

# **Fiscal Policy for Full Employment and Nation-Building**

Raj Kumar Singh  
Professor, department of  
Mechanical engineering , DTU

## **This session will delve into the following critical aspects:**

- The relationship between a sovereign nation, fiscal policy, full employment, economic activities, and nation-building.
- Where does money come from and how it impacts employment, social justice, economic activities/development, and nation-building.
- To understand and differentiate Financial system and the real economy (goods and services), and how their interplay contributes to either building or weakening a nation.

# Pre-Monetary Societies: Life Beyond Fiscal Policy and the State.

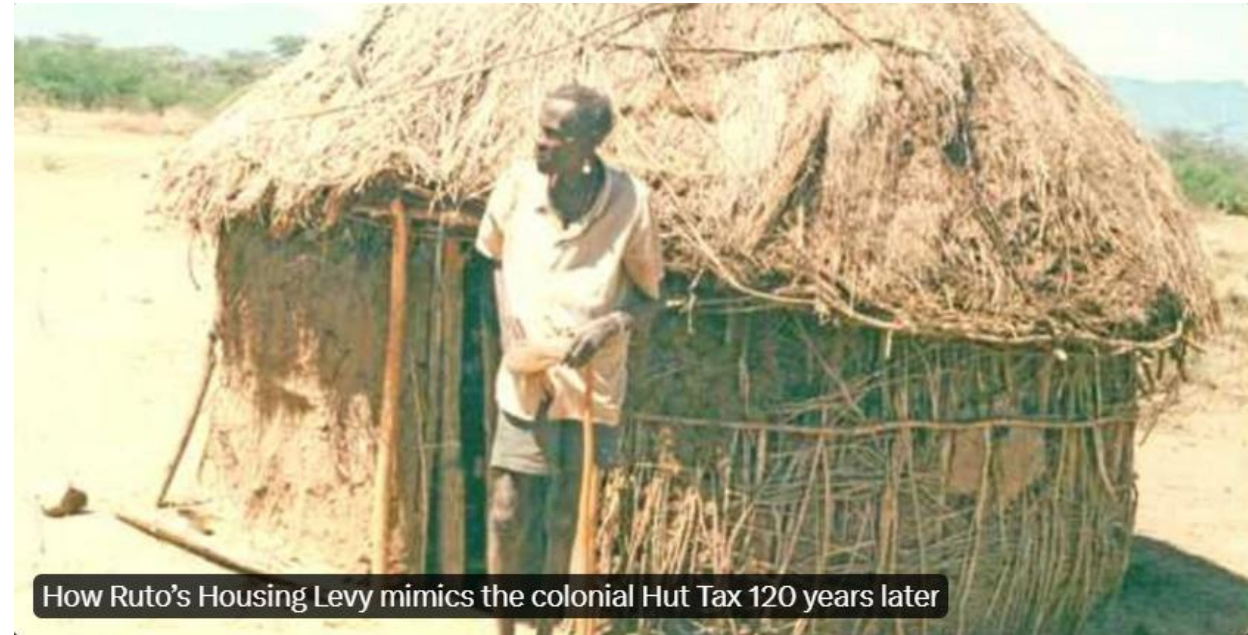


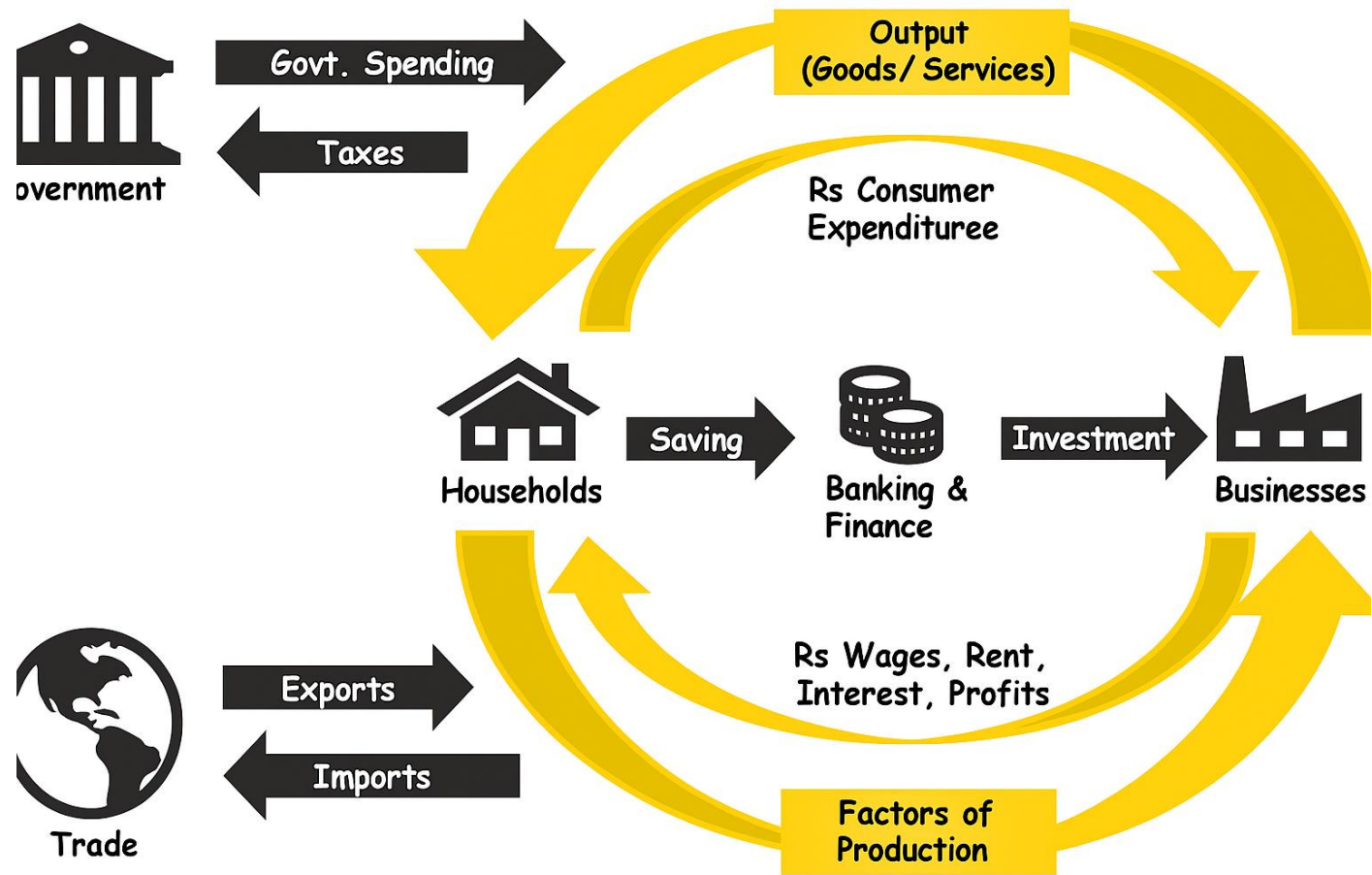
# Currency: The Lifeblood of the Modern Nation



