

CHAPTER - II

STATE OR MARKET: A THEORETICAL CONTROVERSY

2.1. INTRODUCTION:

Under the changed scenario marked by the collapse of socialism, the uninhabited play of the market forces in an atmosphere of crude inequality and vulgar homogenization cuts across national frontiers, meaning the exact opposite of what Tocqueville, Marx, Mill or the utopian socialists would have imputed to it. Under the present circumstances the institution of state is finding a different role to play. Given their historical liability, social scientists can not but trace the historical continuity in its thematic. The conceptual baggage built up around the recent clamour for economic reforms (that demands a new relationship between the state and the market) also addresses itself to explain the logic and machinations of capitalism as a global system. The point of difference lies precisely in the fact that under the new dispensation, such concepts are sung with unpretentious and unapologetic connotations; unpretentious because of the objectivity with which these depict the socio-economic realities emerging on the horizon; unapologetic, because these are not burdened with any legitimizing concern, particularly, for those whose survival is being threatened by the post-reform society. ¹

A complete swing of the popular mood has taken place right from the beginning of the Second half of the twentieth century. Scholars in political economy are convinced that the role of the state in bringing development has experienced a dramatic change. There is a move from the widespread belief prevalent in the 1950s, that the state could do nothing wrong to conviction fashionable in the 1990s, that the state can get nothing right. But a minute analysis will reveal that

the reality infact is more complex. Simplified ideas reduced to catchy slogans are somewhat like pet notions that may be in or out of fashion.

Both the ideology and the reality are equally responsible for bringing about this dramatic change so far as the question of the new role of the state is concerned. Capitalism became triumphant as it had been able to pave way to the collapse of communism. Scholars like Fukuyama in this context felt that this happening is so momentous that it has been described as the 'end of history'! The market economics of East Asia epitomize success whereas the planned economy both in the East Europe and in the erstwhile Soviet Union showed a remarkable failure. The market failure shines when it is compared with the failure of the state. One has to admit that market failure is also a fact of life. The high levels of unemployment in Western Europe where capitalism had its genesis clearly strengthen this point. But over enthusiasm for economic liberalization has reinforced the asymmetrical view of the state and the market. No doubt, the state has been painted as black and the institution of market as white by the over-simplified rhetoric of liberalization. But for the grey areas no room is left at all. ²

Ideologically such oversimplification may be convenient. But for having a clear thinking it does not at all. Confirming to the fashion of the time, inconvenient questions may be initiated. Will it be appropriate to pose the problem simply as a choice between government failure and market failure? Both the ideologues, left and right are inclined to do so. The reality is that this is not right as it creates a false debate which leads nowhere. Obviously a question arises- is it necessary to redefine the economic role of the state particularly in India? Such rethinking is of absolute necessity. The basic hypothesis in this context is simple and clear. The state and the market are in general, complementary rather than substitutes. Co-operation rather than conflict should define the relationship between these two important variables. More to say is that a one shot relationship is not a solution for these two institutions rather an

evolutionary relationship change oriented over time in adaptive manner can be a better solution. But the question arises is this feasible in terms of politics given the nature of state in India? ³

2.2. NATION-STATE AND DEMOCRACY:

2.2.1. ACCOUNTABILITY, SELF CORRECTION AND ECONOMIC NATIONALISM:

In the contemporary world it is being observed that the global integration of the market is taking place at a great pace. Major actors in the market, the Multinational corporations today find at ease the global reach while the nation state remains local by its very nature. In the context of this global setting, it is understandable why so many observers find the nation state to be an anachronism. Scholars defending globalization felt that as an anachronistic institution the one powerful- nation state seems to have almost outlived its time like the prehistoric dinosaur outlived its life.

No doubt the nation-state is moving inexorably towards its demise in the present era of globalization. But this view about the demise of the nation-state under the pressure of the process of globalization is misleadingly and over simplistic for two reasons.

First, if it is perceived that the state plays along with the market then it is a misunderstanding of the economic role.

Second, the way in which the relationship between the nation state and economic nationalism is evolving over time has not been successfully seen by this pro-globalization school. In different debates one may see that the first aspect is taken into consideration for extensive dissension over the relative roles of the state and the market. For better understanding of the relationship between the state and the market, the two important institutions are to be viewed in terms of the extent of accountability and self correction embodied in the two institutions. On the other hand, relatively little attention from economists and

political commentators have been given to the second aspect as to how economic nationalism is affected by and affects globalization in turn. ⁴

2.3. STATE AND MARKET:

2.3.1. ACCOUNTABILITY AND SELF-CORRECTION:

The acceptance of the 'market-culture' as has been emphasized in the earlier discussion depends to a great extent on the participants seeing as justified, on two important grounds:

- a) not merely what they receive;
- b) but also what is denied to them by the market.

And yet, the market mechanism's most important feature is that it is not directly accountable to the participants, in contrast, the state is. It is recognized that in the name of majority rule in any political democracy the majority can not trample on the rights of the minority. And in the same sense, the notion of democratic legitimacy and accountability involves not just majority rule but it is extended to the protection of rights for the minority as well. To the functioning of the market economy similar sort of arguments is to be applied at any cost for the better functioning. If to a significant minority this better functioning of the market economy is marginalized and denied, the accountability character of the state may influence the institution of the state to have intervention in the name of the installation of the legitimacy of the market in its functioning. Failure to follow the principle would bring disastrous result for the political authority of the state as their accountability will be in question. The political authority should never justify such market system which in turn deprives the significant minority almost every thing. In precise terms this is the most important lesson to be learnt from the unfolding experience of the post-soviet reform. Paying little attention to the economic sufferings of the common people in the society and marginalization of a significant proportion of the population for a state undoubtedly discredits

itself to a great extent. At the same time if marginalization occurs through the market process it is a discredit for the market process too.

It has been evident from the different findings that in the most of the countries poor economically in the more extreme cases, not merely a minority but even the majority may be denied the very minimum of economic life through extensive poverty, unemployment, illiteracy and lack of health care. As a result of this fact the problem is acute^{ly} ~~disastrously~~ in these societies. Fact and data received from the different sources reveal that of some 4.4 billion people in developing countries, almost three-fifth live without basic sanitation, one third without safe drinking water, a quarter lack minimum housing facilities and one fifth of the life beyond the reach of many modern health services. These help a lot in judging the staggering magnitudes of the problem on a global scale. Illiteracy is a common fate to at least one fifth of the children, as they in school do not get as far as grade five (UNDP-1998).

The state seeking legitimacy should feel compelled to act under such circumstances for the state accountable and the market is not characterized with such accountability. In recent years in the attempt of finding out the extent of state versus market failures a great deal of discussion has been carried out. Public choice theories and rent seeking theories as well have helped in drawing our attention rightly to the fact that in many circumstances the failures of the state can be even more severe than the failures of the market mechanism. But one basic issue has been ignored by them. This is the issue of accountability. This accountability makes the state bound to act which are absent in the workings of market mechanism. And for any democratic society this accountability is a basic criterion without any doubt.

However, for any mechanism self corrective in character, the question of accountability is no guarantee. In many cases it has been found ~~though~~ on the economic front a state might continue to perform very poorly yet, it try to improve its image of accountability by taking resources to cruder form of

nationalism like religious fundamentalism or increased military might. Arguments come from the proponents of the market mechanism in a different manner. They argue that the mechanism of market is characterized with self correcting mechanism. But this argument is flawed on two counts. In the first place, the self-correction of the market mechanism based upon a string of unrealistic assumptions which need not hold in practice, especially the fact that the lack of aggregate demand is not subject to automatic self-correction what conventional theory here claims to show is the efficient allocative equilibrium properties of a well-functioning market (e.g. the so-called fundamental theorem of welfare economies), when by adequate aggregate demand, full employment of resource is ensured. In the second place, the speed of adjustment to the equilibrium may be too late or slow to be of practical relevance even after granting such allocatively efficient equilibrium. So there is nothing in economic theory to establish how close or distant that future might be while the proponents of liberalization in favour of the market might claim that liberalization and integration with the global market is necessary now to reap benefits in the future.

