

Nepal and the Modern World System

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Introduction:

There are multiple theories concerned with the world economics and economic changes. We can classify them under four major schools of thought.

1. Modernization school of thought focussing on the developed societies aimed at making the rest of world just like themselves by bringing them along a single evolutionary path.
2. The Marxist school of thought focussing on capitalist exploitation, imperialism and the eventual social revolution.
3. The world system school of thought focussing the whole world as a three-tiered system, with oppression and contradiction.
4. The underdevelopment/dependency school of thought focussing on the third world and proposes a more complex relation among the factors making for economic change.

Modern World System:

The modern world system theory assists us to understand the uneven development of the states. It emphasizes social structure of global inequality. Immanuel Wallerstein, the profounder of this theory tries to approach the Marxist analysis, mainly in the capitalistic influence and the interstate relationship.

We can trace the root of modern world system in the process of colonialism or we can say that the current world system is the outcome of the process of the colonialization which had risen about some five centuries ago and reached in its climax during the 18th century. Most of the European countries e.g. Britain, France, Spain, Portugal etc. had turned many of the Latin American, Africans and Asian countries into their colonies. The 'mother country' exploited its colonies for their natural resources, raw

materials, cheap labors etc. and turned into commodities for market. This accumulation of wealth led Europe to the famous industrial revolution which gave rise to the capitalism. Capitalism is the important feature of the modern world system.

The modern capitalistic system has yielded mainly three aspects of economy.

1. Single world economy or economic globalization where different states follow a similar economic system and all are independent to each other.
2. Worldwide two social classes which we can classify under the Haves and Have-nots.
3. Hierarchy of states into three divisions: The core, semiperiphery and periphery.

The Core-Periphery relation:

The core is characterized by maximum industrialization. Nations like USA, Canada, European nations like UK, France, Germany etc. and the only Asian country Japan comprise the core structure. They have enough money to invest and expect a large return. They involve the free floating labor force cheaply obtained from the semiperiphery and periphery. They exploit the resources of these both as well.

The periphery is characterized by the poor third world countries or the least industrialized countries. Most of the Latin American, Africans and the Asian countries are the peripheral nations. The periphery is neither economically nor politically independent. The resources and the labor supply is controlled by either its own bourgeoisie class or that of core. The periphery, by trading with the core creates the regional income disparity and undermines its own political position in the world system.

The semiperiphery, on the other hand, keeps this system from degenerating. It serves as a location to which production is trans-

ferred when the cost increases in the core. Nations like Mexico, Taiwan, Indonesia, Malaysia, Singapore, Thailand, South Africa etc. serve as that perfect location. They have the capital of their own but are dependant to the core for much of their infrastructure.

Before the rise of industrial capitalism, the core societies had relatively greater inequalities than peripheral societies. The core states were composed of urbanized and class-urbanized communities whereas the peripheral communities were nomadic, pastoralists, horticulturists or agrarian in general. But in the modern world system, after the rise of capitalism, the situation is reversed. The cores have a diamond shaped income distribution that bulges in the middle. This is maintained through different jobs and development of welfare activities. In contrary, the peripheries have a pyramidal shaped income distribution.

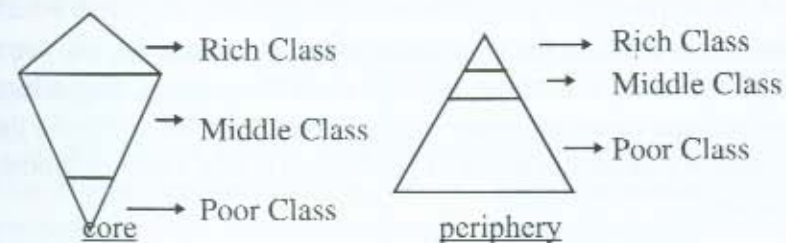


Fig. 1. The income distribution

This reversal is the outcome of the movement of commodities, finance services and culture. Besides this, the international division of labor has a great significance as a causal factor. For this, Durkheim's concept of division of labor in society seems to be narrower here and hence it is replaced by the concept of division of labor in the larger or global scale.

Globalization and Liberalization:

Today every little thing has a global value of its own. Talking about our fooding habit, just like coke and Pepsi, we enjoy the

burgers and pizzas of McDonald even in our semi-urban cities. We imitate the fashion of the Hollywood or Bollywood actors/actresses. Looking at technology, it is obvious that airplanes circle the globe, we chat friends in USA or Australia via Internet, a sale of stocks in Tokyo affects the Wall Street few hours later. So the whole world is slowly turning to be a single platform. International means of production, distribution and consumption, international market, international politics, international culture, international labor etc. Everything is weighed under the global scale. The economic and social aspects of any nation are widely spread over the globe. This is possible only due to the current world system, nevertheless the influence of core states is very dominant and fast than that of periphery. This is facilitated by different multinational corporations or transnational corporations (TNC) of the core. On the other hand, the influence of peripheral products is very low and somehow restricted. Therefore the globalization process is the outcome of modern world system which ultimately benefits the core states only. Nowadays we can see a rapid spread of capitalism through market economy. Capitalism has become more and more strong especially after 1950s. So the spread of capitalistic mode of production is also a unit of globalization.