# Understanding State(Federal Govt.), Money /Currency and taxes

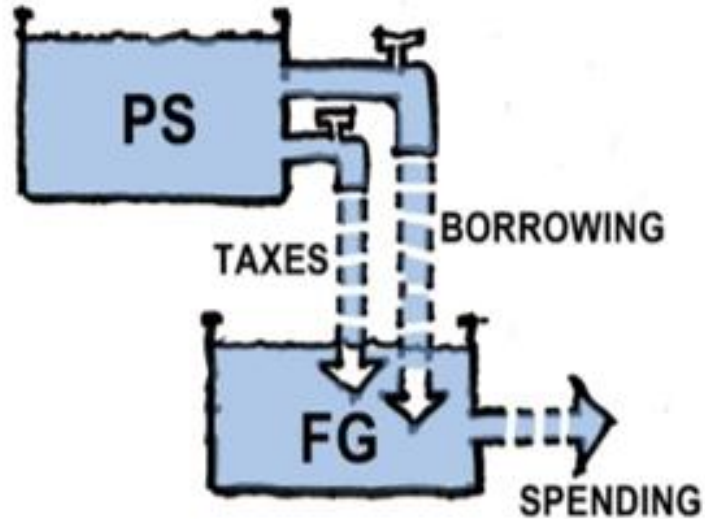
The hut tax was a form of taxation introduced by British in their African possessions on a "per hut basis





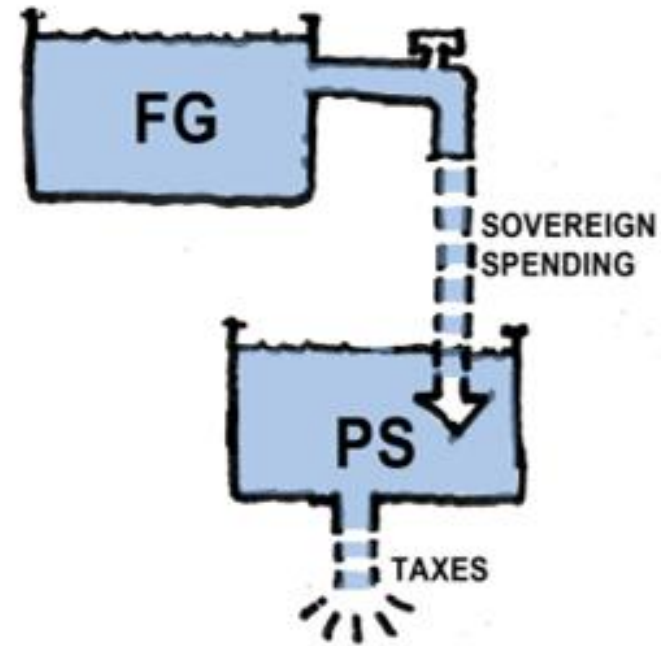
**The Circular Flow Model in Economics Explained**

# Fiscal Policy/Operations of a Nation (Federal Govt.)



Most people believe this figure is a true representation of working of the sovereign nation's fiscal policy

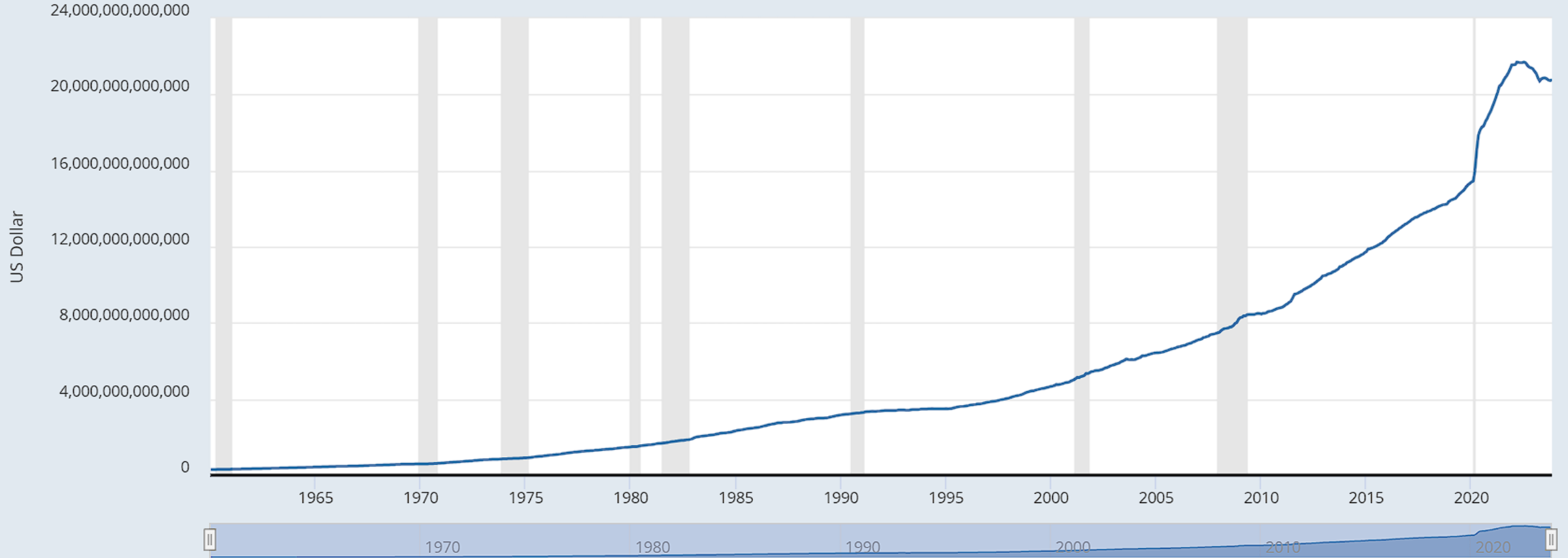
FG – FEDERAL GOVT  
PS – PRIVATE SECTOR



-This figure correctly represents the workings of a sovereign nation's fiscal policy  
-Sovereign spending and taxes are independent of each other



