

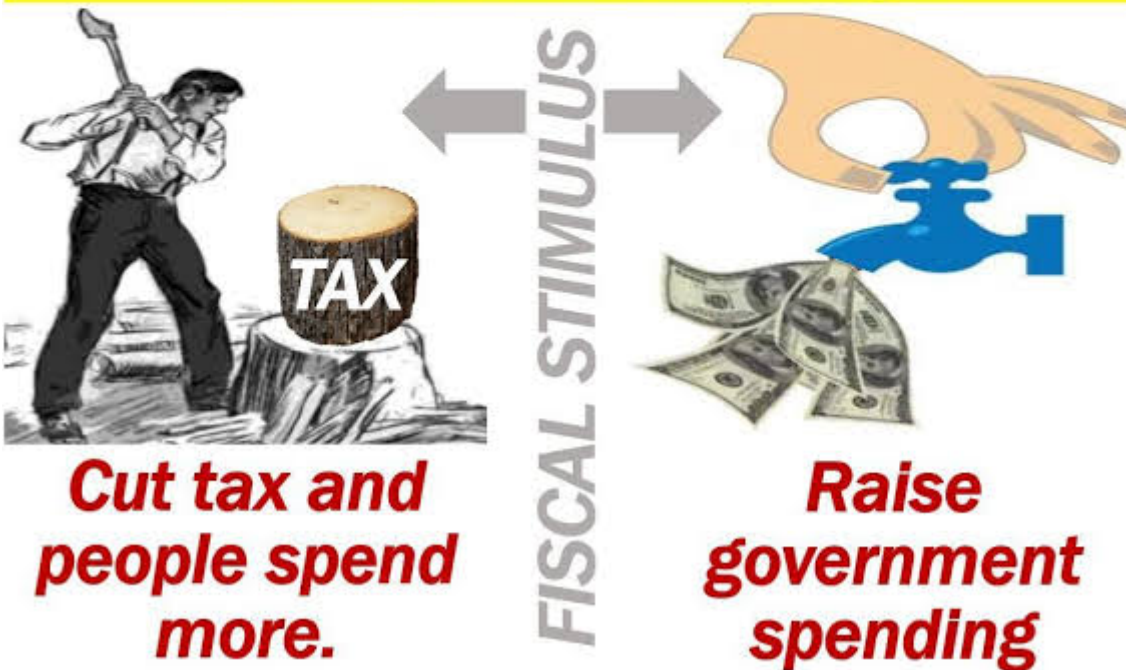


Why fiscal stimulus matters

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Fiscal Stimulus

Increasing government spending or reducing taxes to boost the economy.



Fiscal policy matters more than monetary policy in jumpstarting the process of economic growth. For fiscal policy to be effective, it has to be countercyclical, and so a higher deficit in a recession like year is acceptable. The stock market is at an all-time high, thus negating the view that taxes imposed by the government hurt investor sentiment. With the Union Budget looming ahead of us, policymakers need not be discouraged by doomsday predictions, but take some inclusive action that will genuinely benefit the masses. Every extra fiscal rupee should lead to an immediate boost in consumption and growth. The prospect of a job loss should not cause panic. It should be seen for what it is, viz. a market signal that the skills one has to offer society would add greater value to the economy if used by another employer. Policy – both fiscal and non-fiscal – will play a critical role in getting the economy back on track.

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