Africa and Asia, the gap between the rich and the poor has by far distended. All these issues should be attended through a global affirmative action whereby the cases of previously oppressed people should be attended to first, before any other case. This will also address the issues of unemployment, poverty and insecurity.

17. A global solidarity of workers

In mutuality with affirmative action, there is a need for a global solidarity of workers. This calls for unity amongst labour unions and workers around the world. Workers in the north should be empathetic to the plights of their counterparts in the south, and vice versa. Indeed, the call by Karl Marx, more than 100 years ago for an international solidarity of workers, sound louder here today. The weakness of workers' solidarity is the reason why company workforces, in different countries, can be played off against each other by TNCs. Therefore, if worker representatives should end their myopic ways of reasoning, the efficiently organised corporate lobbies would lose their superiority in the international bodies. The great failing of workers around the world has been their neglect to build a united, powerful international front that could counteract the activities of international business. In fact, the more the extension of material inequality threatens social cohesion in societies around

the world, the more necessary it becomes for workers all over the world to defend themselves with regard to their fundamental human rights, and to intensify international social solidarity. This measure will provide scope for the opposition of the free market radicalism that has excluded the majority of the economically weak global workers. Hence, global cooperation and networking between workers in different parts of the world could give much greater reach to the promise made to billions of people at the advent of globalisation. Indeed, every hand should be on deck to shape a better destiny for humankind.

18. A more humane approach to global issues

Finally, but not in the least, is the need for a more humane approach to global issues. This very suggestion covers all other suggestions. There is a need for everyone to realise that every human being emerged from one source, and will return to that very source. The difference between people of colour is merely a result of biological incident. Otherwise, human beings are from the same source, created according to religious books in the image and likeness of God. That being the case, it is imperative that humans approach one another in a humane way. In that regard, corporations should always reconsider if their decision to retrench lots of workers when the company is still making profits has been done from a humane angle. Also, every person should consider if his action has been done from a humane perspective. Employers should consider if wages paid to workers are sufficient to carry them and their families. The very rich should reconsider if their wealth is worth the billions that are suffering of hunger. Humane approaches to doing things would take away irrationality. If America and Britain had adopted a humane approach, they would not have gone to war with Iraq for the sake of one man. Consider the lives that have been lost in that war from

both sides. In fact, as far as the present author is concerned, that is the highest level of barbarism. The modern world cannot claim to be civilised when a majority of the people are still exhibiting barbaric tendencies. If humans could adopt humane approaches to solving problems, it is the belief of the author that even terrorism will definitely diminish and die a natural death. Humane approaches call for rationality, consensus and understanding. It also encourages cooperation and mutual sentiment. It radiates the message that everyone should be his brother's keeper. In that case, people cannot be throwing away food in the advanced countries when their brothers and sisters in Africa are dying of kwashiorkor (a medical condition caused by hunger). Humane approaches will make world leaders empathic to the plight of the poorest of the poor. Mother Theresa showed the world an example in this direction and there is a need for more people to emulate her. It takes charity, mercy and love to undertake this mission.

6.2 Conclusion

The journey of one million kilometres begins with a step and every beginning has an end. However, before finalising this thesis, it is worthwhile to reflect on the sayings of Confucius, a million years ago: *"if you are thinking in terms of one year plant a tree. If you are thinking in terms of years plant trees. But, if you are thinking in terms of a hundred years educate the people"*. The present researcher's attempts is directed at the last phrase, and in an effort to educate people on the functional relationship between globalisation, internationalisation, human resources and industrial democracy, the researcher undertook an intellectual exploration into the relevant topics.

As mentioned earlier, the statement of the research problem of the thesis points to the assertion that globalisation and internationalisation have negative consequences for human resources and industrial democracy, which has led to the concentration of economic power in a few hands, in addition to the fact that technological developments have had disastrous effects on labour. Based on these assumptions, the research objectives were focus on the negative functionality between globalisation, internationalisation, human resources and industrial democracy, and to provide suggestions that could positively enhance that relationship. In order to achieve the set objectives, international studies were explored to understand the impact of globalisation on different countries, and an extensive literature review, of relevant topics, was conducted. National and international studies, relating to the topic, were explored. Experts in the area of social science were contacted for advice. The research was mainly based on qualitative methodologies. The Internet, university libraries, textbooks and journals were resorted to for reliable information. As much as possible, lucidity was adopted to structuralise the thesis, so that even a novice in the field could sequentially understand the direction of the research.

Chapter 1 of the thesis dealt with the introduction and contains the statement of the research problem, the objectives of the research, and the methodology of the research. The main body of the thesis began in chapter 2, where capitalism was extensively discussed to acquaint the reader with the historical perspectives and characteristics of capitalism. Capitalistic labour relations were also explored in this chapter to gain an insight into the relationship between capitalism and human resources. A critical analysis of this very chapter points to the fact that capitalism has detrimental

effects for human resources. With regard to the future of capitalism, the same chapter revealed a bleak future for capitalism from a sense that it has exclusionary tendencies.

Chapter 3 handled the topic of socialism, which became relevant for the thesis because it was the failure of the market system that gave birth to socialism, and it was the failure of socialism that triggered triumphant capitalism, which has resulted in the current globalisation. The chapter enquired about the historical background of socialism to understand when and why it all began. Also, the characteristics of socialism were elaborated to provide the researcher with a comparative view of socialism and capitalism. Socialist relationships with labour were also studied to acquaint the researcher with the conditions of workers under socialism in comparison to capitalism. The findings of this comparison show that, in spite of the fact that capitalism produces more prosperity, however, more workers tend to feel happier with socialist policies. Also, this chapter disagreed with the argument that socialism is finally dead and buried.

Chapter 4 dealt with the core topic of the thesis, namely globalisation and internationalisation. This chapter explored the topic extensively, venturing into the definitions of globalisation, a historical perspective of globalisation, the myth of globalisation, the distinctiveness of globalisation, the causes of globalisation, the consequences of globalisation, opposing views about globalisation, whether globalisation is good or bad and, finally, the relationship between globalisation and human resources, which includes a section on industrial democracy. A critical analysis of this chapter points directly to the fact that globalisation and internationalisation have negative consequences for human resources and industrial

democracy. Chapter 5 reflected on different ways of labour utilisation over the years, including the times when technologies altered the world of work. The chapter concluded again that the logics of globalisation have created the worst effects for human resources and industrial democracy.

Hence, based on these subsidiary conclusions, the present author has no other alternative than to conclude that globalisation has calamitous consequences for human resources and industrial democracy. There is indeed, a negative functional relationship between globalisation (extreme internationalisation), human resources and industrial democracy. Nevertheless, if the suggestions postulated above are taken into consideration, globalisation might present a different picture, which could have a positive effect for human resources, industrial democracy and humanity, in general.

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