— Monetary Aggregates and Their Components: Broad Money and Components: M3 for United States



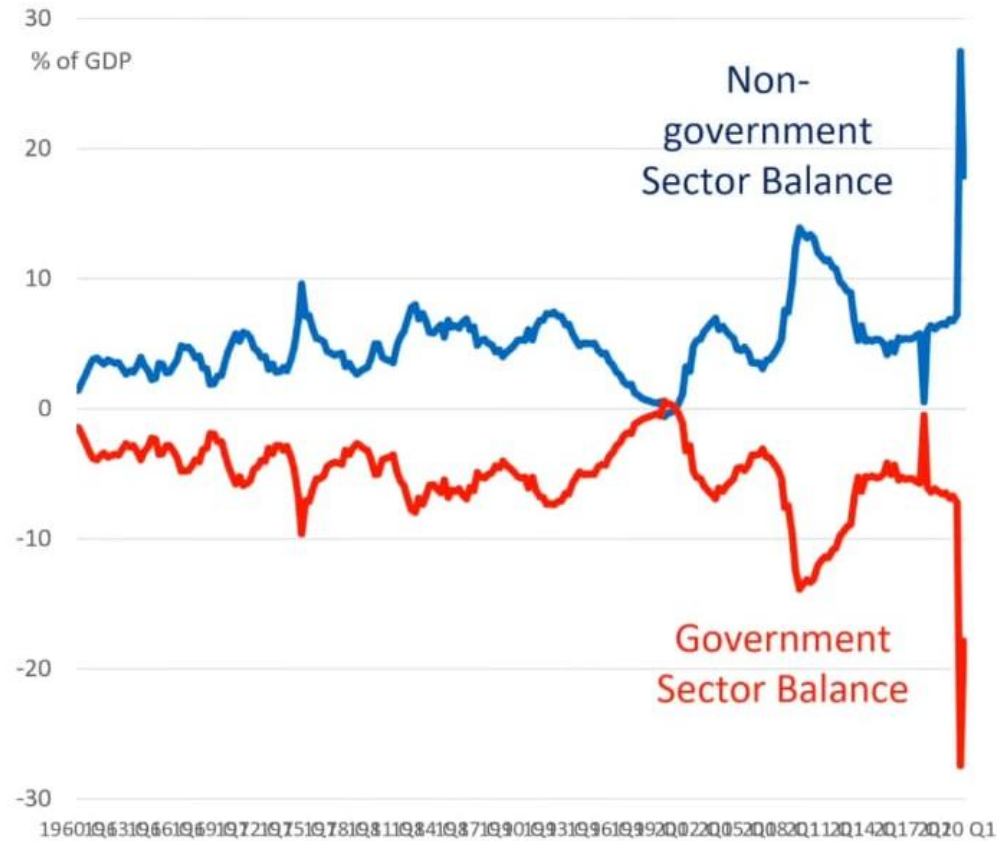
Shaded areas indicate U.S. recessions.

