

COUNTRIES DESPITE TRANSFORMATIONS TAKING PLACE REMAIN ROOTED TO THEIR BASIC APPROACH TO ECONOMICS AND ECONOMY

M.M.K. Sardana^{*}

[Abstract: Impact of economic slowdown beginning 2007 has been of varying degrees in advanced economies of US, UK and Germany. India and China have continued to maintain steady growth. Approaches of these economies in tackling the slowdown have been varied while all these countries have continued to support a globalised economy. Economic exchanges of these economies within and in relation to their interactions with other economies have demonstrated varied approaches. This paper is an effort to demonstrate that despite various transformations taking place within these countries and world in general, different countries continue to maintain their basic approach to economy and economics even in situations like that of great recession of 2007.]

Impact of economic slowdown of 2007 has been of varying degrees among advanced economies of U.S., U.K., and Germany. This discussion paper proposes to examine if the differential impact in these economies is relatable to the economic policies adopted by these countries and further if their policies have been rooted to the economic thoughts dominating in these countries from the period when the study of economics as an independent discipline came into being in their universities and the evolution of the institutions of professional economists with growing capacity to influence policy of the state. In his seminal paper Marion Fourcade-Gourinchas has demonstrated that national political structures and institutions have shaped economic knowledge development in these countries¹.

Professional economists derive their authority from three main institutions: the higher education system, the state and the economy. Intellectual distinctiveness of discipline of economics would depend upon its usefulness for practical occupations

^{*} The author is a Visiting Fellow at the Institute.

¹ Marion Fourcade- Gourinchas, "Politics, Institutional structure, and the rise of economics: A comparative study", Princeton University, *Theory and Society* 30 397–447, 2001.

and its role in relationship with the politicians in providing ideological garb to their designs in order to draw active support from the public of their times².

Succeeding set of politicians have to devise a justification theory to sustain themselves equipped with the knowledge of nature of political action and drive for ever new activities and thus the role of economic theory in the political game continues to be relevant and a useful tool for arguments for the politicians. To remain relevant, the economists would be moderate in their opinion contra their purist conclusions. Economists' shift in opinion is the power and status they receive in return. Politicians create extra incentives by controlling the education system at the university level. Research activities aimed at discovering market failures are likely to be funded by governmentally controlled grant agencies than research showing the perils of government interventions³.

Each country and each political system would provide different institutional environment, different sources of authority on which to base jurisdictional claim. In Germany, the professional authority and substantive content of economics was influenced by the formal relationship of the "mandarin" professors' class to state institutions and administrative practice much earlier to the beginning of industrialization in Europe. As early as in the 18th century, every university in Germany had a chair in Economics and much before Adam Smith penned down his Wealth of Nations. These positions were designed for training of civil servants and thus were closely associated with the business of administration. The discipline was a descriptive presentation of facts relevant to public administration and professors themselves were involved in public affairs. The objective of the discipline was centred around the question of how to raise revenues. University of Berlin established in 1810 was to promote research in administrative sciences and other disciplines. Discipline of economics looked beyond its conventional role and reoriented in part from individualistic point of view, where the role of state was to shape the economic order in which free citizens interacted, rather than 'govern'

² Dan Stasny, "Economics and politics: Mutual Relationship", a working paper for the Australian scholars conference, Auburn AL. March 15-16, 2002.

³ *Ibid.*

authoritatively. The substance of German Economics discourse until today has been characterized by an emphasis on applied questions; on social policy

Issues, on the state as central actor of the economy so much so that some scholars observe that economics did not develop as a science for studying and explaining economic fluctuations, but as the science of how the state could influence economic fluctuations. The common approach has come to be known as Historicism and has come from its resonance with the country's political culture as well as from the structure of academic institutions. The holistic approach to economic objects continues to be of influence even till date.

For historical reasons, Germany was late in starting industrialization but during the phase of rapid industrialization this changed the context of economic knowledge production. German economists became occupied with the plight of German workers and promoted a greater role for the state in regulating the industrial classes without questioning basis of market economy. The economists as a professional group saw their role as a guide to the administration and political actors without significant public postures. However, the professionals in their class rooms, freely expressed their impression. Professionals also expressed findings of their empirical surveys on their forums and thereby contributed in enrichment of public knowledge and awareness of social and economic problems which influenced the policy. Economists in Germany had a distant public involvement and were respectful to the authority of the state⁴.

In U.K. economists came to occupy occasional professional appointments in 1820's only and further growth was not significant till the end of the nineteenth century. The discipline continued to be part of history and/or moral science. There was no demand of economics as a qualification by the employers either from business or from civil service.

