Chapter VII

CONCLUSION, SUGGESTIONS, LIMITATION AND SCOPE OF FURTHER STUDIES

I. INTRODUCTION

Every economic growth process, lead to reappraisal of conventional knowledge and the Indian economy is no exception. The problem here is to know that what time is needed to up heal the bounties to clarify the situation and the actual time needed to reach sustain growth situation all this matters depends upon the existing resource to match up with the retrospect and introspect issues and heal the real issues with this discussion it can be said that whenever the problem arise before economy as able to put the event in their proper perspectives, it should be set that a way the core should be differentiated from the peripheral elements and draw the correct analytical policy implications. No research or investigation would be complete unless monetary, price, inflation, turmoil cannot be pinpointed on the basis of volume of literature on the subject on the subject or the diverse views expressed in it however there are some basic features and discussion on it which has brought out a relevant consequences
through there might be many differences in the opinions among previous said to be the economists.

Hence it is useful to examine the first interpretations of the theories particularly the events which had been advanced by earlier theories of monetarist. It is highly unlikely that economics or policy makers can predict monetary effects accurately or eliminate them all together, making countries less vulnerable to the inflation or depression and mitigate their adverse consequences. Therefore, it is necessary that discussion on some theories on monetarists in light of Indian economy experience is mentioned to promote our cause and inflict the right direction.

Crores and thereafter directing the financial institutions specifically the public bank to give loans on lesser interest rate to the farmers to get rid of the debt they had from the money lenders particularly in the village.

The sixth pay commission recommendation have already been accepted this will also have a big monetary pressure on the government the liberalized policy that the government has already adapted and subsidial effect along with existing stock market pressure anytime in this structure of the Globalization. The inflows from abroad can further abate the economic situation of the country.

The existing situation has been further worsen as the upper-middle group with the negative future expectations have started purchasing more in agriculture product thereby the supplier are taking fuller advantage, as the investor invests for future expectation.

The free market and free shore exports had given the producer a better chance for gaining profit, which has directly affected the prices of agriculture product. This
price of food grains in the domestic market particularly the consumer goods have short up bringing dissatisfaction among the society.

The economic situation is moving to a woundable situation. The important thing that government should think of the existing economic condition and see that with the existing foreign exchange reserve with the RBI does not move to the situation distanchenment and volatility does not take shape as it took place in some Asian market particularly in 1997-98 in Thailand, Indonesia, Korea unparticular Government it appears is headed by the strong believer of open market, the RBI is headed by Stalwart in economic there action would promote stability but this is a relation expectations how far they would achieve stabilization and growth of Indian economy in time to time only the experience will say.

a) Theories highlighting macroeconomic indicator

Alfred Marshals principles of economics first published in 1890 replaced Mills principles of political economy as the standard advanced textbooks most of the required tools today comes from Marshals’ book supply and demand, elasticity, distinction between short run and long run where all developed on the basis of this theories. General equilibrium system is from Walrus. Neoclassical though unanswered of term macroeconomics, they have made a great contribution to macro economic concepts some monetary equations were developed by Fisher USA and Pigou pertaining to money incomes and prices. Fisher advanced price level stabilization and monetary interest theory.

It was Keynes, who compared and contrast previous macroeconomics principles work of Pigou. New classical economic theory has mainly concentrated on economic growth and stagnations. Neoclassical has undertaken the uses of market
system efficiency. The modern theory was based on demand rather than supply, on utility rather than cost. Neoclassical theory did not talk about the first World War problems thus became less popular. Classical economics though became acceptable, which came answered to the economic questions to it.

Modern theory became more acceptable and a reality because of the functioning of a market economy developed by classical economists.

**Keynesian Economics**

The great depression showed enormous suffering across the US and around the world. The level of unemployment in the US which was 3% in 1929 had risen to 25% in 1933. Between 1929 and 1933 real GNP in USA declined by 30%. The 1929 output level was not regained until 1939. The fact is that the Great Depression was international in its effect appeared to contradict the teaching of classical economics and set back to functioning of an economy on the assumption of classical thinking.

The Great Depression set the stage for what has come to be called the Keynesian revolution. In 1936 one of the most important works of the history of economics - The General Theory of Employment, Interest and Money. In rejecting the ideas of classical economists, Keynes coined two important ideas Aggregate Demand and Supply. The problem of instability in an economy begins when AD and AS are not equal at full employment level according to Keynes changes in aggregate demand have the greatest impact on output and employment and not on prices.