Source: Organization for Economic Co-operation and Development

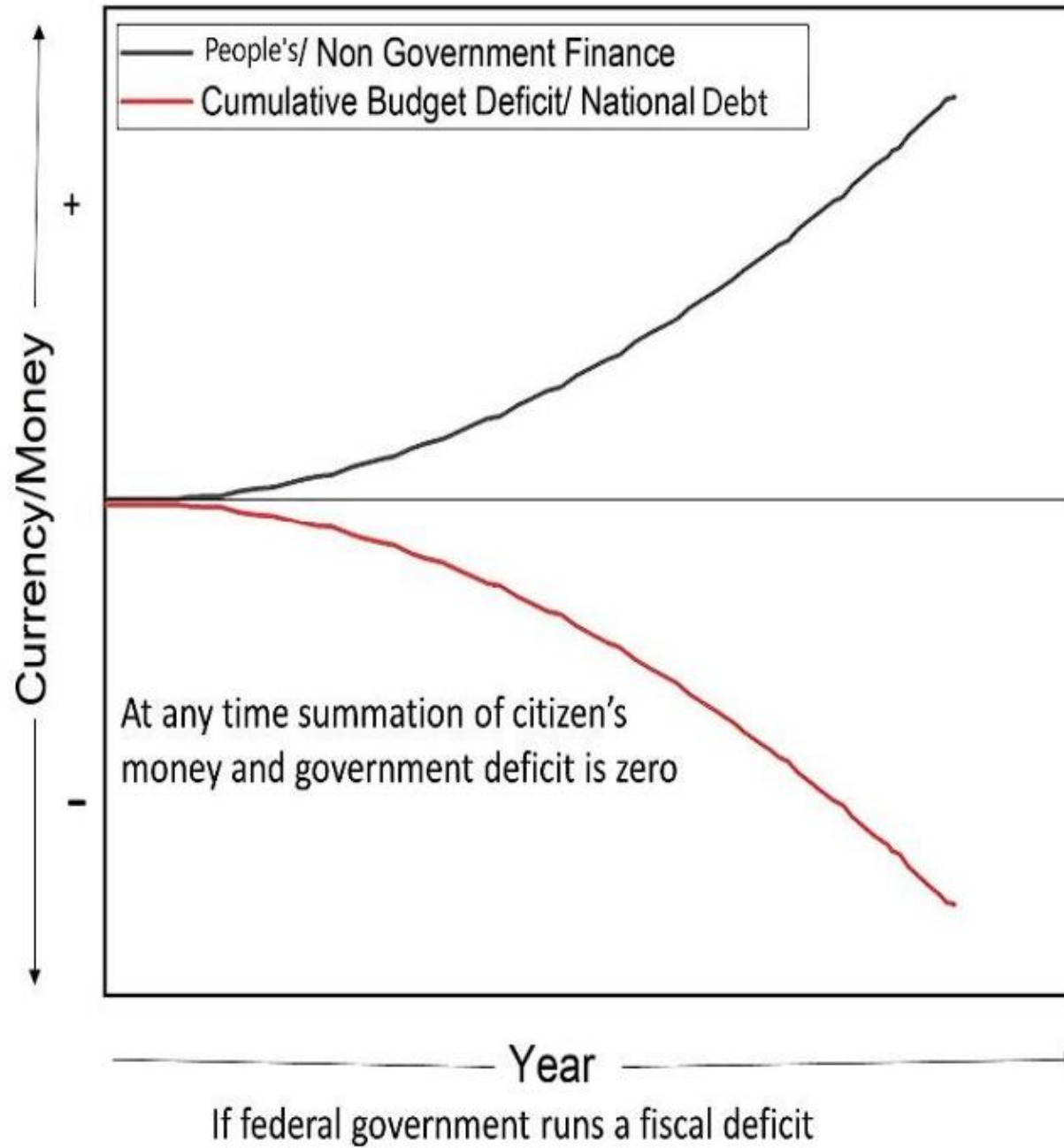
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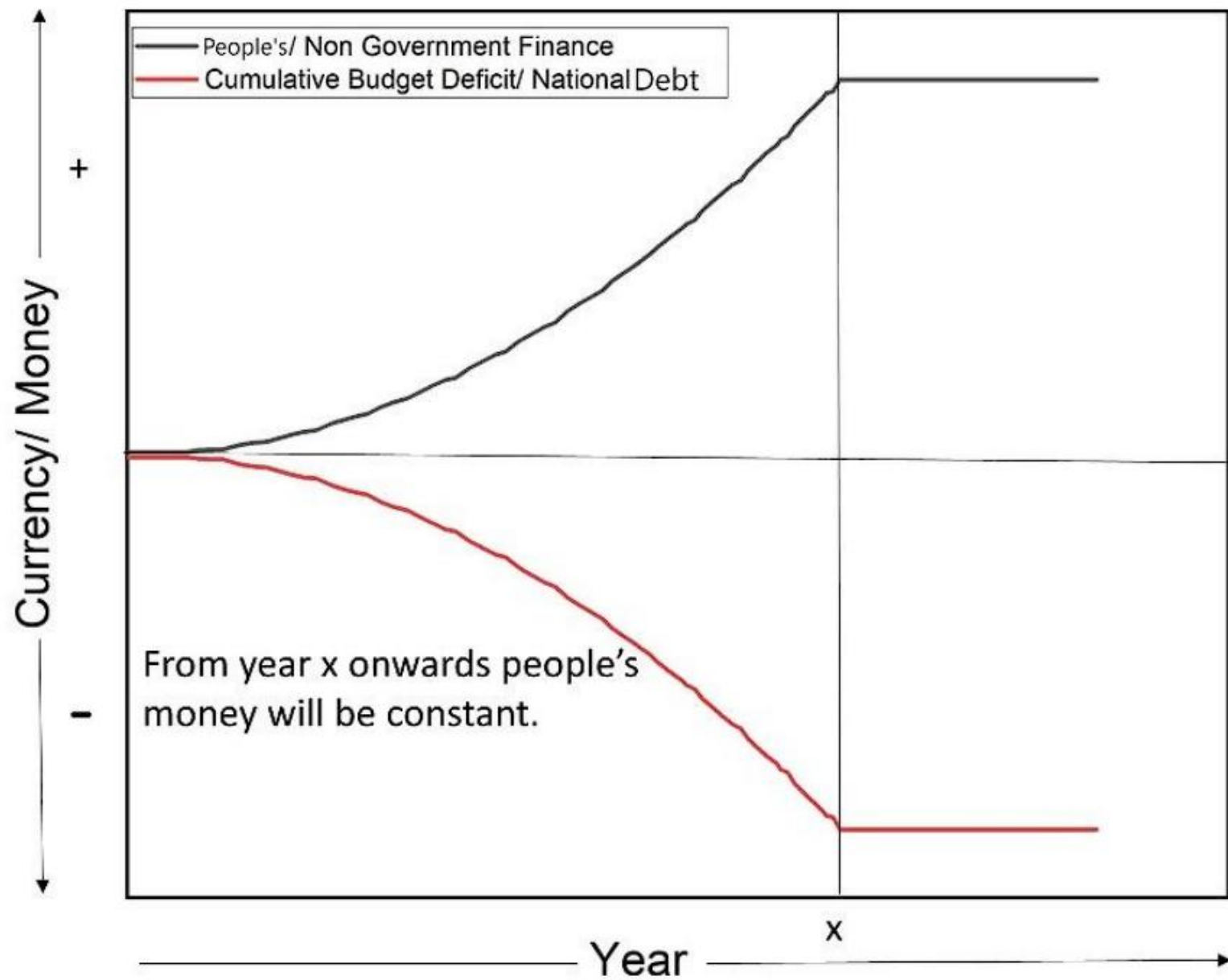


