



## LIBERALISATION IS A BAN OR BOON TO INDIAN PEASANTS – SOME THEORETICAL CONSIDERATIONS

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### ABSTRACT :

*Impact of globalization on the conditions of poor, peasants in India in recent times have been drastically changes not only in the socio economic conditions but also it created awareness and significant technological changes in the agricultural production by the latest methods and means of production practices. What type of changes has been occurred in their living conditions have been analyzed in detail by the researcher by the proposed research to be taken in India. The researcher tries to bring out and portray the real conditions among their living pattern not to be dealt in detail. The liberalisation for Indian economy was adopted by India in 1991. Facing a cruel economic calamity, India move toward the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan by means of some conditions affixed which are related to a structural change in the economy. The government steered in a new era of economic reforms based on these conditions. Globalisation has different aspects. Duncan (2000) defines globalisation as the process of closer economic integration between countries in terms of trade in goods and services, in investment, in the free movement of labour, in the adoption of common currencies, and in joint international action on cross-border issues such as pollution. World Bank (2000) summarises globalisation as the global circulation of goods, services and capital, information, ideas and people.*



**KEYWORDS :** New Economic Policy – Causes – Consequences – Remedial Measures.

### INTRODUCTION

The process of globalization provides a *golden opportunity* to contribute for human being to a major reduction of poverty world-wide. While the potential for poverty reduction is great, the extent of it will depend on many factors including, in particular, the pattern of growth followed by the developed and developing countries and the overall global policy framework. The real distribution of gains is fair and whether the poor advantage less than the balanced from globalization and could under some circumstances actually be harm by it. The risks and costs brought about by globalization can be significant for fragile developing economies and the world's poor. The disadvantage of globalization is most dramatically epitomized at the times of periodical global financial and economic crises. The rate of the repeated crises associated with economic and financial globalization appear to have been borne devastatingly by the developing globe, and often unbalanced so by the poor who are the most in danger. Besides, advantages from globalization in booming instances are not necessarily shared broadly and identically in the global community.

The fear that the poor have in some instances been by-passed or actually hurt by globalization was highlighted by recent studies which point towards limited if not a lack of union among participating

nationwide economies and crossways regions as globalization has continued. The observed trend towards greater inequality in the world income distribution between countries and regions and within many developing countries has a close bearing on conditions affecting the world's poor, as inequality acts as a filter between growth and poverty. Particularly, inequity affects the growth and thereby poverty alleviation in future.

The relationship with globalization and poverty is complex and heterogeneous, involving many-sided channels. It is highly probable that globalization-poverty correlations may be non-linear in various aspects, involving several threshold effects. It may be unsuccessful to attempt to establish theoretically, on an a priori basis, the effects of globalization on poverty as worldwide observable conditions. Besides the 'growth' effects of globalization on poverty, the globalization/ integration process operating through various other channels is known to create winners and losers, affecting both vertical and horizontal inequalities. These channels incorporates change in relative aspect and good prices, factor movements, the character of technological change and distribution, the impact of globalization on instability and susceptibility, the world-wide flow of information, and global disinflation.

### INTERNATIONAL STATUS

Specialisation rent will either drive firms out of business or force them to accept lower prices/wages to stay in business/jobs. However, empirical studies reveal some mixed results. Wolf (1997) quotes a study by Slaughter and Swagel, and concludes that increased trade accounts for only about 10 to 20 per cent of the changes in wages and income distribution in the advanced economies. Duncan (2000) argues that in advanced countries, inequality has been increasing in Netherlands, Norway, the UK, and the US, but not in Canada and France. The most significant part of the increase in wage inequality in the UK and US has been the increase of the top decile of income earners relative to the median, not to the bottom decile. O' Rourke (2001) observes that wage inequalities rose in Britain and the US, but other countries showed mixed results. Cornia and Court (2001) reports that there is an increasing consensus that trade has only a small impact on wages and income inequality. Goos and Manning (2003) found evidence of greater wage disparity between the top and bottom in the UK labour markets. Izquierdo and Lacuesta (2006) find an increase in wage inequalities for Spain, while Gernandt and Pfeiffer (2006) observe inequalities for Germany. Thus, conflicting evidences have been reflected in different studies.

Among the developing countries, inequality has been steadily declining in Latin America from the 1960s onwards. In Africa and in the Pacific Rim, inequalities rose between the 1960s and 1970s, decreased throughout the 1980s, and again rose between the 1980s and 1990s. Within the country, Lindert and Williamson (2001) confirmed that inequality has been rising in China and India since the mid-1980s. Weis and Wu (2001) reported that in China, dramatic increases in openness over the last few decades have been accompanied by higher overall income inequality. The Gini coefficient increased from 38.2 in 1988 to 45.2 in 1995. But across China, openness and urban-rural inequality is negatively associated. Cities that have had a greater increase in trade-to-GDP ratio have witnessed a reduction rather than an increase in urban-rural income inequality.

