



A fiscal strategy to revive animal spirits in the economy

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The government's fiscal stimulus is well intentioned, as the biggest contemporary issue facing the Indian economy is the decline in private investment. There is, obviously, the issue of rising fiscal risk associated with reduced tax rates, but that is a chance worth taking for the sake of economic growth. Investment in the economy was 40% of GDP in 2008, and it reduced to 29% in 2018. This is a disconcerting statistic, which the recent fiscal stimulus is attempting to alleviate. India also needs to take more advantage of the US China trade war, and the ability to attract foreign capital is a key factor in this regard. While we may count the incoming investments as benefits as long as they remain, our economy also needs to attract more stable investments that would contribute to output and employment generation over the long run. That will be the acid test of the efficacy of the government's fiscal strategy.

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