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**THE ROLE OF POLARIZATION ON ECONOMIC DEVELOPMENT AND THE  
AGENTS INFLUENCING IT**

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**Abstract**

*Where most people believe that domination ceased to exist with the end of British rule, the truth is far from it. We are still exploited by power centers who play us in various ways; social, religious, economic, linguistic etc., which can be defined as polarization. This research paper will focus on the negative influences of economic polarization only in the context of India and also the world to some extent. The motif is to make scholars aware of such a process which if not checked, might spiral into something which might go beyond our capacity to control.*

*Key words: polarization, economy, diversity, conflict, development, multi-national.*

It has always been a controversial issue whether a large number of diverse groups in a society is beneficial to it or rather have a negative impact on the society and its economy. According to the proponents, a high diversity mix brings about a variety in abilities, experiences and cultures which may be very productive for the economy and the betterment of a society. Since diversity provides for a variety in knowledge and experiences from different cultures, it may lead to innovation in different fields, i.e., science and technology, arts and esthetics, etc. Hence, the importance of diversity cannot be undermined in the development process (Alesina et al., 2003)[1]. But its potential negative side is fairly evident in some kind of polarization. Conflict of preferences and prejudices often lead to suboptimal policies for the society and oppression of ethnic minorities which may sometimes result in civil wars or disruptive political instability (Alesina et al, 2005)[2].

Conflicts based on ethnicity also lead to social divide which further results in polarization. The polarization of the population has a strong negative impact on its economic development since it brings instability in the economic activities and higher government consumption. The negative effect of fractionalization on growth is more visible in non-democratic regimes, than in democratic regimes since the latter type of countries manage ethnic diversity better (Collier, 2000)[3]. "Africa's growth tragedy" is an example of the negative effects of racial fragmentation on growth (Easterly and Levine, 1997)[4]. Syria, Iraq, Afghanistan, Bangladesh, Egypt, Tunisia, Libya and

many other African countries, where religious polarization became more prominent than religious fractionalization, are prime examples of the same. An attempt has even been made to quantify the magnitude of the effect of heterogeneity on economic growth. Compared with maximum heterogeneity, *ceteris paribus*, countries with perfect homogeneity witness an extra two percent growth (Alesina, 2003)[5].

The evidence from other studies shows no direct significant effect of fractionalization on economic growth. However, the effect of religious polarization on economic development is significant due to its direct relation with civil war, rate of investment and the proportion of government consumption to GDP (Montalvo et al., 2005)[6]. Religious fractionalization as such is not a problem but it becomes one when it leads to polarization among various religious groups. There are numerous examples of developed countries like the United States of America, Canada, Australia and New Zealand, to name a few, wherein the religious, linguistic and ethnic diversity was either already higher or on the rise during their course of economic development. An extensive study of the same is outside the purview of this paper and might be explored later on.

### **Economic factors of Polarization**

A reference to how economic disparity has led to polarization between the upper and lower classes has already been made before. It is also significant in many other contexts. An economic divide is often necessitated both within a country and also in the global context because without it the state does not usually have access to cheap labour. The integration of global economies has accelerated the economic divide all over the world. It has also changed the occupational structure of especially the major cities in the world due to tremendous job opportunities to a variety of professional and labour forces. A lot of people across the globe migrate to settle in these cities due to high job opportunities. Moreover, displacement of traditional occupations has resulted in new polarized occupational structure, where greater incidences of jobs have occurred in the high- and low-paying ends. This has led to the missing middle pay employments, which used to form a bridge between these two groups. The sharp contrast between high and low paying ends is also highly connected with the nationality, race and social background of the new working class. Such formations are resulting in social polarization, although the possibility of some local reasons also cannot be fully discarded for this kind of trend. According to Baum(1997)[7] the study of the link between global city status and social polarization requires a multi-causal approach which takes into account both global and local influences.

This phenomenon has been appropriately described by Friedmann and Wolff (1982)[8], Sassen (1991), Sassen-Koob (1984)[9] and Lippman Abu Lughod (1995)[10], as global city-social polarization. According to them the integration of global economies has resulted into world city formation, which in turn has resulted into polarization of social class division. Baum(1997) in his paper addressed the issue of social polarization and global city status with reference to Sydney, Australia and found that emergence of global cities along with structural changes in the labour

composition have resulted in increased levels of social polarization. Similar views have been expressed in the context of US and Europe by many scholars (Sassen, 1991; Friedman & Wolff, 1982; Mingione, 1991[11]; Nelson and Lorence, 1988[12]; Pinch 1993[13]; Sassen-Koob, 1984; Soja et al. 1983[14]; Gregory, 1993[15]; Lepani, 1994[16]; Marcuse, 1996[17]; Murphy and Watson, 1994[18]; Saunders, 1992[19]; Stilwell, 1996[20])

The role of multinational companies in polarization between the beneficiaries and non-beneficiaries within the same group has also been very suspicious. For instance, the lobbying for GM crops by multinational companies in developing countries doesn't allow farmers to save seeds for the next season, and GM cultivation makes them totally dependent on the seed bank. In other words, they are controlled and directed by few multinational companies who wield influence in this sector. This polarization intentionally created between farmers producing GM crops to those yielding non GM crops will lead to the complete subjugation of one by the other in future. Another example may be how our nation is dependent on big pharmaceutical companies for most of our medicines and vaccines. In America, there is already a polarization between vaccinated and non-vaccinated children, where the government is striving to make it mandatory for all parents to vaccinate their children, while the parents are resisting because of the harmful effects of it and vaccine injury. In his book *Vaccination, Social Violence and Criminality: The Medical Assault on the American Brain*(North Atlantic Books, 1990), Harris L Coulter[21]connects vaccination to Autism, Rett syndrome, Asperger's syndrome, hyper sexuality, asthma, mental retardation, seizures, paralysis, hypotonia, epilepsy, cerebral palsy, brain injury, Encephalitis and food allergies.

In this way most of the literature on polarization deals with the economic reasons in general and a fall out of integration of world economies in particular. This kind of polarization is mainly due to the resultant difference in the incomes of people, who form clusters according to their living standards. Such ghettos of people from a particular country or other ethnicity may be due to the role of linkages that help people get work through some known channels.

Differences in income and affordability compel a lot of people to live in areas of similar income groups and with similar ethnicity, because they can find goods and services of their choice and according to their capacity and affordability. These kinds of polarizations do not result in extreme hatred as people belonging to the ghettos of poor people always wish to move up economically to the ghettos of rich people. However, ethnic polarization generally does not allow such movement from one ghetto to the other because of the individual feeling isolated and lost outside his community. Moreover, such kind of polarization may not necessarily result in the residential ghettoization but it may apparently be invisible. People belonging to a particular religious group may have strong bonding to people from their own religion and hatred for the people of other religion despite residing with the people of the other religion. This type of polarization is therefore more dangerous and more prone to social conflict as the unwillingness to harmonize emanates from a sense of superiority of one's own culture and values. This makes the

study of non-economic factors also very important and may be taken up as a separate research paper later on.

### **Conclusion:**

In the context of globalization, where every individual is divided on the lines of nationality, race, language, ethnicity etc. capital becomes a unifying factor. It is this element which is common to all people across the globe. Therefore an understanding and study of polarization on economic grounds becomes very relevant in the present day context as it has a huge potential to mold the very structure of the society. This article has been an endeavour to reveal the connection between polarization and the economy and make people aware of how they are sometimes played upon by the multi-national giants. This will empower the individual to make the right choices with respect to the society and in the interest of humanity at large.

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