But at least in any democratic society in contrast, the accountability of the government has a well-specified time scale because of the definite time scale the institution of the government is bound to act wisely or unwisely. This formula however, in case of the institution of the market is not exercisable. As a matter of fact, one may easily find out the collapse of bureaucratic central planning. The collapse was largely due to the fact that it was neither accountable nor subject to self-correction within a specified time scale. The same formula is exercisable in case of the application of dictatorial rules. Dictatorial rules that legitimize or try to legitimize seem apparently benevolent in the eyes of the population, are no doubt dictatorial in all the ways because they accept no definite time constraint. Without committing himself to when that future would come a dictator can sell or promise a good future. And in this respect, the trajectory of a competitive

market towards the desired optimum can only be compared with the dictatorial promise. The time constrained political accountability of the nation state in contrast, may force it to act or behave in a manner not necessarily replicated by the market. From this perspective, a fundamental issue, therefore, is not whether state actions are market friendly, but whether they conform to the time constrained accountability criterion of any democratic society found in the contemporary world. ⁵

2.4. UNSUCCESSFUL CHARACTER OF BOTH THE INSTITUTIONS i.e. GOVERNMENT & MARKET:

For quite some time to the economists the term market failure has been a confused talking. But the term government failure has found its place in the dictionary relatively recently. A few scholars argue that the great economist Adam Smith was well aware of it two centuries ago. No doubt that the word failure is used to describe outcomes that are inefficient or undesirable with reference to some idealized state of economy and society. But the fact is that common citizens want to enquire into the question of the future of the state through intervention in simple terms. They are also concerned about the failure of the institution of market in simple way. Therefore, it is crystal clear that if one does not wish to be mystified or fooled by the jargon of economists he or she must follow the above mentioned understanding as it is crucial to follow the debate on economic liberalization.

In many forms, government failure can be observed and many factors may be traced as the causes for such failure. Because of the lack of adequate information about a problem government make mistakes most charitably. It has also been noticed for quite sometimes that governments do not quite realize the nature of the problem. It is not possible for the government to predict or to control the consequences of their actions if they lack adequate understanding and necessary information. As a result of this fact, many problems remain

unsolved through the intervention of the government; instead it may lead to unexpected adverse effects that are unintended. Many a time divergence between the conception and the design of intervention by the government is observed. Perhaps the divergence between the governments made design and the implementation of the policies is even greater. Because of this divergence between the intention and the reality bureaucratic arbitrariness are seen getting upper hands in many ways.

Even with the best of intention on the part of the governments, all these developments may be true. But the government always does not act for the benefits of the common citizens at large. ^{More} ~~Many~~ often, it has been found that governments try to protect the interest of a particular section in the society. In the policies of the governments, interests of the classes or groups whom they represent get reflected, precisely it can be stated that they manipulate on behalf of groups who can exercise influence. Being inspired by these reasons conservative economists draw the conclusion that intervention in markets is inefficient because governments are incapable of intervening efficiently. It has been noticed that the existence of market failure no longer provides an acceptable basis for intervention for those who are so convinced about the inevitability of government failure. ⁶

However, people do not get worried at the abstractions. The observation and the concrete experience help the common people in the society to have perceptions about the failures of the government. They observe that governments manage inefficiently all the state enterprises in the public sector. More often than not, even the management of the economy by the government leaves much to be expected especially if rates of inflation or levels of unemployment are unacceptably high. To promote the interests of the ruling elite government apparatus is often deliberately used. Nobody is surprised at this development of the state. But the governmental system is also used to further, crudely and openly, the interests of powerful individuals through corruption

and nepotism. The institution of state is used as the private property or even family property in extreme situations.

Interface of the citizen with the state can be traced as the important source of popular disillusionment. The machinery of the government at the time of having intercourse with the ordinary people in the society invariably produces something unpleasant to remember. So far as the question of the function of the machinery of the government is concerned, in India, innumerable instances of harassment can be identified, anyone willing to obtain an electricity connection or settle a disputed electricity bill, anyone who has been to the office of a Municipal Corporation (it does not matter which political party rules it) whether to get a berth or death certificate or to seek permission to build a modest house, anyone who has dealt with income tax authorities who have specialized themselves in harassing the honest tax payers while the tax evaders prosper, anyone running a small business who has to cope with an excise inspector or a factory inspector, anyone seeking reserved berths with Indian Railways, anyone who has applied for a passport or simply wanted to enquire about it at the office of the passport, anyone who has attempted to lodge a report or a complaint at a police station, anyone who has needed a document from a patowari or a tehsildar, any small farmer who has sought to obtain seeds and fertilizers from the block development office, or irrigation water from the local functionary of the canals department or power at a concessional tariff from the electricity board outlet and so on. These dysfunction or better to say the malfunctioning of the state generally make the citizens helpless and their reaction ranges from frustration through agony, anger to despair. This disillusionment that comes from such daily experiences is being capitalized by the pro-liberalization scholars to a great extent. Many of these functions one must admit are common (say birth certificates, passports or tax collection) to the functioning of all government everywhere and it will remain so. The above mentioned task can not be entrusted with the private enterprises. The remedy in this context is to take necessary steps

so that the quality of the level of the performance of the government can be improved to the greatest extent. So, it is clear that when the state intervenes wrongly or the institution of the state tries to perform the functioning of the market, this subset of government failure arises before common citizens in the society. Principally, economic liberalization can address only this particular subset of government failures.

In a country like India such experiences are not uncommon. Other countries in the world also experienced these failures. In the erstwhile socialist countries, the state has taken excessive burden upon it in many fields. But in many important areas it has done too little of what it can or should do. The experience of socialist country is now being reflected in the functioning of the developing blocs in the World. Disillusionment of citizens with governments is found because of such overburden role of the government. As the ordinary people sank deeply into despair under arbitrary bureaucratic controls in these countries (i.e. Third World Countries) free market ideology gathered momentum at fast speed. So it is very easy to understand at present until these government failures began to be overshadowed by market failures. The other side of the hedge, namely the market system, looked much greener (The reformed communists were voted back to power and over-zealous market-reformers lost elections almost everywhere in the erstwhile socialist countries of East Europe including the former Soviet Union.⁷

Most people are familiar with failures of governments through their experiences and it is not altogether surprising at all. People generally take the failures of the institution of market as impersonal and natural and the reason for this is that people are much less conscious of failures of markets. They are difficult to recognize. Many conservative economists argue that market failures appear natural events, somewhat like act of God, say an earthquake or a flood. But an intelligent people will find it easily that the failure of the market should not be treated as a natural event and at the same time he must support the point

that the reasons underlying market failure should not be confined to the domain of economics. Both the institutions i.e. market and state are identical human institutions and for proper and useful functioning of these two important institutions both require careful monitoring and deliberate correction. For having a merit elaboration much importance is to be attached to the particular issue.

