PREVIOUS YEAR QUESTION UPSC 2017 · 15 marks

How has the development of Global Capitalism changed the nature of socialist economies and developing societies?

FLOW SNAPSHOT — how the answer moves

Intro routes R1 global capitalism beyond borders (transnational capital / class / state) → Soviet collapse removes the socialist alternative → spreads via neo-liberal Washington Consensus R2 end of Cold War = triumph of capitalism over socialism → one market model now imposed on socialist + developing economies alike

Body flow **Neo-Gramscian** hegemony of market fundamentalism (1980s–2008) → IMF Structural Adjustment (reduced govt, liberalisation, privatisation) → debt-hit socialist + developing states open markets → socialist *de jure*, *de facto* mixed (East Europe) → developing societies liberalise/privatise (India's LPG) → East Asian crisis 1997 dents IMF, but growth + falling poverty sustain commitment → 2000s power shift → 2007 IMF/World Bank voting favours developing countries → India & China rise within the same system

Counter-view **Wallerstein**: transnational division of labour keeps developing countries subordinate; states cannot regulate MNCs or sustain welfare → 2008 crisis confirms → **Ngaire Woods**: states vs markets, who really benefits

Conclusion routes R1 West retreats to protectionism while developing countries defend free trade → capitalism now a single world-system R2 the nature changed decisively — no socialist or developing economy now stands outside global capitalism; only its terms remain contested

Global capitalism works beyond national borders. It rests on transnational capitalist class and a transnational state.

The collapse of the Soviet Union ended the Cold war, removed the socialist alternative, and let the system spread under the neo-liberal Washington Consensus. Neo-Gramscians describe a hegemony of market fundamentalism from the 1980s to 2008, carried by the IMF's structural Adjustment Programs. These pushed reduced government, liberalisation & privatisation on states weakened by debt.

Under this pressure both socialist and developing economies opened their markets. East European states remained socialist de jure but became de facto mixed economies.

The East Asian crisis of 1997 dented the IMF's standing, but fast growth and falling poverty kept many committed to the neo-liberal path.

By the 2000s economic power began to shift. Voting-share changes in the IMF and World Bank in 2007 favoured developing countries and India and China gained prominence within the same system.

According to Immanuel Wallerstein, the transnational division of labour keeps developing countries permanently subordinate, while states struggle to regulate multinationals or sustain welfare. The 2008 crisis confirmed this. Ngaire Woods shows how it exposed the tension between states and markets and the question of who really benefits.

Today the west turns to protectionism while developing countries defend free trade. It is a proof that capitalism now works as a single world-system.