### THEORETICAL BACKGROUND

The recent wave of globalisation (after the 1980s) is not entirely a new phenomenon. It started around the 1870s and continued until the onset of the First World War (1870-1914). The new wave of globalisation is different from the first wave of globalisation in the sense that the first wave was characterised by an integration of markets through an exchange of goods and movements of capital and labour across national boundaries. There was a simple vertical division of labour between countries. But the new wave of globalisation is marked by increasing flow of foreign direct investment (FDI), intra-firm trade among multinational corporations (MNCs), portfolio investment, mergers and acquisitions, internationalisation of the money market with instant computer-based satellite

communications, increase in electronic commerce, and growth of consumerism. Thus, the game is the same but the players of the game are new and the rules of game are different.

One dimension of globalisation is trade liberalisation (which can be measured as the ratio of exports to GDP). The ratio of world exports (goods and services) to the GDP was only 1 per cent in 1820, 9.8 per cent in 1880 and was as high as 11.9 per cent in 1913. But the ratio increased to 17.1 per cent in 1990 and further to 30.64 per cent in 2006, indicating that globalisation has a long history, at least along the dimension of trade in goods and services. The share of developing countries in world trade has increased from 23 per cent to 29 per cent, offering developing countries new opportunities for growth. Trade has been a major force driving economic growth, with a rapid increase in global trade as compared to global GDP growth. Apart from promoting economic growth, trade helps in equalising income (thereby reducing income inequalities) in terms of the 'Factor Proportions Equalisation' theorem, which states that free trade is a perfect substitute for complete international mobility of factors and trade equalises product as well as factor prices (Samuelson, 1948). Trade increases income of the most abundant factor and reduces income of the scarce factor leading to equality of income of factors. However, in actual economies, international distribution has become more unequal, indicating that structural adjustments in the labour market are not as smooth and immediate as the H-O theory purports. Emmanuel (1972) argued that the poverty of LDCs is caused by trade itself. The unequal exchange results in losses, not gains for LDCs engaged in trade. He argued that imports of scarce factor (capital) in LDCs lower profit rates and prices in LDCs, while they raise the price of capital and profits in capital-abundant (rich) nations, thereby making a poor country exchange more of its cheaper goods to get less of a rich country's output. Dawkins and Kenyon (2000) point out that increased exposure to trade may result in falling living standards for some workers, due to falling incomes or permanent displacements as well as the result in rising inequalities. Further, wage formation also depends on the trade position of the country in the sense that import threats exert a downward pressure on wages, while exports are associated with high wages leading to wage inequalities. Anderson and Sorenson (2006) claimed that the relationship between wage inequalities and openness is of U-shape. Integration first diminishes wage inequalities by reducing the importance of 'protection rents', as domestic firms are protected by foreign firms from penetration and get the benefit of rent-extraction (protection rent), and later increases wage inequalities by increasing the importance of 'specialisation rent', as less efficient domestic production is driven out of business by more efficient foreign production, and vice versa, efficient domestic production drives out less efficient foreign production (specialisation rent).

### GLOBALISATION AND ITS CONSEQUENCES IN SOME SECTORS

The Indian Government embarked upon a strategy of trade liberalisation in 1991, when the government announced a series of trade liberalisation measures in the form of removal of trade protections and of the dualistic structure in production, abolition of the cash compensatory scheme, lowering of trade tariffs, abolition of trade restrictions, integration of the Indian economy with the world economy, allowing the use of foreign brand names, protection of patents, introduction of the market-determined exchange rate and of current and capital account convertibility, and the setting up of agricultural export processing zones (EPZs) and special economic zones (SEZs). Apart from domestic trade reform measures, at the international level, the WTO acts as a watchdog in trade in goods and services investment and finance. As a result of these internal and external sector trade reforms, India's openness ratio (the sum of exports and imports as a percentage of the GDP) (a measure of globalisation) has increased rapidly from 14.6 per cent in 1990-91 to 22.6 per cent in 2005-06. As a result, the per capita income has increased from Rs. 5365 in 1990-91 to Rs. 25,716 in 2005-06.

Apart from changes in the importance of exports and imports, the composition of exports has undergone changes. As compared to 1991-92, the share of agricultural and allied products has decreased rapidly from 17.8 per cent to 9.9 per cent in 2005-06 and of crude and petroleum products has increased rapidly from 2.32 per cent in 1991-92 to 11.5 per cent in 2005-06. Manufactured products though witnessed an increase in share from 73.59 per cent in 1991-92 to 78 per cent in 2000-01, but afterwards decreased sharply to 72 per cent in 2005-06.

