



American Depression And India Economy

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ABSTRACT

In comparison of 1930's economic recession the present 2008 recession is most intensive. The recession has been began in American economy and then spread all over the world like a contagious disease. And it bound to affect Indian economy. Now all national, international economic institutions and governments have been tackling the burning issue of the recession.

In Indian share market investors lost Rs. 566320 Crore. The prize hike rate decreased by up to 8.5% percent. The OPEC countries have to bear Rs. 700 arub dollars before the oil prices come down. But it did not affect Indian oil rate. The doller has been devalued but Indian rupee has not suffer from it. The price hike reached up to 8.9% percent from 12.5% percent.

In this period Indian export decreased by 15% percent. The Indian economic institutions have to bear 400 crore rupees because of their investment with American malty economic institutions. The budding industry of Retail market in India having capacity of 150 billion dollars fall down before its growth. In last five years the employment growth was decreased by 78% percent in transport and construction fields.

The employment growth of power field was decreased by 51% percent the world economy became the victim of American capitalist's policy. Because under the blindness of greed they did not take into account subprime dept and its need in the economic programmes of developing and undeveloped countries which are imposed by capitalist's system on them.

The capitalist nations shackled in the cycle of economic crisis which was made by them to earn enormous benefit, now they are trying to get free from it. The other capitalist. America has used this social weapon in self interest but at the international level there is no way but despite continuous development.

Keywords : Indian Economy, America

Introduction:-

Poll Krugman, a noble prize winner says, "The world has been in the cycle of economic crisis". The I.M.F. (2008) world economic outlook has described this calamity as, "The most dangerous shock."

Whatever shocking happened in American wall financial market in 2008 or particularly in 15 Sept. 2008 was not contemporary. These all circumstances had been happening in growing ratio before this incident. Now every question has been a global question in the process of globalization. The richest American banks in the world underwent bankruptcy and depression began. The 52 banks were shut down in America within last eight years, among them 25 banks were shut down in 2008. The Lehman Brothers Banks was shut down in 2008 which was 158 years old an had 100 times income to Indian National income. The banks, Insurance companies, financial institution are facing break down and it spread all over the world. It as a more big disaster than continental Illinois of 1930 and long-term capital management in 1998.

In 1929 shareholders lost 5 trillion dollars and 14 Trillion on Sept. 1929. In America share holders lost 40 trillion dollars. The 9000 banks became bankrupt, there was no insurance

policy on bank money so people lost them, remaining banks were stopped exchange so companies were shut down too. The smut Tariff security Act came in existence and other countries implemented it like America and due to that cause the great recession spread all over the world.

America lost 500 trillion Dollars from Oct. 2008 to Dec. 2008. The global investment was about to 32046 trillion dollars.

In comparison to its lost number is lower one. The private industrialist got Rs. 354200 lakh in 2007. The most fuel like diesel petrol has been dug out from the belly of the Earth. The profit earned by funds managers is 19000 time more than the payment of workers. Then shows us what is the ratio of inequality.

In the present context the standards of development are based on the utility of power. American lifestyle is based on their banks distributed ten times more loans than their capacity to their customers. The new houses and vehicles had taken high expense and directly affected customers returning capacity. The demand came down and nobody was ready to buy mortgage houses and other things, it turned banks out from market and recession widely speed all over the world.

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What is Mean Recession? And its Varies Phases

The world trade was came down by 60 percent in the four years of 1929 to 1932. The share market collapsed, Banks were shut down and recession spread its legs all over the globe through America. Recession is one of the phases in the trade cycle. According some economist prosperity and recession are the two real phases of the trade cycle. According to shompitar the trade cycle has four phases, they have their characteristics.

These phases are 1) Prosperity, 2) Accession, 3) Depression and 4) Recovery. Among these four the depression is the most dangerous one. It lifts unemployment up in economy production also came down and it has great effect on consumers credibility. It caused prizes down, profit down and economy came in the clutches of evil's cycle. In this context Hall, Hoyek and Kense, Freedom have formulated some theories. Collectively recession is the most evil face of capitalist over production system.

The recession started in America. The hike of house price rate was 100 percent to national fiscal. It was about to 40 trillion Dollars many people took home loan as a clean investment and it increased irresponsibility. Lehman Beothers Bank, Beans Starns, Merinlia, Margan Stanle, Goldmanmax these all wall street banks transformed home loans into collateralized debt obligation cos, they brought it into the market as Role trillion Doller's debentures in 2003. They neglected the gross reality and it brought uncertainty.

