CHAPTER - I

INTRODUCTION

Globalisation and liberalisation have drawn the attention of the entire world. It is difficult to get beyond hyperbole and rhetorical flourish when considering debates about processes of globalisation and liberalisation – two terms that have dominated international policy (and especially international development) discourse and the great public debates of the turn of the century.¹

The end of the cold war, together with the process of liberalisation, rocked the structure of international politics.² Nowadays liberalisation seems to have assumed new connotations, primarily because of the changed international balance of the forces.³ As the world entered the last decade of the twentieth century, economic liberalisation has become a global phenomenon.⁴

Although liberalisation is basically an economic phenomenon, it is grounded in the political ideology of liberlism.

³ UNESCO, p. 115.
It is the political and ideological trend that unites supporters of the bourgeoisie-parliamentary system and votaries of freedom for capitalist enterprise.\textsuperscript{5} It is widely recognized and documented in a number of empirical studies that there has been some kind of convergence in terms of policy innovations worldwide. This is hardly a new phenomenon. But convergence seems to be increasing as a result of liberalisation and the greater role played by international institutions at the global level. In this regard it is found that the IMF and World Bank have been dominant. In this context domestic institutions or actors play no role or a minor role in the expansion.\textsuperscript{6}

Over the past decade India’s leaders sought to liberalize their country’s relatively controlled and closed economy. A virtual sea change has taken place in the economic policy framework in India since July 9, 1991.\textsuperscript{7} July 1991 indicated the end of the earlier policy structure. As a consequence of introducing liberalisation, structural changes were made in Indian economic policy.


Response of any country to liberalisation is primarily determined by the domestic policies of that country. Domestic policies are generally dependent on functioning of political party since they constitute institutional mechanism of the political system. In view of this every political party expresses its concern on liberalisation keeping in mind the fulfillment of aspirations of people which enable them to strengthen their support base.

There is no avenue of politics into which it does not enter. Interaction among political parties on liberalisation of Indian economy constitutes a major part of politics and in this context the position of every Indian political party on economic policy is to influence the decision making process of liberalisation of Indian economy. Therefore, the study of politics of liberalisation of Indian economy, from the perspective of political party, is significant.

Jawaharlal Nehru always thought of socialism as a remedy for Indian economic problems and his ideas of socialism dominated the whole Indian economic system for nearly four decades. But they failed miserably to uplift the country from economic crises. The country took ‘U’ turn from Nehru’s ideas of socialism when P.V. Narasimha Rao’s government opened the closed doors of the country to foreign investors in 1991. The
Congress government, under the leadership of Nehru, implemented socialistic pattern of society in India, but it was the same Congress party, under the leadership of P.V.Narasimha Rao, turned its back to the old regime of Nehru’s socialism.

The Problem

Joseph Stiglitz opines that with the fall of the Berlin Wall in late 1989, one of the most important economic transitions of all times began. It was the second bold economic and social experiment of the country. The first was Russia’s transition to communism seven decades earlier. Over the years, the failures of this first experiment became apparent. Collapse of the Berlin Wall and breakdown of the Soviet Union transformed the structure of international politics. These changes, that the world is experiencing, are regarded as the fundamental changes. In international politics such profound changes in the world affairs can be regarded as constituting ‘Post International Politics’.

It is true that globalisation has disseminated, accelerated and deepened the changes – more intensive social, and cultural

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9 Ibid.
10 Pierre De Senarclean, supra, no. 2, p. 115.
contact between societies, fiercer economic competition, new communication media, and social structures that span national borders are all forces that have moved societies and cultures in new directions.  

The post-cold war world has undoubtedly witnessed an advent of a new phase in international relations. This phase, perhaps for want of a better term, is often being described as the phase of globalisation. Such blanket categorization of a phase is valid in two counts. First it signifies an opening up of the space that was held by the socialist world while challenging the very foundations as well as the functioning of capitalism all over the world. Second as a corollary, it has shown a green signal to capitalism as a mode of development and as a world system. Liberalisation, privatization and globalisation are the buzzwords in the contemporary world. All goals end here.

