

# Globalization, Liberation And Institutions For Governance In India

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## Abstract

The constitution of India established a welfare state and a very detailed agenda for promotion of social sector and human capital was mentioned in the chapter and directive principle of state policy. The new vocabulary of globalization, liberalization and social sector has new meanings because the philosophical postulates of the promoters of liberalization are fundamentally different from the world view of the Indian constitution makers. This papers ends the relationship between globalization, liberalization and welfare state and tries to define home institutions for goneranarce in India whole political scenario of Indian Politics

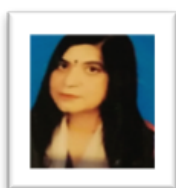
**Keywords:** Agena, Promotion, Directive Principle of state policy, Globalization, Liberalization, Governance, Welfare-State, Scenario.

### Introduction

The constitution of India and Jawaharlal Nehru – India Gandhi Model of Development provided a ‘context’ on the basis of which institutions for governance were established in post-independence India. The inter-related and interconnected institutional arrangements for governance are democratic participation, decentralization of powers on the basis of federalism, State-led multiple programmes for economic regeneration and a political regime which does not show any preferences on the basis of religion in a multi-religious society. The Nehru-Indira Gandhi Model of nation – building was based on relatively self – reliant economic development of the country and an active role of the State in the transformation of India. Many complex institutional innovations were made to grapple with the inherited problems of backwardness and underdevelopment. Since the Nehru – Indira Model was constructed on the basis of a belief that India should have relative autonomy in global bloc politics, domestic self – reliant development was essential to safeguard the sovereignty of India which was threatened by power-bloc politics. Economic planning and policy of non-alignment were two sides of the same coin and governance of the country was directed towards State-led economic development and assertion of national independence in global affairs. The institutions for governance are created in response to the basic goals of the State philosophy and the Nehru – Indira phase of leadership of the Indian State witnessed the creation of a complex network of governmental institutions, organizations, agencies for promoting the goals of planned development of the country with a view to accelerate the progress of growth.

The 1980s India witnessed a new debate on governance. Mrs. Indira Gandhi herself was becoming conscious of the dysfunctionality of many bureaucratic or quasi-bureaucratic governing institutions because the goals of rapid economic development were not achieved according to the anticipation of the public policy makers and also according to the expectations of the mass of poor people in the country. Jagdish Bhagwati, a critic of Nehru-Indira Model of economic development, observes:

*“Imagine my surprise and exhilaration, therefore, when the new minority government of Prime Minister Rao, after the June 1991 elections, finally seized the say. Abandoning the caution and hesitation that defined the earlier efforts at liberalization, the new government has frontally embraced the philosophy of liberalization, the new government has frontally embraced the philosophy of liberal economic reforms. ‘Reform by storm’ has*



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*supplanted the "reform by stealth" of Mrs. Gandhi's time and the "reform with reluctance" under Rajiv Gandhi".<sup>1</sup>*

Since the 1990s, India has launched a new Model of Development. A powerful critique of the Nehru-Indira phase of governance has emerged both within and outside the country. The India State, as developed in response to the Nehru-Indira model, should retreat and 'free market' forces internally and 'open economy' externally is a replacement of the earlier planned, inward-looking and globally closed economy. Hence many of the old institutions for governance have outlived their utility and new institutions for governance have outlived their utility and new institutions have to be created to release the impulses of economic growth from the shackle of earlier governmentalization of the whole society. P. Chidambaram, who has been associated with the so-called New Economic Policy of India since 1991, has observed that.

"Over the years, the government has taken on far too much in areas into which it ought not to have ventured, and had accomplished far too little in areas where it ought to have entered... the reforms would be of no avail unless we rescued "governance" from the labyrinth of "government" and for that we had to first reinvent government itself...; issues like downsizing, decentralization and withdrawing government from some areas may not provoke the same opposition. There will be a greater acceptance of the new role of government as a promoter and facilitator rather than the prime mover"<sup>2</sup>

Deregulation and globalization in India is the new policy framework for governance. Murasoli Maran, the Industry Minister in the Deve Gowda United Front Government, clearly stated that foreign capital was welcome. "If any such venture is employment-oriented and has backward linkage with the agricultural sector and generates employment and brings in new technology as well as promotes exports, we would welcome it". He further stated that "we clear in one things while allowing foreign investment, we will give priority to employment opportunities, technological upgrading and export promotion."<sup>3</sup>

