

MY VIEW | VOX HETERODOX

# Unlocking the economy: policy roadmap for India after 14 April

Fiscally expansive measures are essential right now to stabilize an economy in critical condition and secure livelihoods



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PRADEEP GAUR/MINT

Long before the coronavirus surfaced as a pandemic, the Indian economy was in the midst of a serious downturn. The complete lockdown starting 25 March has shut down most economic activities. The collateral damage is enormous.

The following sectors, taken together, account for more than two-fifths of India's gross domestic product (GDP): manufacturing (16.4%), mining (2.3%), construction (7.8%), trade, hotels & restaurants (11.8%), and transport (4.9%). These have shut down almost entirely for 21 days, which alone will reduce GDP of the economy over 365 days by 2.5%. The loss in output would be even higher if the shutdown in these sectors reduces GDP in other sectors through backward or forward linkages, which is almost certain, or if the lockdown lasts longer, even partly, which is clearly possible.

The same sectors, taken together, also account for more than two-fifths of total employment: manufacturing (12.1%), mining (0.4%), construction (11.7%), trade, hotels & restaurants (12%), and transport (4.8%). Construction, trade, transport, hotels & restaurants employ a total of 132 million. Of this, only 5% have regular employment, while 127 million are self-employed, casual labour or informal workers. Manufacturing and mining employ a total of 58 million, of which about 25 million are contract workers who might not receive their wages in the lockdown. Thus, the lockdown could have deprived as much as one-third of India's labour force of their meagre livelihoods.

The economy will be severely hurt by this contraction of output on the supply side and contraction of employment on the demand side. The consequences will extend much beyond this initial impact, as supply and demand interact at a macro-level. The adverse impact on output and employment will be magnified by multiplier effects. The contraction in employment will multiply through the decline in incomes and purchasing power, reducing output and employment elsewhere in the economy through successive rounds of the same multiplier mechanism. Recovery of production systems and supply chains after the lockdown will take time, because economies are not like taps that can be turned off and on.

For the economy, the sooner the lockdown is lifted—even if partial and phased—the better. For the well-being of people, we need to save both lives and livelihoods, just as we need to recognize that in India with so many poor people, a loss of livelihoods, if it persists, could also lead to widespread hunger, reduced immunity and lost lives. In restarting the economy, coordination with state governments and manufacturing firms is essential, while ensuring that migrant workers reach home in time for the rabi harvest, and then return to their work in cities as soon as feasible.

Clearly, whenever the lockdown ends, the economic crisis will run deeper than anything we have experienced so far in Independent India, while its intensity will depend on the duration of the lockdown. Stabilization will be the immediate task of the government. The meaning of stabilization in economics is much the same as in medicine: just as medical treatment seeks to stabilize the health of a patient in critical condition, economic management needs to stabilize an economy in deep crisis.

The short-term focus would have to be on households on the demand-side and firms on the supply-side.

Survival through the crisis is essential for the return of poor households and small firms to economic activities. The poor, identified as 50% and 75% of urban and rural households respectively, should be provided with cash support of ₹6,000 per month for 3 months (equivalent of the Mahatma Gandhi National Rural Employment Guarantee Act wage at ₹200 per day). For 20 million households, this will cost ₹3.6 trillion. In addition, the supplementary free ration of 5kg wheat or rice and 1kg of pulses per month for 3 months should be tripled. Government stocks of wheat and rice exceed stocking norms by 55 million tonnes. For micro, small and medium enterprises, most vulnerable in this shutdown, it is necessary to provide liquidity support and bankruptcy protection through Reserve Bank of India (RBI) lines of credit to banks (say ₹1 trillion) with a backstop by the government, also using MUDRA to provide support where possible.

Such support at a micro-level for survival would have to be combined with support at the macro-level, through fiscal and monetary policies, for recovery. It is essential for the government to set aside its conservatism, bordering on fetishism, and provide a fiscal stimulus that is in the range of ₹6-10 trillion (3-5% of GDP). The enlarged fiscal deficit cannot be financed by market borrowing, which would simply drive up interest rates and nip recovery in the bud. It would have to be financed by monetizing the deficit—RBI buying government T-bills—

printing money, now described as "helicopter money". Monetary policy would need to bring down interest rates by 1-1.5 percentage points, plus quantitative easing through RBI lines of credit to banks to assist large firms, particularly in distressed sectors, inter alia by restructuring debt. Those who worry about the consequences of such expansionary macroeconomic policies should provide their alternative for recovery, while the government should worry about the consequences of not doing this. If the economy is in freefall, the massive slippage in government

revenues would balloon the fiscal deficit to similar levels, without any hope of recovery. The belief of orthodox economists in the strong spring analogy—the harder you push an economy down, the greater the force with which it bounces back—is an illusion.