Market failures appear before us in different dimensions. In economics one can find a lot of text books to highlight such failures. A few that are often cited have been explained in this chapter. First, because of the lack of adequate competition, a system of monopoly (one producer) or oligopoly (a few important producers) emerges. In this system one can not find the efficient market solutions characterized as optimal. This is not found even in the static world of theoretical economists. As a result of this fact monopolist or oligopolies producer produces less than the demand of the market but the charges too high over their production compared with the competitive situations. Such situations are described by the economists as the imperfect markets. The situation also highlights the contrast with there theoretical idea of perfect markets. Second, an economic activity may impose costs on society which are not reflected in the costs incurred by individual producers. Undertaking those activities, e.g. pollution caused by a chemical plant, on the contrary, it is found that the activities of individual producers may create benefits for society which are not reflected in the price received by producers, e.g. skills acquired by workers in a factory. These effects are not aptly reflected in the market prices as the externalities but the economists are of the opinion that these effects matter to society to a great extent. Third, from the view point of the society there are goods and services which are considered desirable and even essential. But private enterprises can not supply these services as they are not profitable enough or can not be easily charged for e.g. national defence, hospital services, street-lights etc. They are referred ^{to} as the public goods by the economists. Fourth, there are goods and services which remain unpaid by the individual even after being served by

these goods and services. Museums or seat belts in cars are a few to mention in these kinds of service. To describe those goods and services economists coined the term merit goods (a little reflection would show that there are close links among externalities, public goods and merit goods).⁸

It is obvious that market decisions may widen the divergence between private and social costs or benefits in many economic situations where the whole is different from the sum total of the parts. Overproduction or overuse of goods (too many cars on the roads or too much pesticide in agriculture) inevitably comes out when the firms or households are guided by the profit maximizing behaviour heavily. The trend could impose substantial costs on society in the form of environmental problems. Undesirable social outcomes are sure to take place at the atomistic pursuit of self-interest by individual in many cases. But solutions in co-operative manner may lead to unambiguously superior outcomes (common property rights). So there is no doubt of this fact. Market failures arise at a macro level. These failures of the market are discernible only over time and society in long run pay heavily for it. But the interesting development in this regard is that these failures sometimes remain unnoticed by the individuals or citizens who are not directly affected (Note that pollution in big cities has to get really bad before it was taken seriously). One has to keep in mind that market failures are for real and thereby it falls heavily upon the society. Scholars insist on explaining a dimension of market failure as it has received less attention than it deserves. Markets have a tendency of under producing information, access to which can not be limited or priced (similar to public goods). This is described as information failure in the text books. But many more faces of it are to explore. Markets often attempt for the manipulation of access to information. It is often seen that important players in markets are trying their level best to suppress information. In the pursuit of profit markets may even attempt the creation of misinformation. Misleading advertisement is a good example in this regard. It is to be noted here that probable information

failure of the market deserves special attention in this day and age when information technology is being revolutionized. All the political parties are now-a-days engaged in such manipulation of information using the so called rules of market. Unfortunately it has become a part of democratic politics in a market economy.⁹

Even more important market failures are there which have been identified by the scholars. The reliance on markets often generates inflation and unemployment at a macro level. In similar fashion it is found, market solutions may increase poverty and inequality among people and regions. This is not a matter of concern for the countries in the world alone. An alarmingly increasing number of homeless people are found on the streets of New York. There are also an increasing number of people begging in the streets of London these days. It is worth noting for an economist that market solutions may lead to under-investment in some sectors (where a country may even have a potential comparative advantage) or under provision for R & D and innovation in other sectors (where technological development again somewhat like public goods and information is essential). It is worth considering an example that is closer to home and easier to understand. Emerging concern in India is also there among some who are enthusiastic about economic liberalization, that too much Portfolio investment from abroad is there (in the acquisition of ownership rights in financial assets which generate income for the foreign investor) and too little direct investment from abroad (in the creation of physical assets like factories which generate employment in the economy). Taking it as the logic of market the development is being protected.

Reconciliation of government failure or market failure or judgments about which is worse as if there is a choice to be made is very difficult and this is to be recognized with great importance at all levels. The attempt will mislead us as it diverts the scholars into a false debate. As the facts of life both the failures in case of market as well as of state are to be accepted. Perfection can never be found

either with state or market. No doubt markets are invariably imperfect and governments are without exception fallible. An intelligent task in this context will be launching the devices that will prevent market failures and government failures. One must admit that these failures are not absolute in nature. Scholars are many who will argue that a reasonable degree of correction is possible in both the cases. Only a few dogmatists will oppose the introduction of such corrective measures. Important factor in this context is that learning should be made from the experiences. But at the same time over-reaction is to be avoided cautiously in learning from mistake. Scholars are of the opinion that a step avoiding such swings of under-reaction and over-reaction is to be treated as the best corrective mechanism. ¹⁰

Erstwhile centrally-planned economy exercised by many countries in East Europe may be cited as example, where one can find full reliance on the institution of state. The same is true with many developing countries where state exercises intervention rigorously. No doubt there is a real danger that the reaction and the correction may go too far dismantling of state control and ownership of state obviously will create a vacuum in the socialist countries of yesteryears. It will not be wise to expect that this vacuum will be automatically filled by a well functioning market. It was filled by the rule of a mafia in some cases at least. Any thinking person must keep this fact obviously that a proper functioning of the institution of market is possible only when the other institutions especially the institution of state provides support and proper guidance at times. But this fact is often lost sight of in the heat of the debate on the state versus this market. The state can not do without the market vice versa. The withdrawal of the estate from economic activity is often equated with an escape from bureaucratic controls in many developing countries. But it may unleash a liberalization of corruption if not organized economic crime by a political mafias. The same is true in case of India also. Liberalization has made the situation so critical that the big industrialist now have greased the palms of

the officials with more money to get their jobs done. Even in the heyday of controls of license raj these industrialists had not to pay such big amount of bribes. No doubt that the process of economic liberalization may (or may not) put an end or have reduced the tyranny of the inspector-raj or babu-raj. But at the same the plunders of kickbacks-raj have been introduced by the wave of economic liberalization. The observers are puzzled over this development of the process of economic liberalization in India.

The high priests of liberalization have generated the problems high as there is tendency with them of painting the state in black and the market in white. Pro-liberalization scholars are eying the world in a binary mood. But, surprisingly it is to be admitted under the present day situation that there is no either or choice to be made. It can be argued that on the contrary chances of decrease with the policy failure occur only when we succeeded in making the state and the market complement one another. Precisely this is the general phenomenon in successful market economies. The institution of market must innovate new regulations for helping these strengthening and expanding market process or the scope of the market process as the scope of the market expands under the liberalization paradigm. For instance to avoid the recent financial scam in India, governments should have been equipped with the sound regulations as the role of the market in the stock exchange expanded or as financial institutions were created. For the smooth expansion of the market process such regulations would have been of great use. But, it was found that the priests of liberalization went on a trip of wishful thinking. The pro-liberalization scholars heavily argued in favour of deregulation. They assumed that deregulation was of utmost importance for releasing private initiative at length for realizing economic development through the creation of new financial institutions "No doubt, it released a great deal of private energy and imagination, but of less use and significance. ¹¹

2.5. STATE AND ITS ECONOMIC ROLE:

Economic theory and economic history play important roles in the process of the understanding of the economic role of the state in the process of development. It can be argued in the form of two basic propositions. First, the state and the market are, by and large, not substitutes, rather in many spheres and activities they must complement one another. Second, the relationship between the state and the market can not be specified once and for all in any dogmatic manner over any period of time. Attempts are to be made so that the two institutions must adapt to one another in a co-operative manner over time. Belief is there also with us that these propositions explain the difference between success and failure. Countries having economic development clearly show that both the institutions are running hand in hand and they also adapt to one another in response to changing circumstances. During the nineteenth century and by the more recent experience of the late industrializers in the twentieth century the history of capitalism among the early industrializers has categorically made this proposition borne out.

An important note was made repeatedly by the economic historians tracing the evolutionary course of the market under early capitalism that the institution of market could become the organizing principle of capitalism only when it was embedded in the regulatory mechanism of the nation state. It is to be kept in mind rigorously that at each stage when there will be the very extension of the scope of the free market necessitated there must be the imposition of new regulations by the state to ensure further growth of the market. Therefore, when these two institutions i.e. the state and the market are put at confrontation, there will obviously be the misreading of history. Under the circumstances the relationship between these two institutions is to be governed by a kind of adaptive principle in which neither the state nor the market becomes harmful to one another. Instead, a co-operative relationship between these two institutions

will become a great cause for bringing about economic development in all human societies.

