



‘WAVE OF PRIVATISATION AND ITS LIMITATIONS’

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Introduction

Once, JM Keynes whom, the economic literature considered as all time great thinker brought revolutionary changes and gave a call for government for an active intervention against privatization policy. However now it must be clarified at the very outset that this perceptions of state intervention and active participation in order to pursue the desired objectives seems to be loosing its significance. There by raising a serious question that public sector really loosing its significance at present or not?

Wave of Privatisation

With the introduction of privatization during eighties the wave and process of privatization began to accelerate throughout the world. It was the communist Russia, which received death blow to its Keynesian perception of state ownership the economic liberalization began to swept the USSR.

With reference to China although suppressed the democratic ideas, but it has itself introduced economic reforms which is basically featured economic liberal policy. Since china felt that the public sector did not optimize the resources. The Economic liberalization policy became universal phenomenon. Most of the countries of the world accepted this policy in order to overcome the Economic crises such backwardness or balance of payment crises or USA compulsion or under the pressure of IMF debt. However one certainly can't forget, (Ignore) that the privatisation has yielded positive result and helped the countries to achieve their desired objective particularly in solving various Economic problems. Therefore it began to spread in different parts of the world.

Privatisation In India

The Privatisation wave that swept the world, was bound to have its effect in India. Even though strong resistance to it, and also accustomed to the state intervention. Under these circumstances, during Eighties and more after, the privatization was initiated by Late PM Mr.Rajiv Gandhi. However he could not take bold step to introduce the same. As he was afraid of consequences.

During 1991 under the Prime Ministership of P.V Narasimha Rao and able finance minister manmohan Singh, determined to introduce the privatization, through their new Eco policy. He was of the opinion that persuasion of existing policy would yield nothing, but only retaining of our Economic problems, thus he wanted a break through (privatization).

Therefore under these circumstances Manmohan Singh's model of development was introduced in 1991. Privatization was the part of their Model which is characterized as follows.

1. Private sectors were encouraged instead of public sectors
2. Transformation of loss making units to private sector
3. Disinvestments through the sale of a part of equity of public sector to private sector
4. Liberalizing the Economy by removing restriction on private sectors (Delicensing)
5. Allowing private sector for expansion and future setting of new unit
6. Restriction on future expansion and setting up of new unit in public sector
7. Greater autonomy to the management of public sector unit (In this regard Bimal Jalan the Ex.governor of RBI suggested that the management of public sector unit must be on the line of UPSC (Union Public Service Commission which is relatively free from political pressure and working fairly effective)

Privatisation policy was further initiated in India with the announcement of de nationalization of banks, insurance companies, power sector, postal services, further government transferred the ownership of some public sector units to private sector, namely Allwyn Nissan handed over to Mahindra, Mangalore chemicals and Fertilizers a public sector undertaking of Karnataka Government was handed over to UB group and Maharastra scooters was handed over to bajaj Auto India.

Thus privitisation in India is slowly and effectively improving. It is also yielding fruitful results for which the ultimate credit goes to Dr.Manmohan Singh whom I prefer to identify as 'Modern classicist of India'



Need of Privatisation

From the above discussion a question pursue us, is whether we need a privatization? The answer is under the state intervention economy has become victim of excessive bureaucratic restrictions resulting in delay and inefficiency such as,

1. Public sectors are under the control of ministers/ministry which curtail the decision making ability
2. Public sector fails to utilize its fuller capacity and causes low productivity
3. Social and political constraints further compel the public sector to go for uneconomic policy which led to heavy loss.
4. Public sectors functions with the motive of service rather than profit which result in wastage of allocated resources.
5. They have become procedure oriented rather than result and outcome oriented. Even an ordinary decision is sent for ministers approval.

Therefore public sector received large portion of subsidies, followed by inefficiency, heavy losses, misuse and misallocation of resources.

Hence under these circumstances public sector units have become merely economic burden. Therefore privatization has assured new hope for backward countries like India. Therefore the above discussions and short coming certainly make us to think that the Keynesian concept of state intervention is loosing its significance.

Free Forces an act of Economic Immaturity?

However, in India privatization is not desirable due to ills of economy. It is accepted under the situation of socio, political and economic perfection where as imperfection in all fields led to the failure of privatization. (The perfection here refers to equality in income distribution, social justice, absent of poverty, education level and with maximum economic knowledge)

Therefore free forces in India leads to misuse of resources. As leading Indian economist Kumar, Amarthya Sen puts that India has implemented insufficient and ineffective government activity related to education, health, social security, land reforms and in the promotion of social change. Sen further says "The cage which tamed the Indian economy is illiteracy, under nourishment, social inequality and utter poverty" Hence under these circumstances free forces become an act of economic immaturity.

Other obstacles

1. The trade unions aggressively reacting against privatization for example in case of Uttar Pradesh State cement corporation workers strongly resisted against privatization which resulted in killing of 40 workers 60 of them were injured.
2. Privatisation has failed particularly in case of providing economic infrastructure.
3. It is also felt that it will fail in providing essential services such as education, health etc.
4. Privatisation under the circumstances of large illiteracy, innocent people and under utter poverty leads to emergence of monopoly power by an intellectual educated industrialist.
5. It divides the society into poor govt institutions and Rich Market Forces.

Reference Book

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