

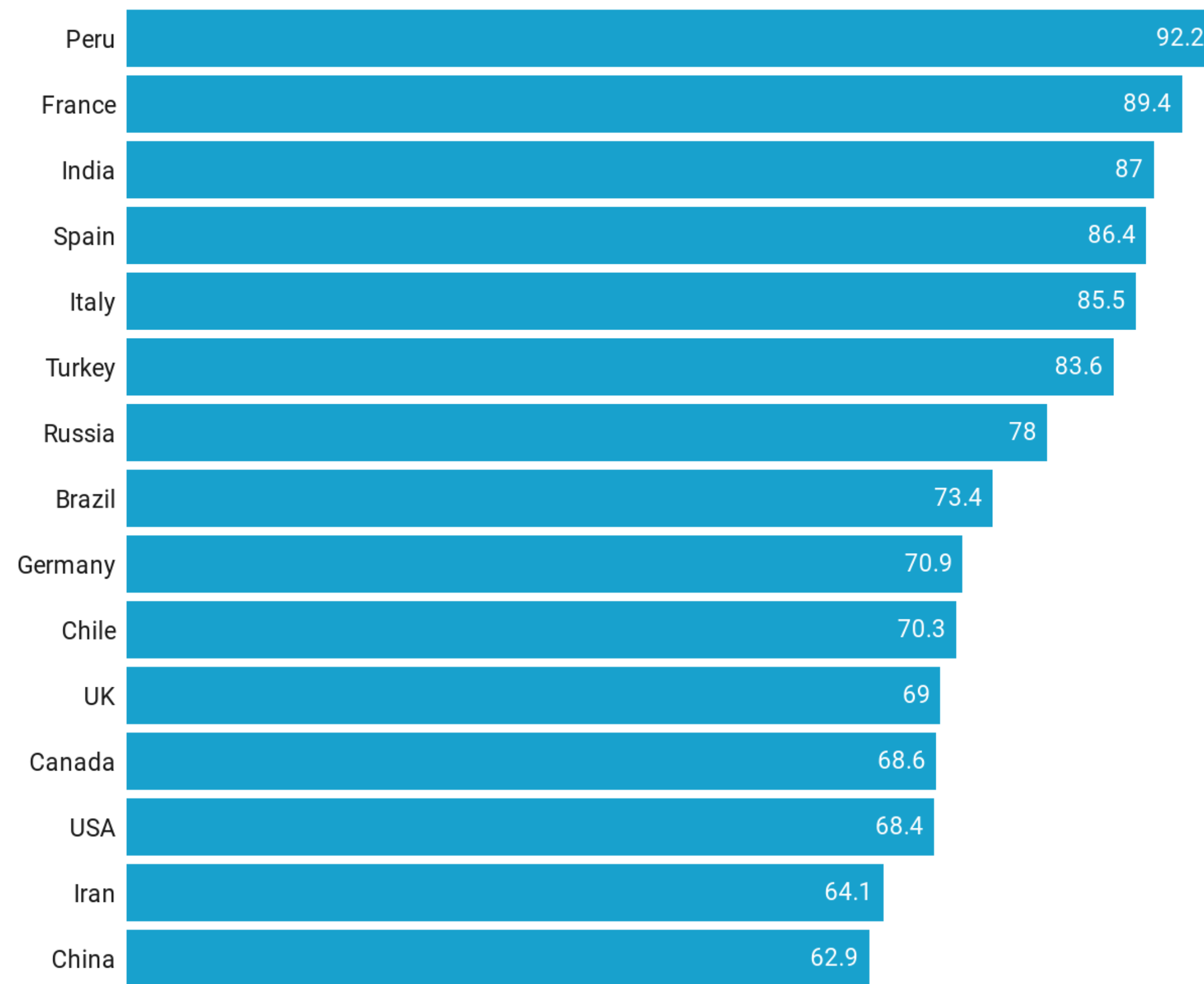
JUNE 3, 2020

THE TWIN CRISES OF COVID-19 AND MODI GOVERNMENT'S RESPONSE

a preliminary report by the heterodox economists' collective

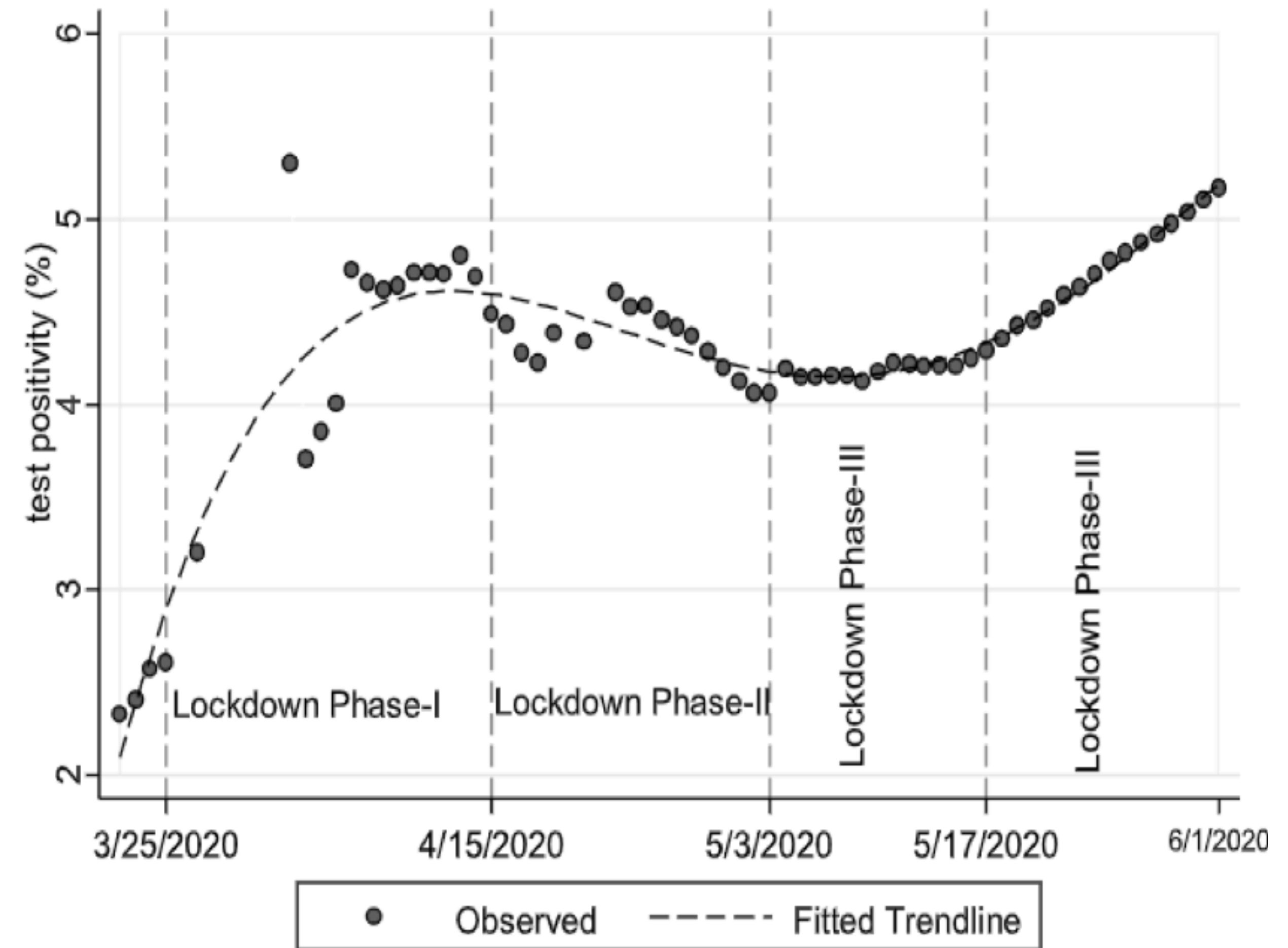
Despite one of the most stringent lockdowns in the world, India's Covid curve has not flattened

