



[Summary]

Role of the state and the market in economic growth and development

Subject:	Business Economics
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Unit No. & Title:	Unit – 5 State and the Market
Lecture No. & Title:	Lecture – 1 Role of the state and the market in economic growth and development

Summary

Market mechanism is known to be the most efficient mechanism in allocation and distribution of goods. Classical economists were proponents of market mechanism. They suggested that role of the state should be limited to the provision of law and order and for provision of goods of collective consumption.

After the great depression of 1929 and with the economics of J. M. Keynes, greater emphasis started getting laid on role of the public sector in economic activity. After the Second World War, the world got divided into capitalist world, socialist world which embraced the principle of state activity and the mixed economies which adopted in some combination market mechanism as well as public sector in their pursuit of development.

We have studied that neither free markets not extreme state controls lead to long term growth and development. Several practical development models were adopted by countries of the world to break out from stagnation or underdevelopment or to catch up with the developed world. . Their experience teach that growth is a result of right amount of state intervention in regulating markets, right kind of policies and efficient markets.