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MS-3

09374

MANAGEMENT PROGRAMME

Term-End Examination

June, 2013

MS-3 : ECONOMIC AND SOCIAL ENVIRONMENT

Time : 3 hours *Maximum Marks : 100*

(Weightage 70%)

Note : *There are **two** sections A and **B**. Attempt any **three** questions from section **A**, which carry **20** marks each. Section **B** is **compulsory** and carries **40** marks.*

SECTION - A

1. What do you understand by business environment ? How would you classify business environment ? Explain in detail, giving examples. 20

2. Briefly analyse the structure and growth of public sector and critically evaluate its performance. 20

3. (a) Analyse foreign investment collaborations in the post - reform period. 20

   (b) Explain the scope and classification of external debt.

4. What are the policy measures that helped trade policy to have undergone fundamental shifts to correct the anti-export bias ? Analyse. 20

5. Examine the impact of economic reforms on growth rate of GDP, FDI and Poverty. 20

SECTION - B

Read the following case and answer the questions given at the end.

Cases (1. India, 2. Poland)

1. Case of India

Area	:	Total : 3,287,590 sq km
	:	land : 2,973,190 sq km
		water : 314,400 sq km
Population	:	1,065,070,607 (July 2004 est.)
Population growth rate	:	1.44% (2004 est.)
Life expectancy at birth	:	Total population : 63.99 years male : 63.25 years female : 64.77 years (2004 est.)
Legal system	:	Based on English common law ; limited judicial review of legislative acts;
GDP (PPP)	:	$3.033 trillion (2003 est.)
GDP-real growth rate	:	8.3% (2003 est.)
GDP-per capita (PPP)	:	$2,900 (2003 est.)
GDP-composition by sector	:	Agriculture : 23.6% industry : 28.4% services : 48% (2002 est.)

India's leaders–especially the first prime minister Jawaharlal Nehru, who introduced the five-year plans–believed that strong economic growth and increased income among the poorest groups were necessary goals for the new nation. Government was assigned an important role in this process, and since 1951, a series of plans had guided the country's economic development. Although there was considerable growth in the 1950s, the long-term rates of growth were not remarkable and was less than those of many other Asian countries. From 1951 to 1979, the economy grew at an average rate of about 3.1 percent a year at constant prices, or at an annual rate of 1.0 percent per capita. During this period, industry grew at an average rate of 4.5 percent a year compared to an annual average of 3.0 percent for agriculture. Many factors contributed to the deceleration of the economy after the mid-1960s, but economists differ over the relative importance of those factors. Wars with China in 1962 and with Pakistan in 1965 and 1971 ; a flood of refugees from East Pakistan in 1971 ; droughts in 1965, 1966, 1971, and 1972 ; currency devaluation in 1966 ; and the first world oil crisis, in 1973-74, all jolted the economy during the period.

Developments during 1950s to 1970s Many early post-independence leaders were influenced by socialist ideas and advocated government intervention to guide the economy, including state ownership of key industries. The objective was to achieve high and balanced economic development in the general interest while particular programmes and measures helped the poor. The leaders also believed that industrialisation was the key to economic development and this belief had a strong foothold in India because of the country's large size, substantial natural resources, and desire to develop its own defense industries.

The industrial Policy Resolution of 1948 gave the government a monopoly in armaments, atomic energy, and railroads, and exclusive rights to set up industries for iron and steel, aircraft manufacturing, shipbuilding and telephone and telegraph equipment. Private companies operating in these fields were guaranteed at least ten years of additional ownership before the government took them over. The industrial Policy Resolution of 1956 greatly extended the preserve of the government. There were seventeen industries exclusively in the public sector. The government took the lead in another twelve industries, but private companies could also engage in production.

The Planning Commission was established in 1950. Answerable only to the Prime Minister, the Commission is independent of the cabinet.