Average Stringency Index for 15 most affected countries (13 March - 19 May)



Source: Source: Oxford COVID-19 Government Response Tracker (OxCGRT), till 19th May • Created with Datawrapper

Ratio of Positive Covid-19 Cases to Number of Tests (Cumulative)



Data source: Compiled by John Hopkins University & Ourworldindata (<https://github.com/>)

India already ranks 7th in terms of confirmed Covid-19 cases in spite of having a low testing rate

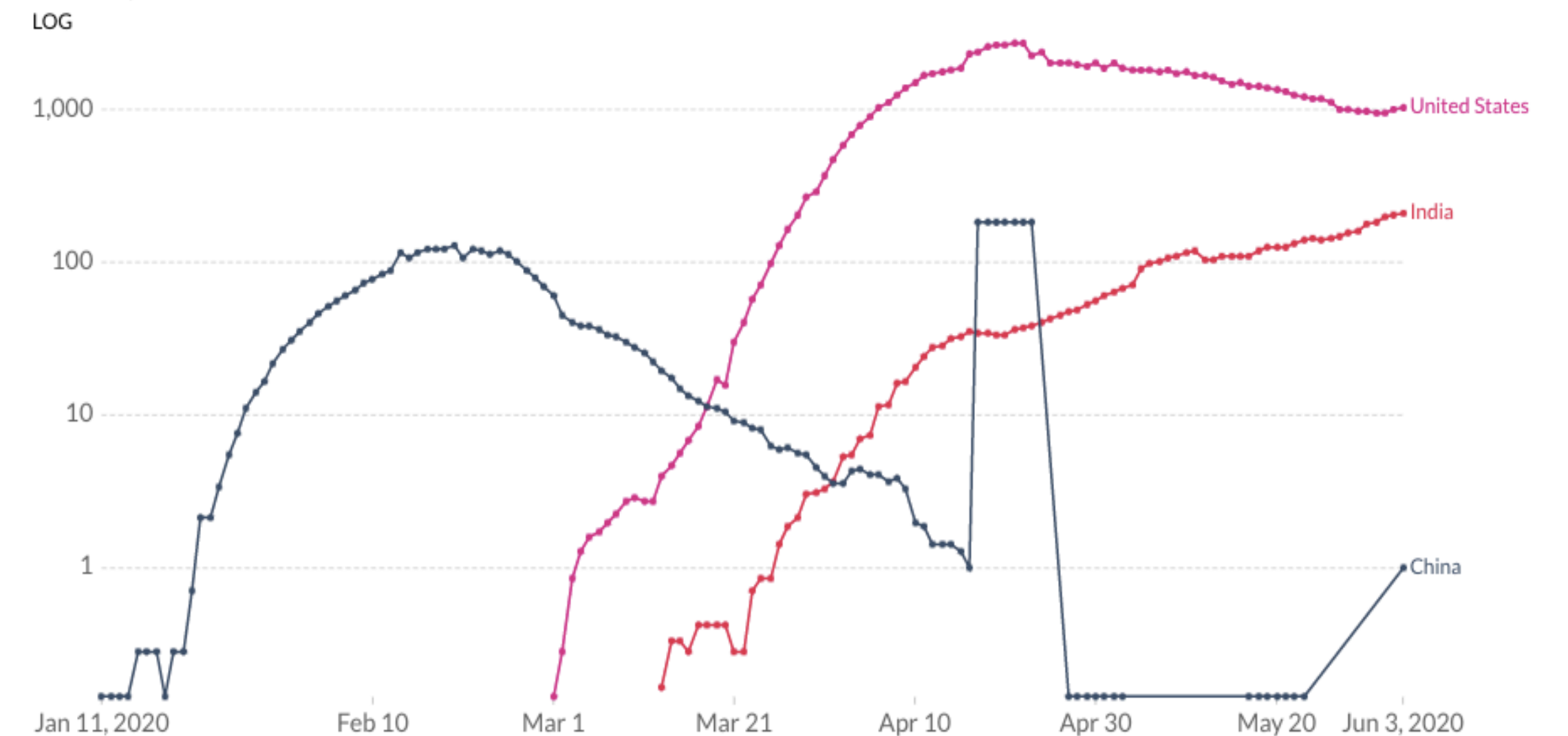
	Total Cases	Doubling Time	Total Deaths	Case-Fatality Rate	Recovery Rate (%)	Total Tests	Total Tests per million population
USA	1,881,205	54.4	108,059	5.7	34.3	18,603,174	56,228
Brazil	558,237	11.1	31,309	5.6	45.4	930,013	4,378
Russia	423,741	31	5,037	1.2	44.1	11,151,622	76,418
Spain	287,012	144.7	27,127	9.5	66.2	4,063,843	86,921
UK	277,985	98.5	39,369	14.2		4,615,146	68,011
Italy	233,515	270.5	33,530	14.4	68.6	3,962,292	65,527
India	207,615	15	5,829	2.8	48.3	4,103,233	2,976
Germany	184,091	168.5	8,674	4.7	90.4	3,952,971	47,191
Peru	174,884	16.4	4,767	2.7	39.6	1,092,646	33,176
Turkey	165,555	107.94	4,585	2.8	78.5	2,103,044	24,957

The data of total recovered cases in UK is not available.