Government  
Deficit =  
Non-  
government  
Sector  
Surplus

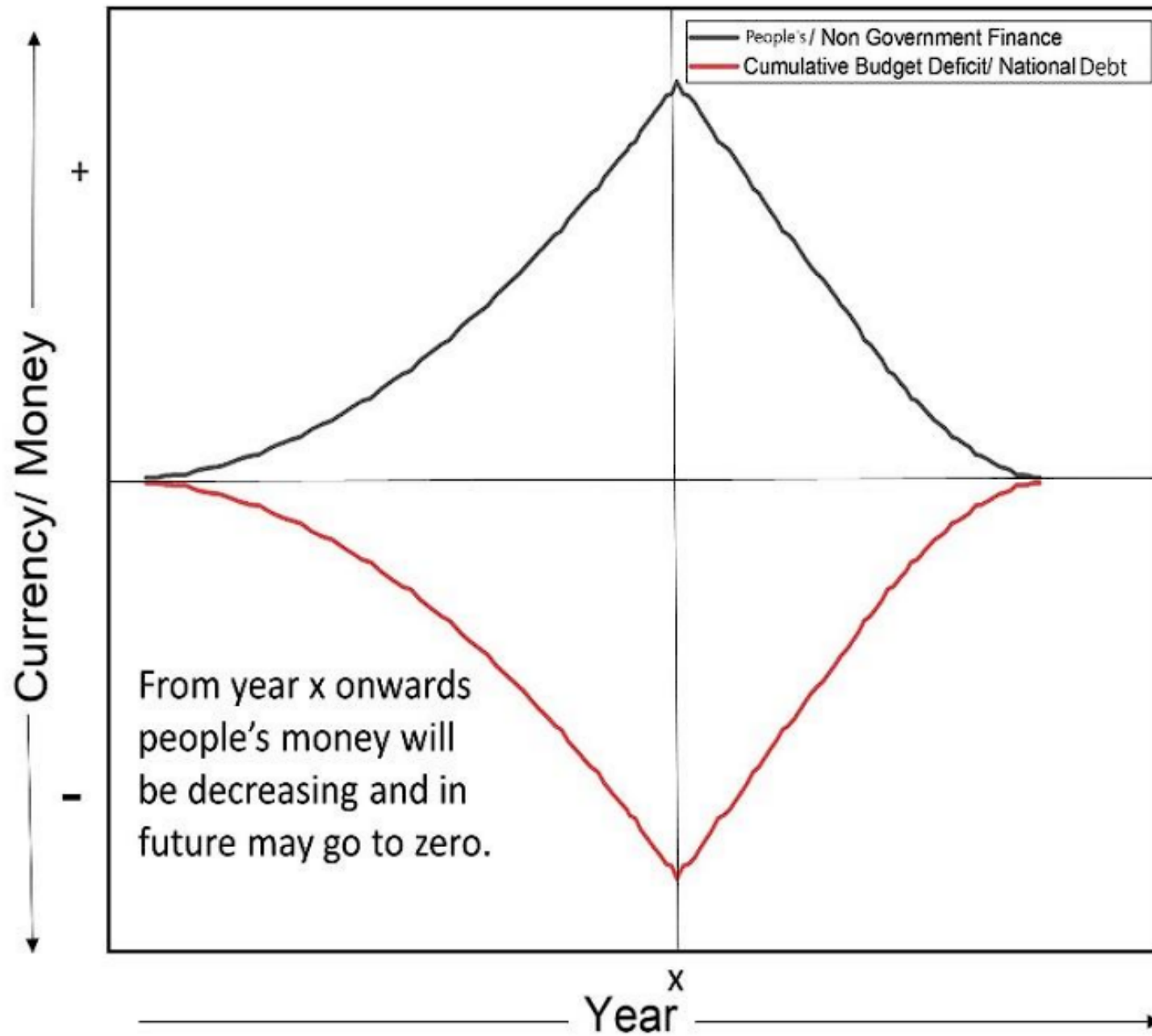


**Figure : Relationship between fiscal deficit and public dollar availability in the USA.**





If federal government runs a zero deficit budget



If federal government runs a surplus budget from year x onward

# Understanding Deficit, National Debt and Fiscal policy using USA Data.

## USA Sectoral Balances

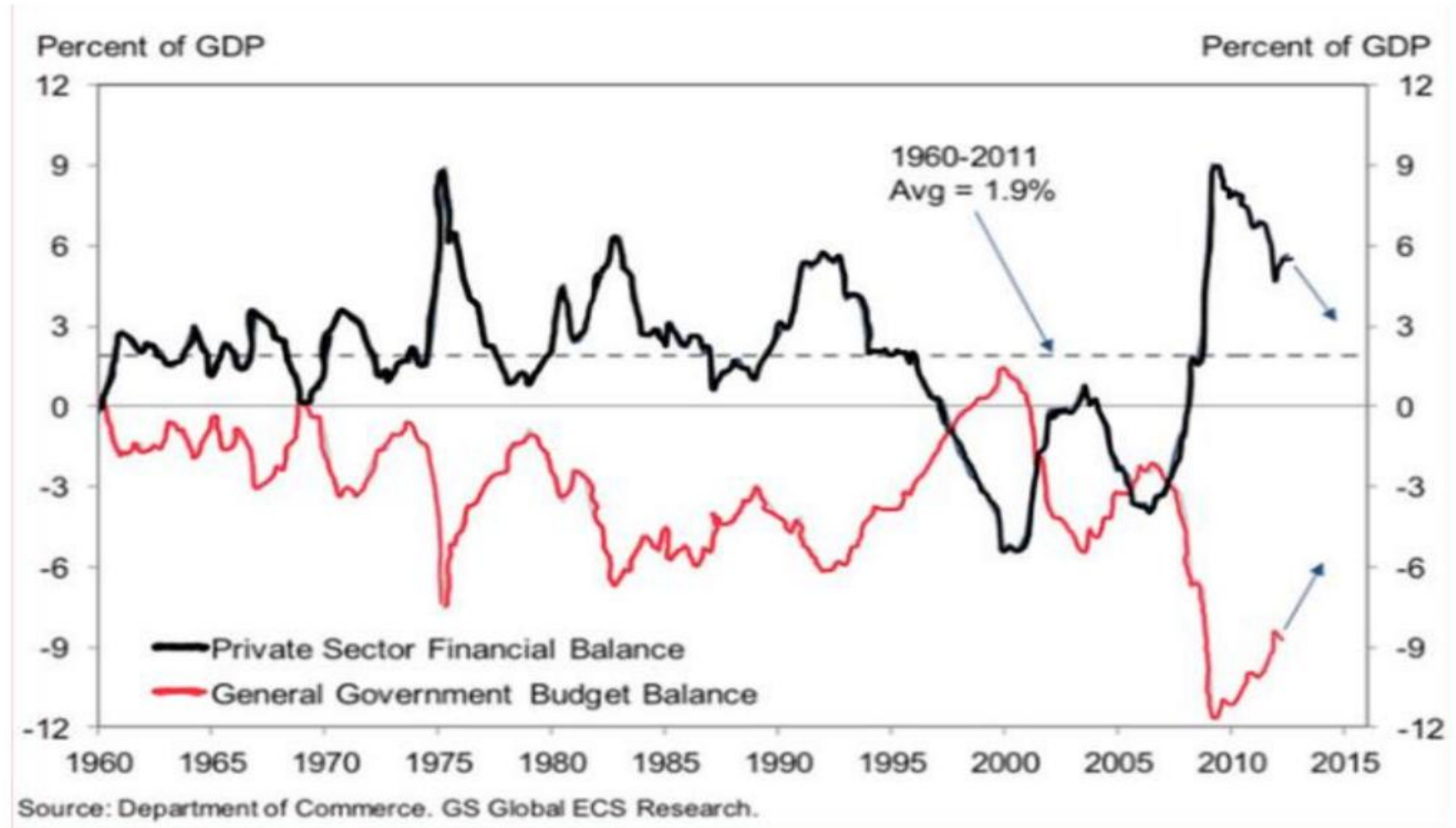