For the past few years most of the economies have started opening up. Thus, there is a change in the economic management from the State controlled closed economy to liberalisation and

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globalisation. Another approach that considers directly the link between globalisation and policy reform focus on international institutions such as World Bank and International Monetary Fund (IMF). These institutions are seen as the main driving forces for change. In its cruder versions, the IMF and the World Bank are viewed as direct instruments of the hegemonic states and global economic interests.

Undoubtedly, today developments in India are a subject of keen interest. It is truly in recognition of the fact that India is no longer an exception to the on-going international developments, particularly in worldwide phenomenon of economic reforms. Eastern Europe, Poland, Russia, Ukraine, Argentina, Brazil, Hungary and Mexico have already gone through the process.

It is true that ever since independence, India has been battling enclaves in the economy. By the 1980s, it had become evident that the paradigm of development planning adopted in India wherein the state played a predominant role, was neither

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16 Marcus Andre Melo, supra. no. 6, p. 321.
18 Anil Dutta Mishra, supra. no. 14, p. 9.
India's low economic growth rate (the so-called Hindu rate of growth) of 3.5 per cent during 1965-80 was a result of the dirigiste development strategies and autarkic policies that it had pursued since independence. The problems of mobilization of resources from outside became more complex after 1980s. Despite greater sophistication in debt management, the Government of India found it increasingly difficult to raise money in the 1980s, on what it considered favourable terms. The period of 1980-81 was marked by severe Balance of Payment (BOP) difficulties. These unfavourable conditions made Indira Gandhi, the then Prime Minister, move towards economic liberalisation. After losing the General Elections of 1977, when she came back to power in 1980, major changes were introduced in her policies. The important trend towards liberalisation of Indian economy was initiated not by Rajiv Gandhi but by his mother Indira Gandhi. The fact had not received as much attention as it deserves.

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During the regime of Rajiv Gandhi the policy of liberalisation received considerable attention. His dream of taking our country into 21\textsuperscript{st} century tended to take initiative in various public policy matters. "I have a dream to see India as a great country marching into 21\textsuperscript{st} century."\textsuperscript{24}

His period saw some deregulation of the industry and lifting of trade restrictions. However, these changes were hesitant piecemeal and tentative.\textsuperscript{25} Unfortunately, his dream remained unrealized. At the end of his regime, political compulsions dramatically shifted the whole strategy towards rural developments.\textsuperscript{26} Once again the process of moving towards liberalisation was hampered by this development.

India is not new to the crisis. When P.V. Narasimha Rao's government took over, the country was facing a serious BOP crisis. The then Prime Minister Chandrashekhar had pledged the country's gold for the repayment of external debt.\textsuperscript{27} The Finance Minister of the National Front government Madhu Dandavate announced to the world, "India's coffers are empty."\textsuperscript{28} The seriousness of 1991 crisis was evident from the fact that even

\textsuperscript{24} Sandesh, 1(10), Indian National Congress, August, 1999, p. 27.
\textsuperscript{25} Pushpa Bisht, supra, no. 19, p. 95.
\textsuperscript{26} V.S. Mahajan, 	extit{Mannohan's India and Other Current Writings}, Deep and Deep Publications, New Delhi, 1994, p. xiii.
\textsuperscript{27} The PM and His Cabinet, March 31 - April 6, 1996, p. 19.
\textsuperscript{28} Business India, June 24-July 7, 1991, p. 51.
before taking oath, the first name that P.V.Narasimha Rao announced for his cabinet was that of Manmohan Singh— an outsider and a bureaucrat to boot.\(^{29}\)