Source: worldometers & ourworldindata. Our calculations. • Created with Datawrapper

Daily new confirmed COVID-19 deaths

Shown is the rolling 7-day average. Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



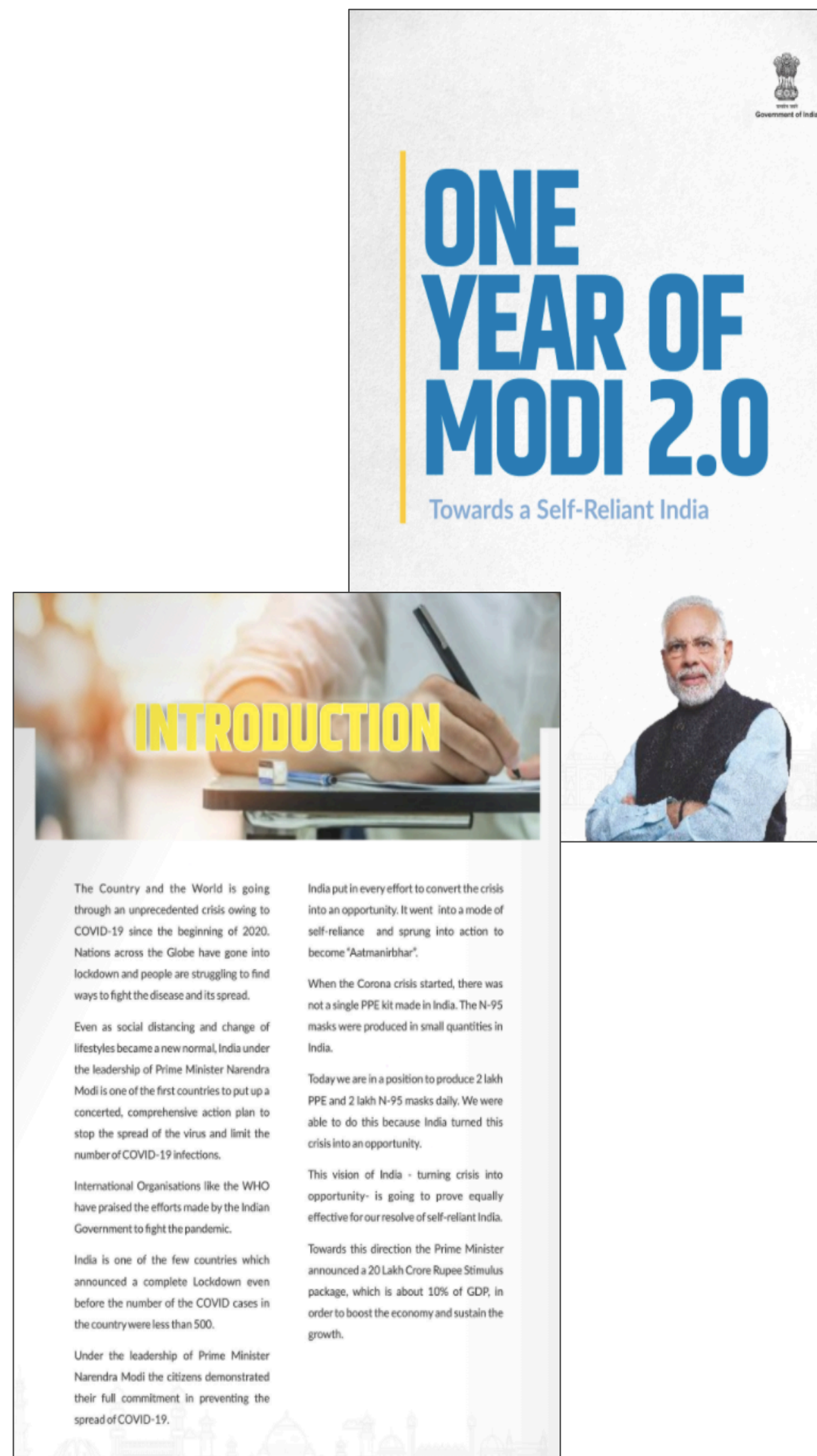
Source: European CDC - Situation Update Worldwide - Data last updated 3rd Jun, 15:23 (GMT+05:30)

Our World in Data

CC BY

- India witnessed 211 Covid-deaths everyday on average in the past one week
- Only four more countries had higher daily Covid-deaths than India among the most affected countries
- Daily Covid-deaths in India are still rising
- India is far away from its Covid-peak, the worst is yet to come

Yet the Modi Government continues to beat its own drum

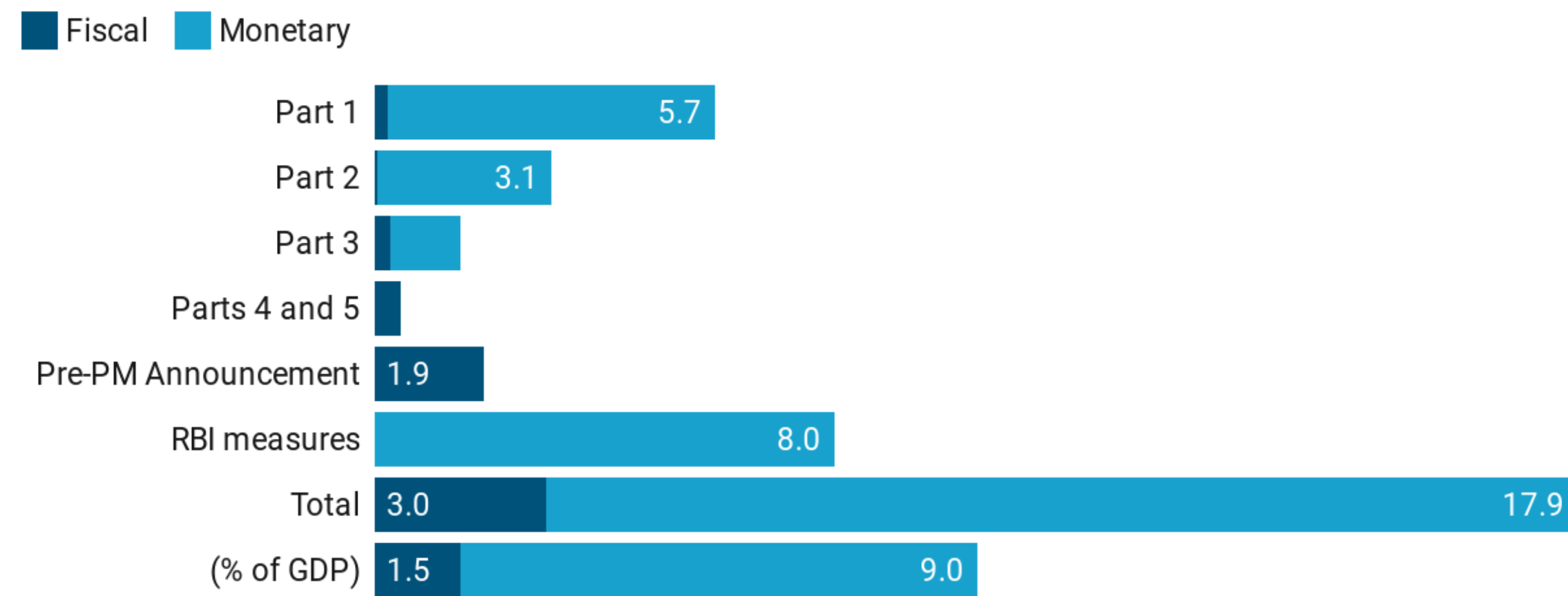


- ❖ "...India under the leadership of Prime Minister Narendra Modi is one of the first countries to put up a concerted, comprehensive action plan to stop the spread of the virus and limit the number of COVID-19 infections."
- ❖ "Under the leadership of Prime Minister Narendra Modi the citizens demonstrated their full commitment in preventing the spread of COVID-19."
- ❖ "India put in every effort to convert the crisis into an opportunity. It went into a mode of self-reliance and sprung into action to become "Aatmanirbhar"."
- ❖ "Towards this direction the Prime Minister announced a 20 Lakh Crore Rupee Stimulus package, which is about 10% of GDP, in order to boost the economy and sustain the growth."
- ❖ Excerpts from the Introduction to "One Year of Modi 2.0: Towards a Self-reliant India", Government of India

