

MODULE - 4

PUBLIC POLICY

- Public – it comprises domain of human activity which is regarded as requiring governmental interventions or common action.
- Policy – a purposive course of action or adopted by those in power in pursuit of certain goals and objectives.
- Public policy is “whatever governments choose to do or not to do”.

Public Policy

- Public Policy is an attempt by a government to address a public issue instituting laws, regulations, decisions, actions pertinent to the problem at hand.
- Issues – crime, education, foreign policy, health and social welfare can be addressed.
- It is thus a plan of action undertaken by the government to achieve some broad public purpose.

- Public policy is basically a set of rules regulations set forth that the public is expected to adhere to.
- Ex: public laws

Categories of Public Policies

- Substantive and procedural policies- with respect to time of execution (former or latter)
- Distributive, Regulatory, Self-regulatory, and self-regulatory distributive policies – with respect to allocation and control.
- ❖ Distributive policies concern the allocation of services and benefits of public resources to various segments of the economy.

- ❖ Regulatory policies imposes restrictions or limitations on the ways and manners the individuals and group of individuals and firm could behave an economy.
- ❖ Self-regulatory policies are the policies similar to regulatory policies but each unions or bodies supervised themselves.
- ❖ Re-distributive policies are the policies that allocate resources among the already divided sections of the society

- Material and symbolic policies- with respect to the tangibility of power and assets involved.

It includes policy on patriotism, peace, justice etc.

- Policies involving public goods and private goods- public goods are collectively owned, divisible and non-excludable.

- Liberal and conservative policies – with respect to freedom and ability to influence or change policies.
- ❖ Liberal policies – easily amendable.
- ❖ Conservative policies – rigid or difficult change.

Relevance of Public Policy

- Scientific understanding
- Improves our knowledge of society
- Linkages between social and economic conditions
- Response of political system to those conditions
- Professional advice

Application of knowledge to the solutions practical problems

- Policy recommendations – to inform political discussion, advance the level political awareness and improve the quality of public policy.

Government and public pol

- Close relationship between public pol and government or public authorities.
- No policy becomes public policy unless is adopted, implemented and enforce some governmental institution.

- It lends legitimacy to policies
- Government policies involve universal laws as these extend to all sections in society
- Governments alone can exercise coercion in society-only govt can legitimately imprison violators of its policies.

Areas of Public Policy

- Economic management
- Labour management relations
- The welfare state
- Shaping of public policies affecting corporate sector

Economic management

- It is assumed that government intervention is essential and even inevitable in economic activities.
- Great depression, recession, depression

Labour Management Relations

- The concept of industrial democracy is so important that it is imperative that a national labour policy should be adopted by the state to protect the rights of workers of unions.

