

CHAPTER - VII

SUMMARY AND CONCLUDING OBSERVATIONS

It has been noticed that the role of the state in the market is crucial for the attainment of economic development. The decades of the 1960's and 1970's had witnessed economists' obsessive preoccupation with the 'state'. But the decades of 1980's and 1990's are overwhelmingly and distinguishably with market (Von Hayek). This has been a beautiful platform in which equal rights both in terms of access and participation, in combination with the divergent and competing interests, leads to the greatest welfare of all. The concept of destatization which generally seeks to roll back the state ultimately has been responsible for paving the way. It has to be admitted that if the pre-occupation with the state had marginalized 'market,' the pre-occupation with the market society has succeeded in the same scale in marginalizing the 'state'. No doubt this has impoverished the understanding of both the concepts. Embarking on a consideration of the role and effects of either in abstraction will be puerile in nature, as both government and market functioning are socially embedded and can not be separated from the particular social context.

Since the inception of the economic reforms and structural adjustment programme in 1991, the country is well poised to become one of the world's most dynamic economies in the second-half the 1990. These reforms activities strongly rejected the excessive state regulation that the country pursued with the introduction of planned economy in 1951. The reform process initiated in 1991, under the leadership of Prime Minister P.V. Narasimha Rao and Finance Minister Dr. Mahmohan Singh unshackled Indian economy and gave it a new direction. But critical insights into the reform process reveal that this process still has a long way to complete its journey. India's growth potential has been raised

from 3-4 percent to 5-6 percent per year. But the targeted growth rate i.e. 10% every year has yet not been achieved even after 15 years of reform activities. To achieve a growth rate of 10% per year or more, there is no denial of this fact that further reforms activities need to be carried out efficiently and carefully. It is fortunate that economically, politically and administratively the remaining crisis is not out of reach but is within the reach.

There is an unwarranted lack of confidence among many Indian politicians and businessmen about the successful operation of the reform process though there is no concrete evidence of specific policy failings. This feeling did hamper the dynamism and operation of the reform activities in the country. There exists also opposition-stated fear that India would not be able to stand up to global competition if the economy of the country is opened up fully. As a result the country remains still one of the most-protected market economies in the world today, with tariff levels that are still high by international standards and quantitative restrictions that still cover a wide range of consumer goods. But it is fortunate for the country that the fears of or over international competition is misplaced. The export boom of China of the past decade based on low labour costs, the availability of managerial and engineering skills within India and the inflow of international capital and technology can be repeated by India with a more open and deregulated economy. America's labour-intensive manufactures in textile, apparel, footwear, electronics assembly, automobiles components and the like have much more to fear from low wage competition of India and vice-versa and it can be cited as a consolation to the country.

There is author school (Leftists/Marxists) who talks of fear that India could be overwhelmed by foreign multinational corporations. The East India Company syndromes are responsible to deepen such fear. But in the context of the present given modern geopolitical and economic realities, these fears are proved to be anachronistic in character. Most of the developing countries including India do not have capital of the international market s and necessary

technology. These entire requirements can be fulfilled if the economy of the country is exposed before the world economy after dismantling all the structural barriers. Thus it becomes very vital in the process of remoulding India as a strong and rapidly growing economy. Having dependence and reliance upon foreign direct investment (FDI) India's neighbouring countries such as China, Indonesia, Malaysia and Thailand have been pulling ahead of India in economic growth income levels and productivity. This has helped them in increasing their security and geopolitical influence in the world community. Contrary to this, India's continuous ambivalence to FDI has exerted a different impact on the economy of the country. It has exacted a heavy toll on the Indian economy. Billion of dollars of FDI are being shifted to its neighboring countries each year, flows that otherwise would have come to India and helped in flourishing its economy. In the year of 1993 India settled for a mere \$0.5 billion in actual inflows and commitments of around \$3 billion but China achieved actual FDI inflows of around \$15 billion in the same year and commitments exceeding \$150 billion.

That economic reforms would be socially iniquitous is the third misplaced fear from which the country suffers. In the organized sector of the economy which counts only 10% or less, the country spends tremendous resources and political energy as well to provide social justice to this percent of the workers. This in return creates an indirect result that hinders the chance for other surplus percent of the total population in the country to find gainful employment outside the subsistence agriculture or low productivity. Against this perspective any scholar would endorse in favor of the most of the reforms activities that are now feared or stalled privatization, greater foreign direct investment, labour and reforms with an object of enhancing social conditions as well as to spur economic growth if the reforms activities are to be implemented with a great pace.

The government, in most general terms, will be able to devote more resources and attention to real social needs, such as increased literacy and access to primary health care if it does leave the productive sphere the private sector

(including foreign enterprises). In most of the developing countries there are certain areas like primary education and health which are distinctly provided by of the government. With the increasing availability of international capital for industry and for many kinds of infrastructure (e.g. roads, telecom, ports) following open up it the economy govt. can redirect its own very scarce resources to develop the much needed primary sectors. Through out the developing world this kind of policy shift is underway since the early '80s'. Eduard Aninet, Economy Minister of Chile put emphasis on the increasing expenditure of the government on education following Chile's extensive privatization programme in recent years. Again, with the stated purpose of allowing the government to refocus its efforts where they are most needed- in education and upgrading skill. The Economy Minister of Argentina, Domiango Cavallo similarly recently announced a new and extensive wave of privatization.

For India to make a full-fledged opening to the world, it is surely a more propitious and suitable time. The era of colonial rule is no more in the contemporary world. The economy of the world is governed by international market today rather than sheer rapacity and opportunities. A remarkable commitment of some 120 nations in the Uruguay Round of the GATT (General Agreement on Tariffs and Trades) has been presented. It gave the assurance on the part of the signatory states to abide by the principles of open trade, non-discrimination and harmonization of law in crucial areas of commerce, service sector regulation and intellectual property rights. The codes of the agreement themselves favoured the weaker countries a lot. A realistic chance of developing on the basis of nearly complete market access in industrial products (including textiles and apparel after a 10 year phase) has been arranged in the agreement. Increased opportunities in agriculture, services and the attraction of the foreign direct investment have been ensured in the treaty for the developing world.

Scholars talking in favour of liberalized economy assert that India not only would get benefits from a law based international environment but also

benefited from the deeply integrated economy. The integration of the global economy presently is being found not just in trade, but also in finance, production and economic institutions. Open world markets mean mainly free-trade before ten or twenty years but the scenario is completely different at present as new technologies in different forms have given the world wide economic liberalization a holistic character. Now open world markets mean extensive and remarkable linkages in finance and production as well. Tens of billions of dollars of portfolio investments from the developed countries as a part of profound process of global diversification of institutional equity are getting poured into the economy of India. Portfolio (Pension funds, insurance companies, mutual funds) are being pumped in the emerging markets of the developing world including India. It must be admitted in the present context the present process of open economy represents a fundamental and economically justified search for risk diversification in long-term equity investment.