The concept of liberalization has been practised since 1980s along with globalization. This concept is intentionally developed to strengthen the market system and liberalization is used as a weapon to loosen the grip of state over the markets. The core always advocates in favor of liberalization claiming the reconstruction of the third world's economic system and to free them from the foreign debts. Nevertheless, we should not forget that in this way, the core may get their investment back and their influence may reach to the lower or grassroots level of the peripheral societies. Thus liberalization seeks the end of government ownership so that international investment could enter there and thus

extend their markets.

What maintains the world system?

We can now see that globalization, liberalization, privatization etc. are the main weapons to maintain the current world system. This modern world system thus has given rise to a global stratification, which is still maintained by different factors. Neocolonialism and different TNC are the factors that are helping the world system to exist and thus maintain the global stratification. Neocolonialism is the ongoing dominance of the least industrialized nations (periphery) by the most industrialized nations (cores). The TNC that operate across many national boundaries also help to maintain the dominance of the core. In some cases the TNC exploit the peripheral nations directly while in other cases, TNC try to work closely with the elite class of the periphery. Similarly, growing new technologies give further advantages to the core nations.

Thus we can draw a central argument of the modern world system theory which is:

'The differences among the societies in health, wealth, education, technologies are not inevitable or somehow natural. Those inequalities were created by the deliberate actions of the more powerful nations and their dominant capitalist class.'

Underdevelopment and Dependency:

Meanwhile, German scholar Andre Gunde Frank extensively studied about the underdevelopment and dependency in Latino American nations. He recognized capitalism as the causal factor of underdevelopment in his publication 'Capitalism and Underdevelopment in Latin America' in 1979.

Frank defined capitalism as a system of worldwide exchange characterized by monopoly and exploitation. According to him incorporation into the world capitalist system leads to develop-

ment in some areas and to the development of underdevelopment elsewhere. This development of underdevelopment occurs because the world capitalist system features the metropolis-satellite structure. Here Frank's terminology of metropolis-satellite is similar to that of Wallerstein's core-periphery. Frank debates that metropolis exploits satellite and the surplus is concentrated in the metropolis only. The economic growth of satellite is slowed down and is reduced to a state of dependency creating a local ruling class 'lumpenbourgeoisie' which follows a policy of underdevelopment. This underdevelopment and dependency of the third world nations is increasing day by day through a chain of metropolis-satellite exploitative relation and through the transfer of surplus from satellite to the metropolis. Different TNC serve as a medium to transfer the surplus.

Nepal's increasing dependency:

Nepal has been dependent to the core or semiperiphery in every aspect of social and economic life. Finding itself in the position of peripheral nation, Nepal has been facing all the exploitations in economic, political or social life. Nepal is neither economically nor politically independent. Though there are resources, they haven't been able to utilize it properly and turn it into commodities in a large scale. Due to the lack of their own capital, they are forced to invite the foreign investment. As a result, a significant amount of foreign investment has been invested in different sectors either through direct foreign aid or through loans or joint ventures and TNC. Let us examine the mechanism of Nepal's dependency creation. In the name of foreign investment, the TNC like Coca-Cola, Pepsi-Cola, Procter&Gamble, Microsoft, International Lever Ltd. etc. have well exploited through repatriation. These TNC have been taking the profit back to the core. The entrance of those TNC has resulted the structural distortion in Nepal's economy. The economies of metropolis e.g. USA, India etc. influence to result the damage of Nepalese economy. The

uncontrolled entrance of the core resulting market vulnerability has paralyzed Nepal's economy. The recent membership of Nepal in the WTO will also force more and more market vulnerability. In this whole mechanism of dependency creation, the elite complicity has always a significant role to increase their dependency.

In this whole background of modern world system and by examining the position of Nepal in this system, it can be concluded that Nepal's underdevelopment and dependency is inevitable and is increasing rapidly. To blame the current world system and the core/metropolis is not sufficient. Though core nations and their TNC are guilty of exploitation but the Nepalese society is shaped by some internal factors as well. The overall poverty and the lack of development are the internal factors. More significantly this small nation is being brutalized by its own elite classes. The corrupt and incompetent political leadership and bureaucracy are equally responsible lacking a good governance.

So it is very difficult to find out whether 'invitation' or 'self-reliance' is the appropriate approach for trying to attain development. Currently the 'invitation' policy is in practice hoping the foreign investment and the TNC will bring Nepal to the region of development. But it has already been obvious that Nepal has not got the expected results. So why does not Nepal try the approach of self-reliance by nationalizing its resources and by distancing its economy from the world system ?

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