Keynesians belief in aggressive government action to stabilize the economy is based on value judgments and on the beliefs.

a) Macroeconomic fluctuations significantly reduced economic well being.
b) The government is Knowledgeable and capable enough to improve upon the free market

c) Unemployment is more important problem than inflation.

Today economists like Samuelson, Fracomodiglani, James Tobin and Arthur Okun represent the Keynesians and this are described in many ways they are called Neo-Keynesians because they have modernize the work of most earlier economists.

Monetarists' school one form is monetarism, which is lead by Milton Freidman of Chicago school of Economics and further developed by Carl Bruner, Alan Maltzer, Andersen and Jordan, through out the Keynesian Freidman and his associates focused force fully of the role of money in macroeconomics this reincarnation of classical though became known as monetarism and supporter became known as monetarist thus monetarists are:

I. Focuses on the money supply and correlates money supply with moments in nominal GNP

II. Holds that markets are highly competitive and

III. Says that a competitive market system gives the economy a high degree of macroeconomics stability.

Thus paradoxically, monetarists favor a laissez-faire monetary policy. Monetarists believe that in the long run money affects the price level. They also believe that monetary policy should be used only to achieve long run objectives; the most important of which each price stability. Since, a monetarist theory is based on the adaptive expectation assumes increase in nominal wages lag behind increase in prices.
Neo-Keynesian Economics

Neo-Keynesian economics. Indeed, Keynesian so soon agreed with monetarists that money did indeed matter. They agreed that early Keynesians who had focused exclusively on fiscal policy were wrong. The ISLM model ties together the Keynesian theory of income and rate on interest. The IS portion of the model incorporates saving and investments as determinants equilibrium GNP. The LM component incorporates the financial aspect of the economy. This ISLM model is carried out under the assumption of constant prices. Who used ISLM model are called Neo-Keynesians in the macroeconomics turmoil of the 1970s and 1980s that contested with the new classical model is this powerful and sophisticated Neo-Keynesian model.

New Classical Model

The inflation problem of 1970s and early 1980s and the seriousness of the recessions of 1974-75 and 1980-82 lead many economists to change the idea of active government intervention in the economy it is important to stress that new classical macroeconomics evolved out of monetarism during the 1970s. New classical economists' sees individuals as regularly trying to determine what will actually happen in the future and using new information efficiently in gauging the relative likelihood. New-Keynesians economics in the 1970s the Keynesian model was modified again to include not only the effect of interest rates but also the effect of changing prices called flexible price ISLM model, thus New-Keynesians provides a rationale for government intervention in the economy such as counter cyclical monetary and fiscal policy this differences are important because in the early 1980s inflation was the serious problem and supply side provides solution since new classical were opposed to Keynesians during 1980s and therefore more and more of them accepted the supply side label.
Real Business Cycle School

Real Business cycle theorist contented that in fact the economies fluctuations had nothing to do with monetary and fiscal policy. Money does not matter at all only focuses like new invention and droughts and so on determine the state of the economy in 1980s 'Neo' lost the favor and it was replaced with 'New'. As ideas changed economics needs a new terminology of distinguish among the changing ideas.

Suggestions

The following questions, as are they to be referred to the whole world, India since 1991 having adapted a policy of liberalization, privatization and expansion can it transverse the path with the monetary - economics factors and more a head with sustainable growth rate the following discussion would suffice the prerequisite of the answers

b) Suggestions Globalization

What is Globalization? "Globalization in its economic aspect refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the moment of people (labor) and Knowledge (technology) across international borders. As it is most basic, there is nothing mysterious about globalization the term has come into common usage since the 1980s reflecting technological advances that have made it easier and quicker to complete international transaction both trade and financial flows. It refers to an extension beyond national border of the same market forces that have operated for sanctuaries at all levels of Human economic activity - village markets, urban industries, or financial centers.
Are Periodic Economic Disturbances Inevitable?