In reality, Covid-19 infections are spreading very rapidly, while the economic crisis is getting worse

The Atmanirbhar package decoded

The Atmanirbhar Package Decoded



Source: Source: Our Calculations from PIB Releases • Created with Datawrapper

India's Fiscal Stimulus is among the weakest in the G20, even by IMF estimates

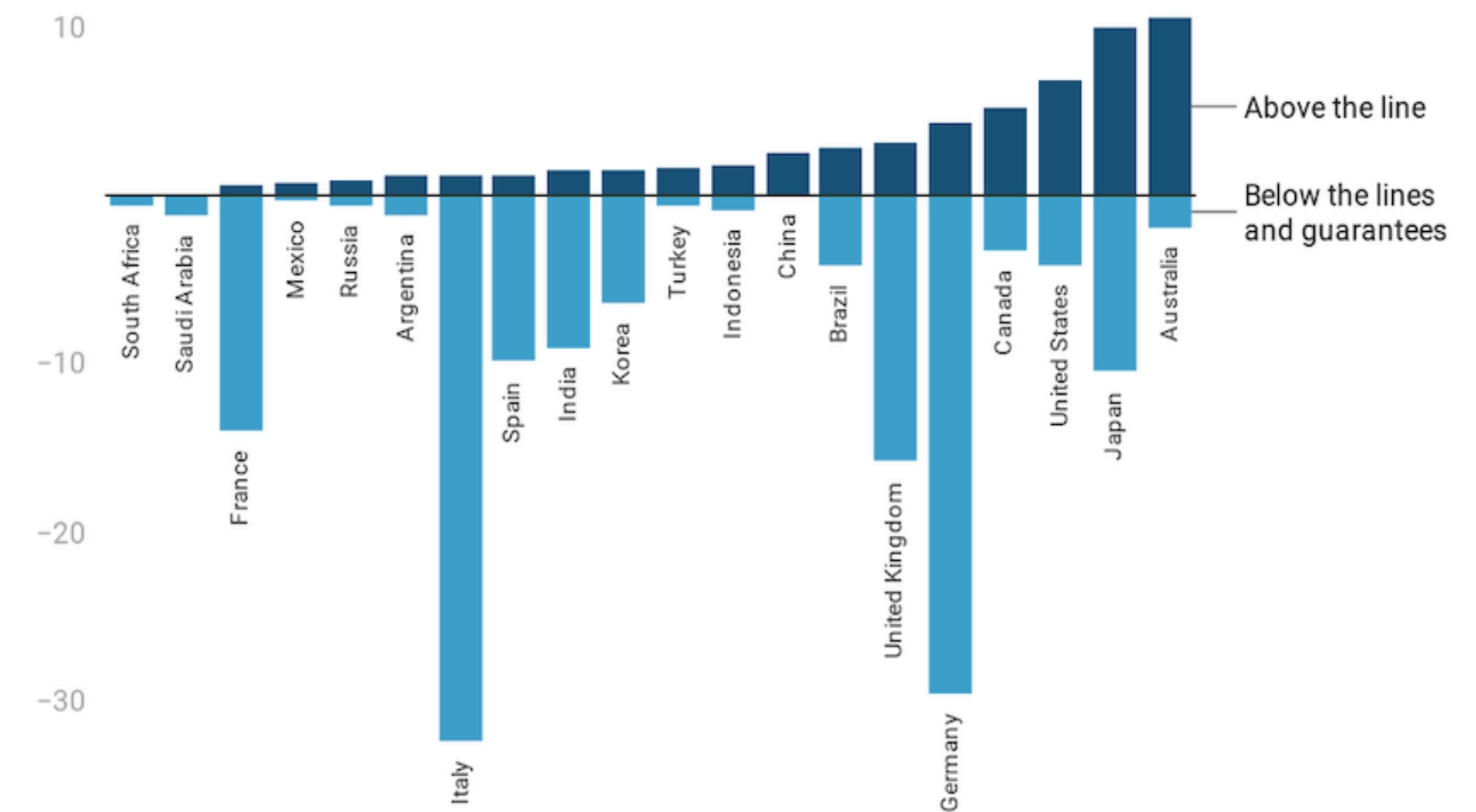


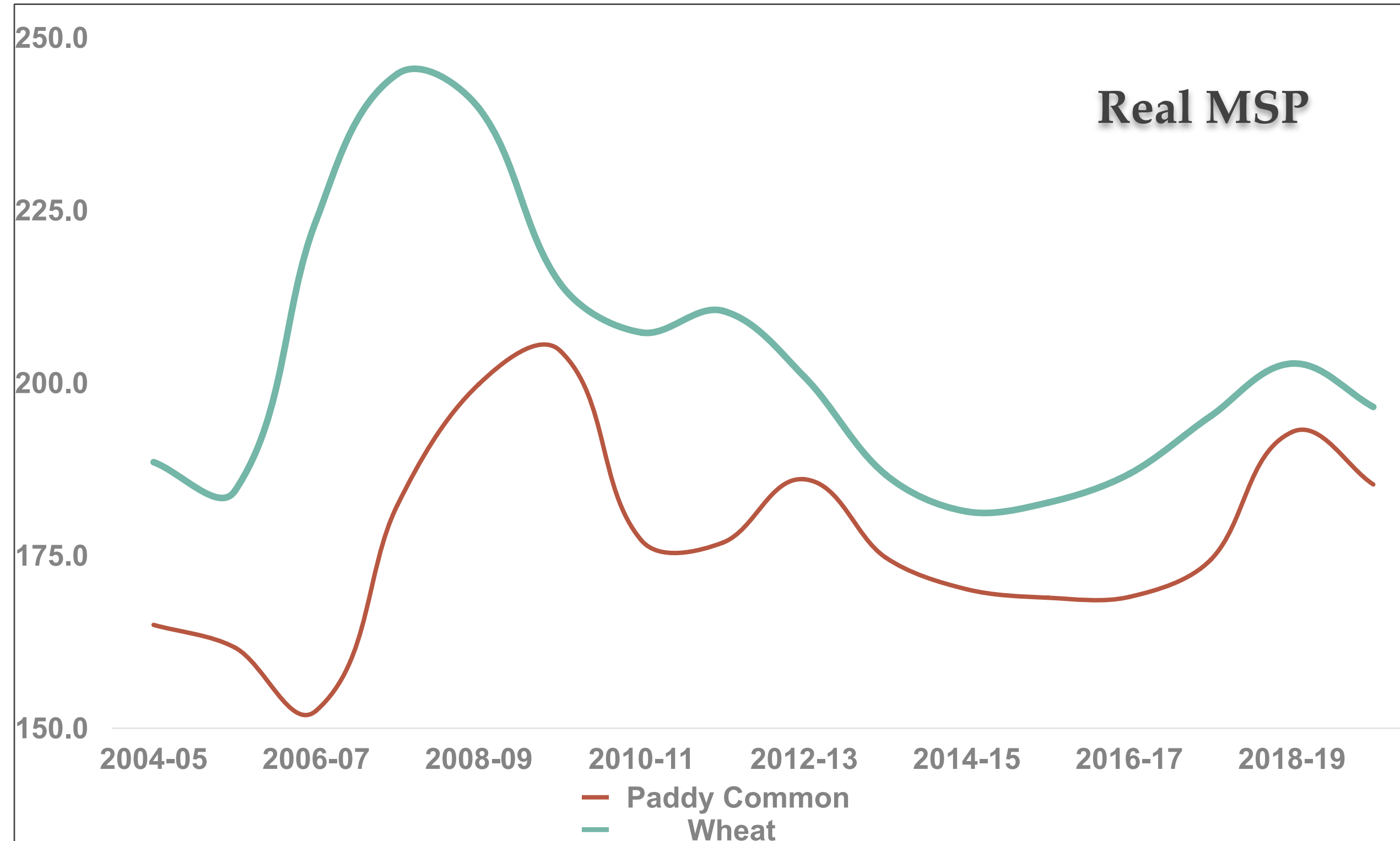
Chart: Authors' Compilation • Source: Atmanirbhar Package details for India and IMF Fiscal Monitor, April 2020 for the rest of the countries • Created with Datawrapper