Disregard of economics as a necessary discipline for civil service recruitment was in contrast to the practice obtaining in Germany and even in France. However, there

⁴ *Op. Cit. 1*

was growing awareness of political economy among the public as there were societies and clubs and news papers who took up economic issues and such a role was performed by journalists and leisured gentlemen though their main interest was politics.

However, in the closing years of the nineteenth century British universities took initiative in establishing chairs in political economy. London School of Economics and Political Science (LSE) came up in 1895. Cambridge University set up a separate tripos in economics and political science in 1903. LSE was also to train experts for government service and its dependence for funding by the City, and London Chambers of Commerce reoriented it towards business occupations. Professional institutelisation of Economics began in Cambridge and created a core to dominate the field of economics for the next half century. Architect of the scheme at Cambridge was Alfred Marshall who maintained academic autonomy despite obtaining assistance from business community. The unit of analysis in the discipline of economics in U.K. has been individual, its self interest and its harmony with the society and the medium of discourse was in the mode of physical sciences and thus sought to uncover abstract laws for economic behaviour independent of historical content. Tools adopted by them in their analysis were mathematical tools. British Economists have been viewing civil society as a collection interacting individuals---an approach far away from the German Historicism. Beside, the universities like Cambridge viewed mathematics as the most appropriate tool for intellectual training and thus to gain institutional recognition, the Economists adopted mathematics as their tool for economic analysis. Scholars passing out of Cambridge fanned out to other British Universities and these scholars encouraged recruitment of faculty trained in economic analysis through the tools of mathematics.

British society had been discussing Economic issues at the fora of associations and clubs of Journalists, men of leisure, business men, civil Servants, etc. much before the onset of economics as a discipline in universities. So the professional economists at Cambridge and Oxford had ready institutions for their discourses and to make their presentation on policy issues. Most of the political elites and civil services were

educated at Oxford and Cambridge and thus economists had ready access to government and legislatures and informal networks were available to them. Professional economists got associated with policy issues in government on specific issues and also their services were in demand for various Royal Commissions and for advisory roles in various segments of government functioning. British Economists, rooted in mathematics and scientific approach, were becoming part of government policy⁵.

In US, political economy was not an independent discipline before 1870 and was to fit into the summation along with ethics, logic, moral principles, religious insight, the lessons of history etc. Many termed political economy as “soulless” and “enemy of religion”. In such a restricted environment economists in US trained themselves through exclusive reading and practice supplemented by travel and study abroad. Those who wanted to pursue study in political economy turned to Germany where universities placed much more stress on advance work and their seminar system permitted professionals time for research and writing and offer scope for intense interaction between teachers and taught and encouraged independent reading and research by the student.

In Germany, a student could attend three or four universities in an academic year as credit for time spent at one university was fully acceptable at all other universities. Libraries there were well equipped and easily accessible. Besides, there was great admiration for dynamic expansion then under way in German economy and American economists were curious to know what combination of factors brought that about. Political economy as a subject was regarded and the practitioners used great influence in both industry and government. In America, such a prestige was not available to economists as late as 1880. Resultantly, American universities in the last decade of the 19th century had majority of professors who had studied in Germany. However, with the rise of economics as academic discipline and German’s political aspirations of “lebensraum” (living space) cooled the enthusiasm of Americans as scholars about Germany and by 1910 the migration to Germany almost ceased.

⁵ *Ibid.*

After 1880, America became a “new” environment under the unparalleled expansion of industrial capitalism. Nation became increasingly concerned over the value of money, bank failures, agricultural prices and land policy, urban unemployment, taxes, corporate trusts and monopoly, rail-road regulations. With these problems, there was interest in the nature of alternate solutions for overcoming the problems. Young professionals of political economy offered proposals and counter proposals. The Academic Institutions were perceived as generators of alternative solutions to the emerging problems. Growing middle classes were eager to join the universities and could pay for it. The spirit of enquiry and investigation freed the professionals from yoke of Classics and the regimen of ecclesiastical control. With the money flowing in, the universities could invest in significant library facilities. Economists were quick to use these resources and their scholarly output started revalling the best of German scholars⁶.