The definite move towards economic liberalisation came in the summer of 1991 when the country found itself in the midst of a serious BOP crisis and was bailed out by the IMF and the World Bank that offered the programmes of stabilization and structural adjustment which India was hardly in a position to refuse.\(^{30}\) There were the desperate conditions of 1990 and 1991 that pushed India towards liberalisation and globalisation.\(^{31}\) The liberalisation and globalisation of the Indian economy are the key components of the package of reforms adopted and implemented following the 1991 crisis. The economic policy enunciated by the Congress in 1991 seems widely as a shift from the Congress policy of Nehruvian socialism or mixed economy to the policy of market economy with less State or administrative control. Liberalisation of the economy means privatisation of large and bulky public sector, and an eagerness to invite both foreign capital and technology in a big way.\(^{32}\)

\(^{29}\) The PM, supra, no. 27, p. 19.

\(^{30}\) Pushpa Bishn, supra, no. 19, p. 95.


It was the Congress party which opened the doors of closed economy without finding alternative way for the crisis of 1991. Later, it moved forward in the direction of liberalisation when it signed GATT in 1993 and entered WTO in 1995. India cannot afford to sign these treaties. We need to play multilateral game, attract foreign investment, have joint ventures and be an active international player.33

During the time when liberalisation was introduced in India in 1991. The Bharatiya Janata Party (BJP) was working as an opposition party and it opposed the liberalisation of Indian economy to its maximum extent by claiming that India should be built by Indians and there can be no real Swaraj without Swadeshi.34 The Communist parties – The Communist Party of India (CPI) and the Communist Party of India (Marxist), always supported the policies of socialism of the Congress. But they opposed when liberalisation was introduced in India by the Congress in 1991 as it was against their party principle. The Left parties opposed the liberalisation policy by saying it was not suitable to less developed countries.35 Even the liberalisation

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process was opposed by the Janata Dal of V.P. Singh and the Lok Dal of Chandrashekhar.³⁶

But the 1996 General Elections changed the political scenario of the nation. The Congress party which initiated the new economic policy in the summer of 1991 was rejected by the mandate of the people in 1996. Then it was the turn of the Congress to sit in opposition and rethink about its strategy.

After the brief role of thirteen days in 1996, the BJP came back to power in 1998 and formed the National Democratic Alliance (NDA) government. Dramatically, the NDA government continued the same policies of the Congress which the BJP had opposed when it was in opposition. The BJP could not resist the temptation to globalise, despite its early commitment towards Swadeshi economics.³⁷ When the BJP followed the policies of the Narasimha Rao government, the Congress relatively adopted the wait and see approach. But the Left parties blamed the BJP as 'bourgeois – landlord party', which suits the interest of imperialism and sections of the ruling class.³⁸

In the 2004 General Elections, the Congress (I) emerged as the largest party and formed the United Progressive Alliance (UPA) government with the external support of the Left parties. And the UPA government is very much dependent on the Left parties' support for its survival.

In India it seems that the political parties oppose liberalisation when they are in opposition and uphold when they are in power, especially in the era of coalition. From the viewpoint of policy position of the government, it is pertinent to understand the political parties’ position on liberalisation of Indian economy. The process of taking position on liberalisation of Indian economy by the Indian political parties involve politics. Interaction among political parties also involves politics. Therefore, any attempt to understand the politics of liberalisation of Indian economy from the party perspective is significant to the extent of change and continuity of policy of liberalisation of Indian economy. Broadly speaking, this comes under public policy analysis.

In this study, an attempt has been made to examine the position of major political parties on the liberalisation of Indian economy when they are a part of ruling group or in power or in opposition. For this purpose we have selected four Indian
political parties, namely, the Congress (I), the BJP, the CPI and the CPI (M). This study is confined to these four parties since the literature of regional political parties is not available to understand their position on liberalisation of Indian economy. Besides, the regional parties literature is mostly in regional languages. This is the limitation of the study.

Review of Literature

A review of the existing literature on the basic theme of this study is essential to explain how this work contributes to the same area. An attempt is made here to review the major works relating to the subject of this study.