- Fiscal component of 'Atmanirbhar Bharat' package amounts to Rs. 3 lakh crore only, i.e. around 1.5% of 2019-20 GDP – Rest of the package comprises of liquidity injection, which do not qualify as “stimulus”
- Excluding those components of expenditure already provided in the Union Budget like PM-KISAN or wage increases under the MGNREGA which were due to occur anyway, the actual fiscal stimulus comes to only around Rs. 2.1 lakh crore, i.e. 1.05% of GDP, as per our calculations
- Others have estimated the stimulus size, with slightly different assumptions and projections, to be even smaller – around 0.8% of GDP
- What is certain is that the Prime Minister’s claim of providing a Rs. 20 lakh crore or 10% of GDP “stimulus” to the economy is patently false
- Even the additional borrowing requirement announced is 2.1% of GDP which also assumes declining tax revenues, the “stimulus” cannot exceed that amount

MINIMUM SUPPORT PRICES

(Rs. Per qtl)

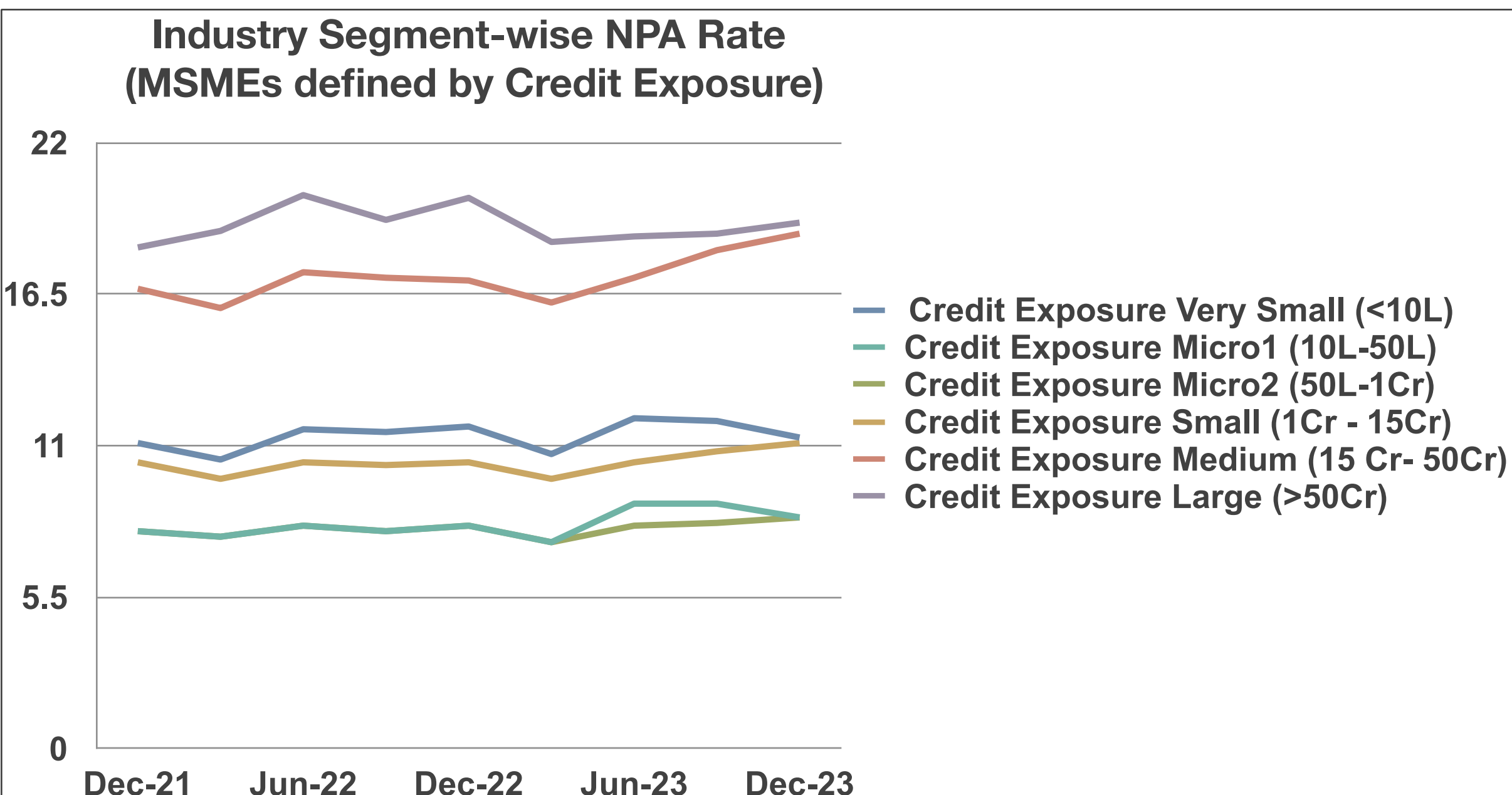
Year	Paddy Common	Wheat
2004-05	560	640
2009-10	1050	1100
2014-15	1360	1450
2019-20	1815	1925
2020-21	1868	...



