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The New Economic Policies and their Strategic Linkages with Corporatization

KEYWORDS: 1.The neolibralism,2. Regional Trade blocs, 3.Free Market econamies,4. New Economic Policies of India, 5.Role of the states in the regime of international trade, 6.Macro-economic stabilization measures and 7.Major structural adjustment reforms.

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ABSTRACT *India falls under the mixed economic system and it encompasses the best practices of both capitalism and socialism, which thus designed to ensure 'social justice and self-reliance'. India therefore allowed the constructive inter-play of both public and private sectors; former entrusted to operate heavy & key industries and later expected to engage in consumer industries. The objective of self- reliance expected to be ensured through protecting the domestic market from unleashing foreign competitions by imposing high rates of tariff and other forms of restrictions. A sudden drying up of inward remittances and the west Asian market crisis because of the Gulf war, and the collapse of the Soviet economy - then India's largest trading partner - were the proximate economic causes of the crisis of 1990s. During when, IMF had extended an 18-months balance of payments assistance programme of US $ 2.2 billion to India covering the initial period up to March 1993. This reform (New Economic Policy1991) covered the areas of macro-economic stabilization policies and structural adjustment policies, as well. The neolibralism is therefore a condition, in which markets decide the policy options on critical areas of business and the states are set to follow them without fail in most of the occasions. The new economic policy brought in uneven growth in India and it happened, when the government of India decentralized her power to invite investments in respect of each state. In the regime of corporatization, the regional trade blocs have been taking over the space of states in many respects and in response, the states become the subservient of protecting the interests of various trade blocs and their corporate hegemonies over others.*

Introduction

Today's neoliberal world economies move on to new heights of sophistication in terms of its swiftness- in transit of information, compactness – in processing complex transactions and accurateness–in predicting future course of actions as well. Man moves on to a new trajectory of path breaking transformation and his mind constantly in battle with conflicting interests to evolve strategies for materialistic survival over others. The economic focus of neoliberal policies for a country, in general aims at privatizing state-owned enterprises, opening entry to international capitol influx and enhancing macro-economic competitiveness.

The neoliberalism therefore seeks mainly to transfer control of the economy from public to the private sector to ensure more efficiency in the functioning of the government and in order to strengthen the economic productivity of the nation, as well. The neoliberal policies have led to a massive transfer of resources from public institutions to private institutions and it requires restructuring of the states. I therefore attempt to view critical elements persist in the post reform India and subsequent drift in the modalities of corporate-houses in nexus with the states.

Objectives of the study

1. To find the impact of deregulation and subsequent trends in Indian economy
2. To find out the strategic role of the state and its regulatory mechanism in the globalised world order.
3. To find the role of regional trade blocs in formulating policies in the face of globalization.

Data collection

Data collection is a method of collecting data regarding a research study and there are two methods of collecting data including primary data and secondary data: former is obtained directly from first-hand sources by means of surveys, observation or experimentation and later is collected for a purpose other than current research project. This research study entirely depends on secondary data collected from different reliable sources.

Literature review

The term "neoliberalism" had a handful of mentions in the early days of 1980s and now, it has become an academic catch-phrase in several respects. The term " neolibralism" often denotes that the far-reaching applications of free-market economic principles and their unprecedented impact on the new construct of our social system.

David Carruthers argues that "neoliberal ideologies seek to restrict the state to a minimum and to maximize the scope of individual freedom." He therefore attempts to interpret the neoliberal policies, which restrict the freedom of the states in regulating the affairs of markets and subsequently, individuals are provided with freedom of regulating the market fundamentals. In essence, the term "neoliberalsm" is centered mainly on two pillars; on the one hand is the regional trade blocs and on the other hand is the markets.

Lawrence King's approach to "neoliberalism" is supporting the opinion of David Carruthers, as he interprets that it (neolibralism) is a transition from socialism to capitalism. The neolibralism is therefore a condition, in which markets decide the policy options on critical areas of business and the states are set to follow them without fail in most of the occasions.