Amit Bhaduri and Deepak Nayyar in their book entitled, The Intelligent Person's Guide to Liberalisation, analyses the basic changes introduced in the Indian economy in 1991. This also argues for a flexible system that will adapt to changes in society and polity, a system where both the market and the state must play a role.

Jeffery D. Sach has edited a book, India in the Era of Economic Reforms, which critically analyses the liberalisation policy introduced in India in 1991. It examines the fiscal policy and its role in economic reforms. This work also evaluates the
regionalisation of Indian politics and its implications for economic reforms.

Atul Kohli's, *Democracy and Discontent: India's Growing Crisis of Governability*, is very useful in understanding the liberalisation under regime of Indira Gandhi and Rajiv Gandhi. This work covers the regime of Rajiv Gandhi which sincerely tries to open the economy during his first few years. It also discusses the problems faced by him within his party and outside the party.

V.S. Mahajan's, *Manmohan's India and Other Current Writings*, discusses how Rajiv Gandhi tried to open the country's economy and his failure to do so and also how Manmohan Singh succeeded after 20 months of Rajiv Gandhi's exist in implementing liberalisation policy of Indian economy under heavy pressure from the World Bank and the IMF. This work also includes recent structural reforms and other related areas including budgets, high inflation, growing burden on common man, etc.

Vijay Nambiar's, *Liberalisation and Development: Agenda for Economic Reforms*, outlines the challenges and choices before the Indian economy. It also discusses the New
Industrial Policy and Monetary Policy and Inflation. It also includes retrospective of US Trade Policy changes.

**Pomela Shrumer and Smith** in their book entitled, *India: Globalisation and Change*, examine the political and social changes taking place in India after the liberalisation of Indian economy and integration into the world economy. It covers the transition from State capitalism to liberalisation. It also discusses concern of the BJP and the RSS.

*Economic Development: Opportunities Through Liberalisation*, edited by **Debendar Kumar Das**, gives an overview on economic liberalisation and impact of economic liberalisation, its rationale and realities. It evaluates effects of liberalisation on the poor. It also covers structural adjustment in the Indian economy and economics of privatisation.

**Om Prakash's, Economics of Liberalisation: The Indian Drama.** It analyses how the Narasimha Rao government introduced liberalisation of Indian economy without the debate in true democratic spirit, and how H.D. Devegouda and P. Chidambaram by presenting Union Budget 1996-97 provided an occasion to Manmohan Singh to feel elated on the score of economic literature.

Mishra Baidyanath and Mehar Rajkishor, in their work, *Economic Liberalisation and Regional Disparities*, discuss reversing its State centered model of planned development how the government of India has introduced New Economic Policy measures in 1991, where the primary of the market in regulating is given more importance with a view to globalise Indian economics and how it affected balanced development.

*Economic Reforms and Rural Development* is edited by G. Nocharaiah. The work rigorously analyses the pros and cons of structural adjustment and liberalisation policies and empirically examines its effects on rural development at national or state level in terms of agricultural growth employment opportunities, wages and reduction in rural poverty.

V.S. Mahajan’s, *Manmohan’s Dream India: His Vision of Growth, Equity and Social Justice*, analyses the development of
India looking at the recent past. It also examines UPA’s first Annual Budget and also Common Minimum Programme (CMP) and sums up balance rural-urban development.

*India’s Economic Reforms 1991-2001*, the joint venture of Vijay Joshi and IMD Little’s, deals with the stabilization measures taken since June, 1991. The reduction of foreign trade controls and tariffs is analysed. It discusses financial institutions and industrial policy.

*Gurucharan Das’s India Unbound : From Independence to the Global Information Age*, is a mixture of memoir and economic analysis. This study critically examines the socialist policies of Jawaharlal Nehru and the author is optimistic about the liberalisation of Indian economy introduced in 1991. It also discusses economic theories of poverty.