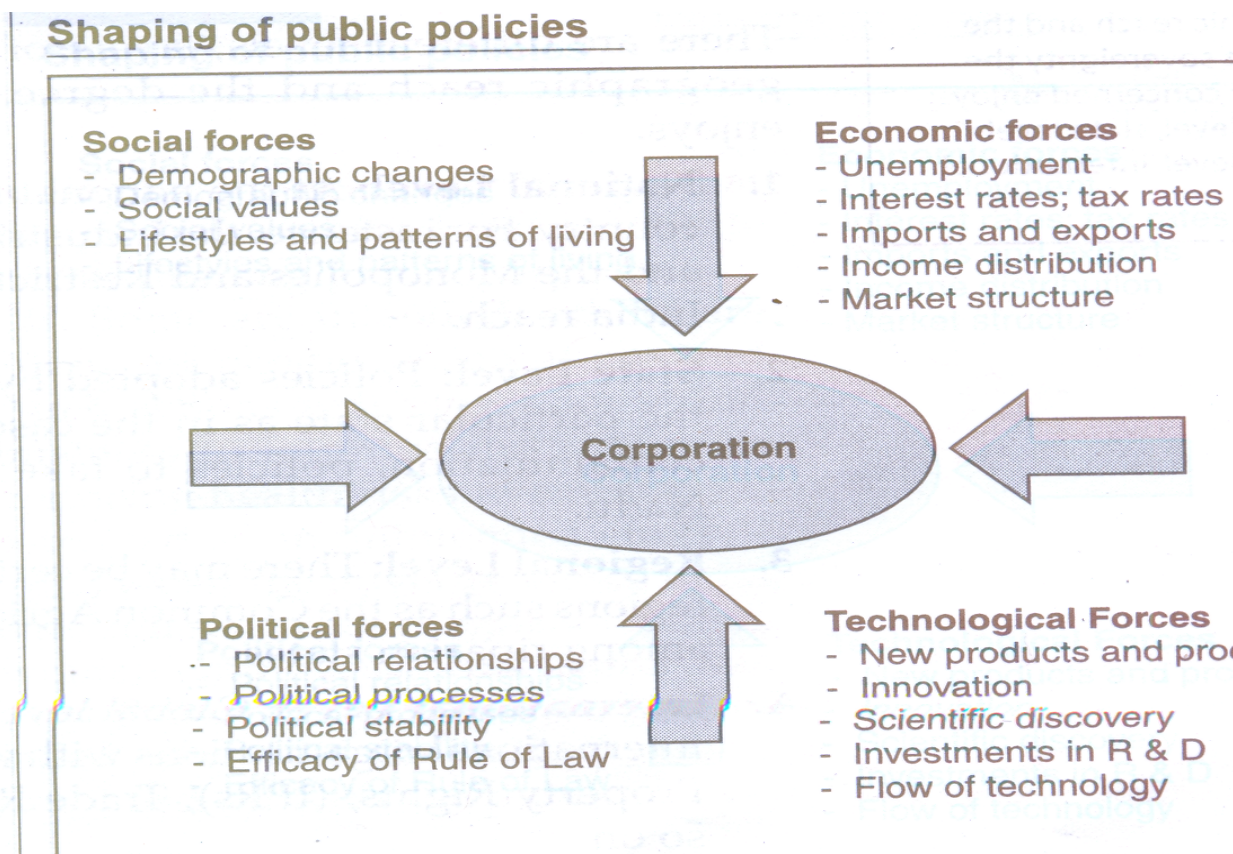
The Welfare State

- At present it is believed that every man has the right to get a good job, decent food, clothing and shelter.
- It is the responsibility of the government to guarantee these rights.

Shaping of public policies affecting corporate sector

- Stakeholder expectations if unmet, trigger action to transform social concern into pressure on business and govt.

Need for Public Policy in Business



- Social forces include the size and composition of population, life style and pattern of living which has a definite effect on both the demand and supply of goods and services that corporate deals in.
- Economic forces are those that shape corporate behaviour as well as the reaction of govt to solve problems arising therefrom.
- Political forces have an impact on govt making and govt's are prompted to shape their policies affecting corporate.
- Technological forces allow corporations to update products, processes and help them meet competition.

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- To create a competitive environment
- To have control on foreign investment

Government may adopt protectionist policies the following reasons:

