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# NEW ECONOMIC POLICIES: LIBERALIZATION, PRIVATIZATION, GLOBALIZATION

## NEW ECONOMIC POLICY

In 1990s the govt. of India in order to come out of the economic crisis decided to devite from its previous economic policies and learn towards Privatization . In July 1991 when thedevaluation of Indian currency took place the govt. started announcing its new economic polices one after another. Though these polices pertained to different aspects of the economic field they had one thing in common. The economic element was to orient the Indian system towards theworld market it is in this context the govt. launched its new economic policy which consisted ofamong other things three important features. Liberalization , Privatization and Globalization .Liberalization of the economy means to free if from direct or physical control imposed by the govt.economic reforms were based on the assumption that marten forces could guide the economy in amore effective manner than govt.

### Main objectives of New –Economic Policy – 1991

The main objectives behind the launching of the new –economic policy (NEP) in 1991 bythe union finance minister Dr. Manmohansingh, could be stated as follows:

- The main objective was to plunge Indian economy in to the arena of 'Globalization and togive it a new thrust on market orientation.
- The NEP intended to bring down the rate of inflation and to remove imbalances inpayment.
- It intended to move towards higher economic growth rate and to build sufficient foreignexchange reserves.
- It wanted to achieve economic stabilization and to convert the economic in to a market economy by removing all kinds of unnecessary restrictions.
- It wanted to permit the international flow of goods, services, capital, human resources and technology, without many restrictions.

Beginning with mid-1991, the govt. has made some radical changes in its policies bearingon trade, foreign investment exchange rate, industry, fiscal of fairs etc…The various elements,when put together, constitute an economic policy which marks a big departure from what has gonebefore.

### New Economic Policies: Liberalization, Privatization and Globalization

The last quarter of the 20th century has been a wave of economic policy reforms in thedeveloping world, with one country after another taking the Liberalization cure, often imposed bythe international financial institutions. This wave of reform had been preceded by a quarter-centuryof state directed effort at economic development, during which time the goals of economic self reliance and import substitution industrialization were the hallmarks of development strategiesin the less developed countries. These goals seemed particularly justified, given the longexperience of these countries with colonialism and the agricultural nature of their economies.However, all this seemed to be overtaken by the subsequent surge of liberalization.

## LIBERALIZATION

The term "liberalization" in this context implies economic liberalization. "economic liberalization" constitutes one of the basic elements of the new Economic policy (NEP) which theIndian Government launched in the middle of the year 1991. The other important aspects of thepolicy are –Privatization of the public sector, Globalization and market friendly state.

The main trust of the New economic policy is "liberalization". The essence of this policy isthat greater freedom is to be given to the entrepreneur of any industry, trade or business and thatgovernmental control on the same be reduced to the minimum.

The main purpose of the process to economic liberalization is to set business free and to runon commercial lines. The underlying helief is that commerce and business are not matter tocontained to fixed national boundaries; they are global phenomena. Here, artificial govt.restrictions which hinder economic and commercial activities ad flow of goods and services must be removed. The liberalization intends to liberalization commerce and business and trade from the clutches of controls and obstacles.

**The concept of Liberalization :**

The recent wave of economic policy reform in the developing world has been seen as anecessary consequence of a changed world economic system. The key feature of the changed world economy is the clement of the heightened economic Globalization which provides new external challenges as well as opportunities for development.

**MAIN FEATURES OF THE POLICY OF LIBERA LISATION :**

**Following are main features of liberalization .**

- Lessened Government control and freelance to private Enterprises.
- Capital Markets opened for private Entrepreneurs
- Simplification of Licensing policy
- Opportunity to purchase foreign exchange at market prices
- Right To Take Independent Decisions Regarding The Market
- Better opportunity for completion
- Widened Liberty in the Realm of Business and Trade

**Brief Evaluationof Liberalization :**

From the Indian point of view, it is very difficult to say at this stage when the process ofeconomic liberalization taken up by the govt. of India in 1990's has realiy brought big economic gains to India gains to India. The process has no doubt brought some benefits through suffers fromsome deficiencies.

**The Gains**

The liberalization process has helped the free movement of goods and services it has led tobetter industrial performances. Industrial organizations have now become more efficient andmarket responsive. Country's exports are on the increase. Sectors such as information technology and computer soft ware here registered tremendous progress.

**The Deficiencies**

Liberalization process has its deficiencies also. The economic reforms including liberalization were introduced all on a sudden and proper background was not created to take theirfull advantage and to face their consequences.

**LIBERALIZATION IN INDIA**

There are at least two striking features of main stream analysis of the economic reforms programme in India since 1991. The first which is evident not only in official govt. publications particularly English language financial press is the generally un-supported far by and large havebeen successful so both in achieving the medium term goals of structural adjustment and in preparing to economy for intake off in the new globalised environment. The important charecteristics of the new policy may be described and explained under thefollowing four heads liberalization; Privatization of the public sector, Globalization and market friendly state. Liberalization is the thrust of the policy is the freedom for the entrepreneur. The newpolicy permits foreign direct investment to a large extent and in a larger number of Industries then before.