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The background of new economic policies in India, An overview

India falls under the mixed economic system and it encompasses the best practices of both capitalism and socialism, which thus basically designed to ensure 'social justice and self-reliance'. India therefore allowed the constructive interplay of both public and private sectors; former entrusted to operate heavy & key industries and later expected to engage in consumer industries. The objective of self- reliance expected to be ensured through protecting the domestic market from unleashing foreign competitions by imposing high rates of tariff and other forms of restrictions. The important instruments used to serve the objective of self-reliance including Industries Development and Regulation Act 1951 (IDRA), Monopolistic and Restrictive Trade Practices (MRTP) Act 1970 and Foreign Exchange Regulation Act 1973 (FERA). The objectives of these acts were as follows.

1. Licensing the industries and their conducts towards the national objectives
2. Regulate the expansion of business and technology
3. Prevent the concentration of economic power in a few hands and of monopolistic trends among the corporations to a considerable extent.
4. To regulate the foreign investment in India.

During the first three decades after Independence, the Indian economy stagnated around growth rate of 3.5 % and is popularly known as the Hindu rate of growth. The condition entirely changed in to an acceleration of growth during the 1980s to 5.6 % and thus, it put the economy on to a higher trajectory of growth rate. However, the growth process of the1980s turned out to be increasingly unsustainable as manifested in the growing macro-economic imbalances over the decade in the form of high fiscal deficit, high levels of current account deficit and increasing levels of external debt and a weak financial system.

A sudden drying up of inward remittances and the west Asian market crisis because of the Gulf war, and on the tope of everything else, unexpected collapse of the Soviet economy - then India's largest trading partner – were some of the proximate economic causes of the crisis of 1990s. When the crisis reached its peak in 1991, the IMF had extended an 18-months balance of payments assistance programme of US $ 2.2 billion to India covering the initial period up to March 1990s and the grants-in-aid had conditioned upon initating some basic policy reforms in the core-areas of the econamy. India had therefore set to follow their directions (IMF,World Bank and ADB) without fail, as she entangled in a greate economic crisis.

This reform covered the areas of macro-economic stabilization policies and structural adjustment policies, as well. Indian economy therefore witnessed a paradigm shift towards the beginning of 1991 and it ushered in a liberal set of policies in collaboration with World Bank, International Monitory Fund (IMF) and Asian Development Bank (ADB). Accusing the crisis owing to technical failure of the previous policy regime and the new economic policy package attempted to make consciously close to the 'Washington consensus' as permitted by domestic conditions (Williamson 1990).

As a result of the new economic policies in India, some of the old regulatory measures cited above (MRTP Act, IRDA and FERA) have been removed in complying with the liberal economic principles. The Foreign Exchange Management Act has been introduced as a replacement for earlier Foreign Exchange Regulation Act (FERA). It intentionally introduced, as Foreign Exchange Regulation act did not fit in post-liberal regime (after 1991) in India. The very difference between these two acts is that offenses regarding foreign exchange fall in civil offenses under FEMA as opposed to criminal offenses under FERA.

The new economic reforms (1991) in brief and its board strategic policy frame works, which encompass the following areas (1) macro-economic stabilization measures – (a) management of the balance of payments crisis, (b) fiscal deficit management, and (c) monetary policy correctives; (2) major structural adjustment reforms -(a) trade policy,(b) industrial policy reforms, (c) policy reforms relating to the public sector,(d) policies for attracting foreign and direct investment, technology and equity participation, (e) administrative reforms for faster investment approvals through the Reserve Bank of India, (f) tax structure reforms,(g) tariff reforms for both capital goods and consumer goods, (h) financial sector reforms, (i) reforms in the civil aviation sector, and (j) reforms in agriculture and related areas; and(3) measures to share social costs of reforms- the public distribution scheme (PDS), establishment of a national renewable fund (NRF).