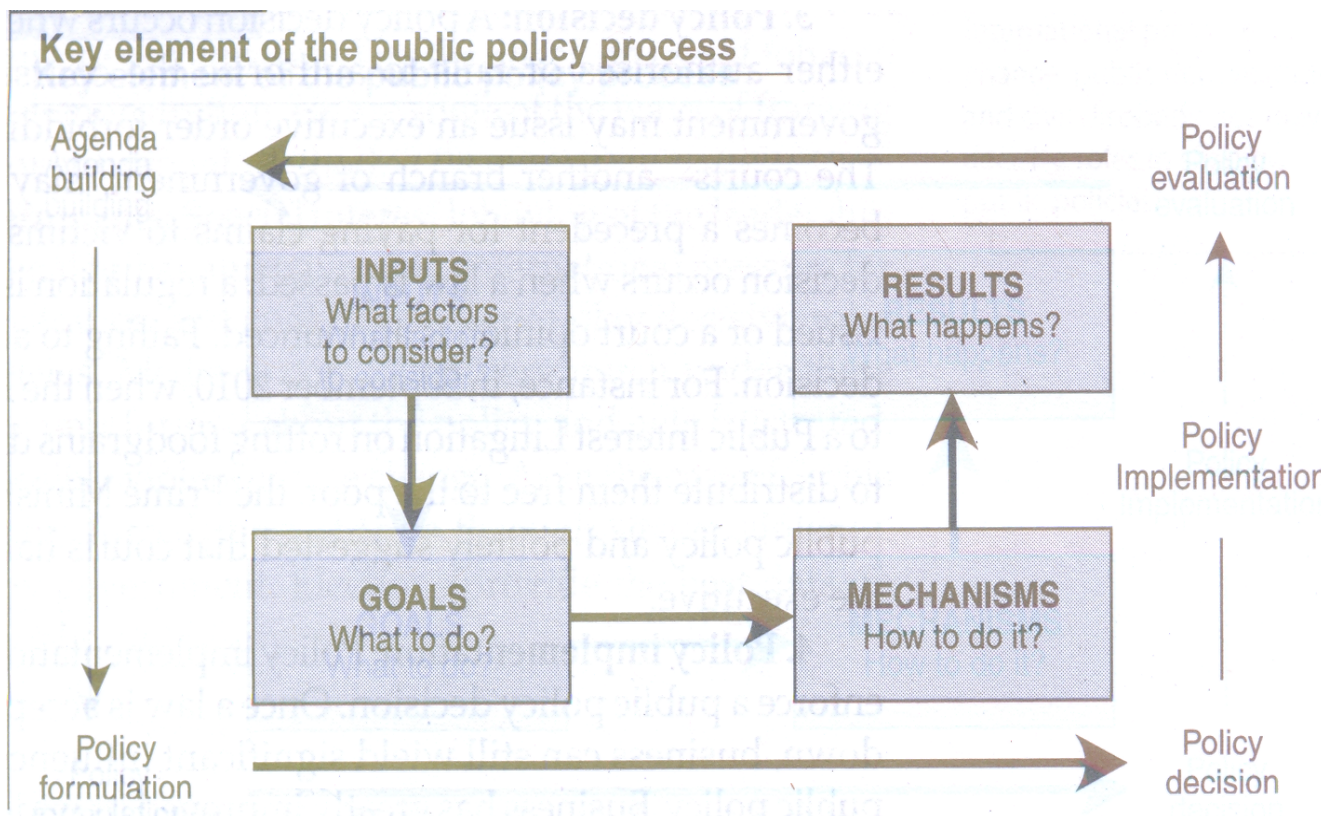
- To protect the growing local industries
- To regulate demand and supply
- To regulate the prices in the unhealthy competitive environment
- To protect the environment

Different Levels of Public Policy

Depending on the intended geographic reach and the degree of sovereignty the authority concerned enjoys.

- ❖ National Level: IDRA and MRTP Act.
- ❖ State level: policies to protect ground water from contamination, policies to take over the wine shops in states.
- ❖ Regional Level: Common Agricultural Policy, sharing of rivers etc.
- ❖ International Level: IPR's, TRIMs etc.

Elements of Public Policy



Inputs

- Govt may determine its course of action on the basis of
- Economic or foreign policy concerns
- Domestic political pressure from constituents and interest groups
- Technical information
- Tax imperatives
- Reaction to natural or national calamities

Goals

- Goals may be ideal oriented, narrow or self serving.
- But it is always important to inquire whether it served the citizens of the country whose welfare it intends to serve.

Mechanisms

- Ex: budget negotiations....
- Instruments of public policy are those combinations of incentives and disincentives that govt uses to prompt citizens, to act in ways that achieve p goals.
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Results

- Intended or unintended results.

- Agenda building-
 - Consists of major issues or problems which officials give serious attention and upon which they feel compelled to act
 - Ex: 33% reservation for women in Parliament and Legislatures...

- Policy formulation –
 - It occurs when interested groups take position on some public issue and try persuade others to adopt their viewpoint as public policy.