Historical lesson provides with many more points for a country like India to exercise the principle mentioned above. But in practice it is being found that the champions of liberalization in India talking rigorously in favour of rapid privatization as the dogmatic leftists find absolute virtue in nationalization. Both make the mistake in their attempts of making one institution dominate the other in an abstract search for economic efficiency. The process destroys development of mutual complementary role of both the institutions. Development of normal checks and balances system also gets diminished. Economic system suffers from the lack of self correcting mechanism even against gross violation of economic principles and things sooner or later go long hopelessly. The reason of remaining laissez faire as a myth rather than the reality of capitalist development is to be traced against this background. The same reason can be considered as the cause of the failure of central planning in socialist economics which looked so good on paper.¹²

Considering the experience of the late industrializers is instructive from this perspective. History of the late industrializers do not justify the point that markets know the best and state intervention is counter productive in the process of industrialization. Proper guidance and constructive support as the experience of the second half of the twentieth century proves have been the key features for building the very foundation of successful development in countries which are later to industrialization. The visible hand of the state is as much in evidence as the invisible hand of the market even among the East Asian countries which are often cited as success stories that depict the magic of market place. The development of industrialization or industrialize capitalism in Japan after the Meiji Restoration in 1868(the concept of revolution from above) or the emergence of capital socialism in China after the modernization and reform programme which was launched in 1978 definitely be considered as unavoidable

inference in this context. Crucial economic role was performed by the state in Korea, Taiwan and even Singapore for realizing huge economic development.

It is the careful and intuitive intervention of the state that helps in creating the conditions for the development of industrial capitalism in the earlier stages of industrialization. Government investment in energy, transport and communication helps in a big way in creating physical infrastructure for giving platform of development. The attempt of the government in this fashion reduces the cost of inputs used by the private sector or increases the demand for goods produced by the private sector. This activity the government provides ample humane resources through education. This attempt raises private profitability lowering the private cost of timing workers. Agrarian reform in the right direction raises private productivity and income in the agricultural sector to foster industrialization through supply demand linkages. The proper reform in the agricultural sector is a kind of institutional changes and can be realized through the intelligent intervention of the government. There is a great need of emphasizing that proper reforms in the agricultural sector, the spread of education in society and above all, the role of state intervention have been crucial for development among late industrializers. The success stories in East Asia to be particular are now perceived as role models. We must not be fooled in any way in this regard. These necessary conditions of the development certainly were not the magic product of market place.

Protection of infant industries through tariffs or other means was provided by the state among the late industrializers in their early attempts of bringing development for the different states. This can be taken as an important illustration of the economic role of the state in the early stages of development. Emerging domestic entrepreneurs in the private sector is protected by the state vehemently from international competition in the domestic market. In this way a mutual complementary role between the state and the market can be found. The objective only can be realized at the withdrawal of the protection of the state

from the infant industries. These infant industries after shaking their protection off must make themselves adults and ultimately capable of competing in the World Market. So, it is to be admitted that an adaptive change is to be taken into consideration for the new roles to be performed both by the market and the state. However, most of the developing countries in the world have not realized the crying need of the hours. As a result of this fact, infant industries in the developing countries grow up as problem adolescents or go from a first childhood to a second childhood without ever passing through the stage of adulthood. Infant industries of this kind in the developing countries must get the protection from the state for ever in part because the paternalistic role of the state does not change adaptively over time. It is the adaptive responsive of state and the market to one another as circumstances and time change upon which the question of success and failure depends. The argument is true in case of any example taken into account for consideration.

Scholars attempting to think of a balancing role between the two important institutions i.e. the state and the market opine that it is not just the degree but also the nature of state intervention that must undergo proper change in the later stages of industrialization. Under the circumstances the institution of state is going to be neither a promoter nor a catalyst. The interventionist role of the state in the market can best be discussed after putting it under the following major banners. These are functional, institutional or strategic interventions. Elaborations of all these sorts of intervention are made below.

2.5.1. FUNCTIONAL INTERVENTION:

This sort of intervention attempted on behalf of the state aims at correcting market failures in so far as prices give the wrong signals. State intervention in this regard may exercise specific or general intervention. Nature of the failure of the price mechanism determines the kinds of intervention. For example, an overnight dramatic or speculative boom in the foreign exchange

market in real estate or in the stock exchange has no basis in the real economy. Normal investors will be misguided from such a speculative rise in prices. But government may play trick with such speculative rises .Pretending in the short run that their liberal policies are playing effective role for generating this optimistic mood in the market, the bubble, however, is likely to burst sooner than later. Strong case for early government intervention in such situations can be cited easily. In general principle it has been found that gross failure of the price mechanism follows a government intervention. But it has to be admitted that the reality is far more complex. Availability of alternative market based solutions or the ability of governments to design and implement correct solution on the basis of adequate information becomes the major and critical question in all such cases. Analytically, however, one may easily find out the logic of this from of intervention expected to be attempted on the part of the state.

2.5.2. INSTITUTIONAL INTERVENTION:

The main objective of this kind of intervention is to govern the institution of market. By setting the rules of the game for the actors the institution of state performs its duty in this regard. To be more accurate and particular one can see that the institution of state is creating frameworks and gridlines for regulating the mechanisms of market and at the same times state is taking the responsibility of creating institutions to monitor the functioning of market. In this context it will be wise to cite a few examples to high light the significance of this form of intervention. It is obvious that for ensuring a level playing field and to pre-empt a free-for-all at the same time, a market economy needs the rules of the game. Hence, it is necessary to take into consideration that the trade policy reform initiated by the state trying to usher in import liberalizations must be matched by a comprehensive system of anti dumping rules for domestic firms to invoke wherever necessary. Another example can be traced to the introduction of private transport system. Any attempt for the privatization of public transport

must have the necessary rules so that the safety of the passengers can be ensured at any cost. The state will take into account the question of the implementation of traffic rules to ensure the safety of pedestrians. The redline buses in the capital of India, or the minibuses in Kolkata simply at the time of operating in a market are not given to the rules. By minimizing turn around time these private operators are maximizing the profits at the cost of inconvenience created by them to the common people in the society. The situation is safe neither for the pedestrians on the road nor passenger in the buses. This is clearly a 'free-for-all' not a 'level playing field'.

It must be kept in mind that a market economy must not necessarily go for encouraging profit maximization at any cost. But on the contrary it should attempt to create regulatory legal systems to protect the rights of both entities and individuals. In this context we are to attach due importance to the interests of the unorganized consumers significantly. Industrial deregulations must have corresponding anti-trusting rule. Financial liberalization must get matching regulatory laws. Consumer protection can be achieved when there will be laws that curb restrictive trade practices, ensure quality control and check misinformation in advertising. The functional existence of these institutions facilitates the function of markets in a market economy. Equivalent of a Securities and Exchange Commission, as in the United States, that would detect trading mal practices, enforce disclosure rules and promote private investor's protection before the state go for the dismantling of controls in the domestic capital market in the name of liberalization. Securities and Exchange Board of India for realizing such goals mentioned above has to go a long way as the building of such organization in a market economy is a time consuming process. Honestly speaking the task of creating such regulatory mechanism has not yet been finished. The process of privatization which is natural monopolies has already started in India with telephone services and electric supply. The present situation in India demands from the institution of the state the creation of institutions

either to calibrate competition where there is single producer or to govern pricing and protect consumers where there is more than one producer. Protection of the interests of the consumers is to be ensured against sectional interests of many unrepresentative trade unions by the government at any cost.

On the other hand in any genuine democracy the trade union rights of the workers must be ensured. Selection through secret ballots will ensure that no unrepresentative trade union harasses ordinary consumers. Here, in this context it must be kept in mind, like in other examples, that recognition of workers' rights must go with appropriate regulations for recognizing these rights. Transparency and unpartisan ship must be set at the outset for preparation of such rules of the game between the two important institutions. Experiences prove that this task can be initiated by a government only.