Source: Our Calculations based on DoF&PD, Gol data

- The MSP hike of Rs. 53 per quintal for common paddy announced on June 1 is a very meagre increase; The hike is of 2.9% only from 2019-20, which is the lowest percentage hike in a decade
- Adjusted for inflation, real MSP growth declined in 2019-20 for both rice and wheat
- Farmers are not even being compensated for inflation, squeezing their incomes
- The insignificant hike of MSPs is at a time when the economic crisis is likely to reduce demand for farm output, keeping crop prices low

	MSME Criteria by the MSME Development Act, 2006: Investment in Plant and Equipment (Manufacturing) and Investment in Equipment (Services)		
	Micro	Small	Medium
Manufacturing Enterprises	Investment <Rs 25 lakh	Investment <Rs 5 crore	Investment <Rs 10 crore
Services Enterprises	Investment <Rs 10 lakh	Investment <Rs 2 crore	Investment <Rs 5 crore
	Revised Criteria as on 1 June 2020: Composite Criteria based on Investment and Turnover		
	Micro	Small	Medium
Manufacturing & Services	Investment up to Rs 1 crore and Turnover up to Rs 5 crore	Investment up to Rs 10 crore and Turnover up to Rs 50 crore	Investment up to Rs 50 crore and Turnover up to Rs 250 crore



Source: MSME Pulse Report, April 2020, TansUnion CIBIL

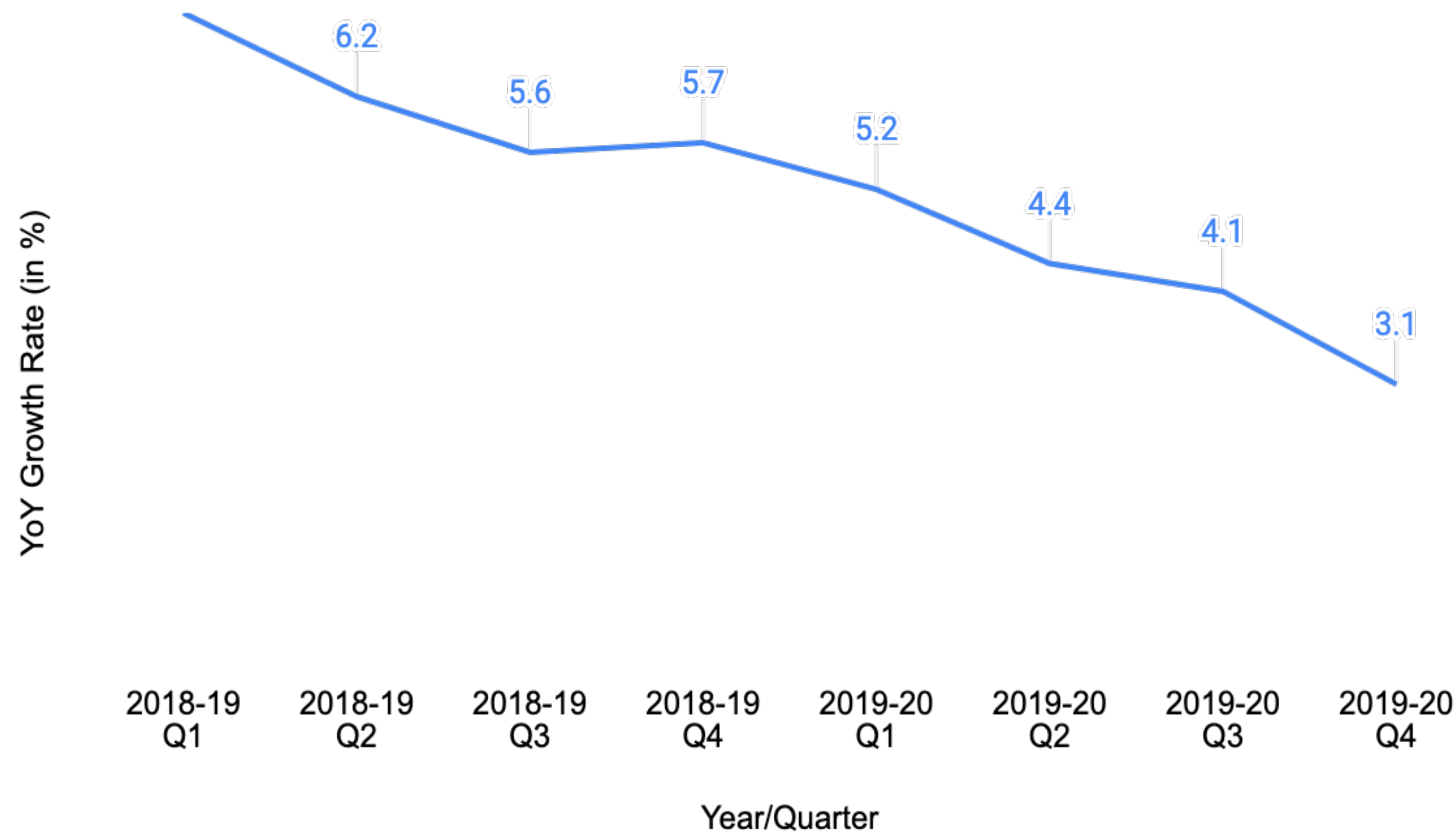
- Dues worth Rs. 5 lakh crore to MSMEs: Immediate disbursal would help immensely. Improve liquidity positions.
- New MSME definition: Composite criteria of both investment in plant and equipment size and turnover. Expands MSME universe to much larger units, has been effected bypassing the Parliament.
- Government mandatorily procures 25% of its requirements from MSME sector. Expansion by including larger enterprises would benefit them at the cost of the smaller units.
- Rs. 50,000 crore equity infusion for stock exchange listing will cater only to the largest of now enlarged category of medium enterprises.
- Large units to be biggest beneficiaries of the Rs. 20,000 crore subordinated debt announced for 2 lakh stressed MSMEs. The NPA rate of medium sized units are much larger and has almost converged with that of the large corporates.
- Overall, the government's package alongside the definition change will help larger units in MSMEs. Micro-enterprises that comprise an overwhelming majority of MSMEs continue to remain neglected.

From a slowdown to a deep recession?

