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AN EVALUATION OF THE IMPACT OF MARKET ON THE ROLE OF STATE WITH SPECIAL REFERENCE TO INDIA

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Abstract

Since last two decades we have been witnessing a paradigmatic shift both in theory and function of the state. The world has experienced a state which rolls back on its functions and responsibilities. It means a change in the nature of the state. This change is otherwise called as the retreat of the state and it has assumed a new role by carrying out the disinvestment and privatization in all walk of its life. The new role and the function of the state is creating favourable conditions for private enterprises and market forces and cutting down the expenditure on welfare policies. The emergence of market forces over the state and its functions has left far reaching implications on the general condition of the society and livelihoods of common masses. In this context, the article will discuss how far the market forces have influenced the activities of the state in the name of development strategy.

Keywords

state, market, economic reforms, command economy, market economy.

Content

Introduction

Over a period of time, the state has evolved as a concept and institution through changing scenarios and human relations. The state is considered as a natural association and also a necessary pre-condition for civilized and secure life. Today, we have different conceptions regarding the role, powers and functions of the state. In the modern period, we have seen the emergence of nation states; they have played a centralizing role over its population and territory. The modern states have shown some amount of commitment towards the welfare of citizens. The advent of neoliberal principle as policy and practice has changed the nature and activities of state. But, the activity of the state is largely evaluated in terms of economic development rather than welfare measures undertaken by it. In the perspective of the market, the intervention of the state was seen as positively harmful to the economy. This has raised the argument from the political and economic spheres for the rollback of the state. The forces of globalization have added further fillip to this kind of thought and practice. In due course of time, the developing world has changed its perspective on the state by embracing market friendly strategies and its role has been reduced to a minimalist state.

The concept of State and Market

The words like ‘State and Market’ surely draw together great issues of our times in this apparently ‘Global Era’ [Underhill, 2003: 663]. The ongoing debates on the influence of the market over the state tend to generate more heat than reasoned answers. Before going into a deeper analysis on the issue, it is necessary to define what is exactly meant by the ‘state’ and ‘market’ and what kind of pressure the state is experiencing from the market. The issue has once again assumed importance in the context of economic reforms and structural adjustments that are currently under way in many countries [Rangarajan, 2000 :1386]. More specifically, our understanding of the state requires a rethinking vis-à-vis market relationship which has considerable implications on how we distinguish between the public and the private. Typically, we discuss both state and market with an assumed clarity of distinction between them. Markets and market forces are all about what businesses, labour and consumers do. Market is the part of private domain based on the private right of individuals or corporates to enjoy the principal benefits of private property and the fruits of one’s labour [Underhill, 2003, p 664]. According to Aristotle, the state is an indispensable necessity for men as social beings. The most common definition characterizes the state in accordance with three essential aspects: the territory, the population and the power. Thus the state is defined as a delineated territory, occupied by the stable population, led by a political organization with the role of constraint [Dodescu, 2010: 18].

During the earlier period, the general perception regarding the state was as the sole sovereign and legitimate authority of the people within a given territory. In the present day context, these characteristics and features of states are fading away, the state itself is withering. We are witnessing the decentralization and fragmentation of the power of the nation state. In the globalized world, the territories are blurred; the economic territories no longer coincide with political territories, this is as an attack on the state. The state can no longer control economic activities taking place on its territory, and hence, it loses its internal sovereignty [De Varies, 2001: 391]. The state has gradually lost the legitimate hierarchically organized authority—the exclusive authority in the decision making process, sharing it and exercising it in the common interest of different partners: international, supranational, regional and local structures, private players, NGO's etc.—thereby, creating a different levels/multi levels governance [Dodescu, 2001: 18].

Thus current orthodoxy gives a prominence to the role of the market. The market approach is concerned with creating the conditions in which markets can flourish by establishing environments for private sectors for a more efficient use of resources and high level productivity. It means, that, a major function of the state is being superseded by the market forces. From the early 1960s to mid-1980s the major function of the state was the intervention in the economic matters. In the last ten years, state minimalism has emerged as the dominant paradigm, superseding the earlier state interventionist approach [UNDP, 1998: 31]. At the same time structural adjustment programs have been replaced with state interventions. Market based reforms clearly need to take place within a conducive macroeconomic environment, which requires reforming the system of economic management.