2.5.3. STRATEGIC INTERVENTION:

This type of intervention initiated by the state aims at guiding the institution of market. The intervention is articulated in such manner so that it can have interlinked across activities or sectors with a view to achieving broader, long-term objectives of development. Several types of example carrying the features of this kind of intervention are possible to cite in this context. Deforming exchange rate policy is simply not a tactical matter but definitely a strategic intervention on behalf of the state to get the prices right in a market economy. It is a well known fact that in order to provide an entry into the world market for differentiated manufactured goods, it is necessary for the state to maintain an undervalued exchange rate deliberately over a period of time. The fact is concrete where quality is perceived in terms of established brands but lower prices of unknown brands allow initial access to markets. Under the circumstances foreigners can buy the domestic manufactured goods at a cheap rate if significantly a strategic undervalued exchange rate is maintained. The reason lies in the fact that a strategically undervalued domestic currency makes

the prices of domestic manufactured exports cheaper for foreigners. The situation ultimately by degrees creates their reputation in competition with the established brands already exist in market. The illustration of this kind of strategic intervention can be found with the Japanese cars and cameras in an earlier period and in the later period with the Korean cars. Strategic intervention with interest rates does not help getting it structured in such style so that it will not help allowing market forces to determine the scarcity price of borrowing finance. But very often economists are fond of opining in that fashion. Short term and long term interest rates with its structure may be taken as a strategic instrument for guiding the allocation of scarce investible resources and credit in a market economy, in accordance with a long term perspective of comparative advantage or national properties. Strategic intervention posed in terms of restrictions on the use of foreign brand names is not necessarily symptomatic of an inward-looking attitude. Rather this activity is to be treated as a strategic means of buying time to develop brand names that becomes acceptable in world markets after a time lag, but could never have surfaced in competition with established brands. Such kinds of tactful strategic intervention initiated by the state may constitute an integral part of any strategy of industrialization that endeavors to strengthen capabilities and develop institutions rather than rely on incentives and markets alone. Instances mentioned above concretely prove the point that strategic intervention does not stand in the way of rapid domestic industrialization in any stages of its development. One many easily find that strategic intervention and the initiative of domestic industrialists complementary to each other. Out of the experience of Japan and the Republic of Korea in particular and from East Asia in general there is perhaps the most important lesson emerged with a view to influencing private investment decisions both Japan and Korea put exchange rate policy to the required strategic use and at the same time cleverly manipulated their interest rates as a strategic price. These two countries, in effect, banned the use of foreign brands for a period of time as a strategic means of developing their

own brand names. Only in the realm of industrial policy and technology policy the strategic intervention of the state should not be left confined to. It should be exercised in the sphere of trade policy. Mere a blind reliance on market forces will bring disaster for a country aspiring of economic development at length. Strategic intervention in intelligent manner in the spheres of industry, technology, trade etc. undoubtedly brings efficiency and dynamism in the later stages of industrialization. Enabling Japan and Korea in joining the league of the industrialized nations was possible because these two countries exercised intervention in the above mentioned style very successfully and effectively. ¹³

The counterproductive role of state intervention strongly influenced the policy makers in India as in East Europe in the past. This has been the reason of not recognizing the possibilities of a creative interaction between the state and the market. As a result of this fact at the present stage of industrialization and development there is no attempt at rethinking and redefining the role of the state in India. Pro-liberalization scholars in India in practical are high on rhetoric and short on thinking. Liberalizers are of the opinion that foreign investment and multinational corporations will bring about an economic miracle in the process of economic development. They do not consider state as an important actor that can play a crucial role through intelligent strategic interventions in this process of market economy. Instead they consider state to be a passive actor in this context.

But to be practical our rethinking must recognize the complementary role between the state and the market as we should not depend on the speculative miracles. Co-operation, not the conflict should characterize the relationship between the two institutions. Time for a particular period will help in evolving this relationship-economy and the society requires both - the entrepreneurial talents of the private sector and the capabilities of the state. The relationship between the two institutions must be flexible and adaptive as the demands of the economy and the society get changing over time. At critical points of time the

costs of the government failure and market failure are to be assessed because this is the crux of the problem of determining the degree of the complementary relationship between the two important institutions. The attempts will definitely help in minimizing the costs of states' interaction with market and the society will be benefited to a great extent. Costs of state in action at such critical points must also be recognized by those who never tire of emphasizing the costs of state intervention. Reformulation of the questions about the economic role of the state needs to be emphasized in this context. At present intelligent scholars should not drabble their heads in determining about the size of the state (how big?) or the degree of state intervention (how much?). Instead they should insist on determining the state intervention (what sort?) and the performance of the state at various better quality levels (how good?).

The comparative advantage of both public sector and private sector determines the respective roles of the government and the market. As the boundaries change over time as comparative advantage or circumstances change, no hard and fast rules should be there for determining the relationship between the state and the market. But it is to be admitted that private initiative is best for certain things in the society and these things should be left with the institution of market only. At the same time the institution of the state should be left alone for dealing with the other aspects in the society. In addition to all these things there are a few aspects in the society whose proper functioning depend upon the mutual coexistence of the institution of the market and the institution of the state. A few examples in this context will suffice to illustrate to a great extent. Running hotels or producing textiles should not be matter of the concern of the governments in any societies. Private sector is fit and suitable for operating such activities. It is easily observable that as general principles with some exceptions, final goods and services are sold to a large number of consumers and these activities can not be taken as examples of natural monopolistic activities. But one important aspect in this context has to be kept in mind that competition must be

kept alive among the activities of all the private actors particularly in the absence of prohibitive scale economies in the society. Ensuring quality at reasonable prices can not be possible by the regulations of the government alone. Experiences from the past prove this point vehemently. But competition existing among the several private enterprises help in the process of the maintenance of competition in the market, Government's role in this perspective is to monitor that producers in each area do not enter into implicit agreements or form cartels that would jeopardize consumer interests. It is to be kept in mind that consumers' choice must be enjoying their choices as long as there are some producers in each area. Many scholars in this context argue that there are certain public utilities which are natural monopolies, say the railways, and should remain in the public sector. The reason lies in the fact that there are certain sectors like railways etc. where competition in the form of more producers may turn out to be uneconomic if it means a wasteful duplicate tracks or stations. Another fact is that private ownership would reduce or skew the availability of services to users if it invests in or develops the high density routes but neglects or close down low density routes. No doubt, scholars strongly argue, on the other hand that there are some sectors where both the public sector and the private sector, must co-exist as the competition would keep both on their toes. In an oligopolistic market structures this is of great importance because the importance of scale economies limits the number of producers as in steel or petrochemicals. Entry of a few private airlines in the market of civil aviation in India has provided much needed competition to the public sector. The insistence gives a good support of the reason of making arrangements for the competition oriented co-existence of the both public sector and the private sector.

Stress is to be put on two important points at the time of considering any division of labour between the public sector and the private sector. First, it is to be made crystal clear that between ownership and performance there is no unambiguous relationship. Pro-liberalization scholars are very much guided by

the motivated ideology in expressing their views that private ownership always means good performance and public ownership always means bad performance. However, this claim is not well supported by facts. Pro-liberalization scholars would do well remembering the fact that Pan American, a private airline went bankrupt in the heartland of capitalism while Singapore Airlines, entirely state owned is among the best so far as the question of making profit is concerned. Such examples are boundless even in the day of liberalization paradigm. One must admit that competition in the market structure and competence together with accountability in the management than by the nature of its ownership determines the economic efficiency of an enterprise. Second, the comparative advantage of the public sector and the private sector not only differs across sectors but also changes over time. Experiences and evidences from the past proved the point that the relationship between the state and the market had always been evolving and adaptive in nature. Therefore, the respective domains of the public sector and the private sector must function in the same line as the two important institutions i.e. the state and the market function through mutual co-operation without getting overlapped with each other. ¹⁴

Time and the age have come when the relative economic role of the state as a producer should diminish over time in a country such as India. The government must continue without abandoning its effort of developing physical infrastructure at the present stage of development. Concentration at the creation of social infrastructure should be rigorous on behalf of the government at the present stage of time. In the name of liberalization the state (India in the present case) must not abandon its efforts and dilute its role in any way. The demand of the common people is the merger of economic priorities of the people into the development objectives of the nation. It is being noticed at the same time particularly in India, the government is also endeavouring to change the nature and the quality of its intervention in the market, consciously differentiating between the functional, the institutional and strategic aspects. Over different

time horizons the impact of different interventions would be felt. Being influenced from the belief that markets know best or under the illusion that foreign investment would do the trick the institution of government simply must not abdicate its role. Rapid economic development in India can only be fostered when a creative and mutual cooperation between the two important institutions i.e. the state and the market get evolved adaptively over different periods of time on these terms only the debate between state & market can become meaningful and significant also.¹⁵