Some of the main objectives of new economic reform in India

1. It would release industries from the shackles of unnecessary controls and regulations, which have become hurdles in the way of industrial growth.
2. In the face of the general trend towards globalization, the Indian economy cannot remain isolated and therefore has to be globalised to take advantage of global finances and technology.
3. It would encourage large scale foreign investment through Foreign Direct Investment(FDI), and Foreign Institutional Investment (FII)
4. Indian industries instead of remaining isolated, they will expose to foreign competitions and become more competitive, cost conscious and efficient.
5. The public sector has proved to be a drain on the national resources, as it has been incurring massive losses will get rationalized either through internal efficiency or by semi-privatization- participation of the private sector in its equities and management.
6. India would be able to get long term and short term loans from the world bank and the IMF to meet the balance of payment deficits and thus save itself from the humiliation of default.

Post Reform India And Corporatization; Their Strategic Implications

As a result of the new liberal regime in India, the economic fundamentals have thus been forcing to concentrate on two extremes of market compulsion - on the one hand, consumers are expected to maximize their utilities and on the other hand, producers are expected to maximize their profits. It is thus, the new philosophy of liberalization with its explicit emphasis on productivity, efficiency and market orientation would replace the age-old concerns for equity and justice. The post reform India expected to make a conducive atmosphere for the steady transformation of her traditional economy in to modern settings with an overarching policy focus shift towards liberal principles. However, India besets with several challenges in the face of ongoing corporatization and following areas must require a critical attention.

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1. The new economic policy brought in uneven growth in India and it happened, when the government of India decentralized the power to invite investments in respect of each state. The objective behind decentralization of power is to make a healthy competition among the states of India and thereby enhance the economic growth of each state. While this is the case, each state comes with a separate set of incentives to attract investments including tax holidays, Special Economic Zone, Export Processing Zone etc. It therefore creates a situation that the powerful states will take advantage out of such schemes for their industrialization and subsequent socio-economic developments of the people, whereas the weaker states will remain unaffected for want of sufficient resources and well equipped government mechinaries.

   In my point of view, new economic policies in general, bring in to being a contorted development and nor do they attempt to spread so-called development all over the country.
2. In the regime of corporatization, the regional trade blocs have been taking over the space of states in many respects and in response, the states become the subservient of protecting the interests of various trade blocs and their corporate hegemonies over others. There are several trade blocs operating in different parts of the world to regulate the cross-border commercial transactions among the member nations and of formulating policies for instituting a common market among themselves.

   There are internationally acclaimed trade blocs operating all over the world and European Union (EU), North American Free Trade Agreement (NAFTA), Association of South Eastern Asian Nation (ASEAN), South Asian Association for Regional Co-operation (SAARC), European Economic Community (EEC) and European Free Trade Association (EFTA) are some of them. These trade blocshave been regulating the nature of international business and of encroaching the sovereignty of the states' in their independent functions to a considerable extent. For example- the new economic policy of India was indeed a string operation of World Bank, International Monitory Fund and Asian Development Bank, and India was set to follow the reform package suggested by them without fail.The most spectacular examples of this have probably been Mexico gaining credibility through NAFTA, Eastern Europe through accession agreements with the EU, North Africa through association agreements with the EU and India is through ASEAN. The role of the government in regulating business is narrowing down in the backdrop of regional trade blocs, which mainly aim at softening rules in regulating the conduct of various types of business in a country and often the government is unable to check the onslaught of oppressive apparatus of free market strategies to a considerable extent.
3. It is an imperative to mention in the back drop of corporatization that the state often does not have sufficient power in decision-making over investments, product-mix, pricing and distribution. The deregulation of core - areas of Indian economy, as part of the new economic reform in 1991 has indeed eclipsed the role of the government in several respects.
4. These regional trade blocs have been acting as an instrumental for bringing all the non capitalist countries in to the folder of capitalism by extending them with necessary financial supports and of course, a status of privileged class membership in capitalist orchestrations. By doing so, they get an easy access to enter in to the domestic affairs of non capitalist third world countries and thereby, re-set their internal policies in tune with the rhythm of free market economic principles.
5. An abrupt initiation of policy focus shift in to liberal economic regime in a country will certainly give rise to policy bottle neck and as a result, it brings in to being a complete instability of the country in terms of policy immaturity. In essence, it may lead to the total failure of state machineries in combating internal and external issues of national importance. This state of condition, of course gives voice to rebels to organize against the established machinery of the state, on the one hand and the existing lawlessness will thus be promoting fraud, scam and crimes,on the other hand.India is indeed a victim of such condition, as she fails to face new issues with structured rules and regulations. For example- Sahara scam, Vodafone Vs Union of India, Satyam Scam, Security scam of 1992.
6. It is concomitant to free market regime that corporate-political nexus, which is gaining a wide popularity in these days and subverting the existing system in fever of a few. The so-called corporate-political nexus and crony capitalism have been derailing the current socio-economic equation of social justice; further they have been beyond the control of rules and regulation, as the repressive apparatus of the state sponsored tyranny in connivance with top brass corporate-houses. It found an application in India, when Income Tax department investigated Nira Radia, a corporate lobbyist; and subsequently, it brought out the infamous 2G spectrum scam in to public notice. The well planned corporate string operation of 2G spectrum scam, accused of involving top brass politicians, corporate leaders and media-persons; and it caused the loss of Rs.1, 76,379 cores to exchequer, in the auction of 2G spectrum frequency allocations. It shows the magnitude and extension of corporate lobbying in connivance with states.