The inflows of portfolio flows from the developed to the developing blocs are as remarkable as the increased inflows of FDI. In the past decade the increase of global trade has been outpaced substantially by the increase in FDI. Consequently this has consistently outpaced the increases in the global GNP. So far, the case of China of course, can be cited as an example of being beneficiary of large scale foreign direct investment in the year of 1993, the actual inflows into China figure \$15 billion, while new commitments during the same year exceeded 150 billion of dollars in China. Given India's superior conditions as far as the questions of the rule of the law and political democracy and stability are concerned, India could match or even outpace China in attracting FDI if the proper reforms steps are undertaken and carried out.

However, several areas for continued reforms actions require further opening of the economy to trade and financial flows, unshackling of the private sector from the regulations of the state in different forms: socially responsible privatization of the state owned enterprises sector; and fundamental redirection

of the efforts of the government away from economic management towards a focus on primary health and education. Having identified the important areas for the reforms activities it will be wise to mention some specific measures so that the growth and equitable development of the country are spurred to the best of the satisfaction of all concerned. Before doing this a glimpse of the growth strategy of the country is discussed below.

7.1. INDIA'S GROWTH STRATEGY: AN OVERVIEW:

Based upon labour intensive manufacturing that combines the vast supply of Indian labour (included skilled managerial and engineering labour), with foreign capital technology and markets it is possible for a country to achieve very dynamic growth in the current world conditions. East Asian Economies which are often cited as the example of beneficiary out of the open economic policy have achieved growth rates consistently above 6 percent per year depending on the above mentioned factors. Pursuing the same path China has managed growth in excess of 10 percent per year in the 1990s. Malaysia has shifted from being a raw material exporter in the 1970s (with commodities accounting for 80 per cent of exports) to manufacturing exporters today (with manufactures, mainly electronics, accounting for 70 percent of exports). GDP growth rate of the country has exceeded 8 percent per annum.

With a view to tapping the supply of labour and to attract large flows of investment, the first and foremost task is to unshackle private enterprises (both domestic and foreign owned) from the heavy hand of state regulation. This will help to a great extent in achieving similar growth rates in India. To achieve maximum private sector growth, monopolies of the government in the key sectors like finance, infrastructure must be abolished (de facto as well as de jure).

Private business enterprises are to be put in proper perspective of true competitive sport. For ensuring such a competitive environment the following factors are important. These are I) flexibility in the hiring and dismissals of

workers, 2) the freedom of entry of capital including foreign capital, 3) the ready of availability of land for new business activities and 4) adequate infrastructure including power, ports, roads, and telecommunications. To facilitate infrastructure to meet local needs in a rapid and flexible manner the necessary degree of freedom must be there with both local and state governments.

A great deal of advancement has taken place. But in the private sector the necessary degree of flexibility is still away from the requirement and expectation. The rights of a small proportion of the workers are protected by the labour laws while arising the costs of hiring the vast majority of workers outside the organized sector. In the country there still lies suspense over the inflow of foreign capital and it is generally subject to government approvals if there is a case of equity ownership above a 51 percent threshold. In addition to this there remains inadequate basic infrastructure.

At the local level the much-needed breakthrough has not been initiated by the state governments as they do not have necessary authority. Many kinds of union levels restrictions (e.g. forestry rights) stand in the way of building roads and there is union control over the national highways'. There are areas like telecommunication etc. where the Union Government enjoys exclusive domain. This central domination in the federal system of the country is not conducive to the present reforms process. Major cities in India still suffering from the adequate data transmission networks and they are lacking cellular phone systems. But our neighbouring country China enjoys an improved cellular and data networks even in its coastal cities.

State sector requires four important types of reforms in the process of unshackling the private sector to act more independently and liberally. These are as follows: (i) the ending of state monopolies (in banking, insurance, telecommunications, other infrastructure); (ii) the transfer of ownership of state owned enterprises to private owners; (iii) the closure of loss-making state firms or transforming the loss-making state enterprises into profit making enterprises

and (iv) the redirection of government resources and political attention to meeting basic human needs including primary education and health. All the four types of the reform activities have equal importance and all should be carried with great emphasis. But it is to be kept in mind that in order of priority, (I) and (IV) certainly outrank, (ii) and (iii). Unleashing private activity (by ending state monopolies) and upgrading labour force skills is the first and foremost key to be put in exercise of the reform process. It is more important to protect the Treasury from heavy financial losses in state-owned sector than to improve enterprise performance through the path of privatization. In the state-owned banking system a part of such losses is hidden in the form of bad loans whereas another part of such losses one can observe in the budget in the form of enterprise subsidies.

The preeminent importance of (i) and (iv) has been illustrated well by China. State-owned enterprise sector of China continues to lose money at an alarming rate even during boom years. But the growth of the country could not be resisted even after its continuing failure of reforming the state-owned enterprises. In the dynamic non state sector lies the key to China's growth. This important sector has the potentiality of operating freely of almost all regulatory impediments as well as in the growth oriented policies of local governments, competing to provide infrastructure to support the non-state enterprises. About 8 percent only of the workforce in China is covered by the state owned industry in China and it appears to be good news for the country. It has helped in paving the way of the growth of the non-state sector in large numbers and this has resulted in the overall growth of the economy even if the state sector lags behind.

Similar situation is there in India. The experience and dismal records of the social sector in the country reveal that the state sectors are very much inefficient and loss making and thereby eating up the very vitality of the economy of India. State has posed before heavy social costs because of these heavy losses. These negative aspects of the social sectors themselves justify the

need for a privatization programme. In the developing countries like India the volume of the state sector is very small relatively when it is compared with the non-state sectors in the country. As a result of this fact only a few percent of the total labour force can find their employments with the state sectors. Thus the real key to the rapid growth of India lies in the non-state sectors. The opportunity can only be cashed on when a more liberal policy environment prevails over the country. This liberal policy has to be supported by improved infrastructure and at the same time the state monopolies of key service sectors (such as finance, telecommunications) which provides crucial inputs to manufacturing has to be put to an end without further delay.

The policy of liberalization along with privatization may not prove to be enough for giving necessary boost to the economy of the country. It is necessary to take full advantage of the new world market conditions; a literate and numerate labour force must be available in the country. Indian literacy has been outstripped by the literacy of China and the recent growth rates in China have been made possible because of their vast literate force. Literacy is an important and prerequisite fact for an effective labour force even in the basic export assembly operations in the Chinese costal enterprises. With an object of making a whole hearted attack on illiteracy and inadequacy of primary health care in India's vast rural heartland it will be wise for the country to retreat from regulating the state owned enterprises. This is treated one of the major reasons for the pursuance of a free-market policy based on heavy foreign investment.