**PRIVATIZATION**

Privatization is a managerial approach that has attracted the interest of many categories ofpeople academicians, politicians, government employee players of the private sector and public onthe whole. Privatization has an adverse impact on the employee morale and generates fear of dislocation or termination more likely it also adds on to the apprehension pertaining to accountability and quality. Experts both advocate and criticize Privatization making it more or lessprovocative decision that calls for diligent scurrying by the decision makers in assessment of prossand cons attached to the concerned policy.

In India Privatization has been accepted with a lot of resistance and has been dormant initially during the inception period of economic Liberalization in the country. Thearticle intends to analyze the present status of Privatization in India and summarize its advantagesand disadvantages in context with the Indian economy. Privatization is also one of the aspects ofthe new economic policy which came to take shape in the decade 1990. The term "Privatization " can notes wide range of ideas. But the broad meaning of Privatization is that in the economic fieldmuch broader role is to be agencies and the role of the public sector activities is to be limited.

Privatization refers to any process hat reduces the involvement of the state, public sector ineconomic activities of a nation. The Privatization process in a mixed economy such as of Indiaincludes:

- Decentralization the transfer of the ownership of productive assets to the private sector.
- Entry of private sector industries into the areas exclusive reserved for the state sector orwhich are considered exclusive monopolies of state.
- Limiting the scope of the public sector or no more diversification of existing public sector understandings.

**DEFINITION OFPRIVATIZATION :**

- Steve H. Hanke refers to Privatization as "the process where by the public operetions aretransferred to the private sector".
- Barbara Lee and John Nellis define the concept in this manner: " Privatization is thegeneral process of involving the private sector in the ownership or operation of a stateowned enterprise. Thus the term refers to private purchase of all or part of a company. It cover "contractedly out" and the Privatization of management through management contractsleases or franchise arrangements."

**MAIN OBJECTIVEOF PRIVATIZATION**

1. The process of Privatization has been triggered with the main intention of improving industrial efficiency and to facilitate the inflow of foreign investments.
2. It also wants to make the public sector undertakings strong able efficient companies. It recommends a change in the role of the government from that of the "owner manager"to that of a mere "controller" or "regular".
3. It also intend to ensure efficient utilization of all types of resources including human resources.
4. Privatization insists on the government to concentrate on the area such as education administration and infrastructure and to give up the responsibility of looking after business and running industries. It is expected to strengthen the capital market by following appropriate trade policies.

**PRIVATIZATION IN INDIA**

In India the wave of Privatization that was generated during the Eighties (1980s) became more powerful when Rajiv Gandhi assumed office as the Prime minister of India. The issue of Privatization in India has to be understood in the context of – the relative inefficiency of the public sector industries, dearth of financial resources, defective competition system, continuous labour problem and so on.

When India became independent it embarked upon planned economic development.In order to accelerate the economic development it started giving more important to the publicsector on which the Government had its control. The Industrial Policy Resolution of 1956 alsogave importance to the public sector industries. The growth of the public sector assume importance in the Indian economy. It contributed to employment opportunities, capital formation , development of infrastructure, increase in exports over the years, and to many other areas. But itfailed in certain respects. It failed to generate adequate surpluses to support sustained growth. The public sector was also a failure in obtaining consistent profits, fulfilling labour demands and interests, encouraging industrial researches, reducing the cost of the production, achieving technical expertise, and in successfully facing the competition at the hand of the private sector. During the later years of Mrs. Indira Gandhi's regime a search for the new policy options began. Gradually, a new industrial policy started taking its shape. The essence of this policy is marketed forces must be allowed to play their role in shaping the economy. With the announcement of new economic policy on 24th July 1991 by Dr. Manmohan Singh, the then Union Finance Minister,India opted for a radical change.

**ADVANTAGES OFPRIVATIZATION**

Efficiency, Absences of political interference, Quality service, Systematic marketing Use of freedom technology.

Accountability.
Innovation.
Research and development.
Infrastructure.

**ARGUMENTS IN FAVOUR OF PRIVATIZATION**

- Privatization is Necessary to Revitalize the State Owned Enterprises
- Privatization is Necessary to Face Global Competition
- Privatization is Needed to Create More Employment Opportunities in Future
- Helpful for Mobilizing and Investing Resources
- Recognition of Talents and Good Performance of work

**ARGUMENT AGAINSTPRIVATIZATION**

- Profitability Alone Should Not Become the Sole Yardstick to Measure Efficiency
- Role of Public Sector Undertaking From the socio-Economic Angle Also Cannot beignored
- Protection of the Interests of the Weaker Section
- Price –fixing Policy Here is Not Profit- Oriented
- Argument that the Private Sector Is More Efficient than the Public Sector is Not Right

**CONCLUSION**

The experiment of Privatization undertaken in the European countries has been given a lotof publicity in the media. The Privatization programmes implemented in Britain, Mexico and thepreviously existed East Germany had attained good success. This success has inspired manynations to go in that direction. India is also one among them. Economist differ in their view regarding the relative success or failure of Privatization in the Indian context. It is however, widelyheld that Privatization could achieve notable success only if it is solidly backed by the political authority, effectively implemented by the bureaucracy and implicitly acceptable. Privatization is complicated and its efficient management is a competent task.

