Q1- What industrial policy required? How it is leads to growth of economics development of Country?

Ans An industrial policy (IP) or industrial strategy of a country is its official strategic effort to encourage the development and growth of all or part of the economy, often focused on all or part of the manufacturing sector. The government takes measures "aimed at improving the competitiveness and capabilities of domestic firms and promoting structural transformation."[4] A country's infrastructure (including transportation, telecommunication tions and energy industry) is a major enabler of the wider economy and so often has a key role in IP. Industrial policies are interventionist measures typical of mixed economy countries. Many types of industrial policies contain common elements with other types of interventionist practices such as trade policy. Industrial policy is usually seen as separate from broader macroeconomic policies, such as tightening credit and taxing capital gains. Traditional examples of industrial policy include subsidizing export industries and import-substitution-industrialization where trade barriers are temporarily imposed on some key sectors, such as manufacturing. By selectively protecting certain industries, these industries are given time to learn (learning by doing) and upgrade. Once competitive enough, these restrictions are lifted to expose the selected industries to the international market. More contemporary industrial policies include measures such as support for linkages between firms and support for upstream technologies.

Q1- The main criticism against industrial policy arises from the concept of government failure. Industrial policy is seen as harmful as governments lack the required information, capabilities and incentives to successfully

Ans determine whether the benefits of promoting certain sectors above others exceeds the costs and in turn implement the policies. While the East Asian Tigers provided successful examples of heterodox interventions and protectionist industrial policies,industrial policies such as import-substitution-industrialization have failed in many other regions such as Latin America and Sub-Saharan Africa. Governments, in making decisions with regard to electoral or personal incentives, can be captured by vested interests, leading to industrial policies supporting local rent-seeking political elites while distorting the efficient allocation of resources by market forces. Despite criticism, there is a consensus in recent development theory that says state interventions may be necessary when market failures occur.Market failures often exist in the form of externalizes and natural monopolies. Such market failures may hinder the emergence of a well-functioning market and corrective industrial policies[citation needed] are required to ensure the allocation efficiency of a free market. Even relatively skeptical economists now recognize that public action can boost certain development factors "beyond what market forces on their own would generate."In practice, these interventions are often aimed at regulating networks, public infrastructure, R&D or correcting information asymmetries. While the current debate has shifted away from dismissing industrial policies overall, the best ways of promoting industrial policy are still widely debated.

The first industrial policy after independence was announced on 6th April 1948. It was presented by Dr. Shyama Prasad Mukherjee then Industry Minister. The main goal of this policy was to accelerate the industrial development by introducing a mixed economy where the private and public sector was accepted as important in the development of the economy. It saw the Indian economy in socialistic patterns. The large industries were classified into four categories:

Industries with exclusive State Monopoly/Strategic industries: It included industries engaged in the activity of atomic energy, railways and arms, and ammunition. Industries with Government control: This category included industries of national importance. 18 such categories were mentioned in this category such as fertilizers, heavy machinery, defense equipment, heavy chemicals, etc. Industries with Mixed sector: This category included industries that were allowed to operate independently in the private or public sector. The government was allowed to review the situation to acquire any existing private undertaking. Industry in the Private sector: Industries which were not mentioned in the above categories fall into this category. High importance was granted to small businesses and small industries, leading to the utilization of local resources and creating employment. VI. New Industrial Policy, 1991

The features of NIP, 1991 are as follows:

Public sector De-reservation and privatization of the public sector through disinvestment.

Industrial licensing. Amendments to Monopolies and Restrictive Trade

Practices Act, 1969.

Foreign Technology Agreements Dilution of protection to and emphasis on competitiveness enhancement. The all-around changes introduced in the industrial policy framework have given a new direction to the future industrialization of the country. There are encouraging trends on diverse fronts. Industrial growth was 1.7 percent in 1991-92 that has increased to 9.2 percent in 2007-08. The industrial structure is much more balanced. The impact of industrial reforms is reflected in multiple increases in investment envisaged, both domestic and foreign.