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Role of Indian Economi in Global Recession

*Pratik P. Valand

* Lecturer, K.K. Shastry Commerce College (East) Maninager, Ahmedabad

ABSTRACT

Almost everybody today seems to be discussing about the US Recessionary trend and its impact on emerging countries, more particularly India Economists, Industrialists and the common man on the streets seem to have been horrified by the very thought of recession in India and that too due to US. Decreasing industrial production, inflation, decreasing job opportunities, cost cutting, reducing purchasing power parity, et al are the aspects discussed among them through every possible mode like articles, talks & walks and places like washrooms, canteens, etc .

Keywords : What is a recession ?, Stock market and recessions , What causes it ?, Recession has moved to emerging economies , Politics and recessions , Real estate market and recessions, Recession: Worse not yet

Introduction:
In economics, a recession is a general slowdown in economic activity in a country over a sustained period of time, or a business cycle contraction. During recessions, many macroeconomic indicators vary in a similar way. Production as measured by Gross Domestic Product (GDP), employment, investment spending, capacity utilization, household incomes and business profits all fall during recessions.

Another rule of thumb to identify a recession is two successive quarterly declines in GDP – Gross Domestic Product, a measure of the nation's output. This two-quarter metric is now a commonly held definition of a recession.

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What is a recession?
A drastic slowing of the economy. Where gross national or domestic product has fallen in two consecutive quarters. A recession would be indicated by a slowing of a nation's production, rising unemployment and falling interest rates, usually following a decline in the demand for money. A popular distinction between recession and depression is: 'Recession is when your neighbors lose his job.

What causes it?
An economy which grows over a period of time tends to slow down the growth as a part of the normal economic cycle. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment.

Stock market and recessions
Some recessions have been anticipated by stock market declines. During an economic decline, high yield stocks such as fast moving consumer goods, pharmaceuticals, and tobacco tend to hold up better.

Recession has moved to emerging economies:
With the financial crises in advanced economies having passed "through strongly and rapidly" to emerging economies including India, the International Monetary Fund (IMF) on 16th April 2009 called for a coordinated policy response,

Since "reducing individual country vulnerabilities alone cannot insulate emerging economies from a major financial shock in advanced economies", ahead of World Bank-Fund Spring meeting. "Financial crises in advanced economies have passed through strongly and rapidly. to emerging economies, with financial linkages a key channel of transmission,"

Extent of transmission of financial stress is related to the depth of financial linkages between advanced and emerging economies, notably through bank lending, it said. On average, stress in emerging economies moves almost one-for-one with stress in advanced economies, but there is significant cross-country variation.

Politics and recessions:
Generally an administration gets credit or blame for the state of economy during its me. It is generally assumed that government activity has some influence over the presence or degree of a recession. Economists usually teach that to some degree recession is unavoidable, and its causes are not well understood. Consequently, modern government administrations attempt to take steps, also not agreed upon, to soften a recession. They are often unsuccessful, at least at preventing a recession, and it is difficult to establish whether they actually made it less severe or longer lasting.

Real estate market and recessions:
The origin of the present global recession and resultant credit crisis could easily be traced to the 'sub-prime crises'. Fraud was not only present, but, in most cases, could have been identified with adequate underwriting, quality control and fraud prevention tools prior to the loan funding. The Federal Bureau of Investigation in the United States of America correctly identified the epidemic subprime crisis could have been averted had the administration acted with even minimal competence. The subprime crises resulted in the down fall of the real estate market in the United States. As per previous experiences, the real estate market usually weakens before a recession. In this instant too, it happened exactly the same.

Recession: Worse not yet over, says RBI Governor
However we have different point of view from a different quarter. Warning that the worst may not be over yet, Reserve Bank Governor D Subbarao has said the global economic recession may not only continue through 2009 but could prolong to the next year as well.

"Even with current levels of policy intensity, the trough of the global recession is not seen until the end of 2009 and could get pushed out further if the policy responses fail to gain traction," Subbarao said at the International Monetary Fund-World Bank spring meetings. Calling for a quick and internationally coordinated approach to "a daunting, but not an insurmountable challenge", he stressed on empowering IMF's capacity to grapple with the crisis. He also suggested a radical shift within IMF in tune with the changing world."While the recession has intensified in the advanced economies, emerging economies have tightening constraints on access to external financing and the retrenchment of capital flows."

Present recessionary conditions
Thomas Donohue, President and CEO, American Chamber of Commerce predicts economic growth to pick up from Middle of 2009 and get firmly established by end of 2009.bba Rao has opined in the International Monetary Fund – World B However, RBI Governor Su ank Spring meetings yesterday that the worst may not be over yet. He feels that Even with current levels of policy intensity, the trough of the global recession is not seen until the end of 2009 and could get pushed out further if the policy responses fail to gain traction.

How animal spirits destabilize economies?
Five aspects of these animal spirits affect the economy: confidence and the feedback mechanisms that amplify disturbances; the setting of wages and prices, which depend largely on attitudes about fairness; the temptation toward corrupt and antisocial behavior; the "money illusion," or confusion between the nominal and real level of prices (so that people, for example, often miss the fact that conservative investments may be risky in times of inflation); and the tory of each person's life and the lives of others—stories that in the aggregate, as a national or international story, play an important economic role.

Corporate Governance in the Great Recession
In fact, in most companies they were the same group of people. Moreover, most companies, other than those create by Royal Charter, had little if any impact on the welfare of the nation as a whole. In the case of companies created by Royal Charter, these companies operated for the most part outside of England. In fact, these companies, in their areas of operation, acted as the government of those areas. An example is the Hudson's Bay Company in large areas of British North America. Hence, there was more of a tradition in large companies of 'corporate governing' as opposed to 'corporate governance'. Companies never saw the need to consider concepts such as corporate social responsibility (CSR) or 'corporate governance'. Therefore, corporate culture enveloped in two different streams. First, the small firm in which corporate governance was not necessary; and second, the large firm in which corporate governance did not exist, since the firm was its own authority. Corporate governance, then, has not been a principle that evolved with the development of companies. Rather, it has been an unnatural graft on the corporate mind and body. That graft sometimes harmonises with, but more often opposes and conflicts with the natural corporate goal of profit maximisation.

Conclusion:
There is a view termed the halfway rule according to which investors start discounting an economic recovery about halfway through a recession. In the 16 U.S. recessions since 1919, the average length has been 13 months, although the recent recessions have been shorter. Thus if the 2008 recession followed the average, the downturn in the stock market would have bottomed around November 2008. Executives are slightly more positive about the bigger economic picture than they were six weeks ago, and some see hope for their companies toward the end of 2009. Strong majorities support international coordination of responses to the crisis and say protectionism would harm their nations' economies. We can hopefully conclude that we will get over this recession very soon and once again our global markets will begin to perform.