

# Global capitalism and globalization

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# Lecture objectives

- Understand the power and influence of business in the world
- Determine the role of institutional capability in sustaining the thought of global capitalism and globalization
- Know the nature of interdependence in business activities and institutional capability of managing international business

# Global capitalism

- Global capitalism is a thought of an economic system in which capital moves freely around the globe
- The term capital involves money as well as knowledge capable to generate economic value for its owner
- Owner of the capital and knowledge are capitalist who is free to invest around the globe
- Institutional capability of managing capital globally sustains the thought of global capitalism

# Globalization

- Globalization is the pattern of being interdependence in order to do business across the world
- The thought of global capitalism is dependent on the concept of globalization
- Survival of global capitalism depends on the free flow of capital around the world
- Only 'market' accepts or rejects the flow of goods and services
- Governments in the world only stand as an umpire

# The spheres of global capitalism and globalization

- Cross-border transactions of goods and services
- Interdependence of institutions across the globe
- Country advantages in production of goods and services
- Limitation of resources
- Regulations in cross-border transactions

# Global capitalism and globalization: the debate

- Gain in material welfare or spiritual/cultural harmony
- Global business interdependence or locally dependent sustainability
- Economic liberalism or strong communitarianism
- Business based ethics and morality or civilization based ethics and morality

# The moral ambiguity of capitalism

- Market is the focus of activity in the capitalist system
- Theme of the market is ‘Buying cheap and selling dear’
- What is quality and how much price is appropriate? Answers are debatable.
- The discipline of competition constraints the exercise of market power
- Hard to question the assumptions of ‘free market’ especially the roles of the regulators, business organizations, social institutions, and the public at large

# Winners and losers from the globalization of capitalism

Major actors	Winners	Losers	Factors
Labor	Labor in newly industrializing countries	Labor in mature industrialized countries	Reduction in transport costs and tariffs for manufactured goods
Profit earners	Owners of successful globalized firms, or of the firms that supply them	Owners of firms that fail to globalize, or of firms dependent on them	Reduced communications costs facilitate international transfer of proprietary knowledge
Government	Non-interventionist governments with strong respect for property rights	Interventionist governments with weak respect for property rights	Reduced transport and communication costs give increased scope for international specialization and exploitation agglomeration economies, providing firms with a wider choice of political regimes from which to operate

Source: Buckley, P. J. (2003).

# Assignment and exercise

- Discuss the power and influence of business in the world of 21<sup>st</sup> Century in the context of developing economies like Nepal
- Specify the roles of the governments, business organizations, and social institutions like environment protection group, human and animal right activists, United Nations and others

# Selected reading

- Read chapter 1: Buckley, P. J. (2003). *The Changing Global Context of International Business*. New York: Palgrave Macmillan.