

MANAGEMENT PROGRAMME

Term-End Examination

December, 2018

02403

**MS-003 : ECONOMIC AND SOCIAL
ENVIRONMENT**

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- Note : (i) There are two Sections A and B.
(ii) Attempt any three questions from Section A,
carrying 20 marks each.
(iii) Section B is compulsory and carries 40 marks.*
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SECTION - A

1. What are the issues related to protection of environment and ecology ? Briefly discuss the measures adopted by government to ensure proper Environmental Management.
2. Differentiate between economic growth and development. Identify the structural changes related to economic growth and development.
3. Assess the Industrial Policy of 1956 with reference to its basic objective.
4. Discuss India's External debt in Post-Reform Period and explain the debt service payment scenario during this period.
5. Explain the major functions of Fiscal Policy. Also explain different forms of fiscal deficits.

SECTION - B

6. Read the case given below and answer the questions given at the end of the case :

It is difficult to overstate the importance of the car industry in modern societies and economies. Its development in the last century was at the heart of the economic growth of the leading industrial capitalist economies, notably the United States, Western Europe, and, in the latter part of the century, rapidly developing countries such as Japan. The car industry was seen to exemplify the technological systems characteristic of modern manufacturing. Indeed, the predominant manufacturing system of the twentieth century is sometimes referred to as 'Fordism' because of the pioneering role of the Ford Motor Company. Fordism was based on mass production of standardized products on the basis of a highly mechanized assembly line utilizing semi-skilled labour. The high productivity achieved by these methods enabled cheapening of the product and rising living standards (e.g. bringing the cost of car ownership within reach, by the late 20th century, of virtually the whole population). Thus Fordism is also associated with mass consumption and the rise of 'consumerism'. The car industry was also typified by that other characteristic feature of the 20th century economic landscape, the giant corporation, and can be seen as a pioneer of globalization. Today Ford, with other car makers, is among the largest multinational corporations. Car use and ownership has also become central to modern societies and the way we live our lives. The car is much more than a mere means of transportation-car ownership has come to be closely associated with ideas about personal identity, status, and freedom.

The social and economic importance of the car industry makes it an interesting case study for examining the political influence of business. We might expect that such a key industry, characterized by giant corporations operating on a global scale, will demonstrate a high level of business influence. At the same time, we should remember that other industries and firms may have less capacity to exert influence.

Luger has studied the long-term political influence of the US car industry between 1916 and 1996. The importance of this approach is that, while business influence is likely to vary from time to time and issue to issue, a long-term study reveals the overall pattern. Is business revealed, on the whole, to be a dominant influence on government, or a rather weak one? Luger's study shows that industry influence has varied over time. Up to the late 1980s three periods are identified: the first, up to the late 1960s, is one of business dominance over government policy; the second period, until the late 1970s, involved 'bargaining and compromise' between business and government and resulted in the expansion of regulation; and, the final period to 1988 'was a time of resurgence and triumph of industry over government'. However, Luger's overall finding is that the US car industry's political influence is evident in each period and, overall, gives it an 'inordinate impact on public policy'. In other words the car industry does not always get its own way in relation to government, and there are periods when government has introduced regulations opposed by the industry. Yet, over the long-term, the industry has been very effective in getting its own way and its power has exceeded that of any other group in society. How has this influence been exerted?

In general terms the answer is that business has control over resources that is unrivalled by any other group, and it is able to convert this control into political influence. As Luger states, 'the resources available to the large corporation give it leverage over... government that is often unmatched'. Put simply : money equals power. This means that individuals and organizations, like businesses, that control large amounts of wealth tend to have more political influence than the rest. As an example of this Luger states that 'in 1997 [it was] estimated that the industry spent over \$100 million a year to influence government In contrast, the entire 1996 budget of the main public interest group devoted to auto safety, the Center for Auto Safety, was approximately \$600,000'. But this answer is too simple, for in democracies the basic form of political influence is through the vote, and all democracies have rules designed to limit the influence of money in politics. The mechanisms of influence identified by Luger are more complex and subtle, including the following :

- Lobbying-through in-house lobbyists based at the heart of government in Washington, contact between top managers and senior officials in government, and the hiring of specialist lobbyists and PR firms.
- As well as acting on their own behalf firms also rely on business groups and associations to represent their (shared) interests. These associations operate at industry level (e.g. trade associations) and in relation to the business community as a whole (e.g. Chambers of Commerce).

- Industry is able to finance technical research to back up its political positions and arguments e.g. through sympathetic foundations and 'think tanks'.
- Businesses make donations to political parties, particularly in the form of election campaign contributions. The point is to help parties and/or candidates that are perceived to be sympathetic to business interests to get elected.
- Businesses hire former politicians or government officials to gain inside knowledge of the political process and access to decision makers. There is also movement in the other direction-from industry into government.
- In addition to these efforts by business to influence politics, Luger also refers to 'the industry's privileged economic position'. This means that business may not have to do anything to get government to take heed of its interests 'because economic growth and political stability can hinge on a healthy auto industry'.
- Large corporations and industries may also derive political influence from activities that are ostensibly non-political and commercial, notably advertising. The marketing of cars in ways that connect with core cultural values-as essential to personal freedom and as expressions of identity and status-has, as well as selling cars, 'provided the auto makers with a reservoir of latent public support'.

These mechanisms have afforded to the car industry in America a degree of political influence unrivalled by other groups. This does not mean that other groups can never win political battles with the car industry. As we have seen, Luger identifies the 1970s as a period in which the industry was forced to make compromises over issues such as pollution and fuel economy. Nor does it mean that all industries exercise comparable influence. There may be characteristics of the car industry that boost its political influence-particularly its size and economic importance. Finally, there may be some special features of the US political system that facilitate business influence. In other national contexts there may be a different balance between business and other interests in the political process. However, Luger's study of the US car industry provides an interesting and important case of business political influence.

Questions :

- (a) Discuss how automobile industry is impacted by the political environment ?
 - (b) What are the special characteristics of the car industry which helps to exert political influence as compared to other industries ? Discuss.
 - (c) Discuss the other mechanisms which indicate the influence of money in politics.
 - (d) How has the development in the car industry over the past few decades led to the economic growth ? Explain.
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