State and Market dichotomy

The distinction between the state and the market is common place in everyday discussion. This distinction is rooted both in the intellectual and ideological roots of the 19th century and the rise of both industrialization and the emergence of a democratic form of governance. There are two striking features oft the recent history of economic thought on the role of the state in the economy. First, it seems to swing between extremes, from one set of ideas that give primacy to the role of state over markets to another that gives supremacy to markets and stresses their advantages over the state and then back again. Second, the stronger the theoretical challenge to the notion of the supremacy of the markets, louder are the voices calling for stronger roles of the markets in the economy.

The earliest systematic thinking on the role of the government in the economy came from Ibn Khaldun and was later formalized by the Mercantilists who advocated sweeping government intervention in industry and trade. Adam Smith's 'Wealth of Nations' [1776, W. Strahan and T. Cadell, London] was, in large part, a reaction to the mercantilist beliefs. The "invisible hand" doctrine of Smith was advanced to liberate markets from the state interference. It became the dominant idea in economics and culminated in the 19th century "gold standard" [Kubursi, 2009: 9].

The rush towards globalization and a sense of triumph of capitalism in the aftermath of the disintegration of the Soviet Union and communism have combined to revert much of the economics profession to a new fundamentalism about the virtues of markets and the shrinking of the government. Over the past three decades, a stunning imbalance in ideology, convictions and institutions has emerged which favours markets over the state [Kubursi, 2009: 9].

The market has begun to function as the core organizing principle of industrial society. In the first place, industrialization—which could not have taken place without the process of commodification of the vital factors of production—land, labour and capital—began in Britain. By commodification, it meant the creation of new legal devices whereby these factors of production could be exchanged freely and privately in the market. The commodification has emerged to replace the world of mercantilism and the residue of the middle ages. The private business affairs of individuals interacting in the market were largely separate from the concerns of the state. The private domain of property and market are used as a bulwark against the arbitrary exercise of the state power [Underhill, 2003: 666]. Over the time, money as capital entirely replaced land as the store of value and became common throughout the economy as a medium of exchange for commodities, and, money itself came to be bought and sold in financial markets. The public-private distinction became part and parcel of the cry which echoed across the globe.

The gradual emergence of the market mechanism has a powerful organizing principle promoting industry and commerce. At the same time, there was private domain of economic freedoms which constituted the market, where some always did better than the others. The neoclassical economists have strongly advocated the market as an organizing principle for our developing world political economy. They saw the global market as a way to escape from the disabilities of politics and the transnational integration dominated by market process is often seen as an ideal state of affairs. This view is, of course, underpinned by the usual implicit assumption that states and markets are antithetical organizing principles, representing hierarchy, power and coercion versus decentralization, spontaneous interaction and even liberty [Underhill, 2003: 666].

According to Adam Smith, there was continuing tension between private passions and interest of the individual and the collective needs of the wider community—a tension between the pursuit of self-interest and the fulfilment of public good. Markets and government are both imperfect systems, both are unavoidable features of reality and the operation of each is powerfully influenced by the existence of the other; and that both are processes unfolding in real time, whose evolution is dependent on history and buffeted by surprises.

Power is clearly not the preserve of the formal institutions which pretend to monopolize it, particularly, state. Private market power is very much part of the pattern of governance we experience [Underhill, 2003: 671]. The relationship between the state and market are portrayed as one of the interdependent antagonism. The political logic i.e. logic of state pulls in one direction and economic logic—the logic of markets—pulls in another direction. According to Susan Strange epic struggle between the state and markets suggest that 'markets' are winning in the contemporary period of transnational integration. This yielded a retreat of the state in the face of market ascendancy, largely self-induced, with grave dangers for the legitimacy and functioning of the global system [Underhill, 2003: 672].

A Transition from Welfare State to Competitive State

The notion of social justice is the basis of welfare state which came into being around the middle of 19^{th} century. This sentiment is reflected in John Stuart Mill's statement on utilitarianism (1861) "society should treat all equally well who have deserved equally well of it". This is the highest standard of all social and distributive justice towards which all institutions and the efforts of all virtuous citizens should be made in the utmost degree of convergence [Reza Faeli and Rafat Fazeli, 1979: 1]. It is not easy to answer when a state turns into a welfare state. The general idea behind the welfare state is that the ruler should look after the well-being of its citizens. It protects the dignity of individuals by providing social security for victims of social circumstances instead of leaving them to the charity of the rich. It contributes, to large degrees, to the redistribution of wealth because it provides services like health, education, employment and an optimum standard of life for all. The Welfare was the dominant idea and practice in western countries. The welfare state is a system where the state functions on the idea that all citizens have right to basic services like education and healthcare. In essence, welfare state arrangements were introduced to enhance income security and provide social services for the majority of citizens [Rutherjersen, 2007: 46]. In general, the welfare state is the meeting point for social needs, alleviating social risks, providing necessities, promoting solidarity, bringing about economic and social equality and social rights. The welfare state has thus become profoundly embedded in people's everyday lives.