In the United States the market came to occupy a central place and the institution were perceived to be producing “useful” knowledge. University administrators saw in the scholars as agents who would provide solutions to the social problems and serve to establish the reputation of their institutions. Professional economists came to be recognized as gentlemen educators and men of affairs who wished to study and offer solutions to various social problems. American economists in the end of nineteenth century were fairly political group whose members sought to reform the society by mobilizing popular support for their views from amongst the masses by educating them. Early professional economists trained in Germany saw the role of economic science to seek the rational solution of pressing social issues and problems of the day and favoured the use of government regulations to further this goal. Soon everything changed. The captains of industry who funded the universities and their administrators would discourage a political discourse of concern for the workers and the interventional role of government. The economists under the twin influence of analytical approach of marginalization and their own providers i.e. industry group shunned political approach in their economics science. From about 1888 on, The

⁶ John B. Parrish, “Rise of economics as an academic discipline: The formative years to 1900”, *Southern Economic Journal*, Vol 34, No.1, pp 1-16, July 1967. <http://www.jstar.org/stable/1055330>

Economists Forum in America defined themselves in exclusive scientific terms, and adopted low profile on policy issues. Influence of Historicism gave way to the marginal approach which was neutral to a political outlook. Emerging American Economists were critical of German Economists who were much seeped in history and had no worthwhile economic theory. The intellectual transformation made them 'objective'. Economists in US had to earn their position with hard work and also with impeccable behaviour i.e. distance themselves from open politics. Economists in U.S. had to compromise on being marginalists.

Political and administrative structures in USA have also sharpened the professional role of economists in U.S. in narrow specializations compared to their counterparts in Europe. Economists in universities, who were administrated by the men of Industry were to channel most of their efforts through government agencies or private organisations as technical experts after the political decisions were taken rather than as reforms with a vision of society. During progressive era when scientific rationalization in government was underway, the university research in economics was tied to the demand imposed upon them by government and industry and they were involved as technical experts. In the absence of traditional civil service, independent commissions came to rely on academic institutions and experts. Such an association of academics with the administration encouraged them to professionalize on technical lines, and embrace attitudes commonly associated with civil service. American political institution also came to exercise an influence on the structure of research⁷.

The countries included in the above analysis can be grouped in to:-

- a) Political systems with organised and entrenched bureaucracy.
- b) Political systems with a weak bureaucracy and depending on support from outside, say, academia experts.

Germany and U.K. will fall under category (a) whereas US would fall under category (b). In countries like Germany where economists have traditionally been associated with the administration for long, they have strong links with government but are

⁷ *Op. Cit. 1*

able to maintain a distance from it as well because of association with free tradition of research.

In U.K. where economics evolved as a discipline much later than it becoming a matter of discourse in civil societies, groups drawn from different strata of professionals. The discipline of economics relied on Oxford-Cambridge alumni in civil services and politics and provides its inputs towards policy.

In the case of U.S. the accent of economics took place much later and was oriented towards market where it had to play the role of objectivity rather than advocacy. Its professionals became technical guides to the government and industry in accomplishing their agenda.

Despite many transformations over the years, the basic characteristics of economic policies in these countries continues to be the same even this day⁸.

World War II has been the most transforming happening of the 20th century where impact has been all pervading bringing about the birth of several new nations through various types of mergers and demergers and the end of military backed colonization. A large part of the world stood devastated and the U.S. emerged as the sole leading economic power. Analytical economists in U.S. sought, in their typical mode of approach, answers for the low standards of living in Latin America, Africa and Asia. In their modelled approach they felt that it should be possible to bring about economic development of poor countries by application of scientific advances and industrial know-how of the U.S. and its allies. Development economics emerged as a new discipline to craft tools for economic development of countries by increasing their wealth, thereby resulting into well being of people. U.S. administration transposing their economic thought, encouraged the setting up a chain of institutions in the developing countries which were manned by professionals soaked in the American approach of development i.e. believing in predictable output input ratios. Such countries and the institutions were to follow a set of “good policies” such as democratic governance, adoption of free trade and

⁸ *Ibid.*

free markets and removing all barriers to trade such as tariffs and quotas⁹. The prescription designed by the newly set up institutions were similar to what U.S. and U.K. had adopted after consolidating their industrial maturity to compete world-wide where as the process of industrialization was yet to begin in these countries. A vigorous deterministic model was sought to be planted when condition precedent to such a model were absent. Further in the scenario of US and UK, initial development was centrally government driven and the role of market came up on the back of sound and competitive industrial base. Even the free play of democracy came at the end of development in US and UK. It should not be surprising that the western world today consumes over 75% of the world's output¹⁰ and the developing countries and lost out on their own resources.