It is very important for the country that in the next couple of years the general guidelines- private sector deregulation, production based on labour-intensive manufactures supported by capital inflows, and a major assault on illiteracy must be turned into concrete specific policy actions. It is true; indeed, that a remarkable and successful headway in this direction have already been made by the government but still there is a long way to cover. The following list of certain important items suggests areas where the reforms remain incomplete.

Hence to push the reforms process forward a few specific and practical steps are to be initiated. A great deal of contemplation has already been made over these steps or these steps are within the consideration of the government as a matter of continuing debate.

7.2. AREAS FOR FURTHER REFORMS

7.2.1. Trade Liberalization:

Though the country has started its journey from being a closed economy to an open economy, it is still a highly protected economy by current international standards. There remain the following barriers which are unjustified and costly to India. These are: a) tariff rates remain high; b) consumer goods imports are still subject to a strict licensing regime; FDI is still highly regulated in many areas; especially for foreign ownership of more than 51 percent of production as well as in key sectors, such as telecommunications.

This is an important opportunity and time for the country to accelerate the opening of the economy as the current surfeit of foreign portfolio capital inflows are swelling India's foreign exchange reserve heavily. It is not to be assumed like the IMF and the World Bank that the capital inflows by themselves will reset in a significant inflationary risk as it will increase the supply of money in the money market (and as a result of this fact it could accommodate inflationary pressures from other sources). There is ample scope for the country to keep inflationary pressures under control. This scope extends to keeping a strong grip on domestic credit expansion by the government and the banking system and also to having the exchange rate roughly stable. Under these circumstances all the doors of the economy of India are to keep open for the smooth and heavy capital inflows from the international market. As an important opportunity of facilitating the reform process in the terms of the liberalization of trade and financial market liberalization these foreign capital inflows are to be treated. To have greater

liberalization of trade following important and specific recommendations are to be kept in mind.

- a) Maximum tariffs are to be lowered to around 30 percent whereas the average tariffs are to be fixed to around 20 percent, ahead of the previously announced schedule. Besides this, remaining quantitative restrictions mainly on consumer goods are to be converted into tariffs, initially around 20-30 percent.
- b) Capital inflows, including longer-lags in repatriation of export earnings is to be liberalized further. It is to be ensured that there is greater access of foreign institutional investors to Indian financial assets. The attempt of foreign direct investment outflows by Indian enterprises seeking to invest in foreign operations must receive easier approvals. To make the rupee fully convertible in international market all the above mentioned steps are to be taken without further delay.
- c) To prevent the appreciation of the rupee Reserve Bank of India must intervene carefully and cautiously in the foreign exchange market of India. Gradual depreciation of the rupee to compensate partly for price inflation is to be considered by the government of India. Under current conditions a target of around 4 percent per year rupee depreciation would make a good sense. By providing a profitable environment the government of the country must stand behind the exporters. This will definitely help in the process of the expansion of export of the country. Continued accumulation of foreign exchange reserves and continued money growth backed by foreign reserves can be ensured with the help of this policy. If the budget deficit and domestic credits are kept under control and if trade and capital accounts are liberalized as required following rational choices the consequences of this policy should not be inflationary in nature particularly.

d) In the attempt of responding to the rapid growth and diversification of India's foreign trade the country should move to a basket of currencies as the basis of exchange rate pegging and foreign exchange market intervention.

It is to be noted here that the vested interests like some business groups may oppose vehemently the attempt of trade liberalization ahead of schedule. Giving a popular touch to the package it can be justified in view of the prevailing trade and balance of payments conditions, double advantage i.e. lowering consumer goods prices (and thereby restraining inflation in the short term) and increasing government revenues by converting quantitative restrictions into tariffs through having consumer goods liberalization.

7.2.2. Foreign Direct Investment:

To build a positive attitude towards the foreign direct investment the government has been working hard. In the attempt of the smooth operation of the liberalization episode in the country important measures have been initiated. As a result the country is lagging behind the other nations in the attempt of drawing more FDI inflows in the country. For the continuing 51 percent rule, requiring government approval for foreign ownership of between 51 and 100 percent can not be justified with any concrete arguments. The concept of protectionism is to be dismantled to a great extent. Except on a small list of sectors which will continue to have government authorization (e.g. banking and some other sectors where India want to negotiate reciprocal investment rights) the rule should be amended in favour of automatic approval for 100 percent foreign ownership. The restrictions on FDI outflows by non-financial Indian enterprises are also to be eased by the government in all possible ways. This will help these enterprises to enter into joint ventures and FDI arrangements in international market.

7.2.3. Financing of Infrastructure Privately:

Important conceptual initiatives and measures have been attempted by the government in opening infrastructural investment to private investment but the concrete results in numerous numbers have not yet been achieved. In the present federal structure of the country the state governments have to seek union approval at the time of setting infrastructure projects with foreign investors. The situation is hampering the present reform process and posing a key problem to the successful operation of the reform activities. To be particular it is true in the field of telecommunications where key regions could easily attract FDI for new local systems (e.g. cellular phone systems in Bombay, Madras etc.). But unfortunately union laws and regulations are standing effectively in the ways of doing so.

SUGGESTED STEPS:

- a) At the Union level for the building of infrastructural facilities through the construction of roads, power, ports and telecommunication (for local services) necessary for the smooth operation of the reform activities new legal regimes are to be established. These new legal regimes must give state governments' greater autonomy in attracting FDI rapidly.
- b) The new legal system will push ahead on a general liberalization, demonopolization, and privatization of telecommunications.

IMPORTANT OBSERVATION:

To some extent on the grounds of 'national security', telecommunications has been held back from the opening of infrastructure so far. But the hard really is that as a result of the continuing union-level monopoly the country stands to risk its national security by falling far behind the rest of the world in telecommunications technology and services. All the developing societies including India characterized by structural distortions following the imperial

aggression and exploitation simply can not maintain global competitiveness in data transmission, size of networks, range of services, without a huge infusion of foreign capital and technology. In the post colonial phase, to be particular from the decades of 1960's and 1970's, the privatization of telecommunications has proved to be the most lucrative forms of privatization throughout the world. Through step-by-step privatization of the telecommunication systems in the context of the liberalization paradigm, the government easily can bag billions, if not tens of billions of dollars.

7.2.4. Reform in the Taxation System:

Several excellent tax reform studies and commissions suggested sound tax proposals for having a better and renewed tax system for the country. All these tax proposals put much emphasis upon the effective and timely implementation of the suggested proposals. Under the new tax system the main guidelines are as follows- tax simplification, broad-based taxes with low marginal tax rates and generous provisions for investment in the new enterprises originating having followed the path of open economy in the context of liberalization episode in the country.