In reality, a weak spring is the more appropriate analogy for an economy, for when it is pushed too hard, it may simply remain there if its restorative forces are destroyed.

## QUICK READ

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MINT CURATOR



L-R: Paul McCartney, George Harrison, Ringo Starr, and John Lennon GETTY IMAGES

## The recency bias of pop music appreciation

From the swinging 60s to punk, acid house to Britpop, everyone has a favourite era in music. But is there a single year where rock and pop peaked? Maybe it came with The Beatles' mould-breaking sonic experiments of 1968... When economist Seth Stephens-Davidowitz analysed Spotify data on people's listening habits, he found that if you were a teenager when a hit song was first released, it remained popular in your age group 10 years later... Radiohead's *Creep*, for example, is a favourite amongst 40-year-old men. For people in their 20s, it doesn't even reach the top 300. For millennials, Carly Rae Jepsen's *Call Me Maybe* has a similar resonance... 2019 was the most popular year overall—but only because current chart hits account for a fifth (21.1%) of all streaming activity.

BBC

## The mystery of ostrich eggs from the bronze age

They are about the same size as a standard Easter egg, but are rather older—with some specimens dating back five millennia to the early bronze age. A collection of decorated ostrich eggs belonging to the British Museum in London has been re-examined by experts... "Ostriches were not indigenous to Europe, so when we find them in Spain or Italy or Greece, they are not coming from there," [Dr. Tamar] Hodos said. "But no one has thought to ask where were they coming from... This opened up new questions such as: in antiquity, was there some prestige value in an egg that was laid in a different climactic zone? ... Thousands of years before Easter, people were already decorating eggs. We are now closer than ever to cracking the conundrum of who created the eggs and who coveted them," she said.

The Guardian

## Horse-drawn carriage meal delivery, anyone?

Under coronavirus lockdown, one aspect of modern Vienna might look familiar to victims of plagues past—horse-drawn carriages delivering meals to those most at risk during the pandemic. So-called 'fiacre', derived from the French term 'fiacre', have been a feature of Vienna life since it was the capital of a vast empire. Now they live off tourism, their often bowler-hatted drivers offering tours of the city centre from stands at landmarks such as its cathedral and former imperial palace. But with Austria now under lockdown, some of those drivers are helping an effort to provide free meals to the elderly, who are particularly threatened by the coronavirus outbreak... "This is a great initiative! Thank you very much!" one recipient, Gabriele Gleininger, who has an auto-immune disease and stays at home.

Reuters

## Viral inspiration for memorable baby names

It's no secret that choosing a baby name can be difficult, with so many possibilities out there. But it seems some new mums and dads have found inspiration in a rather unlikely source. According to a viral post on Twitter, a woman has named her bundle of joy 'Covid Bryant', a combination of Covid-19 and the name of Kobe Bryant, the American basketball star that was tragically killed in a helicopter accident back in January... People understandably had some thoughts about the choice of name... Someone replied: "This couldn't be more 2020." This comes after a mother in India reportedly named her newborn twins after the pandemic as well... Her baby boy is Covid, and his sister is called Corona, and [the mother] Preeti [Verma] said they would not forget the hardships endured during this time.

Daily Mirror

## A giant corona bug is stalking Indian streets

A giant coronavirus is stalking the streets of southern India—propelled by a 100 cc engine and an inventor trying to drive home the message that Indians should stay indoors as the pandemic sweeps across the world. Sudhakar Yadav's wacky small single-seater car—made of fluorescent-green fibre and complete with the red crown-like spikes of the virus—has been racking up the miles in the tech hub of Hyderabad to remind fellow citizens of the dangers of COVID-19. "People are not scared and are still... on the streets despite the clear danger," the 67-year-old Yadav, who runs a printing business, told AFP. "My message through the car art is to make them understand that it is dangerous to be out on the streets and the safest place right now is the home."

