SOCIOLOGY PAPER V TYBA

There were three major initiatives taken by the Government of India to introduce the much debated and discussed economic reforms to transform Indian economy from closed to open market economy.

These are generally abbreviated as LPG, i.e.

- Liberalization,
- Privatization and
- Globalization.

LIBERALISATION

The economic reforms that were introduced were aimed at liberalizing the Indian business and industry from all unnecessary controls and restrictions.

- Freedom in deciding the scale of business activities i.e., no restrictions on expansion or contraction of business activities,
- Removal of restrictions on the movement of goods and services,
- Freedom in fixing the prices of goods and services,
- Reduction in tax rates and lifting of unnecessary controls over the economy,
- Simplifying procedures for imports and exports, and
- Making it easier to attract foreign capital and technology to India.

Advantages of liberalization

- Industrial licensing
- Increase the foreign investment.
- Increase the foreign exchange reserve.
- Increase in consumption and Control over price.
- Check on corruption.
- Reduction in dependence on external commercial borrowings

Disadvantages of Liberalization

- Increase in unemployment.
- Loss to domestic units.
- Increase dependence on foreign nations
- Unbalanced development

Privatization was characterized by the following features:

a. The new set of economic reforms aimed at giving greater role to the private sector in the nation building process and a reduced role to the public sector.

b. To achieve this, the government redefined the role of the public sector in the New Industrial Policy of 1991.

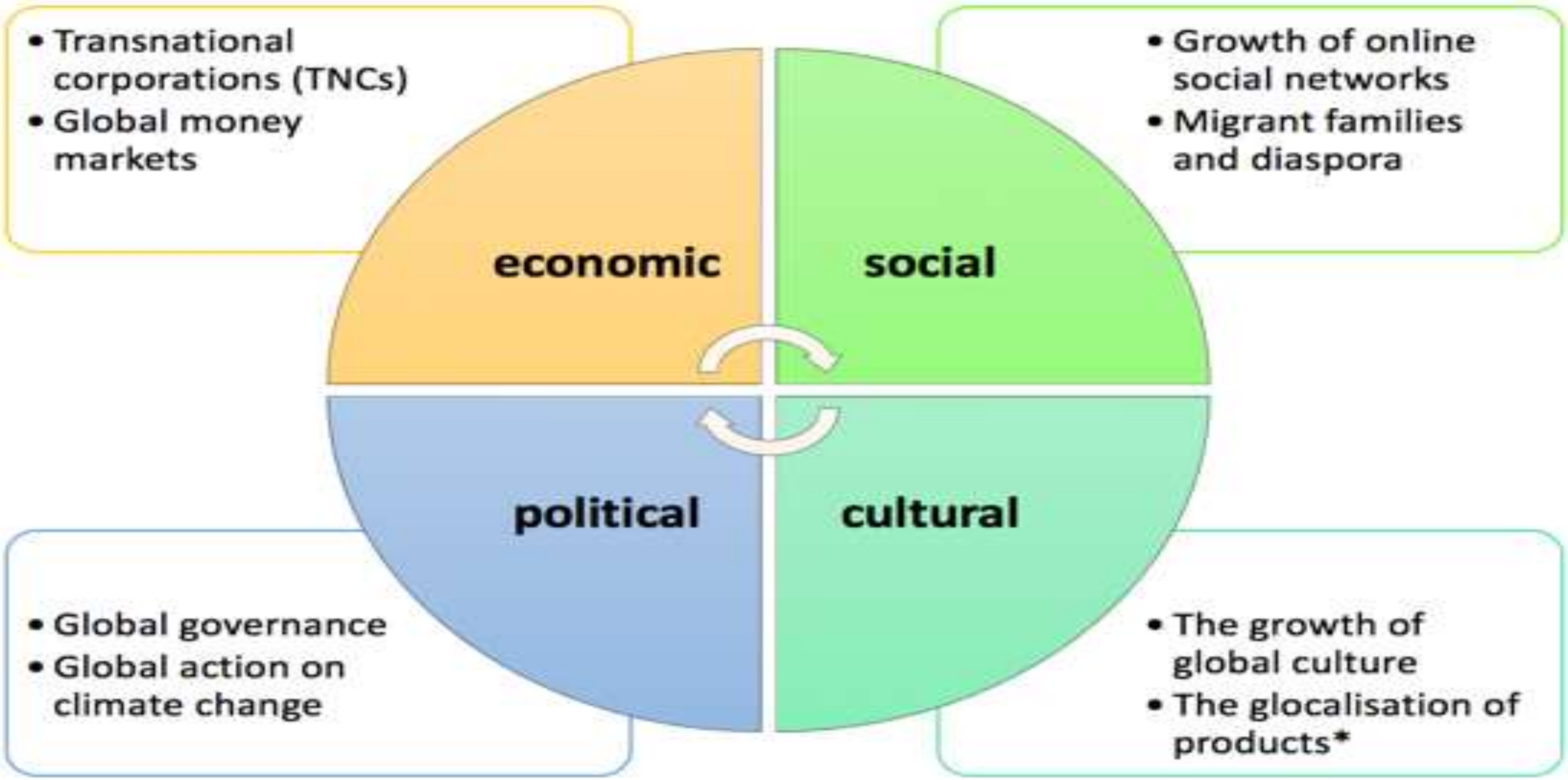
c. The purpose of the same, according to the government, was mainly to improve financial discipline and facilitate modernization.

d. It was also observed that private capital and managerial capabilities could be effectively utilized to improve the performance of the PSUs.

e. The government has also made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions.

Globalisation means the growing integration of national economies and societies, so that no society is isolated or remote from changes and developments in other societies.

1. **Liberalisation**
2. **Free Trade**
3. **Globalization of Economic Activities**
4. **Connectivity**
5. **Borderless Globe**
6. **A Composite Process**
7. **A Multi-dimensional Process**
8. **A Top-Down process**


• Transnational corporations (TNCs)
• Global money markets
economic
social
• Growth of online social networks
• Migrant families and diaspora
political
cultural
• Global governance
• Global action on climate change
• The growth of global culture
• The glocalisation of products*

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Effects of globalisation

- The major benefit of globalisation is improved living standards
- encourages the most efficient use of capital.
- firms can exploit economies of scale and thus produce goods at a lower cost, which it is assumed will be passed on to consumer in the form of lower prices. So if the company can serve a large global market it can build large cost efficient plants.

BENEFITS OF GLOBALISATION

- By buying products from other nations customers are offered a much wider choice of goods and services.
- Creates competition for local firms and thus keeps costs down.
- Globalisation promotes specialisation. Countries can begin to specialise in those products they are best at making.
- Economic Interdependence among different nations can build improved political and social links.

DRAWBACKS OF GLOBALISATION

- Cheap imports from developing nations could lead to unemployment in developed countries where the cost of production is high.
- Choosing to specialise in certain products may lead to unemployment in other sectors which are not prioritised.
- Increased competition for infant industry.
- ‘Dumping’ of goods by certain countries at below cost price may harm industries in order countries.

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