At the national level, even though several of the countries had impressive records of economic performances, they were not fully prepared to withstand the potential shocks that could come through the international markets. Macroeconomic stability, financial sector soundness, open economies, transparency, and good governance are all essential for countries participating in the global markets. Each of the countries came up short in one or more respects. At the international level, several important lines of defenses against crisis were breached. Investor not appraises risks adequately. Regulators and supervisors in the major financial centers did not monitor development sufficiently closely enough information was available about some international investors. The result was that markets were prone to "herd behavior" - sudden shifts of investor sentiments and the rapid movements of capital, especially short-term finance, into or out of countries, that the income gap between high-income and low-income countries has grown wider is a matter for concern. But it is wrong to jump to the conclusion that nothing can be done to improve the situation. To the contrary: low-income countries have not been able to integrate with the global economy as quickly as others, partly because of their chosen policies and partly because of the factor outside their control.

i) The TINA Assumption

One orthodoxy free market economy and the rolling back of the state. It has replaced all other ideologies and approaches. The TINA (There is No Alternative) assumption has led many governments, particularly in the developing countries, to roll back the significance of the state in the economy and in the social life of the nation state. Globalization, which is advocated for its ability to facilitate higher economic growth and diffusion of welfare, apparently does no such thing. The state is
under attack, but not quite exactly, not quite exactly, not indeed, or only marginally, a state maintains law order, provide the infrastructure and the knowledge base for production and market to develop, De Haan, who is a shade less pessimistic about increasing poverty and inequality levels under the impact of globalization, In terms of economic

Development in the newly independent countries, and for long time after independence, taking the cue from Keynesian policies and from successful examples in the then socialist states, was based on the stewardship of the state. Government planning and directives helped to diversify and lay the foundation for industrial development and for food security, stimulated the diversification of the economy and put in place structures that, ideally, would include the population, poor as well as rich, in human and economic development.

For a long period, such policies were seen as the natural roadmap to development. The policies were implanted with varying degree of success. Some countries were fairly successful and many countries failed miserably. Suddenly around 1980, the policies were made to change and a new orthodoxy was imposed on country after country: the role of the state had to make privatization, no matter what circumstances and no matter how successful state enterprises had been.

It does not require much analytical power and vision to conclude that outcomes are heavily affected by the institutional setting in which divesture takes place, "In their haste to correct the quality flaws and financial losses of SOEs, proponents of privatization pushed excessively for rapid ownership change while neglecting or insufficiently emphasizing the institutional foundations on which good privatization must be raised". In Zambia, example of such (hasty) privatization, the
government has disinvestments in state ownership almost in it's entirely what remains is a litany of the reality on the ground in many African countries:

ii) Global Scenario

Globalization means exposure, and more specifically, exposure to the vagaries of the financial market. Today, international financial markets resemble a global casino wherein traders gamble in split-second trades on market fluctuation. In 1980, the daily average of foreign exchange trading was $80 billion; today more than $1.5 Trillion flows daily across international borders. Over nine-tenths of capital flows are speculative, rather than productive in nature. Financial crises involve a chain reaction of economic events, which is typically started with a plunge in the currency and stock market as investors flee. Before new funds are disbursed, certain "structural adjustment" reforms are demanded. These invariably hurt workers and poor people in general through any of the following multiple effects:

- Hiking interest rates order to strengthen the currency and to attract back the foreign investment, but this directly affects domestic business, and employment, as well as workers who have borrowed funds.

- A contraction in the formal sector of the economy, and on the other hand, a so-called in formalization of the economy in which labour of the economy in which labour has become subject on individual bargaining at the margins of the economy, devoid of collective countervailing power.

- Spending cuts in basic social services, causing a direct loss in jobs but also impacting on the future human development base of the country's development.
• Wages freezes and the marginalization of labor unions, which are known by such attractive names as "labor market flexibility", "temporalisation" and information of the workforce.

**iii) More Growth v. Less growth**

A shift from the collective belonging, responsibility and social regulation to an individualist approach even the so-called social safety net in that sense was misnomer since it targeted individuals who were subject to various conditions.

"The more autonomous the market is, the more the matters of everyday life are brought unto its domain snatched from the ambit of the state, the community and the family. The commodification of land and labor within modern market systems has represented a fundamental change in social structures. Commodification has represented a shift from the community to individual, a change in the very foundations of society touched by capitalism, for as Polanyi has demonstrated, before this, man's economy, as a rule was submerged in his relationship"

Commodification, throwing back the individual onto the markets, becomes the mechanism of the ultimate alienation if the economy is in recession. The impact of the new policies on growth is difficult to calculate, due to the complexities involved in isolating their impact. The most disturbing development the fact that the poorest countries ($375 - $ 1, 21, in 2000 dollars) went from a modest rate of positive per capita GDP growth in the pre-globalization period to declining per capita GDP in the post-globalization period.

