
4. Crony Capitalism

Why in News?

- Recently, Parliament witnessed sharp exchanges over the Adani-Hindenburg issue and the opposition is accusing it of crony capitalism and raising demands for a probe by a Joint Parliamentary Committee or a Chief Justice of India (CJI)-designated committee.

Highlights

- Crony capitalism is a term used to describe a capitalist economic system in which individuals or businesses with close ties to political leaders and government officials use their political connections to gain an unfair advantage in the marketplace.
- In the Crony Capitalism Index 2021 published by The Economist; India was ranked at 7th position where crony sector wealth accounted for 8% of Gross Domestic Product (GDP) of the country
- Crony capitalism can lead to corruption as businesses use their political connections to gain an unfair advantage in the marketplace, often by bribing government officials.
- This can undermine the rule of law and erode public trust in government institutions.
- The dominant position of large businesses often erodes competition and discourages them to further innovate or improvise their products/services.
- This can stifle innovation in the overall economy and lead to a decline in competitiveness.