AFP

MY VIEW | PEN DRIVE

# Any shade of corona anxiety... so long as it is sane

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One of the irrational fears that turned rational at the stroke of the lockdown hour, it struck me, was a novelty of pop psychology till just the other day: *nomophobia*. It's a fancy term for the lurking fear of a hand getting lopped off, as a phone going on the blink might feel like. Left helpless. That a no-mobile crisis could be even worse than no mobility per se was far from obvious till this tiny bug turned up to engage us in corona anxiety. Now all of it seems to have got rolled into one big prickly orb—lodged firmly in our mindscape.

My guess is that we all have some novel anxiety or another by now, or at least some shade of it. Actually, I must confess, I had my first corona gasp a whole fortnight before India shut itself down.

It was the night trends revealed that the impulsive land of "covfefe"—and id-baring tweets—would suffer an explosive outbreak of covid. But this was just data on the US; our daughter's voice from there on the phone

was real. The virus had probably reached her campus, maybe even—*gasp*—Firestone Library, a favourite hang-out. She had to get home before any further exposure.

The day after next, to our relief, she was on a direct flight from Newark to New Delhi. Those long sighs would shortly turn into shudders, though, this time over the ordeal of covid-screening that awaited her arrival, and what it might dictate.

She got through without any hassle, thankfully. We relaxed our phone grips, had shoulder hugs, and then simply held our nerve for her two weeks of self-quarantine, if that's an honest way to describe stealing online glances at her college count of cases, jumping at the slightest sound of her throat, and glaring at a cup of milk that made her splutter once.

Well, it's been four weeks, and she's hale and hearty now. What we had at home was a mild case of corona anxiety, it seems, perhaps the kind a clang or two of a vessel is rumoured to calm.

But take a look around. What was once seen as a sign of an obsessive compulsive disorder, hand washing by the clock, is now a matter of elementary survival hygiene. What would earlier have been chuckled off

as "paranoia", a morbid fear of touch, is now taken as common sense. And while covid haunts our lives, a lock-in that feels endless may yet have its own effects. Some of us may be in for insomnia, irritability, and mood swings. And if the nerves of India's relatively well-off are under strain, imagine those of the poor who have got wracked by food insecurity to boot.

Arguably, what's most novel about this coronavirus is the way it has blurred hope and despair. Rarely do delusions of both get to cast such a spell on social media that our de facto circumstances turn even more grim. As if the siege laid upon the country by the risk of contagion was not bad enough, a scandalous eruption of infections at a religious conclave has exposed just how weak our social cohesion is. Government efforts at tracing possible carriers and their contacts to a few minority ghettos appear to reveal atti-

tudes that speak of an utter mistrust of authorities in some quarters. Lurid tales of who is up to what have gotten around, and twisted versions of what's going on is all it may have taken to revive us-versus-them rhetoric online (after a brief lull).

There has been much talk lately of pre-conditions worsening the common threat we face. But what could gravely worsen our odds against covid, by my calculus, is the country's pre-existent crisis of majority-versus-minority rancour over religion as a criterion for citizenship. The anxiety gap generated by this Act between Indians tagged one way or the other by faith can hardly be overstated; while most of India need not let it obsess them, the few who feel singled out evidently find it rather difficult not to brood over their prospects if they fail to satisfy some sort of registry test.

Dread of the future could lend itself to phenomena like confirmation bias, by which any scrap of news can reinforce prior qualms, and groupthink, by which an entire group's adrenal glands can be set off in collective alarm. Reports of data gatherers having doors slammed shut on them in the odd ghetto had emerged even earlier. Now infection tracers and health workers of the government seem at risk of jumpy responses that could hamper efforts to flatten the epidemic's curve. Instances of violence have been reported too. While these remain an exception rather than the norm, my hunch is that our empathy levels need to snap all links with identity markers for us to make genuine headway.

As of now, we do not know how long this virus will menace us, nor how resilient we'll have to be. What's discernible is a curve of insecurity that needs to flatten too. While words do count, this would best be done by deeds. Not just of the financial sort, bonds issued to raise funds for relief, but actions that evoke confidence. Drones, say, that don't just keep watch of hotspots, but reach out with stuff being asked for, be it routine staples, protective gear, or medicine.

Corona anxiety afflicts us all. We'll learn to live with it, of course... so long as we let sanity prevail.

## QUICK READ

Rescuing a daughter from covid's reach in the US, keeping track of her campus cases, jumping at the slightest sound of her throat and glaring at a cup that made her splutter are but mild symptoms of this emergent anxiety.

What adds to our vulnerability in India, though, is a pre-existent dread among a large number, a curve of insecurity that urgently needs to be flattened too.