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ECONOMIC IDEAS OF BHARAT RATNA BHIMA RAO AMBEDKAR ON SOCIAL DEVELOPMENT AND INCLUSIVE GROWTH

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ABSTRACT

Most people remember Dr. Ambedkar as the principal architect of the Indian Constitution and a crusader in the cause of the oppressed. Indeed, he was all these and more. An erudite scholar, an ardent champion of human rights, an eloquent parliamentarian and an eminent educationist and economist, he left his mark on various walks of India's life. Dr. Ambedkar's life exemplifies how one born under the most adverse circumstances can rise to a lofty position in the country. As is well known, he was born as the fourteenth child of a low paid railway employee. His educational accomplishments combined with grit and determination enabled him to overcome the many obstacles and indignities he had to bear because of the caste in which he was born. But ultimately he triumphed and his life serves as a beacon of hope to all the disadvantaged.

Dr. Ambedkar's contributions to the framing of the Indian Constitution are too well known to be repeated. He brought to bear on the task that was entrusted to him as the Chairman of the Drafting Committee of the Indian Constitution a vast array of qualities-scholarship, imagination, logic and experience. The Indian Constitution aims at blending political democracy with social and economic democracy. The 19"[1] century concept was that a country's constitution should be restricted to the determination of its political character and objectives. However, the view taken by the Indian Constitution makers under the leadership of Dr. Ambedkar was that the constitution should not only prescribe the political structure of society but also define and guarantee its social and economic ideals. Dr. Ambedkar was afraid that even in a democracy, leaving economic and social matters to be determined exclusively by a political majority could lead to the dictatorship of the 'haves' and the perpetuation of age long social tyranny. He, therefore, wanted the economic and

social objectives to be enshrined in the constitution itself. Hence, the incorporation of the Fundamental Rights and the Directive Principles in our Constitution. Dr. Ambedkar is a social revolutionary and a relentless champion of human rights. His major concern throughout his life was at establishing equal status to all classes, in social, economic, political and religious arenas offering an opportunity to all to rise in the scale of life and creating conditions for their advancement.

KEYWORD: *Developing policy- Institutional Factors – Foreign in – Social development – inclusive growth.*

INTRODUCTION

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anew'. In his lifelong efforts for the upliftment of the downtrodden masses, there have been occasions during the freedom struggle when his approach conflicted with other approaches.

Dr. Ambedkar was also a trained economist. The two major works that he wrote in economics which received wide acclaim were "The evolution of Provincial Finance in British India" and The Problem of Rupee - its Origin and Solution". His observations on the objectives of monetary policy and on the nature of the public expenditure are of extreme relevance even today. It was a great loss to economic profession that he did not pursue economics after his initial contributions.

EVOLUTION OF DEVELOPMENT POLICY

The year 1991 is an important landmark in the post-independent economic history of India. The country faced a severe economic crisis, triggered in part by a serious balance of payments situation. The crisis was converted into an opportunity to effect some fundamental changes in the content and approach to economic policy. It is now almost a decade since the reforms were introduced. It is time to take stock of the situation, assess the impact of the economic reforms and indicate the corrections we need to make. Reforms, in a sense, are a product of circumstances. Changing environment, domestic and international, as well as societal demands call for continuous adjustment of policies. At times the changes that are required are radical. Economic reforms thus come in waves and in sequence. In our own country, the first wave of reform started with the launching of planning with an emphasis on industrialisation, more particularly of heavy industries. The second wave, the precise dating of which may be difficult, began when it was found that the growth rate was weak and the trickle down effect was not adequate and when the need to focus directly on poverty alleviation became evident. The third wave which began in late Eighties gathered momentum after 1991. The new reform measures seek to redefine the roles of state and market so as to improve the productivity and efficiency of the system and thereby accelerate growth and to enable the state to focus more intensively on certain socio-economic goals. The Indian economy during the period 1947-90 acquired a great degree of internal strength and resilience in terms of promoting a large and diversified industrial base, both in the public and private sectors, bringing about a turn-around in the long-standing stagnation of agriculture leading to achievement of near self-sufficiency in food, and creating a large reserve of skilled manpower. However, over time, several constraints became apparent in accelerating and sustaining growth rates to the levels comparable with some of the fast growing economies of the contemporary times. First, a major constraint on growth stemmed from the eroding macro-economic balances in the economy towards the end of the 1980s, caused by high levels of deficit in Government budgets, rising inflation rates and deteriorating external payments situation. Sustaining the growth momentum of the order seen in the 1980s seemed less likely in the environment of increasing macro-economic instability. Second, despite some notable achievements in the real sector, such as a substantial improvement in the domestic saving and investment rates, the gap between the potential and actual rate of growth became evident and this was attributed to the lack of a proper incentive mechanism and desired public policy environment to stimulate capital accumulation and productivity growth in the economy. What made this gap appear glaring and provided the motivation for change was the fact that, it was around this time that a number of developing countries were undertaking structural reforms, and gaining competitive strengths in response to the changing world

