Keynes never ~~used~~ used the word 'general' to imply universal applicability of his economic ideas. It was Mrs. Joan Robinson who hinted the relevance of Keynesian policy in the context of under-developed economy. The following points will judge the applicability of Keynesian economics in an underdeveloped economy —

(i) Cannot be applied without modifications :-

= The general impression is that Keynesian theory with its assumptions and tools cannot safely and without modifications be applied to the problems of other advanced countries much less to the problems of underdeveloped countries.

(ii) Meant for advanced industrialised economics

Keynesian economy was meant for application to countries like U.K and USA which are relatively advanced, rich, industrialised and mature economies with occasional bursts of booms and depressions.

(iii) Limited applicability of effective demand:-

According to Dr. Brahmanda, the general theory refers to lack of effective demand as one of the bottlenecks that prevents the attainment of the high level of employment. The effective demand in under-developed countries can increase only if labour productivity increases. For this the vicious circle of poverty needs to be broken and a high rate of capital formation is required. A backward economy needs more savings. Keynesian economy is thus, out of place in the context of a back economy.

(iv) Inflationary :- Dr. V.K.R.V Rao observed that the blind application of keynesian formula to the problems of economic development has inflicted considerable injury on the economics of underdeveloped countries and added to the forces of inflation.

(v) Inapplicability of keynessian depression - According to keynes, the level of income and output can be raised if there is excess capacity in consumer goods industries a well developed monetised sector, involuntary labour force etc. But, these conditions are generally prevalent in advanced capitalist economics. Thus, a developed economy in a state of depression is quite different from an underdeveloped economy in a state of chronic unemployment and stagnation.

(vi) Cures occasional recessions :- Keynesian remedies canbe used to cure occasional recessions of business activity in advanced countries. But in under-developed countries, the problems is not of an excess or effective demand but of basic economic development of massive unemployment and underemployment of primary sector with extremely low levels of income.

(vii) Faulty assumptions :- Keynes's assumptions are of short-run of closed economy of involuntary unemployment, easy availability of skilled labour etc. These assumptions do not hold true in underdeveloped economics as the problem of underdeveloped economy is long-run problem of economic development.

(viii) Faulty supply side :- Keynes takes for granted the conditions on supply side of effective demand by taking technology, capital equipment and efficiency of labour. But underdeveloped countries have been suffering from inflation on account inelastic supply of output.

(ix) Supply of labour in UDC is not elastic :- For expansion of the industrial sector the surplus labour present in the subsistence sector of the economy is to be used. But the mobility of labour is low on account of unwillingness of the labourers to leave the village and their family.

All this falsify the belief of Keynesian economics to underdeveloped countries, thereby rendering it largely inapplicable.