
1. A Blueprint to Revive the Economy

Context:

- Roughly 400 million workers in India who are dependent on daily wages for their Survival.
- A lockdown is necessary to prevent the spread of COVID-19. But we need not make a choice between saving lives and protecting livelihoods.

Implications of Lockdown:

- The lockdown create a 'Great Depression' situation highlights the gravity of the humanitarian and economic crisis.
- Every sector of the economy in every nation has come to a screeching halt. First, it is important to diagnose the scale of the economic crisis accurately.
- Migrant worker has lost job because her employer has been forced to stop commercial activity.
- The economic crisis needs a demand side and a supply side response. It is morally imperative that we immediately address the miseries of the poor and vulnerable by providing money as well as food.

Planning Ahead:

- The bottom half of all households (13 crore out of 26 crore families) must be given ₹5,000 per family in their Bank Account within a week
- More than cash it is food that people need most urgently. India has far in excess of the buffer stock requirement
- The government announced distribution of free food, but reports suggest that there is either lack of food supplies at the local ration shop or identity requirements of ration cards are proving to be a roadblock.
- The government must universalise food distribution immediately, to remove identity requirements, and work with State governments to rush supplies to every ration shop so that every family gets free grain.
- MGNREGA work to be restarted while observing social distancing norms.
- The next step is to help employer to resume commercial activities, which can be done by re-opening the economy gradually.
- The key to reopening is our ability to identify sensitive COVID-19 hotspot areas and containment zones.

- The Central and State governments must work in tandem to identify hotspots, preferably at the level of the block/mandal and not just at the district level.
- Let small shops, service establishments and the self-employed start commercial activity in their areas. Three-quarters of the 80 million enterprises are establishments that operate in local areas
- Mass rapid transit as well as private transport must be gradually opened in non-hotspot areas will be key for the availability of labour.
- The other essential ingredient for resumption of economic activity is access to capital, especially working capital.
- A majority of the small and medium enterprises (SMEs) would have run out of cash and lost significant revenues.
- The government must step in to provide credit guarantees that can incentivise banks to SMEs.
- The RBI, and through it the banks, should be encouraged to make capital available liberally to sectors such as tourism and manufacturing, which need specific interventions
- Fiscal stimulus measures on the demand and supply side must be supplemented by monetary stimulus from the RBI with re-designed measures such as moratorium, loan forgiveness, regulatory forbearance, revised NPA regulations and easing the cycle of credit flow.

Conclusion:

- The Centre can borrow money during times like this without crowding out private investment or pushing up interest rates.
- As a final resort, the government can monetise part of additional deficit, otherwise known as 'printing money'.

Source: The Hindu