

### Meta Data of E content (Pre Production)

S. No.	Area of Meta Data	To be Filled by Content Generator(s)
1	Topic	Globalisation
2	Subject	Economics
3	Topic Connected to which area of Subject	Economics
4	Class/Level	IX and XI
5	Objectives	<ul style="list-style-type: none"> <li>• To locate the time period of advent of globalization</li> <li>• To make the students aware of the difference between open and closed economy</li> <li>• To inform the students regarding the changes happening due to globalisation</li> </ul>
6	Summary	<p>The chapter has laid down, in brief, the market economy in pre-globalised period and the subsequent economic reform of the nation. Thereby the chapter enables the students to understand the difference between an open and a closed economy. Further, it puts forth the changes in the economy due to globalization along with the factors which enable globalization.</p>
7	Key Words	Economic Reforms, Closed Economy, Open Economy, globalization
8	Team of Content Persons	Tasha Agarwal and Jaya Singh
9	Subject Coordinator	Jaya Singh



# Globalisation

Look at these pictures carefully. Can you find a common thread connecting these pictures?



Today, when you go to the market, you find lots of brand for every single product. May be 30 years back, these many varieties were not available. Talk to your mother or grandmother and discuss how many varieties of toothpaste, soap, shampoo etc were available at that time. The market has changed tremendously in last 20-30 years. But what is that change?

The change which you see now is predominantly due to globalization. After 1991, our government made a strong and radical decision under the then finance minister. The decision was to open up the Indian economy to the world economy. Three major changes were adopted i.e. Liberalization, Privatization and Globalization (LPG). These policy changes together were termed as **Economic Reforms**. Globalization was concerned with opening up the Indian economy for trade with other nation of the world. Globalization helps to bring the countries close to each other and permits the flow of goods, services, information, and technology, capital and even labour.

So from that time onwards, we started the production of goods which were also meant to be traded with other countries and at the same time we also started importing goods, both finished goods and raw materials, from other countries. Therefore what we see today in the market, in the form of huge variety of goods and services, are actually the bi-product of globalization.

Not only are the goods and services being produced in one country, the manufacturing process has begun to be shared by different countries. For example, in the production of a shirt, Cotton may be supplied by one country, then coloring in other country, fixing of buttons in third country and placing tag names in fourth country and finally with the label of 'Made in USA' is put by the fifth country. Therefore globalization has converted the world in one big market.

# Impact of Globalisation

With the advent of globalization, not only the functioning of the market has changed, there have been tremendous changes in different aspect of the economy which has changed the overall functioning of the economy. The major changes due to globalization in the developing countries are:

- Enables developing countries to raise fund for its projects
- Enables developing countries to use the technologies developed by the advanced counties
- It lowers the cost of transportation and communication between countries
- Distribution of FDI inflows to different developing countries
- Trade barriers restricting the flow of goods, services and capital have been removed

*The world Commission states 'the current path of globalization must change. Too few share in its benefits. Too many have no voice in its design and no influence on its course' (ILO, 2004, pg 2)*

Look at the table below:

### **Growth of employment in different sectors of India**

	<b>1983-94</b>	<b>1994-2000</b>
<b>Agriculture</b>	<b>1.51</b>	<b>-0.34</b>
<b>Mining and Quarrying</b>	4.36	-2.85
<b>Manufacturing</b>	2.14	2.95
<b>Electricity, gas and water supply</b>	4.5	-0.88
<b>Construction</b>	5.32	7.09
<b>Trade</b>	3.57	5.04
<b>Transport, storage and Communication</b>	3.24	6.04
<b>Financial services</b>	7.18	6.20
<b>Community and personal services</b>	2.00	0.55

Source: Government of India, Planning Commission (2001)

The table reveals that there has not been much generation of employment in these sectors. These sectors are mostly counted among the organized sector. Here workers get regular salary, paid holidays and other incentives for healthy living condition. In the absence of the growth in this sector, the workers find employment in the unorganized sector.

On the other hand the NSSO ( National Sample Survey Organization) holds that there has been decline in the poverty from 36 percent in 1993 to 26 percent in 1991.

**Now let us think whether the countries would have grown better in the absence of globalization?**

The transmission of ideas, culture, language, money etc won't be possible without the existence of mechanism which facilitates globalization. The factors strengthening globalization are:

○ Improved Transportation System	○ Removing or reducing tax barrier
○ Clear International Laws	○ International Bodies
○ Telecommunication Infrastructure	○ Increased acceptance by people

**Activities for Students**

Q1) Look at the following table. The table depicts the percentage share of FDI received by different countries.

**Country**                      **Percentage share**

<b>India</b>	<b>3.04</b>
<b>China</b>	10.74
<b>Brazil</b>	10.11
<b>Mexico</b>	4.56
<b>China, Hongkong</b>	17.18

Source: World investment Report, 2012

Read the table and mark out the countries which receive high or low FDI. Can you find out the reasons for the same?