

**THE MYTH OF PROSPERITY:
GLOBALIZATION AND THE SOUTH**

Viraj P. Thacker

**Thesis Submitted for the degree of
Doctor of Philosophy
in Politics
School of Humanities and Social Sciences
University of Adelaide
February 2008**

TABLE OF CONTENTS

Chapter One

Part One

INTRODUCTION	1
RESEARCH GOALS	5
Parameters of Analysis	9
METHODOLOGY	13
CONCEPTUAL FRAMEWORK	18
Dependency/World Economic Theory	18
The Capitalist World Economy: Wallerstein	24
Variations on a Dependency Theme: Samir Amin	26
Investment Debt	27
The Debt Crisis	27
GAPS IN THE LITERATURE	28
Chapter Summaries	34
CONCLUSIONS	35

Part Two

The Global South	38
The Extent of World Poverty	39
What is Economic Development	40
Main Issues of the Post World War Two Era	42
The Globalization Phenomenon	47
The Problem With Free Trade	49

The WTO and Corporate Globalization	50
The WTO Ministerial Meetings	53
A Few Specifics From the WTO'S Agenda	55
The G-8 Position	56
The G-77 and the Debt Crisis	58
Structural Adjustment Programs and Their Impacts	59
Third World Debt	60
Proposed Solutions	62
Analysis	64
Sustainable Development As the Solution	65
The Antiglobalization Movement	71

Chapter Two

A REVIEW OF THE LITERATURE

Theoretical Basis For Globalization	75
THE GLOBALIZATION DEBATES	80
Meaning: Process vs. Project	80
Interpretation: New Era vs. Nothing New	81
Evaluation: Good vs. Bad	81
Explanation: Hard vs. Soft	82
Political End vs. Revival of the Nation State	82
Cultural: Sameness vs. Difference	83
Globalization	83
Advantages of Globalization	86
Negative Effects of Globalization	87
The North and the South	90
IMPACTS OF GLOBALIZATION ON THE SOUTH	92
On Wages	92
On Poverty	94
On Inequality	95

On Insecurity	97
On Migration	99
On Social Factors	100
WEAKNESSES OF THE SOUTH	102
CONCLUSION	106
TRENDS IN THE LITERATURE	106

Chapter Three

<i>MANIFESTATIONS OF THE GLOBALIZATION PROCESS</i>	108
From the Old Internationalization to the New	109
Globalization and the Multinational Corporation	114
The Informational Economy and Globalization	116
Cultural Imperialism and Media Imperialism	118
Culture Ideology of Consumerism	121
Globalization and Interdependence	123
Inequality, Globalization, and World Politics	126
Markets and Inequity	131
Other Impacts of Globalization	133
Environmental Degradation and Inequality	134
Globalization, Environment and the Poor	138
Globalization, Markets, Poverty and the Environmental Assault	142
Liberalization and Inequality	146
Transformation of Work and Employment	150
Is There a Global Labour Force?	152

Chapter Four

DECONSTRUCTING THE DEPENDENCY PARADIGM: A FRAMEWORK FOR THE MYTH OF PROSPERITY THESIS

DECONSTRUCTING DEPENDENCY	169
DISCUSSION	178

Chapter Five

THE CASE OF INDIA

Polity and Society	187
Economic Development Strategy	188
Development Strategy	189
Economic Policy Reform	193
India's Infrastructural Challenge	195
Best Case Scenario	203
Table 1 (Key Indicators)	211
Table 2a (Share of World GDP)	212
Table 2b (Rates of Growth)	212
Table 3 (Gross Investment Rates)	213
The Need For Expansion	214
Total Capital Needs	214
Role of FDI	216
Government Policy for FDI	216
Table 4 (Gross Capital Formation)	221

Chapter Six

THE REALITY OF INDIA'S ECONOMIC LIBERALIZATION

Health	222
Education	224
The Myth of India's Food Security	226
HUMAN DEVELOPMENT AND THE ENVIRONMENTAL CRISIS	229
Air Pollution	231
The Sustainability Index	232
India and the World Bank	236
Employment	239
Agriculture	245
India's Population Dilemma	251
Prosperity or Myth?	259
The Need for Growth	260
Human Capital Needs	262
What is India Embracing?	263

Chapter Seven

THE SOUTH'S FUTURE: A REVIEW OF MAJOR ISSUES

What is the South's Future?	266
Living With the Growing Power of TNCs	267
Can the North Help?	271
Why Are Economic Figures So Distorted?	272
Debt, Dependency and the Environment	274
What About Oil?	277
The South's Challenge	279
Rethinking the South's Strategy	282

Chapter Eight

A NEW DIRECTION FOR THE SOUTH

The Notion of De-Globalization?	284
Some Key Issues	290
The Question of Interdependence	292
The Need for Inclusion and Good Governance in the South	294
Concluding Comments: A Call for Global Awareness and Action	297
BIBLIOGRAPHY	300

LIST OF TABLES

Table 1 (Key Indicators)	211
Table 2a (Share of World GDP)	212
Table 2b (Rates of Growth)	212
Table 3 (Gross Investment Rates)	213
Table 4 (Gross Capital Formation)	221

Abstract

Despite many important advances since the “Bretton Woods” agreement, the state of Third World development remains extremely unsatisfactory. About a billion people live in extreme poverty and more than 800 million do not get adequate nutrition. Third World Debt looms large on the horizons of most underdeveloped nations and development continues to benefit the Third World elites, the developed nations, and their multinational corporations. The North-South divide continues to widen with very little “tricking down” to the poor majority in many nations. It is strongly believed that one-third of the world’s poor are getting poorer.

The conventional approach to development theory and practice, focusing on economic growth, investment, trade and free markets continues to benefit developed nations. Even in nations where free trade and markets have spurred growth, the net results of globalization have not reached the majority. Globalization defined as the “economic, social, political and environmental integration of nations” creates some major imbalances in a world system increasingly based on liberal market economies.

Ultimately, the IMF-WTO corporate globalization model has failed to deliver for developing countries, severely punishing those least capable of protecting themselves – the billions living on \$ 400 million annually. Market access is only useful to countries at a stage of development that allows for their engagement in world markets, in a manner

that promotes improved standards of living for their populations. The promise of market access is a distraction that has served to create a myth of prosperity.

This research seeks to raise issues regarding the impact of globalization on North-South imbalances highlighting the crucial gaps in the globalization process. Initially, the research outlines the parameters and theories surrounding the globalization process and then progresses on to demonstrate the imbalances of the global system, highlighting the key areas of impact that adversely affect the development of Southern nations. Using India's economic liberalization as a case in point, this thesis attempts to unveil the growing myth of prosperity that is being propagated in relation to the issues of globalization and the South. Finally, the thesis attempts to draw pertinent theoretical lessons that would contribute towards a better understanding of the effects of globalization on the South.

DECLARATION

This work contains no material which has been accepted for the award of any other degree or diploma in any other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

SIGNED: _____ **DATE:** _____

Acknowledgements

I would like to thank my supervisors Dr. Bhumitra Chakma and Dr. Timothy Doyle for their advice, understanding and constant support in writing this dissertation. I am grateful for their guidance, friendship and patience in seeing this work to its completion. I am also very appreciative of Dr. Carol Johnson and her firm support over the course of my candidature.

I could never have completed this task without the love and encouragement of my loving family. They were gracious in enduring my travels between Australia and the United States over the course of three years. My good friends in Adelaide made things easier for me with their care and encouragement and I will always have fond memories of the time I spent in beautiful Adelaide.

A special word of thanks to Dr. Christina Eira and Kim Crawford at the Adelaide Graduate Center.