From 1970s, welfare states have been challenged by the forces of neoliberalism, particularly, in western countries. During this period, the western world was under immense economic pressure due to the oil crisis and also crisis in the world economy, which led to increasing unemployment, monetary inflationary pressures and stagflation in the United States and Western Europe. Furthermore, poor economic performance, changing family patterns, ageing populations and neoliberalism are factors that from the 1980s have put the welfare state under additional strain [Rutherjersen, 2007: 47].

According to Adam Smith, the government interference was the greatest barrier to the functioning of markets. He believed that whenever government had intervened, the outcome was less effective than if it had remained aloof. A fundamental assumption of the economic system outlined by Adam Smith was that laissez fair and minimal control would automatically lead to natural order and the best possible outcome for all [Nayak, 1996: 19]. The liberals believed that economic growth is best achieved through free markets and private incentive and not through government intervention. Instead, the privatization, deregulation and competition in a free market are seen as eliminating bureaucratic interference and increasing efficiency and productivity. The private sector is—according to neoliberalism—the primary engine of growth [Ruthjersen, 2007: 58].

But, liberals like Adam Smith acknowledge some legitimate scope for the intervention of state and envisage a role for state in areas where the private entrepreneur's presence is inefficient [Nayak, 1996: 19]. The role of government should provide a condition for a market to operate freely, secure private intellectual property rights, the liberalization of trade barriers and uphold sound fiscal policies to stabilize price levels. The state can actively intervene in those areas where markets do not exist like education, health and social security. The liberals are very much clear about the necessity of state intervention, but at the same time, they are trying to restrict the entry of state in those areas once a market is created, the state intervention should be kept at minimum.

The market has forced the state to embrace privatization and sell the assets to private sector. This could include all state owned enterprises such as schools, universities and healthcare. The state should furthermore support deregulation and liberalization which imply the limitation of the state's ability to protect domestic interests and capital in favour of trade and capital flow. The state should adapt to a world of competition and deregulation, hence, the competitiveness of the national economy with global markets is the focus of governments within the neoliberal concept. This is termed as the 'competitive state' where states are marketed due to their competitive function within the global economy [Ruthjersen, 2007: 60]. The neoliberal principles which encourage the de-socialisation of economic government, is a shift from the welfare state to competitive state, where the notion gives way to maximum competition. This is termed as the' competitive state' where states are marketed due to their competitive function within the global economy [Ruthjersen, 2007: 60].

Today we are experiencing a form of governance that encourages institutions and individuals to conform to the rules of the market place. In that sense, the market is merely a different form of governance than government.

Altering Boundaries: Changes in the Functional Role of the State

The altering boundaries between state and market have changed the functional role of the state. In the earlier period, the state has played a different kind of role in the economic activity as producer, facilitator, regulator and welfare provider. Over a period of time, the role of state has changed under the influence of market forces. It has shown a retreat from its earlier functions and responsibilities. As a producer of goods and services, retreat by the state can be seen in the form of permitting entry for private sector in those areas which were fully reserved for the public sector. In many areas private entry is encouraged like power, telecommunication and oil sector. The change was operationalized through liberalization of industrial policy. Some public enterprises were corporatized and in many public enterprises, private equity holders were brought in. While there were attempts to reduce the role of the state as a 'producer', correspondingly, there has been de-regulation in some and expansion of the state in other areas as a regulator. Dismantling of industrial licensing and liberalisation of trade are best examples of retreat of a regulatory state [Reddy, 1999: 2992].

The state has played the role of a facilitator of public goods and services. It is freely available to all sections of society in an adequate and equitable manner. With advent of market forces into the distribution of public goods, the scope and nature of delivery of goods have been altered. The best example is the introduction of toll charges for bridges and roads. For example, there can be a policy decision to treat a way of delivery of a good as a public good as distinct from another way. Consequently, the major source of fiscal stress, has been revamped or cut down on the role of state as a welfare state. In case of India, the last sixty years give us a clear picture of the changing nature and function of the state which in a way also mirrors the same happening all over the world. In a country like India which was ravaged by the colonial pillage for such a long time, the Indian state embarked upon the path of independent development of economy. The next section will be explaining what are the functional changes that took place within the Indian state due to adoption of liberal polices and gives a picture of the areas where the Indian state makes a retreat from earlier function.