2.6. NATURE OF THE STATE IN THE CONTEXT OF PRESENT DAY POLITICS:

At the present critical juncture a lot of arguments have been put forward for redefining the role of the state. Scholars opine that it is greatly needed and desirable also at this present moment. As India has entered into the liberalization paradigm the scope of the market will definitely reach a new horizon after having a considerable extension but the important point is to be kept in mind that in India the economic role (i.e. welfare functioning) of the state would continue to be important for some time to come. Generally to the common people in the society these arguments may appear to be persuasive, if not obvious. But the feasibility of this redefined economic role of the state in India in terms of politics may also appear to be doubtful to the most of the people in the society. Existing nature of our politics in India provides considerable reason for such scepticism and pessimistic thinking among the people at large in our society. Definitely without thinking, it can be argued that the nature of the state determined the ability and the willingness of the state for such functions. Agenda of the state also helps a lot for creating the environment of such functioning. In turn both are shaped by the underlying politics. But irony of the fate is that the recent experience in India does not provide considerable wide crack to get entrance sufficient rays of hope. Under the aforesaid circumstances abandoning all hopes it will not be wise for us to enter into Dante's Hell.

A minute analysis of the Indian society reveals the fact that there have been two important dimensions for determining the nature of the state in India as also its actual agenda. On the one hand there has been the heterogeneous class structure of society overlapping with the divides of caste and religion, on the other hand there is the compulsions of electoral politics in the most poor and populous democracy in the world. Existing sharp social and economic inequalities in the society have been the breeding ground for unequal distribution of political power. Against such back drops by and large the institution of state has represented the dominant interests of the dominant economic and social classes that constitute the ruling elite. Sharp poverty among the vast majority of the common people in the society and the compulsions of a democracy where governments are elected by the people have been responsible enough for moderating this reality existing very badly in the country. Ruling mandate has to be renewed at least once in five years. It is the votes of the poor people in the society hold the trump card of making election won for any political party whose remote control is at the hands of the microscopic ruling elites of the society. India has been able to distinguish itself from many other developing countries in the world because of the existence of such an important fact of political life in the society. Politicians even can not ignore this crude reality. Distribution of income or asset is something different but the interesting fact with the distribution of votes is that it is always equal in nature in India. In terms of purchasing power in the market it can easily be found that a rich man has more votes than a poor man. But in politics, one adult irrespective of being rich or poor has the power of casting one vote only during election of any kind. Under these circumstances common people in the society most of whom are poor must be empowered to such an extent where they can be able to provide political legitimating for the state of India and this is of great necessity and significance of the present situation current in India.¹⁶

These conflicting pressures of economics and politics on the state could have been used to provide a healthy system of checks and balances so far as the question of principle is concerned in the context of the age of political economy. These checks and balances are to be exercised in the form of different self correcting mechanisms and it is known to scholars as the essence of democracy. But unfortunately it has meant the worst of both worlds in practice. A cynical politics of soft options has perpetuated the vested interests of the dominant classes or the ruling elite in the society. The process has made the state encircled and paralyzed from taking hard decision for the benefit or welfare of the majority of the people in the society. The vicious cycle of the ineffective mechanism does not make the state willing and able to smash the toes of the rich and powerful sections. The support of underprivileged at the same time has bred a competitive politics of populism and this is of great necessity for getting the legitimation from the people to make the deceased mechanism capable of fulfilling the interests of the dominant elite. Around election times political parties functioning in India have been clever and tactful enough to woo the people with sops. In this game both Left and Right are equal so far as the question of wooing the people with sops is concerned. Hypocrisy is easily found in this process and this is nauseating enough. Scholars may easily find out that antagonistic attitude on the surface is there so far as the question of the relationship between the state and the industrialist (pro-capitalism) is concerned and this is getting operated through a maze of controls. But unfortunately the fact is that beneath the surface there is a symbiotic relationship and it is an operation through a maze of corruption. It has been found that in terms of rhetoric the relationship between the state and the market has been very close. This can be realized as it has been voiced through catchy slogans about poverty eradication (garibi hatao) or affirmative action (reservations in jobs) or class struggle (power to the people). But these activities have not been able to divert the activities of the dominant elite in the society from achieving their vested and

narrow interest. The situation has left hundred of millions of people unfed and unclothed though repeated promises have been made by the policy makers over the last five and half decades. In this respect it is worth mentioning that both the Centre and the States are equally guilty. Though it is very interesting to see that in the centre there has been the rule of a single party i.e. congress party for most of the time yet the situation has not been changed from being deteriorated as the time progressed. Different political parties who held the ruling machinery for different states from time to time have also not been able to abridge the gap between the rich and the poor so far and the question of equitable distribution of resources finds its place only on paper. All the political parties are in the same boat as all of them are well up in expressing the hypocritical politics of populism.¹⁷

A minute analysis of the current political situation in India shows that a means rather of sharing the spoils in conformity with the dictates of politics has been provided by the state. Growing random populism has been the major goal of this process. As there has been no transparency and accountability the aforesaid system could have been able to prosper for a time and then survived. As the time progressed the system became increasingly strained and ultimately brought into disrepute as the system had not concrete foundation of integrated network of actions. Through the constitutionally granted mechanism i.e. the electoral process the people of India over the past five decades have brought down governments to begin with in the states and later at the centre to convey their unhappiness or vent their anger. But to their utter surprise the people of the country witnessed that more the things changed the more they remained the same so far as the question of their unhappiness is concerned. The situation has given birth to the origin of a widespread disillusionment that no political party in India irrespective of their ideology is concerned about the development of the common people in the society. Even their political leaders also do not bother about the situation. Both the government and the state have lost their credibility

to the general citizens in the country. To describe the political reality in India it is worth mentioning here the truth of the old maxim that you can fool all of the people for some of the time or some of the people for all of time but you can not fool all of the people for all of the time. ¹⁸

There has been no change in the nature of the state or in the nature of politics in this country. Such was the background against which economic liberalization in India has been initiated at full length. The proposed escape from bureaucratic controls has led to a liberalization of corruption and it should come as no surprise. The system of laissez faire policy at full scale neither has been able to unshackle the elephant nor has been able to uncage the tiger. Rather, a bunch of corrupt politics and bureaucrats will find their heydays in pocketing the benefits sharply in favour of them. A movement simply from the old world of licenses or permits to a new world of percentages or kickbacks will not be able to change the 'neta-babu' raj in India. State intervention regime during the imperative planning was corrupted vehemently by this raj and apprehension is there until the nature of politics gets changed in India this 'neta-babu' raj will equally do the same damage with the market forces. Important lesson from this discussion is this effect of neta-babu raj functioning in the wrong way.

There is no denial of this fact even after having all the forces at our command that the liberalization effort or episode will go into destruction as the state failed in its earlier episode of intervention. The reason is always all the same. A state unable to run enterprises successfully is also not able to regulate, let alone governor guide markets. So to have a change in the realms of economics there must have a proper change in the sphere of politics before hand. This process will continue simultaneously to be business-as-usual. With or without liberalization does not make any difference to these net as and babus as they will do the same things until the aforesaid change is made successfully with the system at full length in the society.

