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**GLOBALIZATION, NEOLIBERALISM
AND LABOUR**

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DISCUSSION PAPERS

GLOBALIZATION, NEOLIBERALISM AND LABOUR*

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GLOBALIZATION, NEOLIBERALISM, AND LABOUR

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Abstract

The paper discusses the issue of globalization from the perspective of employment and labour. It argues that it is the ideological basis of policy prescriptions advanced in support of globalization, rather than the increasing global interdependence, that is the real source of controversy and anxiety over globalization. The paper discusses the impact of the neoliberal policies on economic growth, employment, and income distribution, and examines the issue of labour market rigidities from the perspective of industrial as well as developing countries. It argues that developing countries face conflicting pressures: the new liberal policies prescribe liberalization of labour markets, while the organized labour in the industrial countries is pushing for higher labour standards in developing countries. The paper concludes with a section containing ideas on how the process of globalization may be humanized, so that the gains from the growth in incomes and trade are more widely shared within as well as across countries in an increasingly interdependent world.

The impact on employment and wages is the single most prominent issue in the ongoing debate on globalization. The proponents of globalization see in it new opportunities for investment, leading to accelerated economic growth, employment creation, and a general rise in economic welfare. The sceptics, on the other hand, question this premise and hold the emerging order to favour capital against labour, and the economically strong against the weak.

Globalization, however, is a loose term, referring to a complex set of economic and financial developments that have made economies increasingly interdependent. As a historical process – reflected in rising international trade, movement of capital, transnational commerce and investment, and labour flows – globalization has much to commend itself. It has given mankind greater choice, access to goods and knowledge, and improved international communication, whose benefits transcend narrow economic or financial returns.

The increased global interdependence is a fact of life, even though for a variety of reasons – notably, the inequality in economic relations and influence – it tends to raise anxieties and is not universally welcome. For individual countries to opt out of it is neither desirable nor altogether feasible. Cataclysmic developments – wars, deep economic recession, collapse of established international institutions – have been observed to slow or even halt the process of global integration, but, sooner or later, advances in technology, communication and transportation, and economic development reassert their influence to make the world increasingly interdependent. The two world wars and the Great Depression of the 1930s interrupted the growth in international trade, but the post-war period witnessed a very rapid recovery.

There is, however, also an ideological side to globalization, which is variously described as neoliberalism, market fundamentalism, and Washington Consensus. These terms tend to be used interchangeably, though they have distinct nuances. They together represent a set of ideas that place emphasis on free markets, deregulation, privatization, and generally minimizing the state's role. The model to emulate is held up to be that of the free-enterprise system found in the United States and, to a lesser extent in Great Britain, the so-called Anglo-Saxon model.

This paper argues that the assertion of this ideology – rather than globalization per se – is the main source of controversy and friction. Many have come to see in it imposition of American hegemony, threatening domestic institutions and cultures. This has pitted the principal proponents of neoliberalism – notably, the Bretton Woods institutions (BWI) – against its opponents in civil society and a few research institutions, though dissenting voices are now beginning to be raised among mainstream economists also. Dialogue between the two sides has been difficult and largely at cross-purposes, because of the sharply differing frames of reference (e.g., how poverty should be measured?) as well as the stark terms in which the argument is structured on specific issues (one is either for international trade or against it).¹

The next two sections of the paper examine the record of economic and social progress over the last two decades, a period identified with rapid globalization. An attempt is made to assess the impact on economic growth and income distribution of the neoliberal policies adopted to promote global integration. This is followed by a discussion of the functioning of the labour market and the issue of labour market rigidities in the industrialized countries. The implications of this for developing countries are twofold: the multilateral development institutions, under the influence of neoliberalism, would like to see flexible labour markets also in developing countries, but labour unions maintain that cheap labour gives those countries an unfair advantage in the world market. This conflict is addressed in Section 4. The paper concludes with a section containing a set of ideas on how globalization could be humanized, so that there is wider sharing of its benefits and greater participation and involvement in policymaking on the part of the economically weak.

1. GLOBALIZATION AND ECONOMIC PERFORMANCE

The increased reliance on freely functioning markets and private incentive and initiative are the core of neoliberal policies.² Profit maximization in markets rid of policy-induced distortions is held to bring about optimal resource use and increased productivity. Lower income taxes and flexible labour markets encourage investment and economic growth while eliminating unemployment.

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