Shift from Command Economy to Market Economy: An Analysis of Indian Scenario

The last decade of the 21st century has witnessed waves of economic policy reforms in the developing world with one country after another taking the path of liberalization. The terms and condition for the economic reforms are dictated by the international financial institutions. The economic liberation encompasses many aspects of policy, but the central issue at stake is the relative role of the state and the market in the operation and management of national economy. The contemporary movement in economic policy reform indicates the retreat of the state and doing away with many of its roles in favour of the market. However, it is important to study whether the economic process which limits the administrative ambit of the state is destined to move towards the withering away of the state. It is essential to know, how far market has influenced the policy making of the state and what ought to be the appropriate relationship between state and market for the purpose of effective economic performance and democratic development of Indian state [Mohanty, 2011: 511].

Since independence, India has pursued the state driven economy up to the year 1990. At the time of independence, there was a deep distrust towards market forces and international trade due to the *laissez fair* policy of the British government which had drained India's wealth and capital [Sodhi, 2008: 318]. But India's self-reliant approach could not save her from the escalation of economic crisis in 1991. Subsequently, market driven economic policies were initiated due to the internal compulsions and external rigidities. Power and role of the state got rearranged in devising and implementing economic policy matters. It gives emphasis that the market is a coordinating mechanism for the exchange of goods and services on the basis of relative prices [Mohanty, 2011: 512]. It was realized through the economic reforms which came to be known as the liberalization policy or structural adjustment program, that it is aimed at removing all forms of government limitations on private sector operations. To put it more simply, market freedom must control state policies. The process basically denounced the state monopoly and control of economic activities.

India has for nearly half century followed a particular brand of import substitution industrialization despite, the presence of large scale private industrial sectors. Through the economic reforms, this model was sought to be turned towards private sector, market oriented and increasingly globally integrated economy. The new stabilization policy implicitly articulated the goal of an internationally competitive economy with the state playing a pruned and redefined role [Mohanty, 2011: 515].

Since 1990s the nation witnessed a policy shift which deeply influenced the economic and political life of the nation. The reason behind the directional shift was due to dissatisfaction and response to the changes taking place throughout the world. Apparently, the state had moved away from an interventionist regime to a market friendly environment. The fiscal crisis of the state which had been maturing since the early eighties had thrown the whole planning process into disarray. The successive governments in India are also pursuing the same policies with more speed and vigour and declared its commitments to privatize the public sector in tune with the logic and compulsions of the globalization process. The external and internal pressure has prompted India to give up its commitments towards the building of a socialistic pattern of society in favour of neoliberal state. The national consensus on the objective of the welfare of the state was prevailed on for a long time and has given way to new national consensus on neoliberalism [Balasubramaniyan, 2001: 68].

As in many developing countries, India also launched its massive economic reforms in 1991 under the pressure of economic crises. The twin crises were reflected through an unmanageable balance of payment and a socially intolerabl high rate of inflation that were building up in the 1980s and climaxed in 1990-91 [Wadhuva: 260]. The root causes of the twin crises could be traced to macro-economic mismanagement throughout the 1980s as reflected in an unsustainably high fiscal deficit, in particular, the revenue deficit and the monetized deficit. The central government's fiscal deficit alone peaked at 7.9 percent of GDP in 1989-90. India stared bankruptcy in the face of it as it struggled to meet external debt obligations [Wadhuva: 261]. The Prime Minister Narasimha Rao converted the prevailing economic crisis into an opportunity to launch massive economic reforms. The new economic policies radically departed from the economic policies and regulatory framework pursued in India during the previous forty years. The major focus of the government was on the crisis management to deal with the balance of payments. It was of utmost importance to restore India's international credibility by meeting its scheduled external debt liabilities and through maintaining a more realistic exchange rate consistent with market obligations. This would have been possible only by removing distortions created by controls and by improving the competitive edge for Indian goods and services in global markets as well as in the markets of major regional trading blocs.