State of politics in India at present is clearly in a glooming and critical condition. No doubt that there is reason for pessimism about the future but to be glooming there are not sufficient amount of reason for it. And as a result of this fact there is no reason of giving up the hope. The reason lies in the fact that if politics is the art of the possible, change is in the domain of the feasible. Naturally under this circumstance curiosity must rise among the people about this positive view of the state which puts forward this glimmer of hope for the curious readers particularly. It is crystal clear to the scholars that the state of India is not made up of plato's guardians. But there are concrete facts current in the society which clearly shows that a nexus between politics and crime exist in the functioning of socio-economic-political system of the country. An organized mafia group equivalent to that of an organized Sicilian Mafia determines the activities of the governmental process of the country. Or at least, as a few scholars may argue, not as yet. The economy, polity and society are all characterized by diverse forms of inequalities. All these developments have played a crucial role in shaping the nature of politics current in the country. In terms of conventional categories analytical in nature at either end of the ideological spectrum the reality is much too complex to be capsuled. This is because the society of India is characterized by diverse cultures (traditional and modern), diverse divides (caste, class and religion) or even diverse centuries (nineteenth of not the middle ages and twentieth) co-exist. Neither an idealistic view of the state nor a fatalistic view of the viable in such a diverse context exists in India at present. Rather a realistic view of the state is more effective in this context to overcome the present critical situation in the country. The view not only recognizes the many revealed weaknesses of the system but also at the same time takes into consideration the question of the possibilities of exploiting the little potential strengths still left in the system. Overwhelming diversity in India is having both the weaknesses and the strengths mingled with. ¹⁹

No doubt that democracy is the paramount strength of the system. Only a few countries are there in this world where the institution of democracy has deep rooted impact both upon the polity and the society. Despite such adversity mentioned above only the exercise of democracy has brought a special recognition or identity for the country and it continues to be there. It is a fact that the existence of checks and balances in a democracy easily helps the system in paving the way of having an influence on the nature of the state and the nature of politics. Order of the day at present with the political system of India is that it must be overwhelmingly characterized with the concept of feasibility. Only through the introduction of transparency and accountability into the system this much needed feasibility can be infused. There exists meaningful democracy only in that case. This arrangement helps the system creating self-mechanisms which are capable of learning from mistakes. It is to be admitted that only transparency can not make the system feasible. Accountability combined with the transparency can only bring the much needed result for the system. But transparency must precede accountability because transparency can only be achieved when all the activities are characterized with accountability also.

Indian political system, one may easily find, there is little transparency with it. Truly speaking there has been no transparency at all right from the functioning of Indian political system coming to the conclusion that we have to wait for a scandal to surface before information is provided'. The same tradition is going on even during these heydays of liberalization paradigm in India. To elicit information from the government about liberalization being exercised in the country at length the people of India have to wait for a scandal to come out. Time after time the experience repeats itself and also with distressing frequency. The stock scams, the Enron Deal, the MS shoes fiasco, the Bailadila mine episode are a few to mention in this regard and one can easily multiply these examples with the progress of time. Persistent press or parliamentary committees were set up every time as the information has to be cajoled, squeezed or forced out of a

reluctant government though the government claimed to be democratic in nature. But the story does not end here. Surprisingly it has been observed that the executive does not share information with parliament in the business of government. It has been noticed that liberalization for which a sustained political support is of great importance and significance has been introduced in the country almost by stealth. An open debate in parliament followed by an enactment of legislation was not there before inception of liberalization paradigm in India at full scale. Rather it was launched in the country through the promulgation of ordinances soon after parliament has adjourned or just before it is convened. As a result of this fact the amendment of the patent laws which has been the most striking example in this regard ultimately met with a filibuster in the Rajya Sabha. It is easy to understand in this context that this lack of transparency on the part of the government gave birth to the rise of large scale doubts among the mass in general. This unscrupulous initiative on the part of the government can never help in the process of generating much needed popular political support for the successful operation of liberalization mechanism in the country. Government's doubtful character can also be traced to its reluctance to share its assessment of the results of Uruguay Round of multilateral trade negotiations with the Parliament or the people to allow some time for public debate before the acceptance of substantial of international obligations. These activities of the government have created an atmosphere of unfaith for which there is speculation and allegations that perhaps in pursuit of hidden agenda the government was compromising with the national interest.

The story drags the government to the circumstances where it has little to hide or nothing to fear from the scrutiny of the public. There one can find that a clear natural instinct with the government of its reluctance so far as the question of sharing information with the public is concerned. There is a perception working inside the government that the most able civil servants and ministers are these who divulge the minimum information in providing responses to the

raised questions in parliament during different sessions. Interesting in this context that many variants are at work around this particular theme. As a rule there is a tendency with the government not to have the information disclosed to the common people in the society. Rather the government tactfully tries its level best to keep the information away from the public by invoking secrecy laws. Sometimes the government takes the shield of public interest and does not share information with the public. People are often misled by the government as it provides information in a few cases on a selective basis. This tactics more is concerned with the concealment than revealing the information for the betterment of the system. A minute analysis of the system reveals the fact that a privileged few inside the government in the attempt of gaining their vested interest closely held and manipulated the important information as a source of power and thus stands strongly in the process of the successful democratic function of the system. For personal economic or political gain the more dishonest among them frequently play a powerful role in restricting information from the public. This narrow and harmful exercise does not serve the interests of the people at all. But it may suit the convenience of the government in power to a great extent in many ways.²⁰

Another important development that the country has generated out of the system is the lack of accountability to the public. With the passage of time one may find that it has made disappearing even the little accountability that the system had in the past. It has generated feeling among the common people in the society that individuals in public a office are at liberty and they are no longer be treated accountable for impropriety, wrong doing or dishonesty on their part. As there is no transparency with the functioning of the system one can never be sure how much one knows. The present condition only can generate suspicious behaviour. There are politicians in the country who went into oblivion because they were known to be corrupt. But irony of the fact is that these politicians are rehabilitated as ministers in government with port folios that are known to be

profitable in nature. People find the ministers who are indicted by some form of public scrutiny continue unashamedly in office and it is very unfortunate to speak that no force can drop them. No force is strong enough to make them bound to resign from their posts. As they have largesse to disburse some political leaders become powerful and even king makers in the system. The same truth is also applicable with the civil servants in our country. Right from proverbial chaprasi, babu or inspector to the highest level in the civil service system have provided an innumerable cases of corruption. They have combinedly worked in such a manner that corruption has become important integral institution with the system. There are rare cases where people find that civil servants are being punished or left alone dismissed for corruption. People find helplessly loyalty to the masters help the corrupt and plant to prosper smoothly. There are people among the civil servants who are not willing to back the system and look the other way to survive. But unfortunately these few are not being rewarded properly because of their competence and honesty. As a result of this fact the system becomes an open ground for the corrupt politicians and the civil servants to loot indiscriminately. When the system is pushed finds some sacrificial lambs for the altar who are often no more than petty functionaries. But this only proves the rule with a few exceptions. ²¹

This type of accountability based on corruption or immorality is no doubt narrow to a great extent. It is noticed that for the consequences of their actions in the discharge of their public responsibilities- individuals and institutions are equally accountable in any democracy. But unfortunately accountability in this shape looks like a mirage in the country. ²²

All these developments make the system functioning in wrong ways. But surprisingly there are a few scholars (?) who describe the situation as system failure without any hesitation. This belief makes it clear that the responsibility for such failure goes to the divine authority. No human error is responsible for such dysfunction. Interesting feature of the system is that though the things go wrong

under their supervision neither the ministers nor the civil servants are held responsible for their unscrupulous actions. For example, one may easily recall the financial scam of 1992 which was by far the biggest financial scam in independent India. But as the disturbing sequences of developments unfolded, to our utter surprise we found that without any hesitation the finance Minister made the following statement: 'But that does not mean that I shall lose my sleep because the stock market goes up one day and falls the next day' (quoted in the report of the joint parliamentary committee to enquire into Irregularities in Securities and Banking Transactions, Lok Sabha Secretariat, December, 1993, Volume-1, p. 211). Because of this statement at the time of enquiring into the scam the Parliamentary Committee was led to observe: "It is good to have a Finance Minister who does not lose his sleep easily but one would wish that when such cataclysmic changes take place all around some alarm would ring to disturb his slumber. As the norm in any Parliamentary system the Minister is always accountable in the sense of constructive responsibility. Parliamentary committee also did not hesitate to emphasize this point and concluded reporting the responsibility and accountability of the Finance Minister to the Parliament can not be ignored and denied". But unfortunately government dared ignoring this point foolishly. In other countries if these sorts of situations arise ministers do not have second thought to resign. Officials are also found indicted in the wake of the similar scandals. If one considers the example of a sequence of air crashes or railway accidents it is clear that the ministers for civil aviation or the railways are not directly culpable but if the question of constructed responsibility is taken into consideration as an inseparable part of democratic value ministers of either ministry can not ignore their accountability to the people at large. In the past even in India there were incidences where one many easily find that following such events ministers spontaneously resigned from their portfolios. But to our utter surprise we find today that such practice is obsolete in nature. ²³

