

# LIBERALIZATION

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## Liberalization Vs Deregulation

**Liberalization** is the process of relaxation from government control. It is a very important economic term. Technically, it means the reductions in applied restrictions of the government on international trade and capital. Liberalization is also used in tandem with another term – Deregulation.

**Deregulation** is the disappearance of state restrictions on both domestic and international business. However, in principle, the two terms are distinct because liberalized markets are often subject to government regulations for various reasons, such as consumer protection. But in practice, both terms generally refer to the removal of state intervention in markets.



## Arguments, Counterarguments, and Discussions

The advantages of liberalization and deregulation are questioned in many ways. Both of these phenomena are related with the “Washington consensus.” The consensus is a set of market-related policy prescriptions supported by neoliberals for economic growth of developing countries. Critics, however, argue that the policies are used to exploit poorer workers by corporations from rich countries.

Activists and scholars alike somewhat agree that markets are, in reality, neither truly free nor fair. For example, there are subsidies paid by the government to cotton producers in the United States and the European Union. This, in reality, artificially drives the prices down, putting African cotton farmers in an uncomfortable state.

Critics note that the issue is not about the freeing of markets per se but, rather, that the companies of wealthier countries are manipulating the term to their own benefits at large.

## Liberalization, Privatization, and Globalization

Due to close resemblance and similar attributes, the term LPG (*Liberalization, Privatization, and Globalization*) is generally used nowadays to describe the phenomena of freeing up of markets.

Although the three terms are distinct and have their own attributes, it is particularly helpful to

describe the contemporary and new market conditions of 21<sup>st</sup> century through the term LPG. In fact, liberalization is the gateway to globalizations and hence, when we talk about the benefits of globalization, it is always a manifestation of the process of liberalization.

It is impossible to consider the business aspects without having a global view in many of the scenarios and hence, LPG is a way to deal with the latest marketing and operational trends in international marketing.

## **Revolutionary Economic Trends**

Liberalization and deregulation stimulated the epic run of three major areas of business –

- International trade grew at an average rate of 6% annually between 1948 and 1997.
- FDI was impacted too, which saw the stocks and inflows exceed the rise in world trade.
- Foreign exchange markets achieved an average daily turnover reaching trillions of dollars.

Liberalization and deregulation contributed heavily to the globalization of the world economy.

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