economic environment. Public policy reform was fast emerging as a prerequisite to achieve the potential growth. These developments also brought to focus the limitations of economic controls and regulations for attaining high growth. Third, the erstwhile relatively closed structure of the Indian economy itself proved a barrier to maximizing the growth potential, particularly in an environment of shifting comparative advantages in some of the key sectors in favour of the developing economies. The prospects for improving growth through the outward oriented trade policies acquired a great deal of importance in the context of changing world environment, highlighted by the growth of multilateralism, the reduction of protectionism and the dismantling of the stiff trade barriers. These developments enhanced the scope for promoting efficiency in domestic industry through trade competition and creating conditions for augmenting the domestic capital base through cross-border flow of savings.

In the 1950s and 1960s, the dominant view in the literature on development economics was that Government had an important role to play and that it should undertake activities that would compensate for "market failure". "Market failure" was perceived as the inability of markets to optimally allocate resources over time, that is, for investment because of the "myopic" nature of markets. The literature also emphasised the benefit of a co-ordinated and consistent set of investment decisions. It is this line of reasoning that led most developing countries including India to formulate economy wide plans. However, four decades of development experience have shown that there can be "Government failure" as well. The regulatory State in many countries has resulted not only in economic losses due to misallocation of resources arising from faulty investment decisions but also from diversion of resources to rent-seeking activities because of the very regulations themselves. One of the reasons for the emergence of skepticism regarding the benefits of state intervention has been the growing perception that government failures on account of political factors and bureaucratization may, in many cases, exceed market failures. Given the importance of incentive-reward system in achieving consistent improvement in efficiency, it is felt that markets may provide better incentive frame-work in many activities. Closely related to these institutional factors is the belief that a competitive environment tends to create a better climate conducive to enhancing efficiency. In other words, while there can be some doubt as to the capacity of the competitive market structures to determine the ends, there is more confidence in competition as a means of achieving the desired ends. Thus, if there is a lesson to be drawn from the development record of the last four decades, it is that there can be both "Government failure" and "market failure" and that the critical issue is not so much the presence or absence of State intervention, as the extent and quality of that intervention. The new economic policy builds on this experience. There was enough evidence of the slowing of the growth rate of the economy and the deterioration of efficiency by the beginning of 1970s. However, these signals were not picked up to bring about changes in policy. While a policy of the liberalization of the Indian economy was initiated in the mid - 1980s, the change was slow and lacked a comprehensive and self-sustaining character, which is an essential requirement of a successful reform strategy. The crisis in 1991, provided an immediate context for the realignment of the macro-economic fundamentals, through a programme of economic stabilization and long-term structural reforms to accelerate the growth potential of the Indian economy. The structural reforms in the early stages covered the areas of industrial licensing, foreign trade, foreign investment, exchange rate management and the financial sector. Since then it has been extended to other areas.

CONTENT OF REFORM

Details of the reform process are well known. They are, therefore, referred to briefly. India, since the days planning was introduced, had practised a system of industrial licensing under which a license was required before setting up any large unit. This practice had roots in the belief that resources could be best allocated by a planning authority and that licensing was the best way to manage limited resources. Over years, it became obvious that such a system was inefficient and led only to corruption and creation of rent. In fact, the Approach Document of the Eighth Plan submitted in May 1990 had also said: "A return to the regime of direct, indiscriminate and detailed controls in industry is clearly out of question. Past experience has shown that such a control system is not effective in achieving the desired objective. Also the system is widely abused and leads to corruption, delays and inefficiency." One early step that was undertaken as part of the structural reform process was to do away with licensing. The elimination of barriers to entry and expansion was well received and had opposition.

