



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

REVIVING THE INDIAN ECONOMY THROUGH KEYNESIAN LENS

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J.M. Keynes was the most influential economist of the first half of the 20th century. Keynes had said that in times of huge economic stress the government should become the spender of the last resort. The idea being that when the private sector was not spending money the government should step in. This spending puts money into the hands of the people which they were likely to spend benefitting business and overall economy. Keynes therefore advocated for increased government expenditure and lower taxes to stimulate demand and pull the global economy out of the Great Depression.

Keynesian economics was issued to refer to the concept that optimal economic performance could be achieved and economic slumps prevented by influencing aggregate demand through activist stabilisation and economic interventionist policy by the government. Keynesian Economics was considered as demand side theory that focuses on changes in the economy over short run.

Accordingly Keynes analysis visualised that if there is an injection of government spending eventually it leads to added business activity and even more spending which would boost aggregate output and generate more income. The magnitude of the Keynesian multiplier is related in fact directly to marginal

propensity to consume, therefore Keynes felt that individuals should spend more money raising marginal propensity to consume, which would affect both output and employment and generate economic growth. Therefore Keynes believed that only Pump Priming Policy along with providing economic stimulus to financially kick start growth during a difficult economic period, provision of low interest rates, can however boost economic growth rate.

Is Keynesian Prescription Required to cater Covid 19 Crisis

Covid-19 has created a difficult scenario for the government. The essential lockdown has disrupted production activities, relocated labour and stifled demand for goods and services. The sequence of events was unanticipated for the workers, there was no scope of moving out no jobs out workplace, circumstances, deteriorated. Therefore the revival of the economy stand as a major challenge. For the revival of the economy there is need to boost aggregate demand, raise employment through government initiative to protect the mass from further misery. Therefore it is here that I believe that Keynesian prescription that only activist role by the government is a required step in the present circumstances.

In a major move the government had announced an economic stimulus package of Rs. 20.97 lakh Crore. But this has provided incentive to producers to avail credit and produce more ignoring the demand management aspect for the revival of the Indian Economy there is a need to boost aggregate demand. Immediate Employment generation on a massive scale through government initiative therefore seems to be the option.

In line with this one of the major fact that lies is that government must focus on Infrastructure development. Strengthening rural infrastructure would however create job opportunities for the rural population. Developing more agro

based industry would however be the most important step in the direction of reviving the economy and this would create localised employment opportunities.

In line with what Keynes has said construction Sector needs to be given more impetus since this would create a lot of low skilled and semi skilled jobs and will put money in the hands of the needy vulnerable section of society. Crisil points out that the share of private spending in construction stood at 26% in 2009-10 and fell to 17% in 2019-20. Therefore construction sector today demands more of government impetus.

Health care needs to remain the top priority with features such as expanded primary health care net works, multi functional infrastructure, national health protection coverage and adoption of digital tech.

The government should therefore focus on helping industries that has strong backward and forward linkages with multiple industries such as automobiles and real estates and not the processors of globally over supplied commodities such as aluminum and steel. The countries automobile industry was already struggling due to excessive regulatory rent seeking and a rush to adopt lighter emission norms. Corona induced disruptions will further danger its prospects and in turn those of thousand of component suppliers. Thus the government could consider relaxing the implementation of BS-VI emission norms for a year in non metropolitan areas. it will support struggling automobile manufactures component suppliers and dealers employing million of workers without any monetary or fiscal stimulus.

Further helping real estate industry would help other industries too for e.g. cement., electrical appliances and this would initiate growth rate.

One more thing that the government of Indian must do is to increase support for renewable energy particularly rooftop solar. Decentralized solar power can help however remote regions.

The decisions if taken today cannot only provide immediate relief but will also secure a lasting economic recovery, increase community resilience and create a long term path to sustainable development.

India however needs to move away from command and control to coordination and genuine Centre-state collaborations Cooperative federalism is imperative in the coronavirus war. State needs to be taken into confidence before major discussions and responsive mechanism for cooperation must be put in place.

In particular the Centre's relief package (the P.M. Garib Kalyan Yojna) ought to be designed and enhanced as a block grant to states, Robust and responsive mechanism for inter-state coordination are critical.

Thus although the government has announced an additional package aimed at infusing liquidity into the economy its efficacy is dependent on the stimulation of demand with the aspirational class and the lower segments of society exhibiting higher propensity to consume it is necessary therefore to boost their income. Therefore it is important on the part of government to identify a right policy mix of both fiscal and monetary policy measures that will directly boost employment and the effective demand in the economy which will then feed into private investment automatically and boost business sentiments. This can be achieved by fiscal expansion led by expansion in expenditure in infrastructure development both social and physical. Therefore the Modi Government needs to undertake the prescriptions of initiating both Keynesian and Freidman's ideologies to revive the economy from the present.

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