China's economic rise has been by not adopting democracy but remaining deeply authoritarian and shunning liberal values. It has extensive levels of government involvement across all market sectors. China has been able to direct its resources in one direction which has propelled it into regional power and the largest economy in the world after U.S. In fact China surpassed the U.S. to become the world's biggest trading nation in 2012-13¹¹. China has shown that an independent, nation first policy driven centrally can attain economic success.

The development model as practised in India is distinctively different than prescribed by U.S. or that practised in China. The Indian model of development has been based on a democratic polity in an atmosphere where state continues to play a significant role even in the era of globalization. There has been steady growth and containable upheavals and corrective solutions have been applied keeping the democratic institutions intact. Indian economy has reasonably kept itself immune to the economic shocks as witnessed by the economies of U.S. and its allies.

⁹ "The myths of Economics Development", International Issues, 24 July, 2010.

¹⁰ *Ibid.*

¹¹ "China surpasses, US to become world's Biggest Trading Nation", *Economic Times*, p. 10, New Delhi, 2013.

The Anglo-American model of stock market led capitalism which had gained ascendancy¹² has been jolted. Globalization continues to be under severe crises. Ongoing macroeconomic melt down has shaken public confidence in globally integrated financial markets.

In his address to the U.N. General Assembly on 24th September 2011, Prime Minister Manmohan Singh emphasized that while the structure of market economy linked globally should remain intact; there is a need to take a re-look at the rules of economic engagement by way of addressing the issues of deficit in global and domestic governance¹³

Talking about economic exchanges and governance issues, government and international community ought to leave the paradigm of reductionism behind and be more sensitive to the sociological, political or even the aesthetic dimensions of human conditions. Economists have to be modest about the potentialities of their discipline to become better economists. Much of theoretical economics has ceased to be related to real human societies. This is part of the reason why mainstream market liberal economics on the one hand and anthropology, sociology and psychology on the other hand have drifted apart. The latter are based largely on empirical observations and the former on 19th century logical mathematical approach¹⁴.

The above observation is an indictment of the universal applicability of the Anglo-American model of economic thought which seeks to operate in an apolitical environment. Rather an economic system deals with humans who have freedom of choices and also learn from history, build institutions and modify their behaviour accordingly. The more relevant social system in societies is political: it is the nation state. Economic function is important enough and self directed to allow for and

¹² Sen, Chiranjib, "Are Gandhi's Economic Percepts Relevant to the Era of Globalization?" W.P. No. 300, IIM, Bangalore, 2008.

¹³ "Full text of Prime Minister Man Mohan Singh's speech at UNGA", India Today, 24 September 2011.

¹⁴ Peet, John, "Myths of the Political-Economic World View", from *Energy and the Ecological Economics of Sustainability*, Island Press, 1992.

require a separate domain yet cannot be self autonomous¹⁵. Conventional economics can describe in a general way the economic scenario but it cannot enter into the specific of policy. Economic laws are mainly generalizations, perception of regularities of economic behaviour that are in reality conditioned by cultural and social relations and institutional settings¹⁶.

There has occurred a market shift in the culture of work, particularly in the advanced countries, especially America. The large bureaucracies of both the public sector and the private sector have been downsized. Reorganization of industry has become the norm. With this trend has come the demise of the idea of stable and long term employment of workers. The manufacturing enterprises that had dominated the industrial scene for the past three decades used to provide long term employment and social identity for its workers. Many manufacturing jobs disappeared as companies were restructured. The sense of belonging and loyalty to the organisation has become a causality giving more to deficit of trust¹⁷.

It is relevant to recall that in past World War II scenario, US was the strongest country militarily and economically and the devastated countries as a result of war were looking forward to U.S. for assistance towards reconstruction. Germany at the other end of spectrum lay in shambles with every economic indicator in pits and with no access to capital, human or material. Within 20 years, its economy was envied by most of the world¹⁸. By the year 2010, the former “sick man of Europe” was being hailed as an engine of economic growth, having overcome the pangs of global melt down exceptionally well. It is being acknowledged that Germany has become “number one in Europe” once again¹⁹.

¹⁵ Luiz Carlos Bresser-Perceva, Economics’ two methods, paper presented at European Arrows of Evolutionary Political Economy XV Annual Conference, Maastricht, Nov, 7–10, 2003, Rev. November 2005.

¹⁶ *Op. Cit.* 14.

¹⁷ Jennet Richard, *The Culture of New Capitalism*, Yale University Press, 2006.