To attain the above mentioned goals following points may be put forward:

- a) Taking VAT (Value Added Tax) as the sine qua non of effective tax reforms in India it is to be introduced across all the states in the country in no time. Finance minister's repeated urge in this regard is very much praiseworthy. Experiences show that as the backbone of the modern tax system most of the countries in the contemporary world depend on VAT.
- b) At the time of having inter-state trade all types of taxes including the 'Octroi' is to be eliminated. Newly shared federal taxes e.g. a surcharge on gasoline may take the place of Octroi in the short terms. The arrangement is to compensate the state and local governments relying presently on the octroi. This compensatory arrangement is to be meant for temporarily

and should be phased out over a five year period at any cost. Introduction of a complete overhaul of land taxation during the next five years is to be insisted on by the main Metropolitan Governments relying presently on the octroi heavily (e.g. Bombay). Only then on the basis of property taxes (as in most local governments in the world) rather than trade taxes all the local governments in the country can be run.

- c) Excluding sales taxation on intermediate inputs provisions relating to the collection of the taxes are to be arranged in such a manner so that sufficient amount of restriction can be exercised on the state-level sales taxes to final goods purchase.
- d) In the attempt to attain tax simplification, administrative honesty and efficiency of most other small taxes (stamp taxes, transaction taxes, other document taxes etc.) are to be eliminated by degrees within a span of not more than ten years.
- e) Above all government should fix a 'code of ethics' strictly to be followed by the department concerned to generate a dynamism in the process of the collection of all sorts of taxes both by the central and state governments.

7.2.5. Reform in the Financial Market:

To keep pace with the state regulated economy of the country and to catch votes particularly for sailing through the general elections banking and insurance sectors of the country were nationalized during the early 1970's. During the 1970's and 1980's such misguided steps were taken by many countries (e.g. Mexico, France, Brazil, Chile etc) in the world but by the present time after realizing their mistakes these countries completely reversed the policy. To rely on a state-owned, state run banking system, therefore, the country today does not find any partner. The return, therefore, is easily predictable and highly adverse leading to a strong politicization of the lending procedures of the banks. Throughout the entire banking systems bad debts exists that will to be picked up

by the government unleashed and widespread corruption and in the allocations of loans there exists a huge inefficiency as most of the loans are allocated on the basis of nepotism and favouritisms.

With a view to improving the situation and to get rid of the adverse effects mentioned earlier some partial steps on behalf of the government have been undertaken. These are as follows : a) corporatization of the banks, α) partial sales of the shares up to 49 percent, c) recapitalization of the banks, d) international guidelines on capital inadequacy. In order to prevent further strongly adverse consequences from the continued state dominance of the banking system nine of the above steps in emphatic terms will be good and effective enough. It will be wise decision of the government to make arrangements for the banking system of the country to return to the private sector and allowing it to compete in the global market so that all the state banks do not simply continue to go broke and not be source of political headaches, scandals and inefficiently at any const in the coming future. To do so following important actions are to be taken up by the government without further delay.

- a) To keep pace with the liberalization wave in the country the government through public offerings of shares or sales to domestic and foreign investment groups, must proceed with the divestiture of shares above the 49 percent limit now envisaged by the government;
- b) Power of the bank regulatory authorities, for oversight, monitoring and intervention when necessary are to be enhanced after having simultaneous movement;
- c) In the attempt to create an environment of domestic competition and establishing Bombay as a key regional centre for all of Asia for the foreign banks more licenses are to be issued by the government. One notable point is to be kept in mind here without fail that at the time of issuing foreign banking licenses the important reciprocal rights for Indian private-sector-

banks to enter foreign markets as well is not only to be negotiated but also to be ensured.

7.2.6. Reform in the Non-Financial Enterprises:

The world-wide trend towards privatization of non-financial enterprises in the country has so far been resisted by the Government as the concept of regulated economy had the upper hand over the period for more than four decades. Instead of welcoming the liberalization episode fully in the country it relied and put much emphasis upon partial ideas of corporatisation, divestiture of shares up to 49 percent, Memoranda of understanding (MOUs) on the management of state enterprises, new managerial incentive schemes and so forth. Nothing but the failure is inevitable for these partial ideas initiated by the government from time to time. In the attempt of managing a large state sector no country in the world till now has been able to figure out the ways of managing it. China experienced failure miserably in its initiative of reforming state enterprises during the last 10 years with every partial measure now under discussion in Indian. It was observed that more than half of the enterprises of China continued to lose money even in the boom year of 1993. In the effort of coping up with the financial fall out of heaving loses and subsidization of state enterprises Chinese Government's vice minister Zhu Rongji has announced a suspension of key reform measures during the rest of 1993.

Only by tinkering at the margins, the problems of state ownership can not be resolved as these problems are endemic in nature. Sufficient and handsome amount for running state enterprises profitably are received by managers on the rare occasions only. Therefore, the management of the state enterprises is not ready to return the profits to the state in big ways. Rather doing so they expend the amount in the compensation of the managers and the workers. Political overlords also do not care much about the profitability of the state enterprises. Instead of caring that they care about employment, patronage, kickbacks, etc.

State enterprises not just in the developing blocs but also in the other countries can not be run profitably only because of this reason. Flagship state enterprises of France have almost all required bailouts in recent times. With an object of saving the state from the extra ordinary costs of losses and loan bailouts of the state-owned sector it has been noticed that Italy, France, Spain, the UK, as well as dozens of developing countries have embarked on privatization programmes in the past two decades.

After designing well privatization programmes can be politically popular oriented. International experiences available till now does not justify judging the apparent view of the Government of India that the political cost for the privatization programme will be very high. The workers, the management and the public at large must see the servers as the beneficiaries of the privatization process and there lies the important key of making this programme successful. Important suggestions in making the privatization programmes success full can be mentioned in the following ways:

- a) Achievement of solid public understanding as well as support by state workers should be the motto of the process of privatization. There are certain particular and important aspects where due importance is to be attached as soon as possible, Privatized enterprises must share a few percent of its shares with the workers employed with the enterprises with a view to compensating them for their implicit stake in the enterprises. For example, this can be made possible in the form of offering 15 percent of the shares given freely to the workers based on seniority wages etc. or the arrangement can be made in the form of offering 30 percent of the total shares at half of the prices etc. No chance should be given to the unions or any trusts for the workers so that these vested and narrow interest seekers can get the upper hand over the workers as well as the enterprises at any cost. As a result of this the provisions of offering shares should be made individually for the

workers. At the same time it is to be ensured that the shares can be traded freely and smoothly.