Import substitution constituted a major plank of India's foreign trade policy. This was primarily due to the highly pessimistic view taken on the potential for export earnings. A further impetus to the inward orientation was provided by the existence of a vast domestic market. The inward looking industrialisation process did result in high rates of industrial growth between 1956 and 1966. However, as inefficiencies crept into the system, the economy turned into an increasingly high cost one. This also led to a 'technological lag' and resulted in poor export performance. As part of the structural reforms a bold initiative was taken to reduce the tariff rates and dismantle quantitative controls over imports. The peak tariff rates which were as high as 200 per cent have been brought down to 35 per cent and the dispersion has also been reduced. The quantitative controls have also been phased out. The tariff rates were brought down in stages, as some caution in this regard had become necessary in order to enable the Indian industries which had been set up behind high protective tariff walls to adjust to the changed situation.

The policy towards foreign investment has undergone a sea change. Prior to 1991, the policy towards foreign investment was restrictive and at best permissive. While it welcomed foreign investment, in most cases it was limited to 40 per cent. Majority ownership was an exception rather than the rule. This policy was given up and foreign investors were given the freedom to own majority share holding. A Foreign Investment Promotion Board was set up to be proactive with respect to foreign investment. While foreign individuals are not allowed to invest in Indian stock markets, recognised institutional investors are allowed to invest in the stock market. Portfolio investors have the freedom to sell the shares at any time and repatriate the funds. Thus a fundamental change in the approach to private capital flows occurred after 1991. Along with the change in the policies in foreign trade and foreign investment, a significant change occurred with respect to exchange rate management. From a managed floating system under which the exchange rate was officially determined, the regime has passed through several phases to reach a market based system under which the exchange rate is determined by forces of demand and supply. Current account transactions have been freed of exchange control regulations and controls over several transactions on capital account have been eased. While the central bank of the country intervenes in the foreign exchange market, it does so primarily to prevent volatility and instability. The financial sector underwent a major change. The financial sector in India is dominated by the public sector. Most of the banks as well as the insurance

institutions are state-owned. Broadly speaking, reforms in the financial sector are aimed at Indian banks conforming to international prudential standards and simultaneously imparting a greater element of competition in the financial system. The administered structure of interest rates has been dismantled with freedom given to banks to fix the rates of interest on deposits and loans. New private sector banks have been licensed. The regulation of the capital market also received considerable attention in order to provide greater protection to investors. The financial sector reforms have been reviewed more than once by a committee. The process of enlarging the scope for the private sector and imparting a greater element of competition is continuing and has since been extended to other areas such as telecommunication.

There is a common thread running through all the measures introduced since July 1991. The objective is simple and that is to improve the efficiency of the system. The regulatory mechanism involving multitudes of controls has fragmented capacity and reduced competition even in the private sector. The thrust of the new economic policy is towards creating a more competitive environment in the economy as a means to improving the productivity and efficiency of the system. This is to be achieved by removing the barriers to entry and the restrictions on growth of firms. While the industrial policy seeks to bring about a greater competitive environment domestically, the trade policy seeks to improve international competitiveness subject to the protection offered by tariffs which are coming down. The private sector is being given a larger space to operate in as some of the areas earlier reserved exclusively for the public sector are also now allowed to the private sector. In these areas, the public sector will have to compete with the private sector, even though the public sector may continue to play the dominant role. What is sought to be achieved is an improvement in the functioning of the various entities whether they are in the private or public sector by injecting an element of competition. There is, however, nothing in the new economic policy which takes away the role of the State or the public sector in the system. The New Economic Policy of India has not necessarily diminished the role of state; it has only redefined it, expanding it in some areas and reducing in some others. As it has been said, somewhat paradoxically 'more market' does not mean 'less Government', but only 'different Government'. However, if the public sector is truly to play its role, it needs to improve its efficiency and productivity and generate the necessary surpluses as were originally envisaged. It is only an efficient public enterprise system that can enable the Government to meet its social obligations. If one hears the word 'market' mentioned more often these days, it was only because 'market' was very nearly a dirty word in this country for well over four decades. What is needed is an optimal mix of 'market' and 'State'. It is necessary to create a matrix of activities and the kinds of intervention and determine for each activity what form of intervention works best. Even in relation to government intervention, a view must be taken whether it should take the form of ownership or regulation. 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. Taken together the reform measures in the various areas constitute a new chapter in India's economic policy. However, there are many areas where reforms have made little progress. A major concern has been with respect to loss making public sector units and how to deal with them. Public sector reforms in general have not received adequate attention. The process of privatisation has been slow, because of the lack of required consensus. Analysts and policy makers are talking today of second generation