Freedom For market is defended not only by the promoters of the New Economic Policy of India, But a very powerful indictment of the state-led economic development has come from the neo-liberal western economists, public makers and international institutions like the World bank, the IMF, the UNDP etc. The World Development Report 1996, of the World Bank has been devoted "to the transition of countries with centrally planned economies to market orientation" and its entities "From Plan to Market".<sup>4</sup>

While cataloguing the inefficiencies of the State-dominated economic system, the World bank President James D. Wolfensohn observes:

*"The Report also makes a major contribution by discussing the institutions that make*

*a market based economy work. It describes how public agencies, legal systems, financial institutions, and education and health systems can all enhance the success of market economies.. and it discusses the need for transition for countries to carry through with measures to integrate themselves further within the global economy. Integration into the institutions of the world trading system is an important way to help these countries flourish and sustain the reforms they have undertaken".<sup>5</sup>*

The upshot of the above discussion is that new institutions for governance are required to undertake new roles in the era of global integration and liberalization. In concrete terms, the institutions for governance created in the earlier area of Nehru-Indira rule in India have to be either dismantled or renovated to perform the new roles of the new area. The basic difference between 1991 – 1996 and 1947-1990 is that the Indian Government should vacate its preeminent position from management of the productive sector of the economy, and it should concentrate on the physical infrastructure and human capital for development. India is facing a serious crisis because human resource development and the development of infrastructural sectors like energy, roads, transport etc. were not properly emphasized and governmental attention was concentrated on inefficient public sector undertaking and other State-led productive sector activities. In the new era of liberalization and globalization, the State should concentrate on the "Social Sector " because "People " have been ignored under the old economic regime of bureaucratic management of the economy. The World bank report on "From Plan to market" emphasise that:

"In the end what matters is people. In the end a country in transition is judged by whether its citizens live better than they did before? Labour productivity, Critical for economic growth, depends on workers' knowledge, skills, motivation and health, therefore relieving extreme poverty, maintaining human capital, and adapting it to the needs of market system support growth as well as social justice and political sustainability."<sup>6</sup>

The new emphasis on the development of 'human capital', skill improvement, education and health needs the creation of new institutions for governance in India. Thus 'retreat of the State', 'Slimmer Government', 'social Sector', and open and free market economy are the new contexts in which governing institutions will have to play their roles. What is a Good or Bad Government depends on the quality of performance of the assigned roles to the government institutions.

#### **Demands of Global integration and institutions for Governance**

The context of governance has changed not only within India, it has also changed outside India and the global changes have a direct impact on the arrangements for governance of the country. The Foreign Exchange Regulations Act of the

1970s symbolizes and dramatizes the Nehru-Indira era of 'inward looking' model of development and the system of governance. All regulatory institutions of the 1950s, 1960s and 1980s were established to deal with our outside economic and political relations with a view protect and promote relative autonomy of the Indian State in international relations. The collapse of erstwhile European socialist State systems, the end of the Cold War, the emergence of an ill – defined new World Order, and the crisis of Third World economies and societies brought a qualitative change in global power relations in the 1990s. Mark Rupert observes: "In the context of the post-war global order, the growth of transnational production and intra-firm exchange has 'to a significant degree' displaced international trade."<sup>7</sup>

This 'transnationalization of capitalist production' has transformed global power relations because capital, technology and global trade is concentrated in very powerful 'transnational corporations'. The Third World is dependent on the transnational corporations and powerful industries countries for capital, technology and international trade. India can dismantle its Nehru-Indira Model of planned development and it can concentrate on the so-called 'Social Sector' and hand over the 'productive sector' of the free forces of market. In spite of this change the Government of India will have to bargain with transnational corporations at every step for every important economic and social activity. A fundamental contradiction has emerged at the close of the twentieth century that the State systems have ceased to be real decision- makers on crucial national issues, and the real power of decisions has shifted to the most powerful transnational corporations. This has been the new context of governance in the last years of the Twentieth Century.<sup>8</sup>

In this on-going process of the restructuring of global power relations, the India institutions for governance will have to develop new and powerful capabilities to negotiate and bargain with the real centers of world power. The real challenge to the governing institutions of defend its relative autonomy and sovereignty from powerful external centers of power, i.e., whether transnational corporations or the Western State system or the global institutions like the IMF, World Bank, and the World Trade Organizations.<sup>9</sup> In the governance of India. Political and social pressures will exercised by the capital investing countries for getting purely economic concession. The distinction between politics and economics was never valid, but in the new globalization system of production, such a distinction has ceased to exist. The governing institutions of India will be scrutinized by the capital exporting countries for maintaining democracy and human rights, Second, the Government of India will always remain "Big" and crucial for the Indian in the regime of liberalization and globalization for responding to the crucial demands of more than four hundred million