Economic Growth has been in a free fall in India over the past two years, much before the advent of the Covid Crisis and even the latest GDP estimates may get revised downwards as has been happening over the past two years

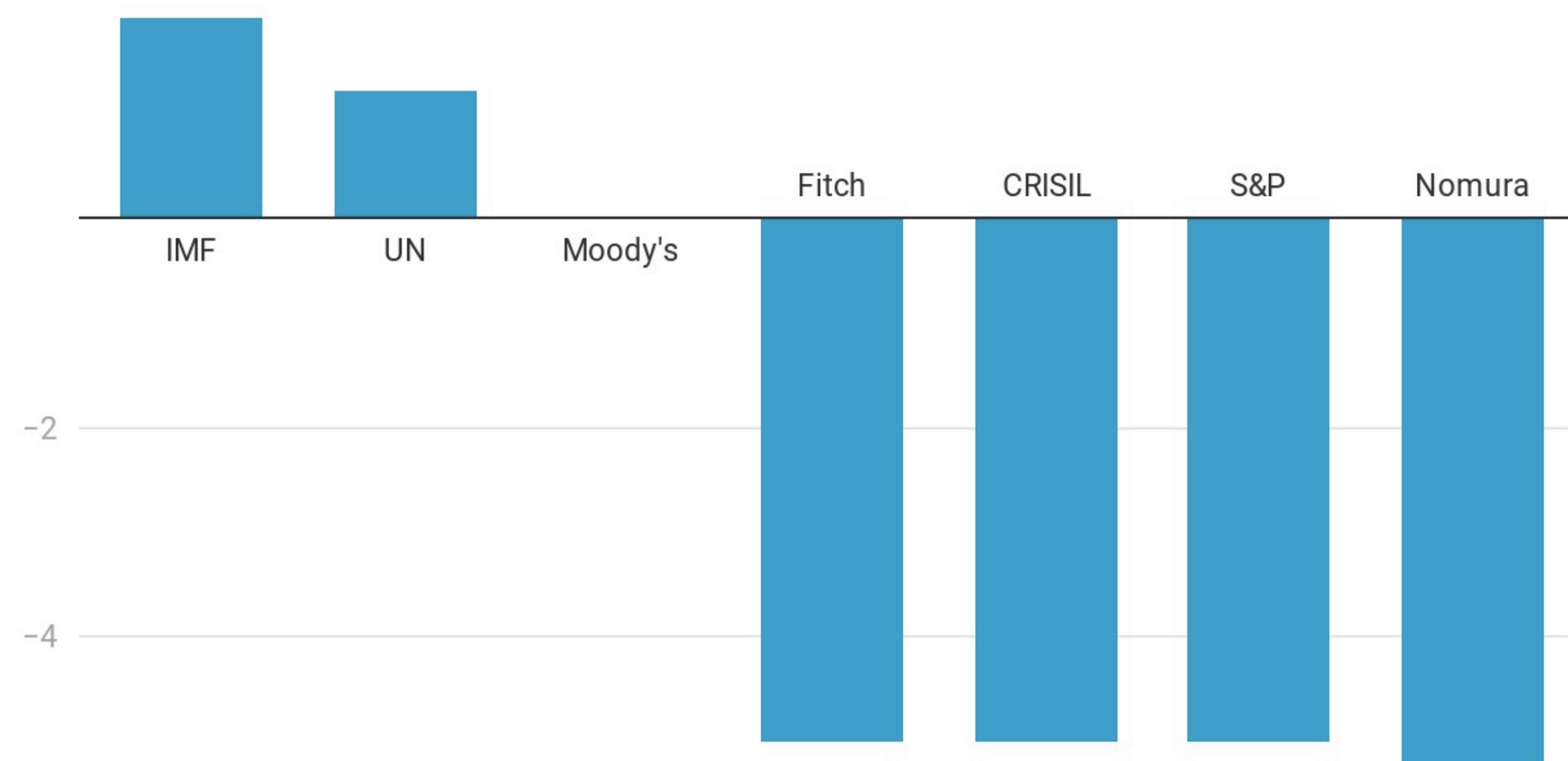
All recent forecasts point towards a deep economic recession in 2020-21, contrary to the initial projections of the IMF; It may turn out to even deeper than the current projections because of the weak fiscal response

India's GDP Growth Rate in Constant Prices (Y-o-Y)



Source: National Statistical Office, MoSPI, May 2020 release

Projected GDP Growth rate in 2020-21 (%)

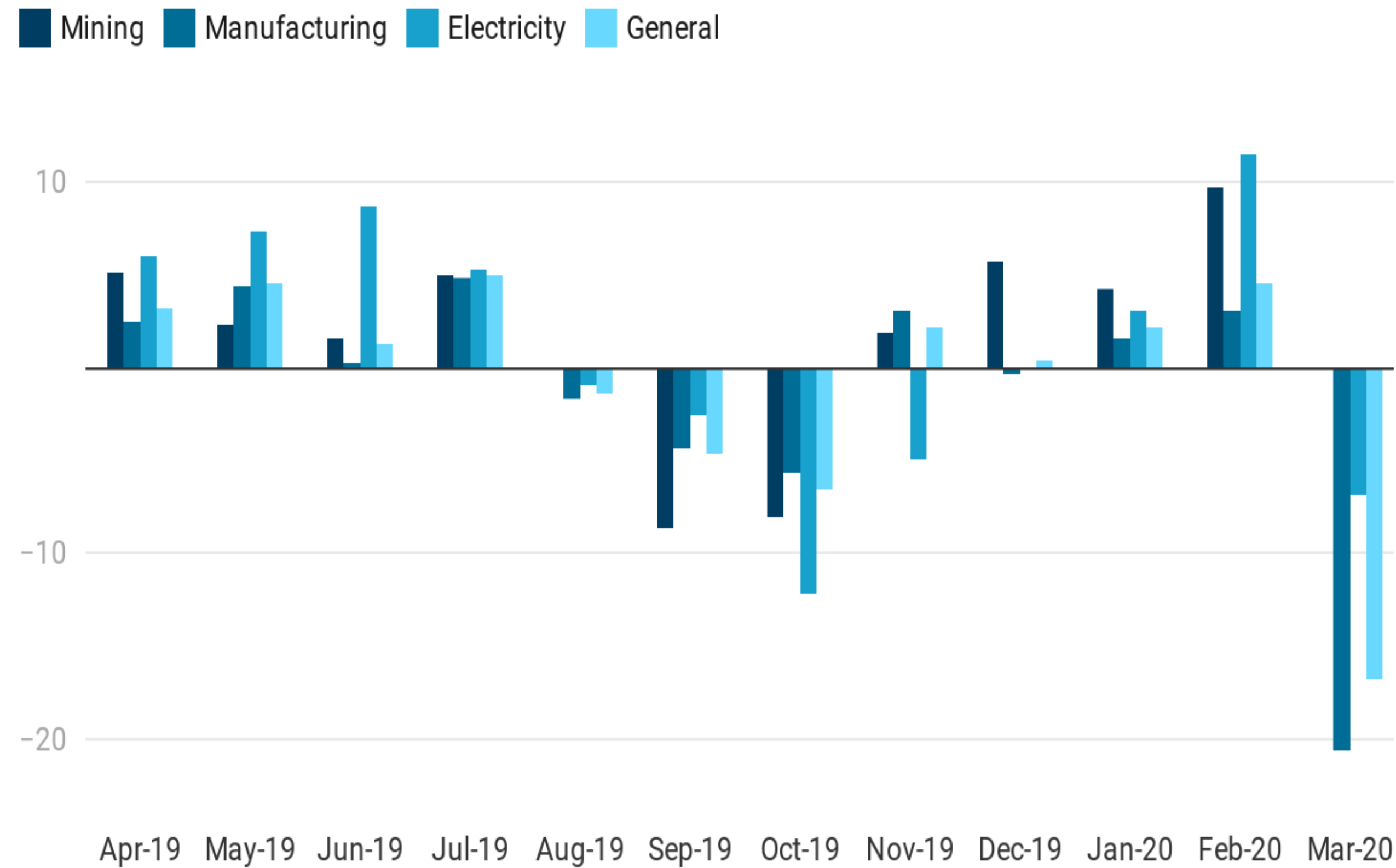


Source: Business Standard & Economic Times, Various Issues • Created with Datawrapper

