

## Globalization and Neo-liberal Economic Reforms in India

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### Abstract:

Neo-liberalism is related to laissez-faire economics, a school of thought that prescribes a minimal amount of government interference in to the economic issues of individuals and society. Laissez-faire economics proposes that continued economic growth will lead to technological innovation, expansion of the free market, and limited state interference. Neo-liberalism is often associated with the leadership of Margaret Thatcher- U. K. (1979-1990) and Ronald Reagan – U. S. (1981-1989). More recently, neo-liberalism has been associated with policies of austerity and attempts to cut government spending on social programs. (Kenton Will, 2020). Neo-liberalism is capitalism without leftist illusions (i.e. illusions that there can be such a thing as humane capitalism on a long-term basis).

The article makes a series of critical comments on India's neo-liberalism expressed in the form of globalization. The objective of the present study is to analyze the impact of neo-liberal economic reforms in India.

**Keywords:** Globalization, Neo-liberalism, Economic Reforms in India.

### Introduction:

In many parts of the world, neo-liberalism is known by different names. Austerity has become synonymous with neo-liberalism in the aftermath of the 2008 strikes in southern Europe against government budget cuts. Neo-liberalism is related to laissez-faire economics, a school of thought that prescribes a minimal amount of government interference in to the economic issues of individuals and society. Laissez-faire economics proposes that continued economic growth will lead to technological innovation, expansion of the free market, and limited state interference. Neo-liberalism is often associated with the leadership of Margaret Thatcher- U. K. (1979-1990) and Ronald Reagan – U. S. (1981-1989). More recently, neo-liberalism has been associated with policies of austerity and attempts to cut government spending on social programs. (Kenton Will, 2020). Neo-liberalism is capitalism without leftist illusions (i.e. illusions that there can be such a thing as humane capitalism on a long-term basis). Neo-liberalism has different names in different geographical contexts. In the wake of the strikes in southern Europe against cuts in government funding since 2008, austerity is often synonymous with neo-liberalism. In India, on the other hand, neo-liberalism goes by the name of “economic reforms” and the New Economic Policy (NEP). (Das, 2015)

### Review of Literature:

The different aspects of neo-liberalism have been covered by several scholars. It is widely discussed in various research publications some of them have been reviewed in this section.

Bhagwati (2001), argues that growth creates employment: it puts money in the hands of the government, which can provide health and other facilities for the poor, and it also provides an incentive to the poor to invest in human capital. Patnaik (2007), observes that

food production and availability per capita is decreasing. This happens partly because land is converted to non-food crops both by big companies and by smaller owners who do not have many alternative ways of earning money and who are therefore attracted to the prospect of making a little cash. This is a grave threat to food security. Patnaik (2010), in his article state that imperialist exploitation is abetted by the states of imperialist countries as well as by India's pliant state, which is increasingly occupied by pro-market ideologues and neo-liberal technocrats and indeed by business people themselves.

### **Methodology:**

The present study attempts to analyze the impact of neo-liberal economic reforms. The data have been collected for the present study through secondary sources. The secondary data have been collected from the published and unpublished sources. The data have been collected through the sources such as, websites, annual reports and statements, books, Journals, Periodicals and reports.

### **Objectives:**

In the light of the issues discussed earlier and the available literature relating to status of neoliberal reforms in India the following specific objectives are framed for the study.

1. To analyze the impact of neo-liberal economic reforms.
2. To presents broad critical remarks about the many aspects of neo-liberalism and globalization.

### **Criticism of Neo-liberalism:**

#### **1. Free market Approach to public services is misguided:**

One common criticism of neo-liberalism is that advocating for a free market approach in areas such as health and education is misguided, because these services are public services. They are not subject to the same profit motivation as other industries. More importantly, adopting a free market approach in the areas of health and education can lead to an increase in inequity and the underfunding of resources that are necessary for the long term health and viability of an economy.

#### **2. Monopolies:**

The adoption of neoliberal policies in the western world had been concurrent with a rise in inequality in both wealth and income. While skilled workers may be in a position to command higher wages, low-skilled workers are more likely to see stagnant wages. Policies associated with neo-liberalism tend to encourage the profits of corporations as the expense of any benefits to consumers.

#### **3. Increased Financial Instability:**

Contrary to what proponents of neo-liberalism typically claim, capital deregulation has not necessarily helped economic development. Rather, capital deregulation has led to an increase in financial instability including wider economic shocks that, at times have sent shockwaves around the world. In fact, an International Monetary Fund (IMF) report into neo-liberalism reveals that an increase in capital flows has been a factor in the increased risk of adverse economic cycles.

#### **4. Inequality:**

Neoliberal policies have been proven to increase inequality, and this inequality can hinder the long-term growth prospects of an economy. On one end of the spectrum, those who earn a

low income have limited spending power. At the same time, those who become richer have a higher propensity to save. In this scenario wealth doesn't trickle down in the way that proponents of neo-liberalism claim that it will.

### **5. Globalization:**

Globalization is not *one* process driven by a hegemonic class committed to an extreme form of economic liberalism. Instead, it is more fruitfully conceptualized as “a process (or a set of processes) which embodies a transformation in the spatial organization of social relations and transactions” Neo-liberalism has led to the view that reductions in trade barriers and capital controls, elements considered fundamental to the proliferation of economic globalization, constitute evidence for the fact that globalization is primarily driven by neoliberal doctrine (Colás 2005:73; Kotz 2000:76). As Litonjua (2008:254) argues, “globalization is the global spread of the economic system of capitalism. Promoted by the ideology of neo-liberalism, the goal is a wholly deregulated global market society”. However, if more moderate forms of liberalism are the drivers of globalization, it is possible that globalization is not a product of, or movement towards, a completely ‘deregulated’ global economy.

Therborn (2000:163-4) argues that presently, the world is experiencing a sixth wave of globalization which has been facilitated specifically by political developments that include a reduction in economic protectionist measures, lower transportation costs, as well as the rise of new, cheaper, and more easily available Information and Communications Technologies (ICTs) such as the Internet. It is frequently argued that the contemporary era of economic globalization is characterized by increases in international trade relative to world GDP, and the rise of Foreign Direct Investment (FDI) and Multinational Corporations (MNCs). FDI is the act of buying companies or production facilities in a different country (Cohen 2007:37-8). As such, FDI “is what MNCs *do* to become MNCs”

Finally, neo-liberalism emphasis on economic efficiency has encouraged globalization, which opponents see as depriving sovereign nations of the right to self-determination. Neo-liberalism naysayers also say that its call to replace government owned corporations with private ones can reduce efficiency. While privatization may increase productivity, they assert the improvement may not be sustainable because of the world's limited geographical space. In addition those opposed to neo-liberalism add that it is anti democratic, can lead to exploitation and social justice and may criminalize poverty.

### **Conclusion:**

The goal of neo-liberalism is to shift the balance of power in favor of the capitalist class. Globalization must be considered a separate and autonomous phenomenon from neo-liberalism. The concept of neo-liberalism was expanded to include policies that did not specifically enhance individual liberty and instead was utilized to describe market-based economic policies, it is possible to argue that there has in fact been evidence for a neoliberal transition from the 70s and that this has contributed to increased globalization and the shift towards a completely deregulated global economy and the decline of the welfare state.

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