- Policy Decision-

- Occurs when some arm of the govt, e
authorizes or fail to authorise the cou
action.

- Policy implementation-
 - Occurs when action is taken to enforce public policy decision.

- Policy Evaluation-

- Occurs when the impact of public pol becomes evident.
- Policy evaluators try to find out whether the benefits have been more than the incurred, and the same goals could have been achieved in another, more efficient less expensive way.

The Corporation and Public Policy

1. Limits to Powers of democratic govt constitutional law and common law.
2. Limits to powers of non-democratic monarchy, dictatorship, religious rule socialist state.

Framing of Public policy- Powers of Govt

- Constitutional Govt's:- the will of the people and their desires get reflected in public policies.
- Non-democratic Govt's :- special interests, lobbying of the leadership elite, complicity with illegal bribes and payments, international pressure for change, playing a decisive role in public policies.

Involvement of Business in Public Policy Decision Making

- Business should be involved:- business enterprises should be involved in policy making as they have a high stake in the manner of policy making and the way these are implemented.
- Business should not be involved:- business and politics should be separated as their combination will have several effects

Cont..

- Effects are:-
 - ❖ Executives are not fit to engage in political debates.
 - ❖ Business is too big and too powerful, politics is fragmented by its very nature and makes gains by divide-and-rule politics.

Business and Political- level involvement

- Level 1: Financial Involvement
- Level 2: Organisational Involvement
- Level 3: Strategic public policy involvement

Level 1: Financial Involvement

- Formation of Political Action Committee (PAC) PAC may solicit contributions from stock-holders and employees and then channel the funds to those seeking political office.
- Trade Association Support: many large corporations place full time liaison officers in national capitals.
- FICCI, CII, ASSOCHAM and Chambers of Commerce.

Level 2: Organisational Involvement

- Lobbying: involves direct contact with government official to influence the thinking or actions of that person on a issue or public policy.
- Employee grassroot involvement : grassroot programs are organised eff to get constituents to influence govt officials to vote or act in a favourable

Level 3: Strategic public policy involvement

- Through executive participation where representatives participate in decision making by acting as the part of the executive.