The review of literature is based on the works available in major libraries like Jawaharlal Nehru University Library, Delhi University Library, ICSSR Library, Teen Murthi Library, New Delhi, etc. The review of literature indicates that no worth attempts are made to examine liberalisation of Indian economy from party perspective or politics of liberalisation of Indian economy. Besides, it is generally found that liberalisation of
Indian economy is analysed from the perspective of economics not from the point of view of political science. In this study, we hold the view that understanding the liberalisation of Indian economy broadly from the perspective of political science is very pertinent. An attempt to understand the liberalisation of Indian economy from party perspective can also contribute to analyse the Indian politics. In this context our assumption is that any policy issue cannot be meaningfully analysed without referring to the nature of politics. This study also implies inter-disciplinary approaches since this work deals with politics of liberalisation of Indian economy. Therefore, it is an important contribution to political science.

Conceptual Framework

Before proceeding to discuss the politics of the liberalisation of Indian economy, the definition of key concepts of this study is essential to understand the use of terms and essential nature of the concept.

Political party

Etymologically the term 'party' has been derived from the Latin word 'partire' which means to share or to divide.\(^{39}\)

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Edmund Burke says: “A party is a body of men united for promoting by their joint endeavours the national interest upon some particular principles in which they are all agreed.” Burke cast parties in an ideological mould and differentiated them from factions which were considered as evil.

According to Websters International Dictionary, “party is a group of persons organized for the purpose of directing the policies of the government especially by providing the principal political personnel and usually having as a basis for common action one or more factors as principle, special interest or tradition upon which they have substantial agreement.”

Disraeli has summarized this as ‘A party is a group of men bound together to pursue certain principles’.

Philip Friese holds party as a common union of citizens agreed in opinion and design concerning government, and organised for the double purpose of propagating those opinions and designs by discussion and of personifying them by the

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election and appointment of persons strongly entertaining them to
fill the leading positions of the State.\textsuperscript{43}

Schumpeter contradicts the approaches of Burke by saying
that a party is a group whose members propose to act in concert
in the competitive struggle for power.\textsuperscript{44}

Duverger describes a political party as community with a
particular structure and the contemporary parties are
characterized by their anatomy.\textsuperscript{45}

Almond and Powell consider political parties as the
specialized aggregation structure of modern societies.\textsuperscript{46}

Alan Ware defines political party as an institution that
seeks influence in a state often by attempting to occupy positions
in government and usually consists of more than a single interest
in the society and to some degree attempting to aggregate
interest.\textsuperscript{47}

Political party is an organisation in which people agree on
certain principles for acquiring political power.

\textsuperscript{43} Philip Friese, \textit{An Essay on Party Showing Its Use, Abuses and Natural Dissolution},
Flower and Wells, New York, 1856, p. 7.
\textsuperscript{44} J.A. Shumpeter, \textit{Capitalism, Socialism and Democracy}, Harper, New York,
1950, p. 283.
\textsuperscript{46} Gabriel A. Almond and G. Bingham Powell, Jr., \textit{Comparative Politics : System,
\textsuperscript{47} Alan Ware, \textit{Political Parties and Party System}, Oxford University Press,
Politics

Vernon Van Dyke opines, “More briefly, politics may be defined as a struggle among actors pursuing conflicting desires on public issues”.48

Quincy Wright defines politics as the art of influencing, manipulating or controlling (groups) so as to advance the purposes of some against the opposition of others.49

“Politics is simply the exercise of influence”50 say Robert A. Dahl and Bruce Stinebrickner

According to Oxford Concise Dictionary of Politics, “Politics as a concept, the practice of the art or science of directing and administrating states or other political units”.51

According to Longman Dictionary of Contemporary English, “Politics is the study of political power and system of government” 52

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49 Ibid., p. 133.
Avery Leiserson observes, “In dynamic manipulative terms, politics includes all the arts and process of governance”.  

**Globalisation**

Anthony Giddens holds, “Globalisation is not only or primarily, an economic phenomenon, it should be equated with emergence of a world system”. Globalisation is really about the transformation of space and time. He defines it as action at distance and relate its intensifying over recent years to the emergence of means of instantaneous global communication and mass transformation.