The suggestions for coping with deadlock in new liberal regime in India

1. The decentralization of power at state level for attracting FDI and FII is designed to create a competition among the states of India in bringing new business projects in each state. But in reality, it promotes uneven growth of the country, as powerful states will bring in more business proposals and projects. Similarly, weaker states will remain unaffected for want of sufficient resources on hand.

   It is therefore a centralized planning is necessary for re-directing the business opportunities equally among the states of India through centralized grants-in-aid and monitoring in order to ensure an inclusive development of the country.
2. The bilateral agreements with different regional trade blocs in promoting cross-border business transactions on the critical areas must be on the basis of a general consensus among different nodal agencies concerned and the issues associated with the agreements (terms& conditions) must be put in public domain.Regional blocs are allowed to set tariff on items of import and export among their member nations and states are set to follow them.
3. The sovereignty of the states should not be sidelined in the face of on going corporatization and the pow-

ers of the states must be protected in deciding the internal matters of general importance. It should not be conducive to allow any agreements with external agencies, which intervene in the domestic affairs of the state and affect people at large.

4. The clarity in provisions dealing with new issues in business must be put in place and the corporate policies of India must re-direct to enable in raising funds from different corporate houses for the community development. Besides these,it is necessary to modify the existing provisions dealing with collecting taxes from corporate houses on national priority basis, as the top brass business houses still getting favor from the government at the cost of general public.
5. It is an imperative to have in place a well framed set of provisions against institutionalizing of corporate lobbying, which has been mushrooming in India and becomes a house-hold name these days.
6. The consistency in planning on various projects and schemes of national importance regardless of the governments in power at centre and states, as well. It is particularly a common issue in India that each successive government at centre and state will go with a new plan of actions and as a result, the old plans of predecessors regardless of good or bad would put an end in cross-roads. It is indeed a social waste.

Conclusion

A sudden drift in policy focus towards a liberal economic regime in a country will certainly give rise to policy bottle neck and as a result, it brings in to being a complete instability of the country owing to policy immaturities. The so-called corporate-political nexus and crony capitalism have been derailing the current socio-economic equation of social justice; further they have been beyond the control of rules and regulation, as the repressive apparatus of the state sponsored tyranny in connivance with top brass corporate-houses. In essence, the term "neoliberalsm" is centered mainly on two pillars; on the one hand is the regional trade blocs and on the other hand is the markets. The bilateral agreements with different regional trade blocs in promoting cross-border business transactions on the critical areas must be on the basis of a general consensus among different nodal agencies concerned and the issues associated with the agreements (terms& conditions) must be put in public domain.

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