**State Ownership and Regulation:**

State ownership which is also known as government ownership and public ownership, is the ownership of an [asset](https://en.wikipedia.org/wiki/Asset), industry or [enterprise](https://en.wikipedia.org/wiki/Business) by the [state](https://en.wikipedia.org/wiki/State_(polity)) or a [public body](https://en.wikipedia.org/wiki/Public_body) representing a community as opposed to an [individual](https://en.wikipedia.org/wiki/Individual) or [private party](https://en.wikipedia.org/wiki/Private_property). In twentieth century, the government regulation and public ownership were considered as an alternative means of correcting forms of market failure and achieving non-market social objectives in network utility industries. Developed countries like U.S. and Canada had historically relied on privately owned utilities, subject to regulation by specialized state government or state agencies. For many purposes, states have viewed public ownership and regulation as alternative strategies to control specific industries. The economic results, however, are rarely the same. However, this started to change during the 1990s, when many countries including India had adopted the policy of liberalization with the goal of making the economy more market and service oriented and expanding the role of the private sector.14

The government can interfere or involve in the market in different ways. The type of intervention sometimes may decrease innovation, invention and productivity; on the other hand, sometimes it may increase innovation, invention and productivity also. Regulatory measures of the state can produce both the effects; that is increased controls can sometimes shave the earnings available to a country or they can undermine the ability of the market to generate innovations and new technologies. For example, if the governments of the officials make it mandatory that all firms must provide free medical care, pay time-and-a-half for working more than 30 hours per week, or offer every employee six weeks of paid vacation, costs of doing business will rise and workers’ cash incomes will fall so they may prefer or not prefer the new benefits to the loss of pay. If employees actually value these benefits over cash income, it would be surprising that firms would not have offered them voluntarily. In any case, these regulations may depress income but have little impact on the rate of economic growth. Again if government intervention undermines research and development, innovation or the invention of new products would curb economic growth and progress.14

Another way through which the state intervenes in the market is through the creation of a publicly owned enterprise. However, in this case the operation is likely to be inefficient and costly to the economy but not destructive of a market system. Unfortunately, state officials usually bestow on the public company exclusive rights, thus undermining economic efficiency and progress.

The most damaging interference is when the government controls over rates, prices, entry, and other limits to the free market. These steps frequently lead to non-market clearing situations. When the government fixes the prices and controls the entry this become more damaging to the function of a market than simply setting up a public enterprise. Controls on what entrepreneurs can charge may limit investment and thereby diminish the introduction of new technologies necessary to generate growth.

Another form of intervention or regulation which may simply raise the costs is that when the governments or the authorities decide what an business organization is going to produced or how they are going to produced i.e. which production techniques they will be adopted. This kind of intervention may raise prices; it may or may not yield benefits in excess of costs. Given the rules on how a product is to be manufactured or what its characteristics must include, however, the market can still flourish and competition can take place. These rules, however, may restrict the possibilities for innovation in either production or the product, thus slowing the rate of change and ultimately progress.

Supporters of regulation usually say that government intervention is necessary to correct a market failure. The industry may be a natural monopoly; firms may be generate negative externalities, such as production of toxic wastes, air pollution, or contaminated water. So unregulated or uncontrolled activities may be harmful or dangerous to the innocent third parties. Supporters of government control or regulation have justified regulation on the basis of externalities. The most obvious form of unwanted externalities pertains to environmental degradation. Business organizations and individuals have little incentive to care for resources which they neither own nor control. Therefore, the factories allow emission of toxic gases into the atmosphere. Again, farmers, cities, and individuals dump wastes into rivers, streams, and lakes. The overloading of these pollutants to the environment can degrade the habitat severely.

Different free market environmentalists have stressed that property rights could solve most if not all pollution problems. They are certainly correct in that property rights in the environment or in various endangered species would solve many of the difficulties.