The annual budget of 1991 fully reflected the structural adjustment package which came to be known as the new economic policy. The structural adjustment package of 1991 was described as LPG model because of its incorporation of liberalization, privatization and globalization. The essence of liberalization is that economic management should be left to the market [Dasgupta, 2005: 20]. The allocation of resources, commodities, labour power and foreign currency are largely determined by market forces. The liberalist perspective on state came into reality in case of India; Indian state has taken a backseat on economic matters by leaving it to the market forces through privatization, deregulation etc. As a response to changed circumstances, India has introduced the main elements of SAP package and taken certain policy initiatives in accordance with this.

One of the desired objectives of the economic reforms was to integrate with the world economy. This economic reform was mainly focused on the structural economic reforms in selected sectors of the economy. The major structural economic reforms carried out since 1991 have been primarily in the following areas: Trade policy/external sector, industrial policy, infrastructure sector policies, disinvestment, divestment/privatization policies, financial sector, and attracting foreign direct investment policy. The thrust of the reforms in all areas was too open India's markets to international competition, remove exchange rate controls, and encourage private investment and participation in industry and in the financial markets, to liberalize access to foreign capital [Wadhuva: 266].

The new trade policy was followed by a policy of phased rupee convertibility, the withdrawal of export subsidies, liberalization of imports and substantial reduction in tariffs. Ultimately, new trade policy has reached its zenith by the conclusion of the WTO agreement with India. However, Indian government has opened its door to WTO entry conditions by allowing exclusive market rights, for companies with patent rights in other member countries and opening the mail box to receive applications for patent.

By the introduction of a new industrial policy, the goals of self-reliance and import substitution were abandoned. In few areas, industrial licensing was no longer necessary and virtually the entire economy was opened for private sector, both Indian and Foreign. The new policy shift is also reflected in the banking and financial sectors. A number of share market reforms were undertaken including the legal setting up of SEBI, depositors of shares and permitting foreign participation. The emphasis on customs and exchange duties was reduced and emphasis was on a simplified tax structure with reduced rates [Dasgupta, 2005: 22]. With regard to public sector reforms, it delineated the public sector from other obligations and financial matters. The shares of the large number of public sector undertakings were sold and their debts were put outside the framework of the central budget in order to show compliance with IMF conditionality on the reduction of fiscal deficit. The main agenda behind the reforms were reducing the fiscal deficit and inflation of country by reducing government expenditure through selling the shares in public sector undertakings. This was the key objective and a test of the success of the new policy package that favoured production and growth mainly under private management.

However, the reforms did not lead to consistent growth till 2003. The years between 1991-2002 were highly volatile with optimism in few years met by signs of pessimism in later years. After declining to 1.4% in 1991-92, GDP picked up to average 6.5% in the period 1992-97, even touching growth of 8% in 1996-97. Growth declined in 1997-98 to 4.3% tracking South East Asian crisis and then again increased to 7.6% in 1999-2000. The average growth in the next three years was again a disappointing 4.6%. Growth finally picked up and touched 8.1% in 2003-04 and despite another blip in 2004-05 growth touched 7%. The average growth in next three years (2005-08) was 9.46%. This makes average growth in 2003-08 at 8.7%, infusing huge confidence in the Indian economy. Thus 9% growth rate became the new normal for Indian economy. 9% growth rate was seen as given and policymakers aspired and debated on how soon India will touch double digit growth rates. All the plans and policies were centered on this magical growth rate of 9% leading to a virtuous cycle of sorts [Anmol, 2012: 1].

The global financial crisis of 2008 once again tested the Indian growth story. After the 2008-2009 an economic crisis severely affected the Indian economic performance. The growth rate had turned down into 6.7%. Gradually, it recovered from the crisis and achieved the growth rate of 8.4% in both the years 2009-10 and 2010-11. However, once again the growth rate slipped in 2011-12 to touch a shocking 6.5%. Meanwhile, the recent decline is being blamed on global conditions. There is an irony in these statements as most policymakers say India will not be impacted by ongoing European crisis, but at the same time, highlight that growth has fallen lower because of the ongoing European crisis [Anmol, 2012: 1].

As far as the market led development is concerned, gross domestic product alone cannot fulfil the necessities of the poor and is no longer the only indicative of the prosperity of the country. Market guided development works only for individual benefits. It may be suitable for those countries where poverty is very low and people can invest in the market and can take benefit of it. But the countries like India where poverty is still a big problem, market cannot bring the benefits to the poor. With the influx of market capitalism, India has tried to adjust to globalization by new policy performance in the crucial sectors of the economy.