POST-REFORM PERFORMANCE

The performance of the Indian economy in the post-reform period has been extensively commented upon. Judged by the standard criteria of growth rates of national income and per capita income, external balance and inflation rate, the Indian economy has done well since liberalisation. Between 1981-82 and 1990-91, the growth rate of the economy was 5.6 per cent per annum. The year 1991-92 was an exceptionally bad year for reasons well known. Indeed, there is no justification to include that year as part of the post-reform period, particularly while judging the effectiveness of the reform process. On the contrary, there could be a justification to include 1991-92 as part of the pre-reform period. If we leave out 1991-92, between 1992-93 and 2000-01, the average annual growth rate comes to 6.3 per cent. Even if we include 1991-92 the annual growth rate in the Nineties will be 5.7 per cent. It is interesting to note that between 1992-93 and 1999-2000 there was only one year in which the growth rate was less than five per cent. The co-efficient of the variation of growth rate in the Nineties is distinctly lower than in the Eighties. With a slowing down of the population growth rate, the per capita income growth rate in the Nineties has been 3.8 per cent. Between 1992-93 and 2000-01 the industrial growth rate was 6.6 per cent per annum and the growth rate in services was 7.9 per cent. The gross domestic savings rate of the economy on an average during the period 1992-93 to 1999-2000 has remained at 23.1 per cent of GDP. Inflation rate as measured by the Wholesale Price Index though high in the early Nineties started declining from 1995-96 and the average inflation rate has been around five per cent since then. The current account deficit after reaching the high of 3.1 of GDP in 1990-91 has been steadily declining during the Nineties and has been around one per cent of the GDP in the last few years. With the current account deficit remaining low and with continued capital inflows, it has been possible to add to the foreign exchange reserves. These reserves have increased from $ 5.8 billion in 1990-91 to $ 38.0 billion by March, 2000. They have subsequently increased by $ 6 billion. The macro economic indicators do show a distinct improvement in the performance as compared with the previous periods. However, even in relation to the growth rate a disturbing trend is that there has been a distinct slowing since 1997-98. While the growth rate between 1992-93 and 1996-97 was 6.5 per cent, in the subsequent four years the growth rate has been 5.8 per cent. The growth rate in the current year is not likely to be higher than this average.

CONCERNS AND ISSUES

The liberalisation process has come in for criticism from two opposite ends. First, there are those who feel that the process has been slow and not sufficiently comprehensive. These critics attribute the current slow down in the growth rate to this factor. On the other hand, there are critics who view the reform process as misconceived, ignoring the basic realities of our country. There are four aspects of these criticisms which deserve attention.

A major criticism of the liberalisation process is that the higher growth rate achieved has made no dent on poverty and unemployment. Based on the National Sample Survey data on consumption expenditure, over years certain methodologies have been evolved to estimate the number of people below poverty line. Estimates of the percentage of the people below poverty line based on various National Sample Survey rounds show that the combined rural and urban poverty ratio came down from 44.48 per cent in 1983 to 38.86 per cent in 1987-88 and further to