¹⁸ David R. Henderson, “German Economic Miracle”, <http://www.egenbibi.org/lil/end/GermanEconomicMiracle.html>

¹⁹ A. Keynesian, “Success story Germany’s New Economic Miracle”, <http://www.spiegel.de/international/business/a-beynessian-success-tery-germany-s-new>

Contrast between the approach to economics of U.S. and Germany has been highlighted in the preceding pages and in actual strategy operated by two countries is distinctively different. The U.S. economy is characterized by more reliance on domestic consumption and, as a consequence, persistent current account deficits but high international growth spill over whereas German economy is dependent on exports, running current account surpluses and generating limited international growth spill over²⁰.

In its approach, Germans have steadfastly relied on the integrated inclusive growth model and have continued to adhere to it even during the recovery phase after the shocks of global melt down. During the early phase of reconstruction itself, along with free market capitalism, government's involvement had been maintained to ensure that the system worked for as many people as possible. While there may be strong regulations in place to prevent cartels or monopolies, a large social welfare system would serve as a safety net for those who found themselves struggling. The bottom line of economic approach has been largely capitalist but with a large role for the government to keep a check on the free market. Maintaining its constant approach to economics despite several and major transformations, the concern for the society and labour has been included in the overall framework of market economy. The German system has guided the society to have little debt and frugal habits. Government has been focused on high production, low inflation and extensive social service. Germany has administered an excellent job-training system of youth for last many years and there are heavy subsidies for university education. Medical care is universally subsidized. Therefore, Germany has been able to contain unemployment and has continued to maintain its competitiveness in export, by reducing labour cost and with the continued innovation by its trained manpower. This has been despite the emergence of competition from China and India. Germany has tightly managed its budget while adopting reforms such as raising retirement age and simultaneously persuading workers to reduce their working hours believing that jobs with reduced working hours are better alternatives to no jobs. Resultantly few countries can match Germany's capabilities for producing and exporting machinery

²⁰ Falian Boreholes and Ashoka Mody, Test of German Resilience, IMF working paper WP/12/239.

and other equipments or its infrastructure for research, apprenticeship and financing that support manufacturing. Not surprisingly, Germany has been the only major Eurozone nation to escape the credit downgrades that have hit its neighbours and the country continues to anchor the continent's economy.^{21,22}

The integrated inclusive approach to economy in Germany even in recovery phase is demonstrated through the package of stimuli and bail out measures, which included €480 billion for ailing banks, €115 billion for financially weakened companies and €80 billion for programmes to stimulate demand in domestic economy. Government debt skyrocketed, but in return firms received new orders, consumers had money to spend and bank started lending again as their borrowers had orders to undertake.

Inclusive labour policies have not only kept unemployment under check but has also allowed the companies to retain their loyal trained and specialised work force intact in contrast to disappearance of loyalties of workers in other advanced economies as described in a preceding paragraph. This has enabled German industry to create a large reserve of well trained employees at its disposal to handle the growth in orders without feeling the pinch of labour shortage. "Germany has survived the global economic crises much more effectively than most of other member nations" notes OECD.

Germany's historical strengths and corporate-labour relationships distinguish it from other European Nations^{23,24,25}.

As stated earlier, the U.S. economy is characterized more on domestic consumption and, as a consequence has persistent current account deficits. Whenever there have been German surpluses, which have been mainly cyclical, there have been surpluses in Japan and in China. Surpluses in these countries mirrored in deficit increases in

²¹ The German Economic Miracle <http://www.investopedia.com/articales/economics/09/german-economic-miracle.asp>

²² Germany has the economic strengths America once boasted-LA Times, <http://artical.latimes.com/print/2012/Jan/22/bussness/la-fi-germany-middle.class-2012>

²³ *Op. Cit.* 19.

²⁴ *Op. Cit.* 20.

²⁵ John Schmitt, Labour Market Policy in the Great Recession—Some Business from Denmark and Germany, Centre for Economic & Policy Research Washington D.C. May 2011.

U.S.²⁶. U.S. has been able to dominate the world economic scene particularly since the post war period because of its dominance on world affairs including on issues relating to \$ as currency for international trade. Central banks of different countries have kept their reserve with U.S. Fed enabling it to pursue its goals without restraint on its resources. The process of globalization accelerated around the same time when \$ was freed from gold standard and regime of floating exchange rates emerged. The developed countries, to remain competitive, started outsourcing some of their activities where labour costs were low. From purely American prospective, labour intensive industries like textiles and manufacturing moved off-shore en-masse. Capital intensive industries like steel and aluminum fabrication followed suit in subsequent decades; accompanied by technology based companies as well. At the turn of century, service industries have been the focal point. By 1990, GDP growth in emerging and developing economies began to materially out-pace growth in developed countries of the world over the past two decades.