### **SIGNIFICANCE OF THE STUDY**

Liberalisation reforms by the Indian media can be broadly classified into three areas: Liberalisation, privatization and globalization. Essentially, the reforms sought to gradually phase out government control of the market (liberalisation), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). There was a significant amount of contest in India at the time of the introduction of the reforms, it being a spectacular departure from the protectionist, socialist nature of the Indian economy up until then.

Globalisation, measured in terms of trade liberalisation, is considered an effective tool for economic development, poverty and income inequalities reduction. Trade equalises factor as well as product prices (Samuelson, 1948). Despite economic gains from trade liberalisation, concerns have been raised over the effects of trade liberalisation on the labour market in terms of employment and wages because during the process of adjustments, some will be losers and some will be gainers. The direction of job creation depends on comparative advantages relative to the scope for relocating production and jobs. Further, wage formation also depends on the trade position of the country. Evidences show empirically that export opportunities tend to get better labour market prospects, while the import risk does the opposite. Further, trade liberalisation firstly reduces wage inequalities and then increases wage inequalities and as a result, the relationship between openness and wage inequalities is observed as a U-shape relationship.

In order to study the performance of the 'manufacturing industry group', data of public sector companies (mostly of Central Government Public Sector Enterprises), the private sector, co-operatives and joint sector companies have been taken from CMIE. The number of companies of the 'manufacturing industry group' as a whole was 2188 in 1991-92 but in 2005-06, the number increased to 4281.

### **BACKGROUND OF THE STUDY**

Sociological research is basically concerned with establishing systematic, reliable and valid knowledge about the social world by employing reliable empirical investigation with help of social theory. This process helps in searching out materials and placing them, arranging them in consistently sequential manner so as to reach at a fruitful conclusion. Thus Methodology denotes sequential and logical study of principles guiding scientific investigation.

The scientific methods consists systematic observation, classification and interpretation of data. The researcher gathers data in a systematic and scientific way through a well defined procedure. Today, 'methodology' in the social science is regarded as synonymous with the study of advanced qualitative procedures and a "methodologist" is one who is expertly versed in the knowledge and use of such procedures. The researcher seeks to establish relations between such data by the use of sophisticated statistical and mathematical techniques.

The present study is an Exploratory Research and descriptive research design of the sociological issues in rural Livelihoods in Tamil Nadu. The studies have been conducted in selected blocks of Tiruchirappalli district.

Therefore, the researcher have been based upon an analyzing the whole methods in a systematic and scientific manner adopted the various research procedures such as objectives, research design, pilot study, sampling, tools and techniques of data collection, analysis and interpretation of data, concepts used and limitations.

### **STATEMENT OF THE PROBLEM**

Livelihoods are defined as adequate stocks and flows of food and cash to meet basic needs. A large number of these individual are relying on seasonal and casual labour as their primary source of livelihood. It comprises of the capabilities, asset (both material and resources) and activities for instance, in addition to income and poverty, rural people are vulnerable to natural disasters such as drought or flooding required for a means of living. Livelihood strategies are various ways in which assets or resources are used to generate access to food. It is sustainable development when a human



can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.

### LOWER INCOME OF RURAL FARMERS:

Since 70 per cent of those in the developing countries depend directly or indirectly on agriculture, this means that the incomes of the developing countries are depressed. But by the standard one uses, nowadays global trading management is unfair to developing countries. He also points out the average European cow gets a subsidy of \$ 2 a day (the World Bank measure of poverty); more than half the people in the developing world live on less than that.

### CONCLUDING REMARKS

In India 60% of population depend on agriculture. This stress on agriculture gets increasing day by day because of the increasing population. Because of the peripheral land holding the production cost of Indian farmers is higher as well as the quality and standardization of agro production is much neglected. Along this, the limitation in subsidies and grants has deteriorated the agricultural sector. On the converse before the reduction in grants by WTO, developed countries had distributed grants on large scale. They had grown-up the amount of the contributions on large scales in agriculture during 1988-1994. They have not faced many difficulties if there is a decrease in grants. On these surroundings the farmers are not in a position to struggle global market. Instantly after globalization Indian rupee was devaluated by 25% and Indian crops became very low-priced and attractive in the global market, which led Indian farmer for export and encourages them to move from developing a mixture of traditional crops to export oriented 'cash crops' like chilli, cotton and tobacco. These need far more inputs of pesticides, fertilizers and water than the traditional crops require. It automatically got increased Fertilizer and pesticide prices by 300%.

The study has been explored and highlighted some of the facts and figures about impact of globalization on a marginalized community like Poor in India. The facts brought out by this study could make significant contribution to the social work knowledge base in terms of developing the new models and techniques of social work interventions so as to face the challenges of globalization in Tiruchirappalli district of Tamilnadu.

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