- b) It is also to be kept in mind that depending on the size of the enterprises a very small but important percent (perhaps 1 to 2 percent) is to be kept reserved for the management teams of all the enterprises.
- c) Transparency and competitiveness must be ensured at the process of the privatization for the common people in the society. Sales of private enterprises to any single bidders are to be prevented at any cost. It can be mentioned in this context that as a way to give additional public confidence to the process of ensuring transparency and competitiveness an International Review Board (e.g. headed by the IFC) could be attempted to establish.
- d) General Public must view this process of privatization as a beneficiary to them. To do so the government has to undertake so many social expenditures e.g. for the National Renewal Fund, or some comparable scheme with the help of the money to be generated out of the fund created having privatized the public enterprises. Mexico implemented this type of direct earmarking with success and satisfactory of all concerned.
- e) A sense of direct public participation in the process of privatization is also to be sought. In the attempt of doing so some of the shares of the enterprises are to be sold to small investors. This should be an aim of the government in all practicable cases. In the decade of 1980 this attempt of the government proved to be attractive.
- f) Privatization process in any society should not be very lengthy in nature. Though it is very difficult to complete this process within a period from 2 to 3 years in a complex and heterogeneous society like India yet the government should aim to cover all of the manufacturing enterprises at least now in the hands of the government, during an established time frame of 2 to 3 years under the banner of privatization programme.

7.2.7. Reform in the Labour Laws:

In organized and even in the unorganized sectors (though the proportion is very small) where trade unions, professional associations etc. are very strong, dismissal of the employees' costs very high. It has been a politicized process too. The reason lies in the fact that the labour laws of India give extreme protection to the workers in all respects. Governmental review and judicial challenge always discourage the management of all enterprises (Govts.) to go for dismissals for the employees. Therefore, dismissals and restructuring have been prevented by this policy to a great extent except at inordinate and highly uncertain costs at the enterprises. There have been attempts to delay and block the process of restructuring in many ways. Two important implications have been generated out of this development. First, it becomes quite impossible for the loss making enterprises to pull out of trouble and making them profitable firms. Yet after that these enterprises find their ways to sustain as they are backed up by the state with the soft-budget constrain. But the case is totally different for the private firms as they are often pushed to failure in distress. The situation is not healthy for the generation of true competitive spirit in the market.

The second and far reaching effect is that new enterprises are discouraged by the fears of ultimate high and harsh costs of restructuring these firms in the time to come. It has been observed that the employer have the tendency always to look ahead to the future operations of the firms. As a result of this fact the high implicit tax on dismissing workers is also a high tax on hiring the workers for the enterprises. Very unfortunately in the name of the 'social justices' (?) the country with a vast supply of untapped labour has hit upon a way to keep the vast proportion of its labour under-utilized or half-utilized.

It is true in the context of the liberalization episode in the country the labour relations system is to be revamped. Drawing tens of millions of workers into new jobs in the organized sector is the important and the urgent national objective at present. The new labour system to be introduced keeping pace with

the national objective must recognize this fact. After raising flexibility on hirings and dismissals this particular objective can be achieved with ease. But it does not mean that the regime (new) must not realize the necessity of the protection of the legal interests of the workers. The reality is that keeping in tune with the realities of the market the particular job is to be carried out in a much more realistic way. This can be easily achieved if the following urgent and timely steps are taken by the government without delaying much.

- a) In the attempt of outlining the conditions for dismissals and severance payments and also the terms for collective bargaining over such issue a new labour relation generated for this purpose will be responsible. Subject to minimal standards and collective bargaining agreements, all the enterprises in general are to be characterized with the greater standard of flexibility so far as the question of hirings and dismissals of the workers in the enterprises is concerned.
- b) Certain important notification such as advance modification of lay off and severance in the cases of economic dismissals (e.g. three months wages for worker with employment over one year) has to be specified by the new law. This specification should be taken as the minimal acceptable terms of dismissals of permanent employees. At the same time it is to be cleared by the law those terms and procedures for dismissals beyond the minimum standards may be the subject of collective bargaining agreements between unions and management. Differentiation between the temporary workers and the permanent workers is to be made by this law with certainty. With much greater flexibility for small enterprises different provisions as regards employment must be there between small and large enterprises and various sectors of the economy. Where the need for the flexibility in the size of the work force is paramount like construction etc. the special rules for the employees relating to the conditions of their jobs has to be ensured at any cost with difference.

- c) If the terms of the contracts or the minimum standards of the law have been breached- the judiciary or the government review must come in the floor to intervene into the matter but this sort of intervention must not come as an automatic right of review of all the workers engaged in different enterprises irrespective of their sizes, Elimination of the existing presumption against dismissals has to be ensured in a very short period of time.
- d) The search for a way to draw a line between existing employment (e.g. up through a cut off date) and future employment might be done usefully by the government. The receipt of the protections of the current regime has to be ensured by the government for the existing workers. The new labour law would be applicable to the new enterprises only. The motto in the context liberalization episode is serving in all the best possible ways, the long-term health of the existing enterprises. To do so new opportunities would be sought for collective agreements between the Unions and the enterprises even under the current regime.

7.2.8. Reform in the Land Law:

Irrelevant and antiquated land laws stand in the way of the proper and all round development of the major cities in India. Urban renewal, profitable commercial realistic development, and an adequate metropolitan tax system based on property taxes have been virtually blocked by these prevailing land laws. There are remarkable patterns of land misallocation such as vacant factories and underdeveloped land in the heart of Bombay (known as Mumbai at present) because of the extensive rent control. There has also been the dilapidation of the inner cities, where building owners and real estate developers lack initiatives and incentives to upgrade and renovate properties as the existing land laws are not conducive to prevent this development. In addition to this the practice of notorious corruption in the different levels of administration relating to the sale and purchase of land has eaten up the vitality of all the land laws. To

the development of agro-industry, ceilings on the holdings of the land in the rural sectors of the country at the same time can be a significant obstacle.

To overcome the problems generated out of the prevailing land law system of the country following measure are supposed to be sought for.

- a) There must be dismantling of the present urban land law so that the decision can be taken at the level of municipality instead of at the level of the Union Government. Prevailing union level restrictions on urban land development has to be scrapped to make the process a simple one.
- b) Over a very short period of time for commercial tenants and a phased manner for residential tenants the attempt of rental decontrol has to be made for the major urban cities on an urgent basis. In rent decontrol there is enormous international experience like New York, Paris, Singapore etc. and for learning important lessons all these cases are to be examined with great importance.
- c) Property valuations in the urban areas have to be done newly and on the basis of this new valuation urban tax system is not only to reinvented but it is to be introduced without making any further delay Octroi and other highly inefficient taxes already existed in the country (e.g. trade taxes) are to be replaced by this new tax system.
- d) With a view to redesigning to support the efficient consolidation of land for agro-industry- ceilings of the holdings of the land in the countryside have to be amended.