The IMF forecast that this trend would continue for next five years^{27,28}. In America, benefits have been low price for imported goods, especially from China. However, the price has been the loss of many well paying jobs in manufacturing and service industries. Average incomes for Americans have declined over the past decades. The benefits of cost cutting in corporates have enriched wealthy stock holders with no 'trickle down' effects in evidence. In fact averages of hourly wages adjusted to inflation are on decline while share of wealth among the upper crust has sharply increased. In the era of globalization the growing economies of China and India, the middle classes have increased in numbers giving rise to domestic demand for better living standards of housing and automobiles, food and clothing. This is resulting in run up to the commodity prices and fuel prices internationally. Emerging markets particularly in China have maintained currency controls and trade policies to minimize the adverse effects of rise in commodity price but the middle classes in U.S cannot escape the impact. U.S. instead of extending all inclusive bailout measures like which have been taken in Germany would like countries like China to revalue

²⁶ Op. Cit. 20.

²⁷ M.M.K. Sardana, Battle of Currencies, ISID Discussion Note DN/1106.

²⁸ The IMF World Economic outlook, 2010.

their currencies which would not be agreed to by the Chinese particularly when there is fall in aggregate demands and falling credit off take generally affecting the globalised economies. This is reflective of inadequacy of measures taken by developed world including U.S. to boost demand to take the economy out of crisis²⁹.

U.S., it appears, is not able to get out of its marginalist approach which is ideological to it in its belief in the superiority of market economy. In the post war era, its advocacy for market economy has served its purpose well and world resources have flowed to U.S. as demonstrated by their consumption pattern and of tendency to live beyond means. During all these years it has been possible to create market conditions suitably adjusted to asymmetries in their favour to create a bigger and bigger pie in the gains accruing in the world economic order. With the rise of emerging economies particularly China and resilient Germany, U.S. has to build flexibility in the rigid approach of market exchanges by creating more room for social security net and flexible labour policies to maintain employment of existing workers through innovative approaches and similar such measures. Such an approach would surely require heavy dose of taxation for people in upper crust. If fully throttled packages are delayed; initiative would slip elsewhere when there are serious talks of Yuan as reserve currency³⁰.

In the preceding pages, it has been focused that despite many transformations, approach to economy and economics in advanced countries like Germany and U.S. has remained rooted to their respective historical approaches, distinctively distinct, even in their strategies to combat the effects of the recent global recession. Mention has also been made of emerging economies of India and China who seem to be coming of age and are being recognized as formidable players on world economic scene. Both these economies have maintained positive growth rates despite the global recession. Both India and China have followed distinctive and separate approaches even when they took to market and globalised linked economic development. In their approaches, both the countries in the tradition of their historical approaches of keeping the economic activity subject to Governmental

²⁹ *Op. Cit.* 27.

³⁰ Mighty Yuan emerges as a reserve currency, The Irish Times, February 2013.

Interventions have continued to desist from giving economy an autonomous status. Prime Minister Man Mohan Singh in his address before the UN in September 2011 stressed that there is need for a re look at the rules of economic engagement which would require that reductionists approach to economy needs give way to include the sensitive sociological, political and even the aesthetics dimension of human conditions. India has continued to pursue pro-bono policy and has adopted people friendly legislations such as;

1. National Rural Employment Guarantee Act, 2005.
2. Schedule Tribe and other Traditional First Dwellers Act (Recognition of Forest Rights) Act, 2006
3. Unorganized Workers Social Security Act, 2008.
4. Right of Children to Free and Compulsory Education Act, 2009.

Next in the line, waiting legislative approval is Food Security Act.

In the conventional sense of economy, all these legislative instruments put heavy stress on the economy. Questions are raised from time to time about the capacity of India to continue with these policies slowing down the reform agenda. Government of India, influenced by the Constitutional Obligations of State Policy under the Directive Principles of the Constitution and also under the Rights granted to the citizens in part III of the Constitution is obliged to minimize the adverse impact of globalised economy on its people and treads with a human face as part neoliberal strategy. Such an approach is rooted in its traditional approach to economy over the ages and also envisioned in the struggle for freedom as incorporated in the Constitution.

Success of Germany, India and China in dealing with the global recession of 2007 remains rooted in their approach to economy of treating economic activity as a subject of political activity. Sound rational economic approach is required to be accommodative much beyond the econometric models.