S. T. Akindele says, “Globalisation refers to the process of the intensification of economic, political, social and cultural relations across international boundaries. It is principally aimed at the transcendental homogenization of political and socio-economic theory across the globe. It is equally aimed at the making global being present worldwide at the world stage or global arena”.

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In the famous words of Toynbee, globalisation means integration into dominant centre and not a multilateral process. Globalisation means adopting global outlook for the business strategies aimed at enhancing the global competitiveness.

Bruno Amorso defines globalisation in capitalist framework. "By the term globalisation is meant new form taken on by the process of accumulation in the world of triadic capitalism. In its current form, globalisation is the means being used to control the market and available resources so as to increase worldwide profit."

Vic George and Paul Wilding give an interesting definition. To them globalisation means the victory of capitalism over socialism because the economic values of globalisation are in line with those of capitalism and contrary to the values of socialist central planning. Since the economy determines the political, globalisation implies the eventual elimination of socialist authoritarian regimes.

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The term globalisation is defined differently in different contexts. According to Robert McCorquodale, "Globalisation is a contested term and there is no one accepted definition for it". In a border sense, it includes two things – integration of the world and interdependence of the sovereign nation states.60

The term globalisation is defined and understood in both economic and non-economic contexts which broadly include socio-cultural, historical and political.

**Liberalisation**

Joseph Stiglitz opines that liberalisation means the removal of government interference in financial markets, capital markets and of barriers to trade and it has many dimensions.61

Liberalisation implies a process of freeing the economy from various governmental regulations such as industrial licensing, controls on pricing and distribution of products and services, import licensing, foreign exchange regulations, control on capital issues of companies, credit controls, restriction on investment, etc., so that the development and operation of

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60 Cited in Arun Kumar Singh, supra, no. 55, p.134.
economy is increasingly guided by freely operating market forces.\textsuperscript{62}

According to Arun Ghosh liberalisation means, to open and liberalise the mind. So we would identify liberalisation with steps to liberate both the polity and the economy of the country. The two go together.\textsuperscript{63} Economic liberalisation is that system of economic organisation in which free enterprises, competition and private ownership of the property prevails.\textsuperscript{64}

A.S.Bhalla defines, "Liberalisation is seen as a process of transition from former planned system of state ownership and control to market economy".\textsuperscript{65}

Liberalisation means "rolling back" of the State from the sphere of production and productive investment and a significant curtailment of the levels of social expenditure.

Swadeshi

According to Rishi Aurobindo Ghosh the term "Swadeshi" is not a mere economic movement, but it is capable of bringing

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about economic reconstruction of the country. It is not a mere political agitation but it conveys the declaration of political independence as a matter of fact. This is a spiritual movement which comprises not only the objectives of economic development and political independence but also all the aspects of national consciousness.

Gopal Krishna Gokhale pointed out that Swadeshi at its height is not an industrial movement but it affects the whole life of the nation. The Swadeshi movement ought to make us self-respecting, self-reliant, self-supporting and last but not the least – manly.

According to the BJP, by Swadeshi one means that the local resources and the talents have the full scope for development and the benefits there from primarily flow to people.

Swadeshi is a development policy that relies on domestic private investment and protection rather than foreign investment and trade.

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68 Humanistic Approach, supra, no. 34, p. 10.
69 Rahul Mukeji, supra, no. 37, p. 113.
Inter-relation Between the Concepts

Political Parties, Politics and Public Policies

Parties are now found almost universally around the world. Totalitarian or democratic, developed or modernizing, large or small, modern nations have turned to the political party as an essential institution of the political system.\(^70\) Yet one hundred and fifty years ago their place and function were generally unknown.\(^71\) Political parties play a significant role in the formulation of public policies. The interaction among political parties determines the nature of public policy formulation. This also contributes to understand the reality of the problem and take the appropriate policy decision. Political parties are basic institutions for the translation of mass preferences into public policy.

