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WHAT IS MARSHALL-LERNER CONDITION IN ECONOMICS?

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign capital, Foreign Trade & BoP

This refers to the proposition that the devaluation of a country's currency will lead to an improvement in its balance of trade with the rest of the world only if the sum of the price elasticities of its exports and imports is greater than one. For instance, if total export revenue falls due to inelastic demand for a country's exports and total import expense rises due to inelastic demand for its imports, this will lead to a further worsening of the country's trade deficit. So devaluing its currency may not always be the best way forward for a country looking to reduce its trade deficit. The Marshall-Lerner condition is named after British economist Alfred Marshall and Russian economist Abba P. Lerner.

Blaming Gandhi for Partition and by implication lionising his assassin is the worst form of historical revisionism

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