7.2.9. Government's Social Policy Re-Orientation:

A minute analysis of the suggestions, steps etc. mentioned earlier in this chapter may reveal the fact that all these call for a withdrawal of the government from the operational management of the productive sectors of the economy in general. In fact the attempt aims at the allowance of both domestic and foreign private capital on the part of the government to provide the much needed

capital, the management and the entrepreneurial decisions, required to fuel the coming boom of India in labour intensive manufacturing production and services. But in this context the government has to concentrate much in the labour resource development. In fact, this reduction in the role of the state has to be balanced by a strongly increased role in the area of human resource development. A good and well arranged system has to be introduced at any cost in the country so that all can be benefited actively and fully from the advantage generated out of the transformation of the economy of the country. This can be realized only when the government takes initiatives and leading role in spreading literacy and access to primary health care to all the citizens of India on an urgent basis.

All the developing countries in the world including India have suffered and still suffer from the high rate of illiteracy prevailing across the society. The figures constitute an alarming danger in the path of the development of the country. Still 52% (around) of the total population is illiterate. The rate is very high in case of the female population in the country. The figure in this regard constitutes 66% and thereby it is causing a great shame for the nation. The rate of illiteracy among the female population in the rural area is even higher. It is around 80%. All these are causing a human and economic tragedy for the nation. In the attempt of lowering absolute rates of poverty, improving family planning, reducing fertility rates, higher female labour force participation and of course having much higher rates of productivity and important market earnings all the international studies in the past decades put absolute importance on the spread of female literacy across every society in the world.

In the developing blocs governments of the respective societies in general do not devote adequate resources for the improvement of the level of primary education in the country. There to improve and promote literacy incentive schemes of the government have been designed very poorly. The reflection of the inadequate and faulty policies is found in the prevalence of illiteracy in a large

scale in these societies. Government at any cost must ensure a new and credible commitment in the area of primary education and health. Only then the intention of the government to restrict its involvement in productive areas should equally be balanced. From a hard-headed public investment point of view this will be treated not only as a good politics to show that the economic reforms are not only meant for the rich but it develops a sound development economics where there are concerns for the poor equally in the estate.

With a view to giving a reorientation of the social policies of the government following significant and important points for a developing country like India must be kept in mind at any cost. Government policies must be strong enough to remove all the obstacles coming in the way of the implementation of all these issues to be mentioned below. These issues are very much in line with the government's goal of development with human face.

- a) To support enhanced primary education there should be the retargeting of the existing subsidy programmes on food. Experiences from the past reveal the fact that the across-the-board subsidies on food-prices tend to get dissipated in corruption, administrative costs and above all the wealthy sectors in the society receive foods at lower prices. This is to be stopped at any cost. In part the subsidy programmes are to be run in such a way so that easily it can target the school children by way of guaranteeing one nutritious meal a day for every school children in every school in India especially in rural India. Parents in the rural areas will get encouraged to send their children to the pre-high schools and this will also help a lot in the process of attempting aid to the needy people in a direct manner across the society. To add dynamism to the process of promoting adequate nutrition in pre-school years, subsidy programmes should also be better targeted towards mothers with young children.
- b) Revenues generated and collected out of the process of privatization must be earmarked for increased expenditures on primary health and

education, the two most important social sectors to be penetrated well through the government policies of the country.

- c) Transfer payments to the states to help support primary education and health have to be enhanced by the Government of India greatly. In the attempt of giving an incentive for the state governments in the country to increase their own effort in expenditures directed at these areas the programme can be executed on a matching grant basis.

7.2.10. Reform in the Federal Structure:

In the process of globalization the centre-state relationships in the country have to give a reorientation. There is a question also whether the Indian states will be gaining something and be benefited from this process. Very often it is also noticed that the process of globalization is signaling a decline or regeneration of the Indian federalism. S. Guha observes that it can be mentioned rightly that the most important key sectors found to be central to the process of globalization for India are the competences of the several constituent units i.e. the states. These key sectors are as follows:

Industrial infrastructure, power development, agriculture and its allied sectors and irrigation, roads (other than highways), health, education medical services, nutrition, water supply and urban development and so on. But the hard reality is that the involvement of the states in India in the reforms process was less than satisfactory until mid 1990s. Guha opines that in the process for the globalization the centre was both unwilling and unable to involve the states. The reasons are numerous and can be enumerated as mentioned below: external agencies' preferences for policy dialogue only with the national government, center's sole competence in macro economic stabilization and the variegated nature of state governments, politically speaking.

It is crystal clear that the state governments are very important players in the economic development of the country, more pronounced of course since the

1990s. In the 1990s the fact has become prominent as the investors have to contact every state government at the time of launching any projects for development to give impetus to the reform activities of the country. States' role has expanded due to market economy which demands more decentralized levels of governance but also that all the states are not equally equipped to access the opportunities afforded by the market and all these developments have been recognized rightly by Rao and Singh (2005). Under these circumstances the centre state federal relationship in India has to be reviewed without further delay. The implementation of the recommendations of the Sarkaria Commission successfully may be of great use and help in this regard.

Both opportunities and constraints for structural reforms are offered by the federal system of India if it is seen from one side. Variegated political complexion of governments at the centre and at the states comprises these constraints. If the same political party is in power both at the centre and at the state the reform process in the country may get facilitated but at the same time it may also stand in the way of the successful implementation of any uniform reforms package if the rivals in the states are in power. The victim of such eventuality is generally found in the coalition governments. True it is that the states have become more competitive for inviting investment, industrialization, trade and commerce, entrepreneurial governance for development when it is seen from the side of globalization, given that the states are today offered more freedom of action in respect of adopting any liberal economic policy and structural adjustment programme. Although it is hard to conclude that all will get benefit equally from out of the process of globalization and also that people in each state will be able equally in reaping the benefits of globalization. Yet, there is a widespread belief that globalization is encouraging more rights for the states, the availability of policy preferences of the state governments concerned and space for the exercise of such preference will reveal that truth in course of time.

7.2.11. Reform in the Vigilance Network:

A considerable amount of reform activities is to be carried out to make the vigilance network of the country very strong and effective. All the agencies related with the vigilance network of the state are to be allowed to work independently at any cost and no political influence must be there to ensure the impartiality of these agencies. The aim is to make these agencies very effective and goal oriented. Agencies like Lok Pal and Lok Ayukt should work in such manners so that it can eradicate the root of corruption from the administration (both political and executive) of the society. In this connection some of the recommendations of the Bhora Commission may be entertained without further delay.