We assume that politics involves the study of who influences whom, for what purpose. This process of influencing is a part of politics. This can be better understood by analyzing the functioning of Indian political parties in terms of their position on economic policy. The functioning of Indian political

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parties reveals the extent of their influence on the process of making of economic policy. Therefore, politics involves the study of policy position of political parties. In view of this the focus of this study is on political parties' position on liberalisation of Indian economy.

Political parties propose policies including economic policy to maximize their chances of winning elections and certainly this involves politics. People evaluate the policy options and cast their votes for the party they deem best. In a way the role of the election is to select a particular policy. A party or group of parties after coming to power, presupposes to formulate public policies based on their electoral promises. The liberalisation of the Indian economy is a policy of the government.

Every political party presupposes to have its own ideology. Ideology of a particular party (ruling) plays dominant role in the formulation of public policies. Ideological objectives are developed by the parties as a weapon in their struggle for gaining control of the government. And even sometime political parties not only dilute ideologies but they give them up to broaden their support base. David Hume once wrote, "Nothing is more usual
than to see parties which have begun upon a real difference continues even after the difference is lost". The difference he is talking about is a pragmatic conviction, i.e., ideology. First, a party or parties with a distinct and coherent programme come into power. This programme gradually loses its appeal in the course of the party's effort to realize it. Some parts turn out to be impossible to achieve and then the party or parties differ from their previous programme.

In a parliamentary form of democracy the official policy makers are those who occupy the formal offices prescribed by the political community as authoritative. They are the Members of Parliament. The government at the national level is formed usually by the leaders of the political party or parties with the majority of the seats in the legislature. In the actual process of the government, it is widely recognized that the executive in policy making dominates the parliament. The executive and the power within it especially of the cabinet, is of a critical value to the policy making function of the government. According to S.R. Maheshwari, "The legislative leadership has undisguisedly shifted in the hands of the executive and this process has been further reinforced and strengthened in India by long continued single

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74 Ibid., p. 438.
party dominance.\textsuperscript{76} Charles Lindblom calls the cabinet ‘proximate policy-maker’.\textsuperscript{77} We are in era of coalitions. Now we cannot find single party dominance. Even smaller parties may play dominant role in the process of public policy formulation. This tends to change the nature of politics of parties regarding public policies including economic policy.

Sometimes emerging situation also plays a crucial role in the formulation or changing of the public policies. The party or parties, to adjust with the emerged situation, tend to dilute or give up its early policies and they may formulate policies according to the situation. During that time the opposition parties and men of their own party, may oppose them. The leadership of the political party also plays a significant role in the formulation of public policies. Parties strive to secure the power for their leader or leaders rather than themselves. In turn, it is the leader or leaders who implement the policies on behalf of the party. The position of the leader is of paramount importance. It is found that the policy changes are initiated by the leadership and the party leaders owe their positions to the rank and file

On the whole the role of political parties is to influence the public policy decision making.

**Political Parties and Formulation of Economic Policy in India**

The role of the political parties in the democratic government is indispensable. Democracy requires groups such as parties to perform critical functions — to formulate policy, recruit leadership, organize decision making, communicate upward and downward between leaders and public, promote consensus, etc.\(^{79}\)

The political system of the State always operates in the socio-economic environment that prevails in the State. In particular, in this age of welfare state, the economic affairs constitute a major issue in working of the political system. The relation between the economic growth and politics is not by any means simple. It seems clear, however, that any political system that fails to deal systematically with economic problems cannot be said to have achieved viability and stability.\(^{80}\) In fact, economic issues now have become major issues of politics in all the countries. Proponents of experimentation in policy making point out that government makes decisions on a variety of matters

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\(^{78}\) R. K. Sapru, supra, no. 75, p.105.


all the time on the basis of wholly inadequate knowledge about the results to be expected. Not only are policies adopted that could be rejected if the results had been correctly foreseen, but policies are also rejected that would have been adopted if the outcomes were better understood. These outcomes can have favourable or harmful consequences for millions of people and cost billions of dollars. As such the study of political system makes the study of economic system an imperative necessity. Rajni Kothari argues, “Today economists are getting increasingly concerned with the contribution of the political process to economic performance with what they call the ‘politics of economic development’, the political scientists have to be concerned with economic content of political performance or the “economics of political development’. We may call it the ‘political economy of development’.” Particularly in the third world countries, the main objective of political system is the economic development of the country.