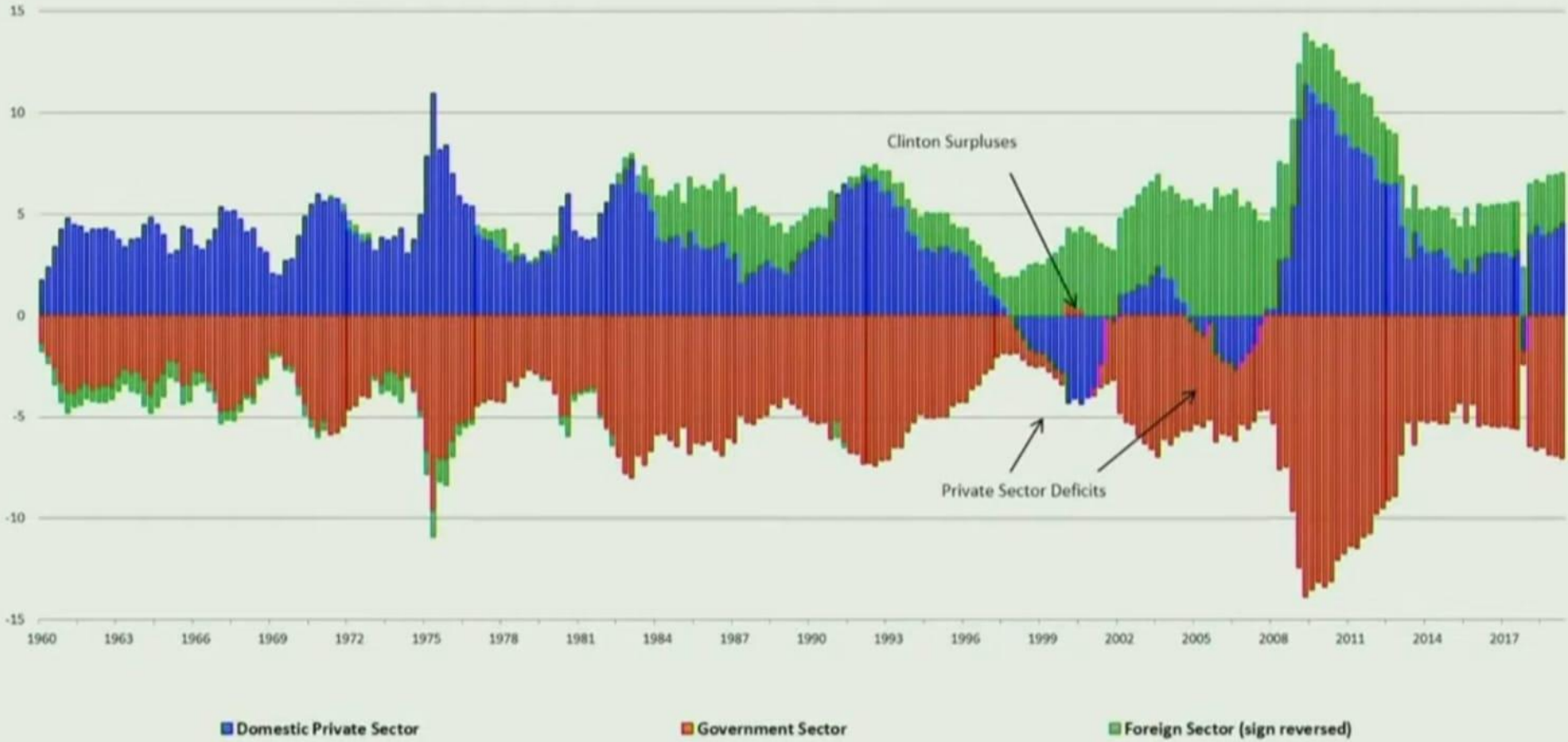


Fig. shows that basically dollar for dollar, government deficits EQUAL the amount of money the private sector (that's you and us) end up with.

### Figure 7. US Sectoral Balances 1960-2019Q2



Source: BEA. Note: The government balance in the fourth quarter of 2017 reflects a one-time deemed repatriation tax on foreign earnings accumulated after 1986.