7.2.12. Reform in the Judicial Sectors of the Country:

No reform process in any society can be carried out successfully if the concept rule of law is not established strongly in the society. India has the world's largest democratic society. It is argued that the strength of the Indian Republic generally rests on the doctrine of separation of powers between legislature and the executive, on the one hand, and the judiciary on the other. But in the constitutional set up of the country, the provisions of 'checks and balances' are not so prominent with which the overlapping among the three important institutions i.e. legislature, executive and judiciary can be avoided strongly. Above all, it is a fact that to get justice from any court of the law in the country, it takes a very long period of time and the poor people generally do not have access to the courts in many cases. These developments have stood in the way of building an ideal democratic spirit in the state. Outcomes of these developments also hinder the important reform process in the society. To overcome these problems sufficient amount of reform activities are also to be carried out with the judicial sectors in the country. First of all it is to be ensured that justice to the common people in the society is a matter of right for them. Secondly, separate

administrative tribunals must work hard to settle all the administrative disputes. Thirdly, industrial disputes are to be put to an end very smoothly with the help of the industrial tribunals under the present circumstances.

7.2.13. Re-Orientation of Public Administration in India:

In the administrative history of India the country turned a new page with the adoption of New Economic Policy (NEP) in 1991. With it, the country committed itself to liberalization, privatization and market economy. As a result of this acceptance there has been a quantum jump from the hitherto dominance of command economy. This policy shift calls for a drastic re-orientation as the original bureaucratic rule book has become out dated. True it is that in India the whole armoury of laws numbering over 1550 is undoubted and unabashedly of colonial origin, well suited to the state, imperial in character. These are to be replaced with the new rules which will be citizen friendly and in tune with the constitution and the new policy. To keep pace and also to fall in line with the structure, style and spirit of liberalization and market economy the statute book and the underlying subordinate legislation must be rewritten. There is an apprehension that the potential investors are sure to be deterred from the investment in India if the prevalent attributes like corruption, delay, harassment, etc. continue even under liberalization. A clean and honest, not value less but value oriented administration is the greatest and the crying need of the country.

In the attempt of achieving this differential assemblage of input arrangements the important start being in the area of structuring the organization itself. The proposed organization must not be hierarchy burdened, top-heavy, high-rise, fire-finger type - transacting in time, not in business. Nor it should be criss-cross, clumsy, jumbled-up in terms of role-relationships, networking, interactivity and communications. Structurally, the new organization must be simpler, flatter (leveler than taller) free, more flexible, more autonomous, more of what is known as 'decision sprucer'. No doubt in the

context of the liberalization episode the traditional classical Weberian model is obsolete. It is to be replaced by smaller matrix, task force, problem solving professional groups, linked less by command and more by co-coordinated collaboration, functioning less by superiority of authority and more by co-equality of professionalism and communicating less through top-down processuality and more through low-up osmoticality. For the country, it is, save time, save on complications, economise on cost, maximize productive effort, optimise decision making and decentralize enterprise activity.

Besides these certain other important points as mentioned below are supposed to find their places in the Administrative Reform Package.

- a) In relation to 'core-governmental' functions under the impact of free market economy which in turn gets legitimized constitutionally the issue relating to structure, size and organization of public service should be addressed.
- b) In the context of 'empowering state' and better service to the citizens in general, the need of accountability, responsibility and standard of civil service will occupy the mind of citizenry.
- c) It is also to be stressed that as a part of public service reform packages, the need of freedom of Information Act, Ombudsman institution and law on de-regulation and contracting out should emanate.
- d) A body of public contract should be developed to manage purchaser/provider area of governmental operation in transparent manner and to regulate the role of public service, with the development of 'contracting state'.
- e) Most importantly it is to be kept in mind that in the principles of business administration which are embedded in the private law, the basis of public administration does not lay at any cost. Rather in the context of liberalization wave the basis of public administration is to be traced in the

public law only (constitution, statutes, subordinate legislation and judgment of courts) in all the cases.

7.3. CONCLUDING REMARKS:

There exists still a strong belief that in the developing countries including India the process of economic reforms is a painful necessity that is likely to be costly at the pools. This is under the present circumstance of liberalization having in the world to some extent a mistake of engagement engaged in the economic reform. If it is taken in this manner then it will be a very simplistic view of a more complicated reality. The difference between a dynamic, honest government and time servers can easily be sensed by the electorate as a general principle. When such occasion arises it is generally appreciated by the common people in the society. The reason of the expression of such appreciation lies in the fact that the public is a rarely treated to the first variety of the government.

As the budgetary austerity is not simple to manage politically in general it is tricky to clean up an inherited financial crisis such as India in 1991. It is also to be kept in mind at the same time that attempts to put an end of high inflation and financial uncertainty are always welcomed by the general public in the society. Except with narrow groups of vested interests most other areas of reform like trade liberalization, stimulation of new labour-intensive manufacturing, improved infrastructure, even privatization can be made hugely popular. Carrying out of stabilization programmes to give effect to the process of dynamic economic reforms has resulted into the achievement of great electoral vindication. Successful winnings of elections for the president Menem in Argentina, President Sanchez de Losada in Bolivia and prime Minister Vaclav Klaus in the Czech Republic can be cited as the examples in this regard.

However, there is still the necessity of thinking carefully about the political design of reform package. Under the present circumstances there must be the repeated emphasis on behalf of the government to get the government out

of the 'wrong' areas of economic life so that it can be able to address the more effort to the 'right' areas, such as health and education. Concrete, visible programmes are to be carried out to address such 'right areas' of the government as soon as possible for the acceptability of the reforms of the reform package to the common people in the society. All the key stake holders as argued earlier including the workers and public at large are to involve in the way of designing the privatization programmes.

The final test of the reform package will be on its delivery of the growth and jobs and raising economic security of the people at large. The reformers of India find a good place in this regard. It can be argued if the remaining shackles on the economy are stripped away the chances for dynamic economic growth are very good for a labour abundant country opening up to world capital. It is much simpler for India to carry out the task of making growth following the path of liberalization than Russia. To keep pace with this liberalization wave more rooms for new economic activities are to be opened up after closing down the large portions of the existing manufacturing base.

It has been noticed that as early as 1995 the first stage of reforms underwent to several tests in state elections and also then in national election. Satisfactory is the record of this achievement and reform that are politically acceptable such as further trade liberalization, especially on consumer goods should continue right up to the next election till the goals of the reform packages are installed properly into the minds of the citizens in the country. However, the opportunity for decisive breakthrough in many areas of economic management is sure to be at the hands assuming the reformers renewed the electorate mandate.

All the state governments in India are to be treated as potential units and agents of rapid and salutary change besides the continued reform impetus from the central government of the country. Regional governments in most vast continental countries such as Brazil, China, and Russia take the leading role in

pushing reforms and prompting further actions by the central government. It is Sao Paulo state and Minas Gerais in Brazil still are the leader of the process of reform. In the leading role there are the coastal provinces and the provinces farthest from Beijing in case of China. Reform leaders in Nizhny Novgorod and in the Russian Far East have been major spurs to reforms at the central level in Russia.