The Prime Minister is the chairperson of the Commission, and an expert of the rank of the minister of state serves as the deputy chairperson.

The Five-Year plans are an important concept in the mixed economy of India. Even as the actual results differ from plan targets in important respects, the plans help guide investment priorities, and financial mobilisation.

In 1970, Monopolies and Restrictive Practices Act was designed to provide the government with additional information on the structure and investments of all firms with assets of more than Rs. 200 million. It aimed at strengthening the licensing system in order to decrease the concentration of private economic power, and to place restraints on certain business practices considered contrary to the public interest.

The 1980s The rate of growth marked improvement in the 1980s. From 1980 to 1989, the economy grew at an annual rate of 5.5 per cent, or 3.3 percent on a per capita basis. Industry grew at an annual rate of 6.6 per cent and agriculture at 3.6 per cent. Investment rose from about 19 per cent of the GDP in the early 1970s to nearly 25 per cent in the early 1980s. India, however, required a higher rate of investment to attain higher economic growth.

Government Policies in the Recent Years The

Government has played an important role in industry since independence. It has both owned a large proportion of industrial establishments and tightly regulated the private sector. Though the government sought to reduce its role in industrial establishments since early 1980s, the ball started rolling only after 1991 when it implemented new reforms. Despite apprehension and uncertainties over its impact, the liberalization process made headway in India in 1991.

2. Case of Poland

Area	: Total : 312,685 sq km : land : 304,465 sq km water : 8,220 sq km
Population growth rate	: 0.02% (2004 est.)
Life expectancy at birth	: Total population : 74.16 years male : 70.04 years female : 78.52 years (2004 est.)
GDP	: Purchasing power parity - $427.1 billion (2003 est.)
GDP-real growth rate	: 3.7% (2003 est.)
GDP-per capita	: Purchasing power parity - $11,100 (2003 est.)
GDP-composition by sector	: Agriculture : 3.1% industry : 31% services : 65.9% (2003 est.)

In Poland, centralised planning ranged from broad, long-range statements of fundamental future development to guidance on the operation of specific enterprises. The basic planning unit for transformation of the Polish economy was its five-year plan, the first of which began in 1956. Within that framework, current production goals were established in an annual operational plan, called the National Economic Plan.

History of Socialism as an Economic System in Poland In 1956, after workers' riots in Poznan, a general uprising was averted only by a change in the leadership of the communist party, the Polish United Workers' Party (Polska Zjednoczona Partia Robotnicza–PZPR). The new government promised modification of the system and changes in the development strategy. Consumer goods received a larger share of the national product, and some quantities of grain and food were imported from the West.

1960s to 1980s By the early 1960s, the government began a new industrialisation drive, which was again far too ambitious. Additional investment funds were allocated to the neglected infrastructure and for the production of consumer goods. Modernisation efforts stressed on technological restructuring rather than fundamental systemic reforms, as a result of which the country faced an acute shortage of consumer goods in late 1970s.

Post : 1990 : Mixed Economy Post 1990, the extent of "socialism" in Poland was diluted. As part of new reforms, most state-run monopolies were privatised and 516,000 new businesses were established, while 154,000 were liquidated. Another 100,000 small businesses, formerly owned by local government agencies, were now sold to private investors in the initial rush to privatisation. Between January to September 1991, an additional 1.4 million one-person businesses and 41,450 new companies were registered. Overall, in 1990 and 1991 about 80 percent of the Polish shops went into private hands, and over 40 percent of imports were dealt by private traders.

Poland has steadfastly pursued a policy of economic liberalisation throughout the 1990s. The privatisation of small and medium state-owned companies and a liberal law on establishing new firms has encouraged the development of the private business sector. Thus, the present position of the economy can be called as 'mixed economy' where private sector plays a role equal to that of the country's public sector.

Questions :

1. Elucidate the history of economic thought as highlighted in the case.
2. Discuss the process of implementation of mixed economic system in India and Poland ?