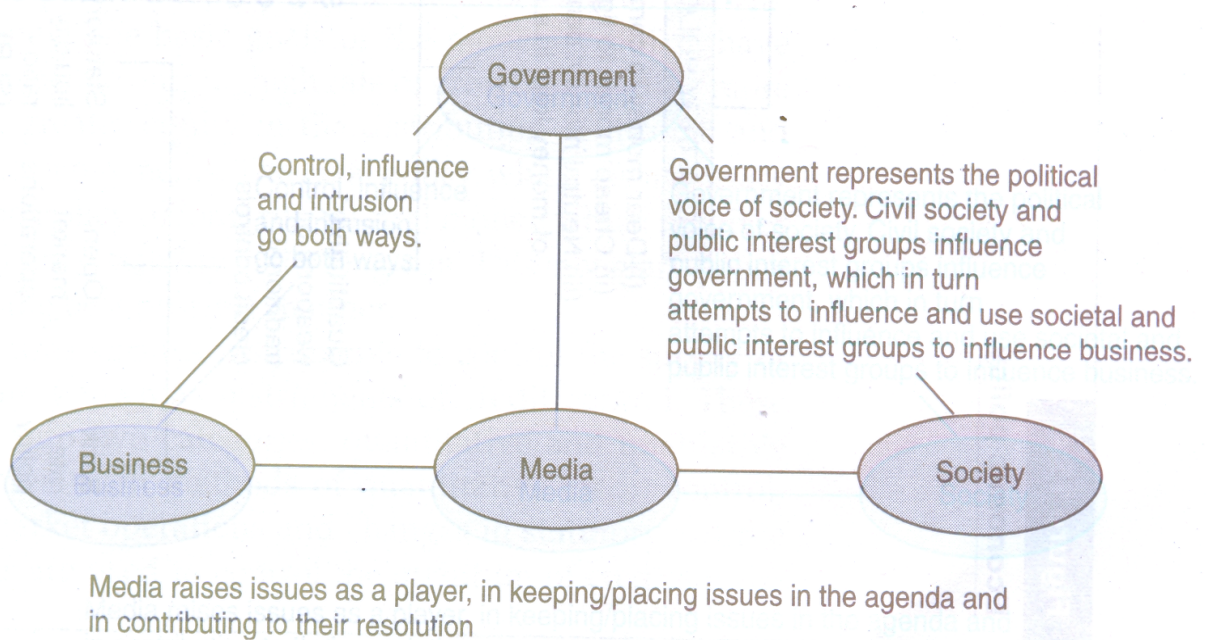
Public Policy and Business

- Govt's everywhere significantly influence business activities.
- Federal or central govt's try to promote economic development of their countries – by using appropriate economic policies.
- State govt's – through a slew of state-specific economic policies.
- Local self govt's – policies that involve permits, licenses and various clearances.

National Economic Growth

Figure 15.3

Business-government-society-media relationship



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- Economic growth is stimulated by government policies that encourage investment, foster technology development, provide key services and create a capable workforce through education.
- Poor economic development will accelerate nation's social problems.

Economic Policy

- Faster economic growth
- Reduction in inequalities of income and wealth
- Full employment
- Price stability
- Balance of payment equilibrium
- These can be achieved through monetary policy, fiscal policy, commercial policy

Monetary Policy

- Refers to the policy adopted by the monetary authority with respect to the supply of money.
- Objective – maximum feasible output rate of growth, providing more employment, price stability, greater equity in the distribution of income and wealth, favourable BOP.

Fiscal Policy

- **fiscal policy** is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy.
- To generate revenue and to incur expenditure the government frames a policy called budgetary policy or fiscal policy.
- The fiscal policy is concerned with government expenditure and government revenue

- fiscal policy refers to the policy of the government with regard to taxation, expenditure and public borrowings.
- The importance of fiscal policy is high in underdeveloped countries.

Main Objectives of Fiscal Policy In India

- 1. Development by effective Mobilisation of Resources
- 2. Efficient allocation of Financial Resources
- 3. Reduction in inequalities of Income and Wealth
- 4. Price Stability and Control of Inflation
- 5. Employment Generation
- 6. Balanced Regional Development
- 7. Reducing the Deficit in the Balance of Payment
- 8. Capital Formation
- 9. Increasing National Income
- 10. Development of Infrastructure
- 11. Foreign Exchange Earnings

- The objectives of fiscal policy such as economic development, price stability, social justice, can be achieved only if the tools of policy like Public Expenditure, Taxation, Borrowing and deficit financing are effectively used.
- The success of fiscal policy depends upon timely measures and their effective administration during implementation

Government Regulations Business

- What is government regulations?

It is a mechanism for implementing social choices and helps in creating the basic conditions that lead to economic progress.

People rely on govt to institute and maintain rules of conduct for citizens as well as organizations.

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- If citizens have to live peacefully, they expect the local govt to regulate traffic supply of basic necessities .
- At the state level, they want the govt to regulate industries –labour laws and create employment.
- The central govt is expected to regulate trade and monetary and fiscal policies

Justification of Government Regulation

- Market Failure – add social cost of a product
- Ethical Failure- ensures fairness and justice
- Stakeholder Demand- environmental conservation, consumer protection act.
- Public Reaction- communications
- Political Advocacy- minorities and women & govt

Types of Government Regulation

- **Industry specific:** prevention of abuse to buyers markets where market forces are distorted by monopoly or other market power by suppliers.
- **Industry wide:** primary social issues that affect all business.
- **Functional:** specific to certain business operations.
- **Media attention:** media connects communities globally. Events are chronicled as they occur, the public and officials see social needs that should be highlighted.

Problems of Government Regulation

- Cost/Benefit : all regulations add cost to production
- Effectiveness: is the intended purpose achieved and what are the unintended consequences and costs?
- Deregulations: stakeholders resist deregulation
- Policy confusion: TV and cable systems of delivery has causes confusion.