In the today’s era of globalisation and liberalisation public policies are everywhere being conditioned by the external

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83 Rajni Kothari, supra No. 80.
It is impossible to separate the external environmental factors as they invariably influence the political process and policy outcomes. Developing countries are particularly vulnerable to global events and actions and have come to depend heavily on the international community for financial and technical assistance. Consequently, national policies are interlocked with global issues. According to Harrop, "The international environment forms much of the context of national policy making." Policy makers in each country share a policy context formed by the international economic cycle of prosperity, recession, depression and recovery. The influence, being brought to bear on socio-economic problems of a country by international agencies such as the United Nations, the World Bank, the IMF, the WTO, etc., is of critical importance in shaping its policies. The political party or parties in power to adjust with global situation may bring basic changes in the economic system whether they may be against their previous programmes or commitments or even their ideology.

The image of a ruling party or group of parties is primarily determined by its performance in terms of fulfillment of the

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84 R. K. Sapru, supra, no. 74, p. 280.
85 Ibid.
aspirations of people. In this respect the performance of a party or group of parties is dependent on what kind of economic policies are to be pursued. Therefore, parties play an important role in the formulation of economic policy which determines the extent of fulfillment of the aspirations of people as well as image of the parties. All these are related with the outcome of elections involving politics of parties regarding economic matters.

Objectives of the Study

Liberalisation is a fact or reality and it provides opportunities as well as challenges.

Liberalisation has provided an opportunity for both developed countries and developing countries. Generally developed countries get more benefits from liberalisation of economy. In view of this any attempt to understand how liberalisation of economy in developing country like India involves challenges and opportunities. Therefore, this study attempts to analyse the parties’ perspectives on issues and problems of liberalisation of Indian economy. Obviously it is an important study of liberalisation of economy from the view point of politics.
The objectives of the study are as follows:

(1) To analyse the attitude of major Indian national political parties towards liberalisation of Indian economy.

(2) To study the position of individual party on liberalisation of Indian economy as a ruling party or as an opposition party.

(3) To critically examine the politics of liberalisation of Indian economy.

Hypotheses

The hypotheses of the study are as follows:

(1) Economic policy position of Indian political parties is contradictory.

(2) Partisan consideration dominates politics of liberalisation rather than objectivity in the matter.

(3) Politics of liberalisation of Indian economy dilutes ideological commitment of Indian political parties.

Methodology

The methodology adopted in this study is documentary. This study is based on both primary and secondary sources. The available documents in the headquarters of the BJP, the INC(I),
the CPI, and the CPI (M) were collected for this purpose as the primary sources. Besides secondary sources of information like published research papers in various journals, articles published in newspapers, books, etc., are used. We have also used the information available in the websites.

Plan of the Study

The study is divided into six chapters.

The first chapter begins with the statement of problem, review of literature, conceptual framework, inter-relation between the concepts. It also deals with the objectives of the study, hypotheses and methodology used for this study.

The second chapter traces the origin and growth of Indian economic policy emphasising change and continuity during different periods.

The third chapter evaluates the role of leadership of the Congress in dealing with economic issues.

The fourth chapter critically examines the BJP approach to the liberalisation of Indian economy.

The fifth chapter deals with Left parties' perspectives on Indian economic policy and its related issue like liberalisation.
In the last chapter findings of the study are summed up, based on the parties' politics of liberalisation of Indian economy.