"I do not oppose capitalism and mechanization if any system makes man's affairs less I will welcome it but I will stand against the system until my last breath which does not allow man to work and does not provide work to hand and logic to mind."

- Mohandas Karmchand Gandhi.

The Reasons of Global Recession

The following three reasons are responsible for recession.

- 1) More distribution of lower subprime lending
- 2) The very high greed of capitalists
- 3) The Derivatives which did not have their own price.

The Three Reasons of Spreading the Recession All Over the World.

- 1) The nature of making investment down in foreign countries by the investor's countries to save their own nations. Example : America, England, Kons etc.
- 2) Solely export oriented policies of few nations' example china.
- 3) The policy of employee deduction.

The Impact on Indian Economy:

The Rupees Prize came down in dollars because Rs. 1200 billion investment has been taken away from Indian market. The ratio of Indian industrial production growth grown up to 10 percent in 2007 to 2008 but fall down up to 4.9 percent in month April to August 2008. The power production and industrial production increased in same period. In service sectors production growth rate fall down in sequence of 10.6 percent to 10.2 percent and came down to 8.3 percent. The agricultural production growth came down up to 3 percent from 4.4 percent in very first period.

"It is proved once again that the method which is suggested by Kense in economic as 'economic interference' suitable in today's time of great recession."

- Josph Stiglige (Noble prize winner, 2009)

The trade accession which was 300 billion dollars in middle of 2007-2008 jumped to 60,000 billion dollars in 2008-2009. Capital market collapsed and it brought export down to very lower level. According to Indian labour ministry Indian

employment deducted by 5 lakh in various industries.

1) The Major Effects on Share Market

1) It was collapsed by 3340 in April 1995 then after five years by 5000, again collapsed at minor level in later three years. It increased at very high level in 2004. And then collapsed by 8951 in April 2009. At last so called capitalist material cultural inflated bullon broke into pieces.

It worsly affected Bombay stock exchange sensenx. The value of middle and minor stocks collapsed by 75 percent. The capital in Indian share market was 62,16,900 Trillion (1.58 trillion dollars) it collapsed by 50 percent in Jan 14 Oct. 14, 2008.

In Jan 14 to Nov. 2008 Indian sensenx increased upto 2100 from 10,000 and then it collapsed by 8.5 thousand. The same thing happened with New-York, Paris and Landon share markets.

2) Impact on Information Technology

Indian Information technology service sectors have been exported 70 percent, total 4000 billion dollars only to America. In it American economic institution have 40 percent share. To tackle this problem various ways have been used such as: payment deduction, voluntary retirement, unvoluntary retirement etc.

Indian information sector has more than 60 percent trade with American and European union. It has daily 30 percent accession. In total export I.T. has 22 percent share.

3) Price Hike Collapsed by 8.50 Percent

The price hike was 12.90 percent it collapsed up to 8.5 percent in Nov. 2008. The price of necessary things came down but the price of fruits vegetables, grains went very high.

4) Oil Price Came Down:

The demand of oil decreased in America, Europe and Japan so barrel price came down by 50 dollars. Due to this cause OPEC countries had to bear 700 trillion dollars loss. Though it came down by 100 dollars but Indian price rate of oil did not came down.

5) Decreased in Indian Foreign Currency:-

America had taken away its 10,000 bellion foreign investment from India, it resulted in currency decrease other nations and companies followed America foot step's.

"The countries that will discuss the global crisis is here next month should also renew there commitment to the basics of economics on a long term bais: free market free enterprise and free trade." - Barak Obama (President of USA)

6) Slide in Foreign Trade:-

Indian export decreased by 2 percent in Oct. 2008, the product custom duty decreased by 8.7 percent. Cotton prise rose by 40 percent but foreign demand decreased by 40 percent. The software sector decided to achieve 60 trillion dollars export in 2010.

7) The Impact on Employment:-

According to International labour organization report 2009 the opportunity of direct and indirect employment became very less for 2 billion people all over the world. It included information technology, vehicle, industry, construction, production, processing industry, payment deduction, voluntary retirement, only fifteen day work within a month. These all things are implemented in India also.

In America only employment ruined up to 3,0008 in 2008, and 159000 in Sept. 2008. In this concern the wall street Journal has taken the interviews of 52 economists its conclusion is very tragic one.

