# Indian Economy · GS - III

**Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments.**

| EXAM YEAR | PAPER | SUBJECT |
|---|---|---|
| 2019 | GS - III | Indian Economy |

| MARKS | WORD LIMIT |
|---|---|
| 10 | ~150 words |

## Answer Hint

**GDP growth; low inflation; macroeconomic stability; employment generation; investment; income inequality; rural distress; fiscal and external vulnerabilities**

## Model Answer

### Introduction

Steady GDP growth and low inflation are important indicators of macroeconomic stability, but they alone cannot establish the overall health of an economy.

### Arguments Supporting the View

- Stable growth increases production, investment and government revenue.
- Low inflation protects purchasing power, especially among poorer households.
- Predictable prices encourage savings and long-term business decisions.
- Macroeconomic stability can attract domestic and foreign investment.

### Limitations

- GDP growth may not generate adequate employment, particularly for young people.
- Income and wealth inequalities can persist despite rising national output.
- Rural distress, agricultural uncertainty and weak household demand can undermine welfare.
- Low inflation may partly reflect weak demand rather than improved productive capacity.
- Banking-sector stress, fiscal pressures and external shocks can threaten economic stability.
- Human development outcomes depend on health, education and social protection, not merely GDP.

**Conclusion**

India’s economy may be considered relatively stable when growth and inflation are favourable, but sustainable prosperity also requires productive employment, equitable opportunities, stronger investment and improved human development.

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