Reviving Economy and Livelihoods - Fiscal Options

What is the issue?

With the announcement of Lockdown 4.0, here are some implementable steps the Centre can take in fiscal terms to revive the economy and support livelihoods.

How crucial are food and cash transfers?

- To those rendered incomeless, the immediate need is free food and cash transfers.
- Every household could be provided with Rs. 7,000 per month for a period of 3 months.
- Every individual could be provided with 10 kg of free foodgrains per month for a period of 6 months.
- **Feasibility** - This is likely to cost around 3% of the GDP (assuming 20% voluntary dropout).
- This could be financed immediately through larger borrowing by the Centre from the RBI.
- The required cash and food have to be handed over to State governments to make the actual transfers.
- Releasing the outstanding GST compensation to states should also be done.
- Foodgrains are plentiful too, as the Food Corporation of India had 77 million tonnes. Also, rabi procurement could add 40 million tonnes.
- Given the lockdown restrictions, there is no as much demand as in normal times.
- Cash transfers in most cases will only enable current demand to continue and not create any fresh demand.
- (This is given the expenses on payment of house rent to continue occupancy.)
- Putting money in the hands of the poor is the best stimulus to economic revival, once economic activity is resumed.

How will revamping MGNREGA work help?

- Millions of migrant workers have moved back to their home states.
- They are unlikely to return to towns in the near future.
- So, employment has to be provided to them where they are.
- For this, the MGNREGS must be expanded greatly and revamped with wage arrears paid immediately.

- The 100-day limit per household has to go, and work has to be provided on demand without any limit to all adults.
- Permissible work should include not just agricultural and construction work, but work in rural enterprises and in care activities too.
- The revamped MGNREGS could cover wage bills of rural enterprises started by panchayats, along with those of existing rural enterprises.
- Public banks could provide credit to such panchayat-owned enterprises until they become self-sufficient.

Why should the domestic market be revived?

- There is apparent unsustainability of the earlier globalisation.
- This means that growth in India in the coming days will have to be sustained by the home market.
- Being the most important determinant of growth of the home market, agricultural growth must be urgently boosted.
- The MGNREGS can be used for this, paying wages for land development and farm work for small and medium farmers.
- Other government support measures may include -
    i. remunerative procurement prices
    ii. subsidised institutional credit
    iii. other input subsidies
    iv. redistribution of unused land with plantations
- Agricultural growth in turn can promote rural enterprises and in turn, generate substantial rural employment.
- It can both create a demand for their products and provide inputs for them to process.

What does the urban economy call for?

- In urban areas, it is absolutely essential to revive the Micro, Small and Medium Enterprises (MSMEs).
- Also, the workers who have remained in towns have to be provided with employment and income after the proposed cash transfers run out.
- Introducing an Urban Employment Guarantee Programme would help here.
- This is to serve diverse groups of the urban unemployed, including the educated unemployed.
- Urban local bodies must take charge of this programme, and would need to be revamped for this purpose.
- “Permissible” work should include work in the MSMEs too.
- This would ensure labour supply for the MSMEs.
- It would also cover their wage bills at the central government’s expense until they re-acquire strength.

- The programme should also cover care work, educational activities, and ensuring public services in slums.
- The humanitarian crisis of the lockdown only calls for more, and not less, labour protection.
- Relaxing labour laws to attract private investors would only reduce employment and further reduce domestic demand.

What is the significance of the 'care' economy?

- The pandemic has underscored the extreme importance of a public health-care system, and the folly of privatisation of essential services.
- The post-pandemic period must see significant increases in public expenditure on education and health.
- The "care economy" provides immense scope for increasing employment.
- Anganwadi and ASHA/workers who provide essential services to the population, including during the COVID-19 pandemic, are paid low.
- Improving there status and treating them as regular government employees are essential.

How important is public revenue?

- In the medium term, public revenues must be increased.
- Since much unutilised capacity exists in the economy, the shortage is not of real resources.
- The government has to just get command over the resources.
- To garner substantial public revenue, the following could be mandated:
    i. wealth and inheritance taxation
    ii. getting multinational companies to pay the same effective rate as local companies through a system of unitary taxation
- Also, a fresh issue of special drawing rights by the IMF (which India has opposed along with the U.S.) would provide additional external resources.
- With all these additional resources, the broken economy must be rebuilt in ways to ensure a life of dignity to all.

Source: The Hindu

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