To add great dynamism to reform sufficient amount of freedom has not been given to the state governments in the country. Reform activities have been carrying out in such a manner since the inception of New Economic policy in 1991 so that in most key infrastructure areas the central Government has the final say or it is empowered at least with veto over the actions of the state in the federal structures of the country. States in the coastal regions of the country like Maharashtra and Gujarat and the Southern states (Tamil Nadu, Karnataka) are very likely to pull ahead with the reform process. The interior provinces in the state may not gain as fast as the coastal states talked earlier will gain. But it can be expected that the progress of these states (coastal) will help in rising all areas of the country. Provisions must be there to allow the fast runners to pull ahead. At the same time there must be adequate focus on compensatory actions mainly in the areas of health and education by the central government at any cost. This is to be done with the absolute importance. Promoting industry in the hinter land through expensive industrial targeting policies generally has proven to be a costly and corrupt fiasco in other countries that have attempted it under the banner of reform process. Getting rapid industrialization in the weak infrastructure oriented areas is very difficult. For a country like India it is not possible to invest large amount of capital for having rapid industrialization in the hinter lands of the state. But in course of long run this can be made possible. And it has to be made possible to remove the regional imbalances from the country. Otherwise the reform process in the country may generate the harmful social tension.

It is expected there is much for India to gain from the reform process. But at the same time the country now faces intense international competition in the international markets. Indonesia, Malaysia and even China, the other Asian economic giants in terms of opening their economics to the World market have gone far. Their advancement is also clearly visible in terms of export promotion and improved skills of the labour force. At present India competes not only with these countries but also with the reforming countries of Latin America, Eastern Europe and the former Soviet Union for the World capital and foreign direct investment. If India finally decides to join the global economy fully it is expected that the country will do well in the competition. The country must try hard to take advantage fully of the contemporary global situation. In the attempt of drawing global capital and foreign direct investment it must not make any compromise with the sovereignty of the state. Proper negotiation and clarity have to be ensured at the time of signing any treaty aiming at the inflow of foreign capital into the society.

Before coming to the final say about the proper intervention of the state in helping to establish a deregulated economy in the state the under mentioned significant and important points are to be kept in mind with greater emphasis and importance.

- a) At the time of exercising the reform activities with a view to establishing a deregulated economy through the proper state intervention a few actualities of the Indian state are not to be ignored. The economy of the country is characterized by low savings, inadequate development of physical infrastructure, the presence of numerous externalities in production, the likelihood of strong forward and backward linkage in investment and production and the need for 'catching up' in terms of technology etc. All these features demand careful state intervention and government actions in a more functional managerial skill to guide markets and bring developments. Functioning of both the important institutions

i.e. state and market are very much socially embedded and can not be discussed in an isolated manner ignoring the particular social context of any society.

- b) Modernizing agriculture and executing land reforms can only create a true environment of sustainable development. But Indian polity ignored this as there exists dominant vested interests seeking groups in the society especially in the field of agriculture. The root of the success of Western Europe and South East Asia lies here. Before the reform process takes off land reforms and the marginalization of rural inequalities have to be done in the quickest possible time.
- c) Massive and uncontrolled growths of population have eaten up the vitality and rapid growth in the country. This is to be controlled at any cost by taking hard measures. To give an effective way to the family planning government should show its reliance on other agencies than the governmental agencies. In the subject matter of the present reform activities there exists no say about the control of the population in the developing societies including India.
- d) The attempt of liberalization episode in India must be done in the right sequence. External liberalization should start its functioning in the country only when the proper and flexible internal liberalization in the country is over. For the installation of a sustainable capitalist system in the country the industrialists of India should think in terms of a collective self interest with a long-term perspective in the society.
- e) Government must give a rethinking over the sell off of profitable public sector undertakings under the banner of liberalization package. Selling off of profitable governmental enterprises may cast a black shadow upon the economy of the country. If more functional autonomy is given to these enterprises then they may generate better skills, profits etc. The sick public sector undertakings may be sold off to the foreign investors provided

these invest will revive these sick industries. At the time of reviving these sick enterprises the policy of 'golden handshake' is to be avoided. 'Special advantageous package' may be sanctioned by the government to any risk taking savings and investment schemes in Indian market.

- f) In the attempt of the mobilization of the resources Indian state has really cut a very sorry figure. Similarly is the case of distribution of the resources to give justice in terms of equality to the common people in the society. It can be argued that Indian polity because of its circumscribed political capacity was not able to levy direct taxes on the property owing classes. The effect is found in the deficit of revenue for a long period of time. It also unleashed growth of a sizeable black money which has given birth to a parallel economy in the Indian economy. The fiscal policy of the country can only be rationalized through the identification and optimal utilization of this black money. There must be imposition of direct taxes upon the rich farmers in the country and efforts of many kinds to be innovated to slash the administrative cost at different stages. Only then the governments can come out from the mounting deficits in the economy of state.
- g) However, the present form of globalisation is not sacrosanct. The bitter experiences of the imperialistic mode of exploitation have not yet wiped from the different countries in the developing world including India. It has been noticed well that at the time of having interchange between nations in the name of globalization the developed nations are imposing unequal rules upon the developing world as this region (developing blocs) of the world is at the receiving end. In the attempt of exercising present form of modernization and reforms to the economy of any country it is hardly possible to ignore the operative mechanisms of the World Trade Organization (WTO). To overcome this problem the developing nations have to fight from both within and outside the W.T.O.

These nations must go in the all out manner so that the present proposed model of globalization does not get any imperialistic design as they have nothing to loose.

- h) It has to be admitted that only with the invitation of sweeping measures towards liberalization the existing problems of the economy of India can not be solved. A different type of re-orientation of government policies aiming at the better mobilization of the available resources in the society in a systematic manner has to be sought for. The slogan of this initiative will be 'development with human face' and 'development with dignity' too. Attempts to review the existing tax pattern have to be undertaken without making further delay. In the new pattern more efforts are to be devoted for the introduction of direct taxes.
- i) One should not forget that Indian society is heterogeneous in nature. Here, people in general look for immediate results and benefits from the activities of the government. Hence the process of the reform is to be run in a country like India very cautiously and meticulously.
- J) State machinery has to be operated in such manner so that both the institutions i.e. state and market can be made instrumental for the fulfillment of the aspirations of the common people in the society. Successful operation of this attempt may usher in a new age of development for the country.

Finally, it can be concluded quoting the remark made by Adam Smith that "the market is for the people, not the people for the market". The history of the hitherto existing societies has proved it with concrete evidences.