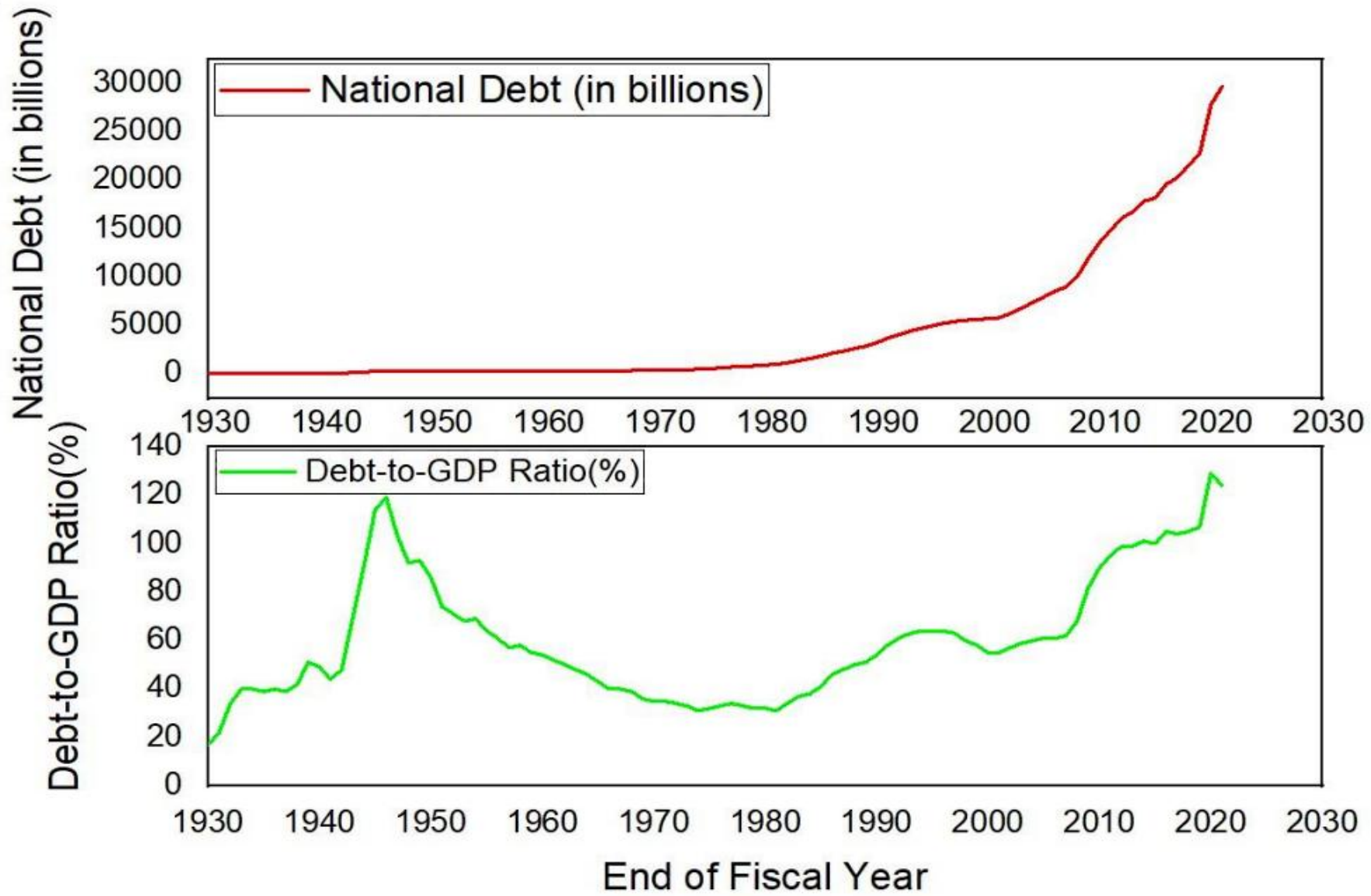


Fig.3 Shows the variation of national debt (cumulative fiscal deficit) and debt to GDP ratio of USA

President	Fiscal Year1	G.D.P.	% of G.D.P.		
		in billions of dollars	Receipts	Outlays	Surplus/Defecit <input type="text" value="↓↑"/>
Franklin D. Roosevelt	1943	184.6	13	42.6	-29.6
Franklin D. Roosevelt	1944	213.8	20.5	42.7	-22.2
Franklin D. Roosevelt	1945	226.4	19.9	41	-21
estimate	2021	22,030.00	16.3	32.9	-16.7
Donald J. Trump	2020	20,999.70	16.3	31.2	-14.9
Franklin D. Roosevelt	1942	147.7	9.9	23.8	-13.9
George W. Bush	2009	14,431.80	14.6	24.4	-9.8
Barack Obama	2010	14,838.90	14.6	23.3	-8.7
Barack Obama	2011	15,403.70	15	23.4	-8.4
Joseph R. Biden	2022	23,499.70	17.8	25.6	-7.8
Franklin D. Roosevelt	1946	228	17.2	24.2	-7
Barack Obama	2012	16,056.50	15.3	22	-6.7
Ronald Reagan	1983	3,536.00	17	22.9	-5.9
Herbert Hoover	1934	62	4.8	10.6	-5.8

Table 1 Displays the deficits in the USA budget during various fiscal years as a percentage of GDP, arranged in descending order.

	(Million current USD)			
	Total			
	Receipts <sup>2</sup>	Outlays <sup>3</sup>	Surplus or Defecit as a percentage of receipts	<input type="text" value="↓↑"/>
1919	5,130	18,493	-260.49%	
1918	3,645	12,677	-247.79%	
1943	24,001	78,555	-227.30%	
1932	1,924	4,659	-142.15%	
1942	14,634	35,137	-140.11%	
1933	1,997	4,598	-130.25%	
1934	2,955	6,541	-121.35%	
1936	3,923	8,228	-109.74%	
1944	43,747	91,304	-108.71%	
1945	45,159	92,712	-105.30%	
1935	3,609	6,412	-77.67%	
1917	1,101	1,954	-77.48%	
2009	21,04,989	35,17,677	-67.11%	
2010	21,62,706	34,57,079	-59.85%	
1941	8,712	13,653	-56.71%	

Table 2 Displays the deficits in the USA budget during various fiscal years as a percentage of Receipts, arranged in descending order.

Saint Louis IX(1214-1270), King of France:

"The first duty of a king is to coin money when it is necessary for the sound economic life of his subjects."

# Nation Building

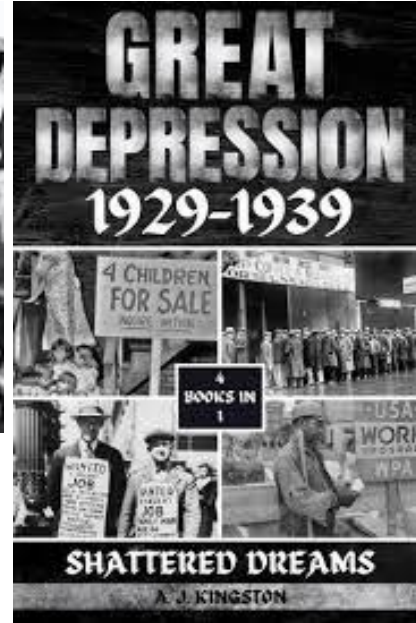
Contribution of Bismarck in Germany(1860-90)

United 29 kings and made United Germany

The Bismarck model standardize the currency and laid the foundation for modern welfare states, which extend beyond **healthcare** to include **unemployment insurance, pensions, and other social benefits.**

Germany, building on the social reforms initiated during Bismarck's era, eventually developed a **robust public education system, with free education at the primary, secondary, and, in many cases, higher education levels.**

# Great depression



## Key Aspects of the New Deal

### 1. Relief:

1. The New Deal sought to provide immediate relief for the millions of Americans suffering from unemployment, poverty, and homelessness.
2. Programs like the **Civilian Conservation Corps (CCC)** and the **Public Works Administration (PWA)** created jobs for people, often through public works projects such as building infrastructure.
3. **The Federal Emergency Relief Administration (FERA)** provided direct aid to the states for distribution to the needy.

