Economic policy in an open economy

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ABSTRACT:

As Ambedkar said that the development of the mind should be the ultimate goal of the human race, the development of a country is the goal of the country's progress, both internally and externally. No country can produce all the goods it needs by itself. They limit production capacity due to lack of capital, non-availability of manufacturing facilities, lack of technology, lack of investment, non-availability of manpower etc. They import the necessary goods from another country and export the goods produced in them to another country. Thus, a country's economy opens up to the entire world and has economic relations with other countries of the world. In this, foreign investment into the home country and domestic investment into foreign countries. And free movement of technology is also allowed. This process has gained global importance in the late 21st century with the concept of globalization.

KEYWORDS:

Globalization, Markets, Advantages, Transformation, Negative effects.

Introduction:

Globalization means the uniform adoption of agreed economic policy components by all countries of the world. Globalization is when the economies of nations are united rather than separate. But globalization does not mean that all countries should act as one in all respects. Globalization can be at different levels. It can be export of surplus goods, import of deficit goods and resource compensation. And it can also be a form of growth of indigenous industries, development of industries and revenue generation for the government. China and India have been able to attract the largest amount of foreign direct investment due to globalization. Even after India's nuclear explosion in May 1998, foreign investment continued to flow in. India received $3.1 billion in foreign direct investment that year. Rich countries have overcome long-term problems by exporting their surplus products as freely as possible when there is insufficient demand for goods produced in excess by globalization. And many backward countries have been able to modernize from unemployment, poverty, technology, skills and traditional system. Free movement of labor between countries through globalization has also affected the working classes through increased use of labor in profitable industries.

Global economy:

The term 'economy' implies the management of economic activities along with the act of using resources. People are continuously engaged in income generation, employment creation and asset building through activities like agriculture, industry, trade, mining, barter, banking etc. for livelihood and employment. But if the concept of 'national economy' presents such economic activities as limited to a particular country. A global economy is a business system of economic activities conducted worldwide. The global economy consists of global economic, social, political, technological, cultural, environmental, connectivity, integration and interdependence. These are the global characteristics of production, investment, technology and marketing of different countries of the world. This economy has free flow of goods, services and manufacturing across national borders. But their impact on the skills of the rural people of India like basket weaving, household items, pottery, blacksmithing, blacksmithing, doll making, saree making, carpentry, sculpture, shoe making, cloth weaving etc. was not valued. And the rural agricultural productions were sold in the world market and did not bring much change in the lives of the local people. Why are foreign products, companies, entering the Indian market, displacing local products, expanding their business globally and making plans for it? And why is it not possible to expand indigenous raw materials, human resources, horticulture, management skills and local industries to all countries? Looking at the reason for not growing Indian products from the point of view of the entire world market as a single market, the racial factors can be seen to be the difference in the way people are treated as human beings in the social system. If the skill products of the lower communities are exported, then income and employment can be understood to be the machinations of some politicians of the caste system who did not want economic growth in the society. And because of this, indigenous products are missing due to export of goods. And due to neglect of indigenous materials or underdeveloped production, manufacturing and distribution facilities, the level of foreign direct investment in domestic industries and deployments has been low in pre-independence and post-independence India till date.

Globalization of Markets:

Globalization of markets is the process by which the market, i.e. the place or system where goods are sold and bought, evolves from a domestic form to a global market. In such a process market of different nature and located in very distant areas are combined to form a single market. A similar value, taste, preference towards any one good or service can also be termed as 'Foreign Direct Investment'. Globalization of investment does not include the narrow meaning of investing money in the production of other countries. Its scope is wide. Establish joint ventures abroad. Attract investment from foreigners by issuing shares, debentures etc. Paying the price would be the takeover of foreign companies. Investing money in global depositary receipts also means making long-term loans to foreign companies. Transfer of technology from one country to another has existed since the beginning but it was to a limited extent when a country received foreign capital to acquire accompanying technology, manufacturing skills etc. But in recent years, the revolution in telecommunication, information technology, transportation system technology etc. has paved the way for globalization of technology. Globalization of technology means that a company in any one country can use the latest and high-quality technology available at its disposal in other countries. Any company can have technical co-operation with foreign companies. A company in one country can buy technology from companies in other countries by paying a royalty or price. Globalization of technology occurs when technologies from different countries are combined when joint ventures are undertaken. Globalization of technology occurs when companies from different countries join or a company from one country acquires a company from another country.