Inequalities in the world thus increased dramatically. Lower growth rates (in combination with more unequal distribution) will leave large sections excluded from the "progress" that apparently is taking place, and that leads to ostentatious display of
modernity. Under such condition, the process of what has been called “adverse incorporation” takes places.

Informal exchange, flexibilised labor and client relationship thrive in the midst of drug, arms dealing and ethnic conflicts.

India is no expectation to the above watch dog discussion. The economic fundamental appear to be strong, but the stick at international level; of any highly developed economy always show its sign on economic scene.

iv) Experience Countries

The World Economy during 2005 maintain the sound performance but the oil prices in 2005 temporarily were blown 60 $ per barrel and in 2008 may 10 the price of oil is being putted at 112 $ and there is forcipies of the prices good down. After the value of (appreciations of Dollar) against European Euro the prices of gold appear are going down by which depreciations of Rupee against Dollar is already reaching Rs. 40.91 against dollars which was in the range of Rs. 39 thus with this much to say the inflation rate has become continuous phenomena of 7.5% + for the last 60 days but the sound position of the economy in terms of macroeconomics and structural stability by which it had achieved the GDP growth rate of 8% to 9.8% between the period 2005-06 to 2007-08 under such inflationary pressure the government still expects that GDP growth rate of 2008 in the I, II, III, quarter will be above 8% but with the inflation on one side and political turn of it appears that government will try to use different tools of monetary as well as fiscal.

This tools may, on the basis of test and error may give better results but till and until government does not take a matter on a serious note of the existence condition were the basic needs like food grains, pulses, cereals and other services if
are not provided at reasonable rate it would be difficult for the ruling party to come in power in the next election.

Therefore, it is said government in the rest of curbing the inflationary situation in a hest to prepare a nest for the voters to keep them intact. But with the other steps with the government taken particularly in the financial and monetary measure for farmers debts to the extent of rupees 60,000

c) Limitations of the study

The period of the study for which the years used as the period sample are 1990-91 onwards. Thus the relevant results, outcome and discussions are mainly on the line of post liberalization period. Three main international and national challenges or threads have been the shocks to the Indian economy which it has faced due to her sound economic fundamentals and financial stability as maintained her economic growth rate - specifically in 2003 and thereafter 8% in 2003, 8.6 in 2005, 8.9 in 2006 and 8.6 in percentage in 2007. It is difficult to say the same growth rate development trend shall continue.

Though at initial level 1997-98 financial crises of Asian countries beginning from Thailand (which was progressing at the double digit plus growth rate had to face financial crisis having it contagion affects on other countries in Asian and Latin American countries. Indonesia, Korea, China and India to a certain extent) Japan, Honk Kong, Singapore, Argentina had some effects of vulnerability the root cause of this crisis was the external debt, particularly the short term debt ratio which was high, to which the Thailand economy could not cope up and was compelled to devaluate its currency but under international pressure.
The second challenge in the form of threat (though to a certain extent at this time) have affected to be beneficial US economy has been passing depression period whereby dollar value against certain currency has devalued - Indian currency has have one such beneficially. Indian economy with its openness with its market and business the business appears to be flourishing. Exports have measured NRI, FII and other foreign financial investment inflows have increased. FOREX reserves have reached 2 billion dollar it appears no immediate threads for economics instability but the leverage effects of the International economics have lead the stock market at "the lowest market trend. The gold prices have touched new heights oil prices have readied unbearable price. Indian government is spending more than 60% of amount for its deficit only oil — power deficit.

These aspects are not taken up in this study nor have we taken linkage effect, total money $M_1 + M_3$ together to show its effect on inflation on the basis of CPI is a limitation of this study hence any of its effect can be expected or GDP growth rate due to non-economics factor this is the limitation of this Study.

Scope of further studies
Knowledge is like a drop of water in the sea economics is the mother of all the social sciences thus a single factor or variable are not sufficient to focus on overall aspects of macroeconomics some scholar can start a fresh taking a fresh avenue can advance a further study.