Future Prospects of the State

Responding to these globalization processes, the enormous challenge faced by the state is the challenge to its authority as well as its capacity. It has produced a massive change in the institution of the state itself—its form, policies, institutions, and functionaries. The process of globalization has undermined the concept of a sovereign state by leaving a question mark on the role and its relevance. The state is playing a different role than what it was in the past. Today the state is living in an age of highly mobile capital where the countries' economies are becoming integrated. The process of globalisation has reduced the scope for redistribution policies by reducing the resources available to the national governments. The new role and the function of the state is creating favourable conditions for private enterprise and market forces and cutting down the expenditure on welfare policies.

Right from the inception, it is believed that states are hostile to free market. The states are blamed too much by the neoclassical economists for its intervention. In the view of state, maximization of a social welfare is the objective functions rather than profit maximization. It ensures the social equity or justice through the allocation system based on the involvement of the state in the economy where as market ensures economic efficiency through the allocation system of the competitive market. It is believed that free market is the perfect one, but if the free market is the perfect one why do they always collapse. The deciding factor whether free market is perfect one depends upon a set of conditions which may not comply with the reality, as there are no perfect systems in nature. This is a fight between ideology and doctrines—right versus wrong, capitalism versus socialism, state versus market and market versus state. According to Din Martin "neither the invader state nor the deregulated market save us from the crisis; both of them fail as control instruments ending in devouring everything". The state suffocates the individual initiative in the name of social welfare, the market centrifuges the inefficient society in the name of individual prosperity [Dodescu, 2010: 26].

The problem in the context of developing countries like India is sustainably more critical in that there are vast tracts of poverty, low literacy, poor health system and poor infrastructure. The question, however, is one of striking the right balance. It is believed that, market is an efficient mechanism which can easily sort out all the issues confronted by the economy. In the case of commodity production, the profit motive may work well. But this profit motivation angle may be fraught with serious problem in areas like health, education and poverty alleviation. There is no other alternative but to have substantial state action in each of these areas. State can play a better role in setting the direction rather than driving. The regulatory role of the government in the financial and other sectors has assumed added importance in the context of economic crisis. Moreover, state interventions become necessary only in areas where markets do not exist or where they cannot perform efficiently. With limited resource availability, government should reallocate resources more in areas where it has a comparative advantage over the market and vacate those where it has less of an advantage. Therefore, the government cannot abdicate this role, even though, it is indeed a difficult one in the process of globalisation. State has to pursue this role more differently than it did in the past. It must learn how to make redistributive policies efficient and well targeted. And it must not forget that growth is the best medicine for curing the disease of absolute poverty and for providing productive jobs [Rangarajn, 2000: 1390].

Conclusion

The present world is experiencing a kind of change which poses a dilemma to the existence of nation states. In this globalised age, the nation state has become the victim of a new kind of transformation and challenge. This challenge has put stakes on the cohesiveness and authority of nation state acquired by it since its birth. Moreover, it has the capacity to rearrange the order of nations in the world politics. It has transformed the life of the state by making state no longer an authority for protecting the poor and the disadvantaged.

The market is not a natural order as Adam Smith and other economists claimed to be. The market economy is a human intervention that cannot be naturally blended with social life since it leads to the full commodification of all means from

regular marketable produced commodities. The extension of commodification to all aspects of human life leads to tension between economy and society.
The right blend between market and state policy is required to guarantee efficiency and a higher level of quality that the rule of market alone can deliver. Market makes no sense without state, indeed, the market system was created and enforced by the state. The idea of a separate economic domain without politics was a Utopian concept which will result in the greatest human tragedy of the modern period. Moreover, the necessity of state's existence and of its involvement in economy is proved by the history.
India is one of the growing economic powers in the world. Still, it is faced with growing inequalities among various sections of society. With the effect of global recession, the economic growth is crippled and the economy is not in a position to achieve expected Gross Domestic Product in a financial year. Moreover, the economic reforms have not succeeded in bringing competitiveness in Indian economy. The trade deficit is higher than it was in '90s after adaption of trade liberalisation. India's balance payment woes have not disappeared with these reforms. The trickledown effect of economic reforms is not reflected in any sector of the economy. India could not keep aloof from the global integration and it has become a necessity due to the poor economic performance of the country. With the influx of market of capitalism, India has tried to adjust to globalization by new policy performance in the crucial sectors of the economy. This adjustment may not be subordination to the market forces. In this situation, the Indian state has to find out a new mechanism to get rid of negative externalities of market forces which will not affect the interests of laymen.

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