35.07 per cent in 1993-94. However, based on the smaller annual samples, some analysts had come to the conclusion that there was a rise in the poverty ratio since 1993-94. This, if confirmed, would have been a disturbing trend. However, recently, results of the large sample survey data on consumer expenditure for 1999-2000 have been released. These results show a sharp decline in poverty ratio to 26.10 per cent. Certain technical questions have been raised about the comparability of the latest survey data with the earlier surveys. The use of two reference periods in the latest survey, according to some, has vitiated comparability. However, some independent studies done using the data collected on consumption expenditure in the employment survey also show a decline in the poverty ratio after 1993-94, even though the decline is not as strong as indicated by the large sample survey on consumption expenditure. In the past, it has always been found that higher economic growth is accompanied by faster reduction in the poverty ratio. However, there has been a significant change in the sectoral pattern of growth in the Nineties. There has been a distinct slowing down in the growth rate in agriculture while the tertiary sector has grown strongly. The growth rate of agricultural production at 2.8 per cent in the Nineties had been much lower than 4.1 per cent in Eighties. While the trend of reduction in poverty ratio is reassuring, a further look at the pattern of growth has become essential, since agricultural and associated rural activities still constitute the major source of employment. Employment figures indicate that between 1990-91 and 1997-98. overall employment grew only at an average rate of one per cent with the employment in the organised and unorganised sectors growing at 0.6 per cent and 1.1 per cent respectively. Part of the explanation for this phenomenon lies in the imperfections in the labour market which induce preference for capital in relation to labour contrary to the pattern of factor endowments in the country. The abundant supply of labour must become the source of expanded output. Where there is a transition from one industry to another, appropriate social safety nets and retraining facilities must be put in place. One of the major planks of the liberalization policy has been to reduce the fiscal deficit. Of course, some people question the wisdom of focussing on fiscal deficit as an indicator of financial health. In seeking to defend higher fiscal deficits, the theory of Keynes is invoked. This is a case of applying a principle out of its context. Keynes was writing when a balanced budget was the order of the day, even at times of depression and he felt that, under those circumstances, a deficit was in order. But what we are 'discussing now is not whether there should be a fiscal deficit or not but what order of deficit is desirable. In this respect, the original Keynesian framework is inadequate because the model did not take into account the implications of alternative modes of financing Government expenditure. Borrowing from the market can have an impact on the interest rate, while financing through money creation has inflationary implications and at one step removed on nominal interest rate. There has been some success in reducing fiscal deficit but not to the desired extent. Some are critical of the fact that whatever reduction that had been brought about was almost by reducing capital expenditures. Total expenditures as a proportion of GDP came down by 3.0 percentage points between 1990-91 and 1997-98. This was achieved by a reduction in capital expenditures as a proportion of GDP by 2.1 percentage points and revenue expenditures by 0.9 percentage points. The revenue to GDP ratio has remained more or less at the pre-reform level, despite significant tax reform measures introduced. Without doubt, the best way of reducing fiscal deficit is by reducing revenue deficit. But unfortunately revenue expenditures have kept increasing. Wages, salaries and pensions have continued to rise. In many states they account for almost the whole of state's own revenue receipts. Subsidies after an initial decline have remained at the same level as percentage of GDP. At state level, implicit subsidies have increased enormously. The fiscal

deficit can be contained at a reasonable level only by widening the tax base and raising the ratio of revenue to taxes and by limiting revenue expenditures. Yet another area of concern of the critics is that enough attention is not being paid to social infrastructure areas. Literacy levels have risen in India. Nevertheless, they remain well below what is desirable. Basic health facilities have not reached every one. But the fault for this situation cannot be laid at the doors of liberalization. The distortions in priorities occurred much earlier. In fact, the very purpose of liberalization is to reduce the role of the state as an entrepreneur and direct investor and expand its role in areas such as social infrastructure, where state alone can play a dominant role. The need for expanded state intervention in areas of education, health and sanitation cannot be under estimated. It is necessary to generate the surplus to fulfil the socio-economic obligations. It is also to be noted that better education and health are a function of not only levels of expenditures but also the efficiency with which such expenditures are incurred. For example, according to the Human Development Report 1991 both Srilanka and India had a similar human expenditure ratio of 2.5 per cent of GDP. Human expenditure per capita in 1988 was $ 10 for Srilanka while it was $ 9 for India. However, in the ranking of Human Development Index, Srilanka occupied 75th rank, whereas India was lower down at 123rd rank. Part of the reason for the difference in the ranking could be enhanced expenditure at a certain level over a longer period. The Human Development Report itself admits "Even Government expenditure cannot be considered in isolation. Its impact depends not just how much money is spent but on how and in what environment it was spent".

The fourth area of concern has been the growing disparities in income among states. Differences in growth rates among states have become more pronounced after liberalization.- During the Eighties the growth rate of State Domestic Product ranged from a low of 3.6 per cent per annum to a high of 6.6 per cent. In the Nineties, the variation has been from a low of 2.7 per cent per annum to a high of 9.6 per cent. Some of the highly populous states have registered very low growth rates in the post liberalization period. Tax devolution formulas as well as Planning Commission allocations of grants and loans are heavily weighted in favour of population and the inverse of per capita income. Nevertheless, the populous states have grown weakly in the last seven year period and this has contributed to the increase in the overall poverty ratio also. Many of these states have not been actively involved in the liberalization process. If the regional disparities have grown, it is at least in part a reflection of the quality of governance. It is interesting to note that the ranking of the states according to income growth rate differs considerably between Eighties and Nineties. The rank correlation coefficient between the two periods is only 0.283. This implies that some states which have grown slowly in the earlier period have had higher growth rates in latter period.

