Role of State in Economic Growth

PART - B

The Role of Government

- The differences in rates of growth are often attributed to two factors:
- Government and
- Entrepreneurship
- In the early stages of sustained growth, government has often provided the incentives for entrepreneurship to take hold

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- In some economies the development of transportation, power, and other utilities has been carried out by the government
- In others the government has offered financial inducements and subsidies

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- In the 19th century most liberal thinkers held that the main role for government in a developed capitalist system was that of a policeman:
- To preserve law and order,
- To uphold the sanctity of private property and
- To give business as much freedom as possible

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- The Great Depression of the 1930s persuaded many that a laissez- faire system did not automatically provide the necessary incentives to the innovation and risk bearing essential for economic growth
- This led to a good deal of writing on the role that governments might play in stimulating growth

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- Economists have argued that, at the very least, governments can undertake to prevent serious and prolonged recessions
- Only in this way can a general business psychology be developed that assumes growth to be the natural course of things, so that investment programs will pay off

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- In this way, Government or State can play a vital role in the growth of the Economy
- In India, our Economy is mixed Economy with greater authority of Public Sector, hence it has a greater part in growth and development of the Economy

Thank You