deprived and oppressed social classes. The poor of India look towards the Government for services and succor, and the power elite of India looks with contempt towards bureaucratic arrangements of governance, the different attitude of the social segments of society towards the government is in spite of the fact that poor are always betrayed and the elite always benefit from governmental policies. It is a myth that the so-called License permit Raj did not benefit the industrial, trading, agriculturists and rural and urban middle classes. Only the poor did not receive attention from either the Nehru-Indira Model or any change in the model by P.V. Narshimla Rao and H.D. Deve Gowda. Further, the slogans of de-bureaucratization and decentralization are phoney because if the "Bureaucrats in Business" as described by the World Bank have played havoc during the Nehru-Indira Model, the same bureaucrat are migrating from Door-Darshan to Star TV or from lucrative government jobs to private Telecom companies."

How is it that serving or retired bureaucrats are immediately taken over by the Indian and foreign companies?<sup>10</sup>

#### **Big Governance and Development**

A Frankenstein monster has been created by the local and foreign lobbyists for privatization of the economy that highly bureaucratized and centralized governance of India has brought havoc to economic development. On the basis of this mythology, a prescription has emerged that the Indian Government should de-bureaucratize and decentralize. It should also vacate its presence from the productive sector of the economy and concentrate on the Social Sector alone. The Government should concentrate on the Centralization and Decentralization are always matters of degree and never of kind. There can be no decentralization without reaching a level of centralization in governance. The Constitution of India has arrived at an excellent balance between the requirement of centralization and decentralization. Many significant provisions regarding decentralization mentioned in the Constitutions have been either properly implemented or get sabotaged in the process of their implementation. Local, regional and national areas of governance require a multiple complex system of institutions and the Constitution provides for it. At the same time, while keeping in mind and the regional variations, an all India national perspective for development demands that the institutions for governance should have proper hierarchical linkages and arrangements for administrative coordination. A real effort has to be made to deepen the quality of democratic participation in governance at national, regional, sub-regional and local levels in India. The institutions for governance have to be sensitized towards democratic demands and it can be taken care of by the strengthening of elected and

bureaucratic institution at every level within the country.

Democratic content in Governance has to be Increased and strengthened the distinction between “productive-economic sector” and “social sector” is spurious and phoney. An underdeveloped country cannot pull out of the plain of mass poverty without powerful and meaningful State intervention. The history of developed countries substantiates the fact that the State institutions have to provide effective guidance and leadership both in normal and crisis situations in the economy of a country. The U.S. President Franklin Roosevelt responded through New Deal and Big Federal Government in meeting the challenges of great Depression. J.M. Keynes became immortal for prescribing the devastated post-World was II economies of the European industrial countries. Full employment, Welfare State and State leadership in economics management as suggested by Keynes led to the recovery and prosperity of the Western capitalist countries. India has to learn lessons from the developmental experiences of highly developed countries, and history is the best guide for such learning process.

### Objective of the Study

The aim of the paper is to reveal the meaning of globalization and liberalization and relationships between both and the ways they are influencing the government institutions.

### Conclusion

At last author would like to say that the constitutional, democratic, federal secular and developmental State of India to play a very big role in pulling up the downtrodden masses and establish an egalitarian social order. Globalization or liberalization or the-bureaucratization or decentralization are like fictionalized Aladdin Lamp. The Indian elite is pushing the agenda of the developed countries on India without realizing the inadequacy of the Western invented agenda of Reagan's or Thatcher. A meaningful welfare and development State cannot dichotomize “productive and social sectors”. The New Economic Policy does not have any rich philosophy about society as given to us by the makers of the Indian Constitution. The Directive Principles of State Policy cannot be achieved by a “retreating” state. A Good Government in the Indian context means people-friendly and not market – friendly because a highly stratified society the vulnerable strata depend on large governmental presence. The basic objective of Good Governance in India has to base on the principles enshrined in the Constitution and institutions which are linked with democratic process in a significant manner. A further democratization of the existing governing institutions of India is the key to the multidimensional problems of the country. The middle of 1990s has witnessed a new discourse on governance and re – structuration initiated by the Indian elite under the inspiration of the Western ruling classes. The Indian agenda for the

governance of India demands the defense of national sovereignty, deepening of democratic process and economic development for an egalitarian social order. The new agenda of the Indian elite is anti-development, anti-development, anti-government and anti-national sovereignty. In reality, the market – led economy and governance in india are anti-democracy.

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