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Abstract

This essay intends to argue whether globalization has reduced the power of governments to regulate the business or not. Based on the critical discussion of the essay, it has been found that globalization has adversely impacted the governing power of the government and it has also created a significant level of inequality in the society.

Introduction

Globalization has greatly influenced information and communication technology, commercial and transportation sector for the past few decades (Weiss, 2000). It has generated new challenges for government worldwide. Without any deceleration, the global forces have brought changes in the economic and social landscapes of the societies worldwide. It has challenged the traditional assumptions, which are developed for explaining social and economic equality. It has affected the rules and regulations that are created by government to bring peace and stability in a particular economy. Hence, it can be stated that globalization have weakened governance and dominance of government and has also restricted its role for the betterment of the society. The essay highlights on the supporting ideas for the argument "globalization has reduced the ability of the government to govern" (Weiss, 2000).

Globalization

International Monetary Fund (IMF) have stressed on the growing interdependence of economy worldwide on the increasing volume of cross border transactions of goods or services and widespread transmission of technology. Dr Ismail Shariff has defined globalization as a global process for homogenizing products, prices, wages, profits and interest rates. It depends on three main global forces of development such as role of human migration, rapid movement of capital and international trade and lastly integration of financial markets (Poggi, 1978).

Globalization and power of government

Globalization has been confounded by political and technical instruments such as policies of trade, information technology and financial liberalization. Thus, these instruments are defined as the main drivers of globalization. However, there is a distinguishing feature of globalization, which has been identified by IMF and the World Bank. The feature refers to the wide scope of revenue for the economy that is engaged in cross border transaction. These two institutions have given its decision in the economic affairs and have limited governmental intervention into globalization. Free trade and growing mobility of capital to promote the supranational decision making of the companies have reduced the power of the governments globally. These factors have undoubtedly developed greater economic and social inequalities as globalization brought new realities to the market through its laissez-faire approach (Held, 1991).

Laissez-faire is defined as the economic environment, where transactions take place privately between two parties freely. These transactions are free from any government restrictions, subsidies and tariffs. However, there are adequate regulations for protecting the proprietary rights (Modelski, 1972). Hence, from the term itself (laissez-faire) it can be deduced that there is limited governmental intervention in the process of globalization, which have encouraged the global companies to undertake cross border transactions. The companies have concentrated in shifting the role of government as the supreme authority to the global financial organizations. Hence, the governmental authorities have been restricted by these institutions to make any rule or regulation for the betterment of the economy. These institutions have the ability to influence fiscal and monetary policy on the macro and microeconomic level. These companies or institutions should follow the rules and regulations that are devised by the international trading authorities. This authorities force the government to make macro-decision based guidelines and rules for the companies and institutions. It can be portrayed that the government has to modify its conviction to satisfy the trade laws that are devised by the international trade associations or authorities. Hence, it can be stated that globalization has reduced the ability of the government to govern or rule in the contemporary world of international trade (Archer, 2004).

From the above discussion, it can be stated that globalization has given rise to an economy, where the power of the government is diminishing. The actions undertaken by the government to regulate trade with the help of fiscal or monetary policy is not satisfactory as the global forces such as exchange rate fluctuation should also be controlled. These can be regulated by the international trade policies and thus, there is no significant role of the government in governing trade. Globalization can also be characterized by the growing movement of capital and comparative immobility of the labor. If the investors of different companies finds it costly to bear excess burden of tax, irregular industrial policies and stringent environmental regulations, they have the option to transfer their fund to much safer and secured country where the above mentioned problems does not arise. However, like capital mobility, laborers or workers are not easy to transfer. According to John Gray "global spreading of industrial production and new technologies encourages unbridled capital mobility and unlimited trade liberty" (Cable, 1995). Hence, it can be stated that the expected outcomes for limiting taxation for the producers are shouldered by the laborers as their pay are reduced. Here the government does not play any role to consider the financial state of the laborers (Brune and Garrett, 2005; Rhodes, 1996).

Presently, majority of the companies have join hands with political forces of the country to continue an uninterrupted operation in redistribution and production of products and services. In this context, it is regardless to consider the power of ruling party, as the internationalized economy will force the ruling party to allow the companies to trade internationally. The ruling party has the obligation to consider fiscal and monetary policy so that they can avoid national loss due to competitiveness and loose the opportunities from the possible foreign investors. It is not compulsory to consider the international trade theories for explaining the relation between globalization and the diminishing power of the government to govern; instead the analysis of the financial market highlights the deepest source of the concerns related to governmental power. The companies are engaged in laissez-faire approach, which marks jeopardize in wages, which are separate in different production countries and wages are dependent on the cost of production (Weiss, 1997).

It can be stated that the fiscal policy of government is indirectly restricted by the capital mobility during trade by different countries. Here, it can also be observed that taxes cannot be increased as this has negative effect on competitive advantage of domestic producers. If government tries to increase tax imposition in order to meet the budgetary crisis, the unemployment rate increases, which will affect the global economy adversely. Thus, it can be noted that the method of increasing tax burden by government can affect the individuals to a great extent as they have to cut down their social spending in order to increase revenue of government by means of taxation (Weiss, 1997).

The political parties are required to follow tranquility, order and freedom for doing free trade. These criteria do not invoke need for citizenship, equality and social justice, which are promoted by the government. The main advantage for the companies is that they can operate across the borders in multiple countries easily with the help of globalization criteria. The diminishing power of the country's supreme authority is that, the government has developed a civil society, which has become significant players in global societies. The civil society takes into consideration wide range of companies, associations of advocacy groups and even trade unions. Hence, the power of these entities is growing in comparison to the government; as a result the civil society is replacing the position of government, who is mainly the defender of democratic values and principles of the societies. With the decrease in authority of national government, to impact on decision making at national and international level, the ability to protect the civil rights of the citizens are also decreasing. The non-governmental organizations or private companies are constantly threatening the state based notion of politics and have advanced towards the cosmopolitan democracy, where members from different societies are welcomed as world citizens in the global political community (Hirst and Thompson, 1996).

Globalization has increased the gap existing between poor and rich has increased over the years in developing countries. There is lack of supply of skilled labors in the country, which have explained the difference between the rich and the poor with respect to wages. There have been limited economic benefits of globalization as it failed to improve the welfare status of the poorer section of the society. The manufacturing companies are reluctant to employ low skilled employees as they aimed at maximizing the corporate profit. This have pressurized the lower skilled workers and they are not in demand any more as the developed countries are looking forward to become competitive in the global economy through its manufacturing process, which can be managed by skilled labors. This competitiveness has forced the developed countries to limit the wages of the low skilled workers and even discontinue the social insurance policies. As a result, government has tried to help the poorer section of the society but they have failed to assist them in their wage problem (Brune and Garrett, 2005).

Conclusion

It can be concluded that globalization have significantly affected government power adversely. With the emergence of popularity of cross border trade, the companies have strengthened their position along with the political powers of the country. Globalization has limited the scope of welfare for the society as it has benefited the rich class and has not considered the financial condition of the poorer class. This can be justified by highlighting on the fact that, wages of the low skilled workers are extensively reduced so that the companies can focus on profit by paying higher wages to the high skilled workers. The government is not successful in rectifying the situation and as a result globalization has diminished their power to control international trade and commerce.

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