

ECONOMICS (CLASS-12)

LIBERALISATION, PRIVATISATION AND GLOBALISATION: AN APPRAISAL

LPG stands for Liberalization, Privatization, and Globalization. India under its New Economic Policy approached International Banks for development of the country. These agencies asked Indian Government to open its restrictions on trade done by the private sector and between India and other countries. Indian Government agreed to the conditions of lending agencies and announced New Economic Policy (NEP) which consisted wide range of reforms. Broadly we can classify the measures in two groups.

Structural Reforms

With long-term perspective and eyeing for improvement of the economy and enhancing the international competitiveness, reforms were made to remove rigidity in various segments of Indian economy.

Stabilization Measures (LPG)

These measures were undertaken to correct the inherent weakness that has developed in Balance of Payments and control the inflation. These measures were short-term in nature. Various Long-Term Structural Reforms were categorized as:

- ❖ Liberalization**
- ❖ Privatization**
- ❖ Globalization**

Collectively they are known by their acronym LPG. The balance of Payment is the system of recording the economic transactions of a country with the rest of the world over a period of one year. When the general prices of goods and services are increasing in an economy over a period of time, the same situation is called Inflation.



India approached the International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF), and received \$7 billion as loan to manage the crisis. For availing the loan, these international agencies expected India to

liberalise and open up the economy by removing restrictions on the private sector, reduce the role of the government in many areas and remove trade restrictions between India and other countries.

ASSINGNMENT

- (1) What do you mean by the term “Balance of payment”?**
- (2) What is inflation?**
- (3) Write the another name of World bank.**
- (4) Write the main features of new economic policy.**

GAURAV KUMAR

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