Advantages of Globalization:

Globalization has provided easy opportunities to import essential goods from other countries and export surplus goods abroad. Globalization has helped to increase the size of trade by different countries moving towards free trade and removing or reducing controls altogether. And globalization has enabled underdeveloped countries to import large amounts of foreign capital. Similarly, companies from capital-rich and rich countries have an opportunity to invest in underdeveloped countries to make production and expand business. Since the onset of globalization, foreign direct investment has increased significantly in various countries, notably China and India. Although LDCs can import technology from rich countries at low cost and achieve rapid development, industrialization is easily achieved in LDCs due to access to large amounts of foreign capital and advanced technology. Due to open opportunities for import and export of raw materials, labor, etc. across the world, the rate of industrialization also increases in rich countries. Accordingly, due to globalization, industrialization will gain more speed worldwide. Also, significant changes occur in the type and nature of services and goods produced. Employment opportunities around the world will grow due to the use of improved technology, industrialization and increased business. As a result of the increase in employment opportunities and better job opportunities than before, there will be a substantial increase in people's incomes. Competition in international business grows due to processes such as mergers and acquisitions of companies from different countries, large companies taking over smaller companies. Companies produce higher quality goods due to increase in production skills, use of better technology, improvements in production methods etc. Globalization provides ample opportunities for production, investment and trade to all countries, enabling balanced development across the globe. And if the parent enterprise is in one country and its branches are in different countries, the accounts are prepared in the currencies of all those countries. Those figures are adjusted frequently and finally, usually once a month or year, converted to US dollars for international comparison. Business and investment flows are of immense importance. It is organized with the help of information. Traditional factors of production such as land, labor, capital and interest play an important role in the global economy.

Transformation of the Global Economy:

In the last two decades of the 21st century, global trade grew at more than twice the rate of global gross domestic product. Global trade grew at an annual rate of about 6 percent and manufacturing grew at a rate of 3 percent. Developing countries today are more open to trade than developed countries. This is evidenced by the increasing percentage of their foreign trade in the total net product. Although a large number of bilateral investment treaties have been concluded between developing countries. These contracts increased to 1,941 in 1980 and 2,500 in 2006. Similarly, there has been a substantial increase in international production. Not only is individual production increasing in every country, but the production carried out by multinational corporations has also increased enormously. As the pressures of globalization and liberalization increased in the post-1990s period, constraints on undertaking investment and maintaining production decreased. The rise in foreign direct investment is complementing this. Mergers of various business firms or companies and large companies merging smaller companies with themselves are a phenomenon in the business world. But the merger and acquisition of a company or business entity of one country with a company or business entity of another country has become a very special development in recent years. As a result of this type of addition or merger, the business organization becomes larger in size, the amount of investment in it is growing and its production capacity is increasing. Global industry is characterized by an increase in cross-border mergers and acquisitions in sectors such as pharmaceuticals, telecommunications, motor vehicle industry, financial industry, etc. In a manufacturing partnership, the technical development and design of a product can be done in one country, the various components can be manufactured in another country and the work of assembling them can be done in another country. Then that product can be sold in the global market. Economist Peter Ducker introduced the concept of 'Partnership of Production'. As a result of this production partnership the total production volume increases and the volume of trade expands. It may be difficult to manufacture products domestically and export them in large quantities. This is because other countries may impose protective measures such as increasing import duties, fixing import duties etc.

Some of the negative effects of globalization are:

Enterprises and business organizations fail to compete with multinational corporations. Businesses in the countries start to perish. Underdeveloped and developing countries suffer under the colonial grip of rich countries. And the benefits of globalization are always uneven. A business firm based in one country produces large quantities of goods and distributes them around the world. Then the producer has to work as a distributor in the big business organizations. This phenomenon has happened in India itself due to globalization. Businesses that catered to different markets and different classes of consumers are being destroyed by globalization. Demand for manpower may decrease due to innovation of new production method and technology. Also, there are cases where employees who have traditionally worked in production and distribution and who have learned the languages most used around the world are being laid off. Globalization seems to be a fertile ground for big companies that do mass production. They grow and earn huge profits. Small business firms are unable to cope with competition and disadvantages in business and go bankrupt. Rich countries import goods that they do not need and are not in demand in their own markets in huge quantities, at cheap prices, and dump them into underdeveloped countries. Due to this there is a risk of destruction of production system and distortion of consumption patterns in underdeveloped countries. Workers migrate to other countries in search of better facilities and wages. Industries move to countries where manufacturing is available at cheaper prices. For example, in countries where wages are lower, manufacturing costs may be lower, so manufacturing firms from other countries may relocate to that country to take advantage of that advantage.

Many phases and features can be observed in the transformation of the global economy. Rising role of developing countries, growth of international cooperation and investment, increase in global export trade etc. have destroyed the original occupation of local people and changed their occupation. The roots of the caste system cannot be allowed to grow in an enlightened India. Economic resources in India are concentrated in a few individuals and the investing classes as resources are not distributed to many, so resources are limited to a few classes.

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