Indian Economy · GS - III

Examine the implications of government intervention in corporate decision-making for corporate governance and market autonomy.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
15	~250 words

Answer Hint

Corporate autonomy, board independence, national security, strategic industries, AI competition, investor confidence, regulatory oversight, geopolitical influence

Model Answer

Introduction

Advanced technology companies increasingly operate at the intersection of commercial interests and national security. The reported involvement of the US administration in Nvidia's leadership decision illustrates how governments may seek to influence strategic corporate decisions amid international technological competition.

Implications

1. **Corporate governance and board independence:** Direct political pressure on board decisions may weaken independent oversight and raise concerns about the autonomy of corporate institutions.

2. **National security considerations:** Governments may view advanced semiconductor and AI capabilities as strategic assets, making corporate decisions relevant to defence, economic security and technological sovereignty.

3. **Market confidence:** Uncertainty regarding political intervention in corporate leadership can influence investor perceptions, share prices and long-term investment decisions.

4. **Global technology competition:** State involvement in strategic technology sectors may intensify competition among major powers and encourage domestic innovation and supply-chain resilience.

5. **Regulatory accountability:** Such interventions raise questions about transparency, the legal basis of executive action and the limits of government authority over private enterprises.

Balancing State Interests and Corporate Autonomy

1. **Transparent legal framework:** Government intervention should be based on clearly defined laws and national security criteria rather than informal political pressure.

2. **Independent board oversight:** Boards must retain responsibility for leadership appointments, risk management and shareholder interests.

3. **Institutional scrutiny:** Legislative oversight and appropriate regulatory review can ensure accountability in decisions involving strategic industries.

4. **Innovation-oriented policy:** Governments should promote research, skilled employment and domestic technological capacity without unnecessarily undermining private-sector competition.

Conclusion

Strategic technology industries require cooperation between governments and private enterprises. However, national security objectives must be pursued through transparent legal processes that preserve corporate accountability, investor confidence and institutional independence.

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