

# ECONOMICS (CLASS-12)

## LIBERALISATION, PRIVATISATION AND GLOBALISATION: AN APPRAISAL

You have studied in the previous chapter that, since independence, India followed the mixed economy framework by combining the advantages of the capitalist economic system with those of the socialist economic system. Some scholars argue that, over the years, this policy resulted in the establishment of a variety of rules and laws, which were aimed at controlling and regulating the economy, ended up instead in hampering the

**process of growth and development. Others state that India, which started its developmental path from near stagnation, has since been able to achieve growth in savings, developed a diversified industrial sector which produces a variety of goods and has experienced sustained expansion of agricultural output which has ensured food security. In 1991, India met with an economic crisis relating to its external debt — the government was unable to make repayments on its borrowings from abroad; foreign exchange reserves, which we generally maintain to import petroleum and other important items, dropped to**

**levels that were not sufficient for even a fortnight. The crisis was further compounded by rising prices of essential goods. All these led the government to introduce a new set of policy measures which changed the direction of our developmental strategies. In this chapter, we will look at the background of the crisis, measures that the government has adopted and their impact on various sectors of the economy.**

**GAURAV KUMAR**

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