8) The Vehicle Industry:-

The Maroti and Tata companies made their production down because demand is low for two wheeler and four- wheeler vehicles. The vehicle sale decreased by 20 percent because of down market productivity.

Three should some responsibility at state level; state's cooperation is the most important factor in implementation of public project. It would help to increase employment and we could face the global crisis successful at national level.

- Dr. T.M. Thomas Iyazake (Finance Minister, Keral)

10) The Impact on Industry:-

Industrial goods demand decreased by 20 percent. In 2007 industrial production growth rate was 12.5 percent which fall down by 4 percent in Oct. 2008. The export decreased by 12 percent.

11) The Remedies to Overcome the Danger of Recession

The central Govt. Reserve Bank SEBI and Poll Kurgman have recommended following remedies.

1) The Advise of Poll Kurgman :-

Poll Kurgman the Noble prize winner in economics says "In time of the economic crisis Govt. should increase its public finance by means how money would go in the hand of poor people."

2) The Seventh Round of Washington Meet 2009

The following seventh folds programme has been formulated in Washington summit of 20 countries to overcome the world recession.

"Unprecedented Financial crisis marked by its magnitude swiftness and violence." - Sir Kazi (President France)

1) The disaster is global then the affairs should be global. The campaign and economic budget policies should used to tackle the recession.

2) The World Bank and I.M.F. should provide funds to developing countries to face the crisis.

3) The national and International economic control system should be made more stick and powerful.

4) There is a great need of multinational system survey in economic development and social economic development.

5) To empower International Monetary fund. The international economic structure should reflect international economic reality. Hence to work out such system.

6) The trade security way should not be reused.

7) The extra gambling nature which would bring obstacles in security must be put aside.

The Remedies Recommended by R.B.I.

1) Anti Recession Remedies have been made by Indian govt. in 24 Feb. 2009.

2) The service tax has been decreased from 12 percent to 10 percent.

3) The production duty decreased up to 8 percent from 10 percent.

4) Dearence allowance is increased by 6 percent for central govt. employees.

5) The prices of grains, crude oil, scrap iron, petrochemicals, all types of vehicles have came down.

6) The Reserve bank has decreased its statutory Liauidity Ratio (SLR)

7) The central banks have decreased their interest rate for three years. It is now 6.6 percent.

"It is not necessary to implement anti recession programme at state level. And it is not suitable too". Styra Potdar.

4) The Remedies Under Taken by the Developed and Developing Countries.

1) The American Govt. has passed emergency economic stabilization Act to overcome the recession

2) American govt. declared 800 trillion dollars assistance to a big International group insurance company.

3) American govt. gave 800 trillion dollars bell out package at first time and to 10,000 billion dollars bell out package for second time.

4) It has been declared to offer 2500 billion dollars to private banks by means of share from said amount.

5) Japan declared 4000 trillion yen and Russia declared 86 trillion yen and Russia declared 86 trillion dollars package.

6) The British govt. declared 50,000 billion pounds package.

7) Ahars land bank nationalised three banks and total country become bankrupt.

8) The interest rate made down by federal reserve system, European central bank, England, china, Canada, Switzerland and Swidan.

9) India poured 1 lakh and 75000 billion in the market.

It is how capitalist economy creates problem by itself and creates obstacles for other economy's too. It needs reconsideration, it would enough if the world learn a lesson from this situation.

"In today's time of great recession Kense's method of economic interference is most suitable." - Josph Stiglize (Noble prize winner, 2009)

Conclusion And Recommendation

When we undergone above discussion we can conclude that the thought of Karl Marx, Mahatma Gandhi, Dr. B.R. Ambedkar, Poll Krugman, Kens, Joseph Stiglize, Barak Obama have their value in present contex too. According to me if following recommendation are added in above remedies they will enhance anti recession programme. These suggestions are made on behalf of me.

Remedies :

1. To increase investment in basic sectors.

2. To increased private investment with Govt. Investment in agriculture Sector.

3. R.B.I. should make its currency policy more flexible. Because it will make low interest on the rate of loan, then demand for loan will be increased and it will make balance between demand and supply.

4. Govt. should change its fiscal policy to increase revenue.

5. The special policy should be made to increase economic growth in agriculture, small and middle industries.

6. The major focus should be given to modern technology and research to increase export.

7. The legal security should be given to the labours of organized and non-organized sector and social security policy should be come in force for nonorganized sector.

8. Due importance should be given to power development for the economic development of country.

9. The nationalization of agriculture.

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