# Imperialism

## India during British Rule

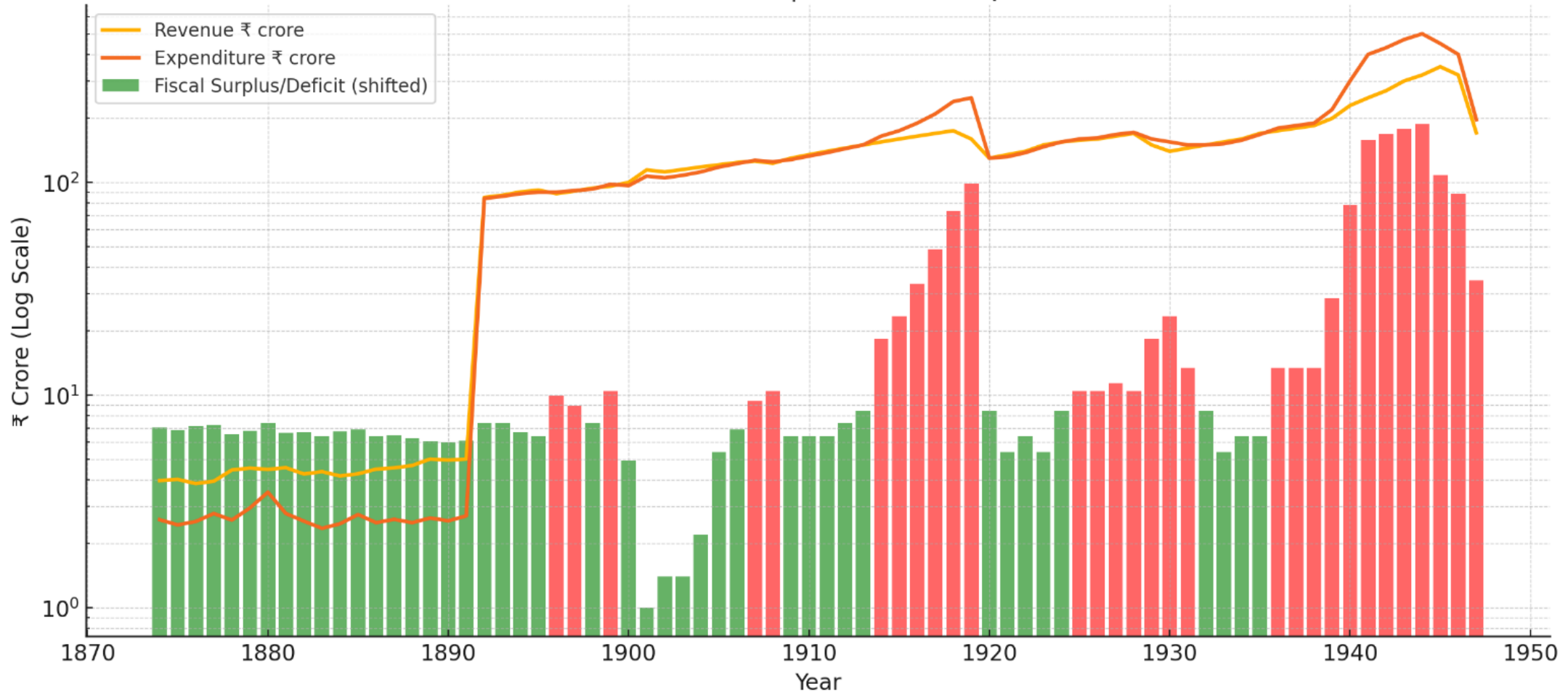
### Fiscal and economic policies to manage resources for country benefits and needs

1. In 1700 Indian GDP contribution in the world was approx. 22.5% and in 1947 dropped to 3%
2. High taxation and low expenditure on education , health and R&D etc. condition for labour migration
3. Suppress industrialisation to reduce competition.
4. Emphasise cotton ,opium and indigo farming leading to poverty, hunger, and malnutrition in our country .
5. Low value added export and high value added import .

Year (FY)	Total Revenue (£)	Total Expenditure (£)	Surplus/Deficit
1858–59	~33,000,000 (est.)	~46,000,000 (est.)	Deficit ~£13 million
1859–60	~37,000,000 (est.)	~44,000,000 (est.)	Deficit ~£7.25 million
1860–61	42,903,234	46,924,619	Deficit £4.02 million
1861–62	43,829,472	43,880,100	Deficit £0.05 million
1862–63	45,143,752	43,316,406	Surplus £1.83 million
1863–64	41,613,032	44,134,685	Surplus £0.48 million
1864–65	45,652,897	45,846,418	Surplus £0.19 million
1865–66	48,935,220	46,169,152	Surplus £2.77 million
1866–67	42,122,433	44,639,924	Deficit £2.52 million
1867–68	48,534,412	50,144,569	Deficit £1.61 million
1868–69	49,262,691	53,407,334	Deficit £4.14 million
1869–70	50,901,081	53,382,026	Deficit £2.48 million
1870–71	51,413,686	49,930,696	Surplus £1.48 million
1871–72	50,110,215	46,986,038	Surplus £3.12 million
1872–73	~49,914,000	~48,422,000	Surplus ~£1.49 million (est.)
1873–74	~48,286,000	~48,066,000	Surplus ~£0.14 million (est.)

**Table 3: Annual Revenue and Expenditure of British India (1858–1874)**

India Government Revenue, Expenditure & Fiscal Deficit (Pre-1947) on Log Scale  
 Red = Deficit | Green = Surplus



# Conclusions

- Sovereign nations are not fiscally constrained; they are resource – constrained.

The priority of government fiscal and monetary policy should be on

- Maintaining Full Employment,
- Food security, Energy security, Critical technologies, and physical and social infra.(Nation Building)
- Governance and its integrity,
- Balancing economy for private and public purposes and not on debt levels or deficits.

<https://fullemployments.wordpress.com>



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