**GLOBALIZATION**

Globalization represent one of the aspects of the new economic policy lunched in thedecades of 1980 and 1990s. The new economic policy has also maid the economy out wardly oriented such that its activities are now to be governed both by domestic market and the world market. The general usages of the terms Globalization can be follows ,

- Interaction and interdependence among countries
- Integration of world economy

- Deterritorisation

The tem Globalization was first coined in 1980s . But even before this there were interaction among nations. But in the modern days Globalization has launched all spheres of lifesuch as economy, education, technology , cultural phenomenon , social aspects etc……the termglobal village is also frequently used to high light the significance of the Globalization . " Globalization of production refers to the integration of economic activities by units of private capital on awaked scale ."S.K Misra and V.K Pury "stated that in simple terms Globalization means integrating economy of a country with the world economy."

In simple words" Globalization is refers to a process of increasing economic integration and growing economic interdependence between countries in the world economy"

The word Globalization is now used to sum contemporary world order. But the influence of the Globalization of directly visible in the economic field and hence the term is very often takento me economic Globalization of market. The Globalization defined as the process whereby there are social, cultural, technological, exchange across the border.

**STEPS INGLOBALIZATION**

- Need for corporate sector to go global : The Indian corporate sector has to take lead and initiative in bringing about the Globalization of the economy. To go global a corporate must consciously .
- Needs to promote competitiveness of Indian producers : to succeed in global market ,competitiveness of Indian producers has to be improved .
- Need to adopt new strategies; the changes realities of the global environment detect that the Indian firms must in order to survive.
- Need to create favorable environment; world class companies need to undergo a change.
- Need to set up new institutions
- Need for a rules and regulations : if we want make our companies world – class wealso need rule and regulations that are in leave with global corporate and financial norms.

**INDIA'S AWAKNINGTO A GLOBALISED WORLD**

The origin of globalizations in India need to be the analyses in terms of economic changes brought about in the country in the last decades of 20th century. Thedefinite move towards economic Globalization came in the summer of 1991 when the country found itself in the midst of a series balance of payment crisis and was bailed out by the IMF andthat world bank offered programs of stabilization and structural adjustment which India was hardly in a position to refuse. TheLiberalization and Globalization of the Indian economy are the keycomponents of the package of the reforms adopted and implemented following the 1992 crises.

**INDIA'S PERSPECTIVESON GLOBALAISATION**

The concept of Globalization to describe a verity of changing economical , political, and cultural process . the development of Globalization is in India as which traditionally had quite adeveloped pre industrial base trade and market , the market and trade relation continue to belocated in local cultural even today . Also , the economic policies of India up to the 1980 has beenthat of import substitution and protectionism . The political Globalization in India ends up with the discussion on the survival and weakening of nations state besides the nation state , another issue srelating to Globalization is that of political ethnocentrism.

**ADVANTAGES OF GLOBALAISATION**

- Better and faster industrialization: the flow of industrial units from developed countries todeveloping countries gives speed of industries helping global industrialization. Helps over all balanced development.
- Flow of capital: moves from to surplus countries to the needy in globalization. Investors get advantage of better returns for his capital.
- Speed of production facilities throughout the world: the production units give cost competitive

and wider availability and manufactured gods.

- Flow of technology : the advanced level of technology flow from developed country to less developed countries .
- Increase in conception: due to technology and the spared up gradation the demand increases formanufactured good
- Attitude: thinking globally in major plus point in globalization

**Disadvantages of Globalization**

- Globalization discourages domestic industry and business: with sophistication in technologies and large scale production felicities of other countries domestic trade and industries is hit.
- Problem on the labor front: the process of Globalization needs to job lay offs and exploitation of human recourses. This is especially applicable to under developed countries.
- Widening rich and poor divide: the un employment and decline of in income level in lowerstrata of society widen the gap between the rich and poor more and more.
- Transfer of national recourses: the developed countries tend to establish factories in under developed countries may lead to commercial exploitation .

**CONCLUSION**

Today Globalization is being challenged around the world. In effects of globalization, inIndia, to the path of developmental at a more rapid rate than ever before. It is true that Globalization brings in its wake great enquiry, mass impoverishment and misery. It is almostirreversibly widens the gap between the developed and the developing nations. What we learnfrom this process of Globalization is that it is more harmful for the developing and the under developing countries. The choice for the devolving countries like India lies not in total globalintegration, but less of global integration and more of self relines and self sustenance with anemphasis on indigenous and traditional production and knowledge system.

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