As one surveys the period since 1991-92, it is clear that the economy has shown distinct improvement in several areas. The broad philosophy of promoting a competitive environment must be pursued. At the same time, if the growth momentum is to be maintained, some areas need focussed attention. Mention was made earlier of the problems arising from the slow down in agriculture. A comprehensive agricultural policy encompassing a higher level of public investment, a shift from subsidies to investment in terms of public expenditure, consolidation of holdings, a proactive programme to foster exports, intensified agricultural research to raise yields and evolving a better cropping pattern needs to be thought of. Growth in agriculture has several

implications for the economy. It leads to a reduction in poverty, a greater expansion in employment given the Indian situation and a more broad based growth.

Second, as mentioned earlier, fiscal consolidation is a necessary prerequisite for sustained growth. The finances of the State Governments are particularly under greater pressure. The appropriate level of fiscal deficit has a relationship to the level of household savings and more particularly to the savings in financial assets. Even as of now, very nearly the whole of the household savings in financial assets is appropriated by the public sector. There is validity in the argument that government expenditures should shift in favour of capital expenditures. Unfortunately, the trend has been in the opposite direction. Containing the growth rate of revenue expenditures has become essential. In a developing economy like India, where a significant proportion of people remains poor, subsidies are an essential component of government expenditures. However, they need to be targeted appropriately, so that they accrue only to the deserving. We must make an effort to evolve a consensus on how to deal with subsidies, user charges and reducing revenue expenditures. This is indeed the task of the political managers of the economy. With different parties in power in different State's, it should be possible to achieve a significant degree of consensus on this issue of fiscal prudence.

Public sector still continues to dominate the economy in several important sectors. Even as attempts are being made to disinvest wherever feasible, there is no doubt that we must pay adequate attention to improving the functioning of public sector enterprises where their presence is essential. In fact, in certain areas, disinvestment can only follow the strengthening of the enterprises. This is very much true in the case of electricity generation and distribution. Many Committees and Commissions have studied these problems. It is high time that a policy package is put together and implemented for bringing about a significant improvement in the efficiency of public sector enterprises. Clearly the lesson of Indian development experience is that monopolies whether of state or private sector do not lead to efficiency. The need to create, promote and sustain a competitive environment is absolutely essential. India is no longer a country producing goods and services for the domestic market alone. Indian firms are becoming and have to become global players. At the minimum they have to meet global competition. However, even as we do create conditions for more effective functioning of the enterprises, some of the issues discussed earlier, such as emphasis on agriculture, fiscal consolidation and public sector reforms need special attention. The recent slow down in the growth rate of the economy points to the importance of the role of investment and effective governance. These two factors are inter related. The strong growth exceeding 7 per cent per annum which was witnessed for three consecutive years beginning 1994-95 was fueled by heavy investment. Investment is the major driving force of growth. We should create an environment which is conducive to investment. All investment decisions are based on future prospects. Continuance of economic policy is basic to sustaining expectations in the right direction. Equally important is the confidence in the future course of the economy. It is in this context that governance becomes a key concern. Policies have to be right. But that is not enough. They must be pursued with vigour and conviction. They have to be implemented with single minded devotion. This is one lesson that we have to learn from China.In any economic system, state can play many roles. One can at least identify three important roles: (1) as a producer of goods and services, (2) as a regulator of the system, and (3) as a supplier of "public goods" or "social goods" like primary education and health. The decreasing role of state as a producer of goods and services and the increasing role of market in

such areas simultaneously enhance the role of state as a "regulator" and "facilitator". The regulatory role comes into play in order to maintain competitive conditions in the market and to ensure that the basic rules of the game are followed by every one. This is indeed an important aspect of 'governance' and may warrant appropriate legislative changes. Liberalization programme to be successful must ensure that the benefits accrue to all sections of society and that it commands the acceptance of a wide constituency. Efficiency and equity should not be posed as opposing considerations. They must be taken together to produce a coherent pattern of growth. There is no conflict between the process of liberalization and the social obligations of the state. There is nothing inherent in the liberalization process which should hinder the special responsibilities of the state in relation to the poor and under-privileged. In fact, a more efficient economy which should be outcome of the process of liberalization would enable the state to meet better its responsibilities in the socio-economic arena.