No doubt it is hardly surprising that ministers and civil servants are not accountable for the outcome of policies during their tenure in this milieu. From the dirigisme of the past to the economic liberalization of the present there works an irony about the transition and some times it may have escaped attention. There is no change in the dramatis personae though it may be odd. Scholars who use to advocate for excessive and rigorous state intervention (which has been inappropriate in the present day corium stones) have changed the colours at present. Even the high priest of liberalization now preach to us saying that they committed sins in the past and need reform at this hour of time. No matter, whether in the industrialized or the developing countries such a change in the policies would almost usher change of persons. Absence of accountability is making this thing possible in India too. ²⁴

In the context of economic liberalizations it is also being emphasized again that accountability is not simply or primarily even a moral issue only. At more terrestrial levels in is characterized with many implications. Taking into consideration the question of accountability for the poor performance or the low profitability of public sector enterprises definitely there are scholars who will prove this point in many ways. There are many straight forward reasons to prove the point why the debate sounds hollow. Until and unless the ministers or bureaucrats in charge are not seen accountable by the public at large we can not expect to hold public sector workers or management accountable or punishable in any way. Accountability from the top is desirable not from the bottom and it is more convincing. There are grounds where the architects of liberalization lament about stating that the workers and trade unions in our country are indisciplined to a great extent and this undisciplined behavior pattern stand in big way in the successful operation of market economy for the state. If the same standards of rigour are applied to politicians and bureaucrats (as also their gold men) in high places this problem can also be dealt with effectively. ²⁵

Though not a saving grace of the system one may find that the Indian media has, in a sense, been an insurance. It has been possible for the media to provide some checks and balances mechanism for the benefit of the country. Investigative journalism in India has exposed many scandals before the public. Debates in parliament have been initiated following the reports in newspapers. Some notion of accountability in the public eye has been created by the media through the writings in different newspapers and it is a well known fact today that it has played a vital role during election time. But limitations to this process are to be recognized at the same time with due importance. Because, there are cases where one may easily find that the intimidation of the state is powerful in influencing the media and many media agencies are often co-opted by the patronage of state. Unfortunately the latter is happening frequently. Another important factor is that public memory is short and newspapers come out every morning. Disasters of today often overtake the scandals of yesterday. More important is that only literate can make use of the writings of newspapers. Wide reach and a powerful influence are there with the electronic media but it is more or less captive of the government and even the satellite television is not free from controls and therefore, can not claim to be immune. Transparency gets eroded and accountability gets diminished further as the government exercises control over the electronic media directly or indirectly. Is there any reasonable economic argument can be put forward by the so called advocates of liberalization paradigm in India for such government control over the electronic media in the country? ²⁶

Extracting transparency and accountability inch by inch is simply very difficult from an unwilling government and every body will accept it. Nothing but the introduction of genuine transparency, accountability in our system is capable of changing the nature of politics. Government should take the prime initiative in bringing in such transparency and accountability. This is of great importance for the successful operation of the democratic structure in the

country. Disclosure of the information should be taken as a rule but not as exception. Movement from secrecy to openness in government can help in the pursuit of transparency. Government should take initiative so that information be made available by the government not only to the parliament and the media available but also the interested citizens. Constitutional recognition of the Right to Information through an amendment by the government is a positive and concrete step in this regard. Accountability can be ensured through the creation of 'Ombudsmen' like institutions at every level empowered with the investigation charges of corruption against those in government. At any cost it must be ensured that the guilty is punished and justice must be seen to be given credibility of our political system can be ensured only through these means in the eyes of public. But we should not be pleased only with these sorts of arrangements. If the things go wrong under the supervision of the ministers and the civil servants it is desirable that in terms of constructive responsibility they must learn to be accountable. It should be made crystal clear that accountability would mean that there are rewards for integrity and ability and at the same time there are the provisions of paying penalties for dishonesty and negligence of duty in public life. Slowly, but surely there will be a change in the culture of politics at the infusion of these provisions with the system in a big way.²⁷

Scholars opine that if necessary actions in right manner are initiated in the society for the restoration of transparency and accountability beyond the government to political parties then there will be change with the nature of politics presently current in the society. So far as the question of Indian experience is concerned it has been observed that for any political party in India transparency is not convenient as it brings with the threat of accountability. Therefore, on the agenda of political reform all the political parties keep silence as all are sailing in the same boat. If the concept of transparency is to be ensured then all the political parties will have to go for the disclosure of all contributions received and expenditures incurred by political parties in the form of audited

accounts available for public scrutiny. If steps are taken to make the provision of public findings if not fully but at least partially for elections and also to have more realistic ceilings on electoral campaign expenditure then certainly the attempts of achieving both transparency and accountability will be facilitated. Honest sharing of information will play an important role in infusing transparency into the present system. Political parties must ensure their manifestos should not be only mere posture before the elections only to change their stance after the event. Their manifestos must convey the message that they mean what they say and say what they mean; all the political parties must go for shunning off the politics of opportunism at any cost. Rather they must try their level best to stick to the politics of ideology with some value with it. Transparency with good amount of accountability can be ensured in the country in his way only. ²⁸

No doubt there is a possibility of changing both the culture and the nature of politics in India. In the political system of India the introduction of transparency and accountability is only a beginning in this quest. Scholars opine that this is necessary but not sufficient. This beginning must be initiated at present in the country. Underlying there are two reasons for this optimism. First the country is in a transition period from a political system in which there was the domination of a single political party i.e. congress to a political system in which there is the domination of at least three political parties i.e. Bharatiya Janata party, Janata Party and Congress at present at the national level and there are many more political parties are in fray at the regional level. ²⁹

Opposition political parties are having a lower stake in keeping the system devoid of transparency and accountability when they are out of power. A higher stake of transparency and accountability is seen among the political parties in coalition particularly when they are in power. The reason lies in the fact that all the political parties when they go for the formation of a coalition government generally take the concepts of transparency and accountability as

the basis of a stable coalition. Necessary stage for the beginning of the new era of transparency and accountability can find its place in the era of opposition politics and coalition politics. The said process has the capability of capturing the popular imagination and therefore, it can easily get momentum. ³⁰

Second, there is no denial of this fact that since independence with the span of the time of five decades the democracy of the country has acquired maturity and has also been able to get its root enrooted at the level of the common and even wretched people in the country. The same is true to a great extent with the polity of the country also. ³¹

A widespread disillusion is there in the society but at the same time there is also political consciousness among the voters as they cast their votes taking into consideration the ideology and the performance of the political parties functioning in the polity of India. Increasing, almost silent, participation and mobilization by the people in the democratic society is clearly discernible in the political system of India and there are many evidences to prove this point. ³²

In the ultimate analysis one must admit this fact that the self-correcting mechanisms to our democracy can be infused only with the help of the sanction and concrete will of the common people in the society. Scholars opine that this process is time consuming in nature. War of the India's economic development can only be won when there is the introduction of transparency and accountability in all possible government transactions at full length. All other attempts of making India economically developed can only be possible when the very reform and change start working in the process of bringing transparency and accountability in all walks of life of Indian society. Only in that case there will be the rise of the sun of socio-economic as well as political development for the country in a new way for the years to come. ³³

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