Depressed domestic and global demand conditions

IIP fell sharply in March 2020 across sectors

Sectoral growth rates of IIP (%)

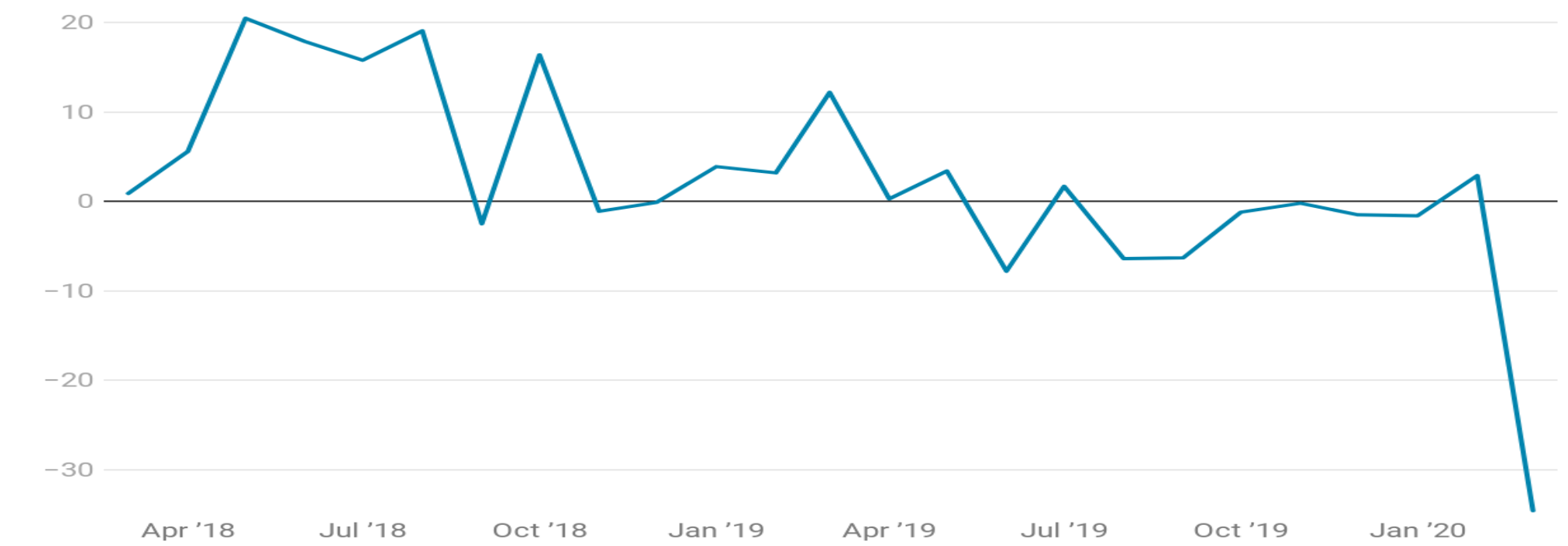


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Source: National Statistical Office, MoSPI

Export growth collapsed

Y-o-Y export growth rate (%)



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Credit growth remained subdued

Y-o-Y credit growth rate (%)

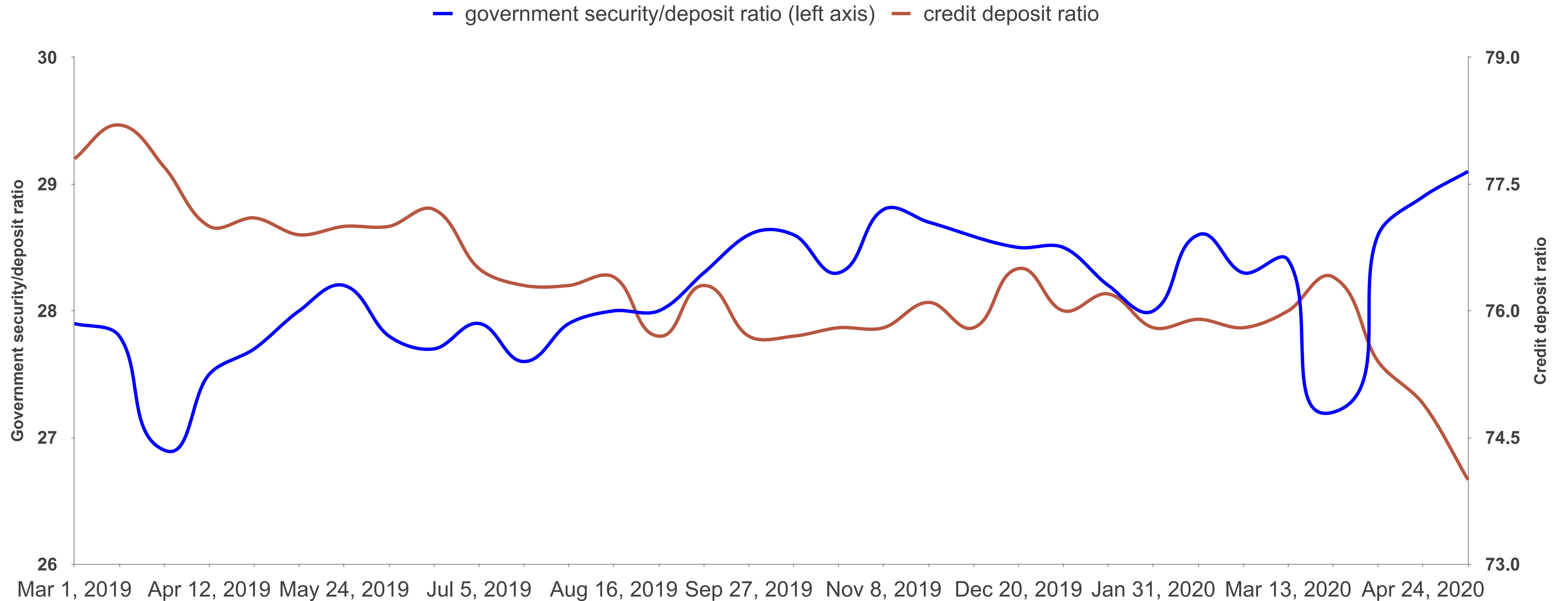


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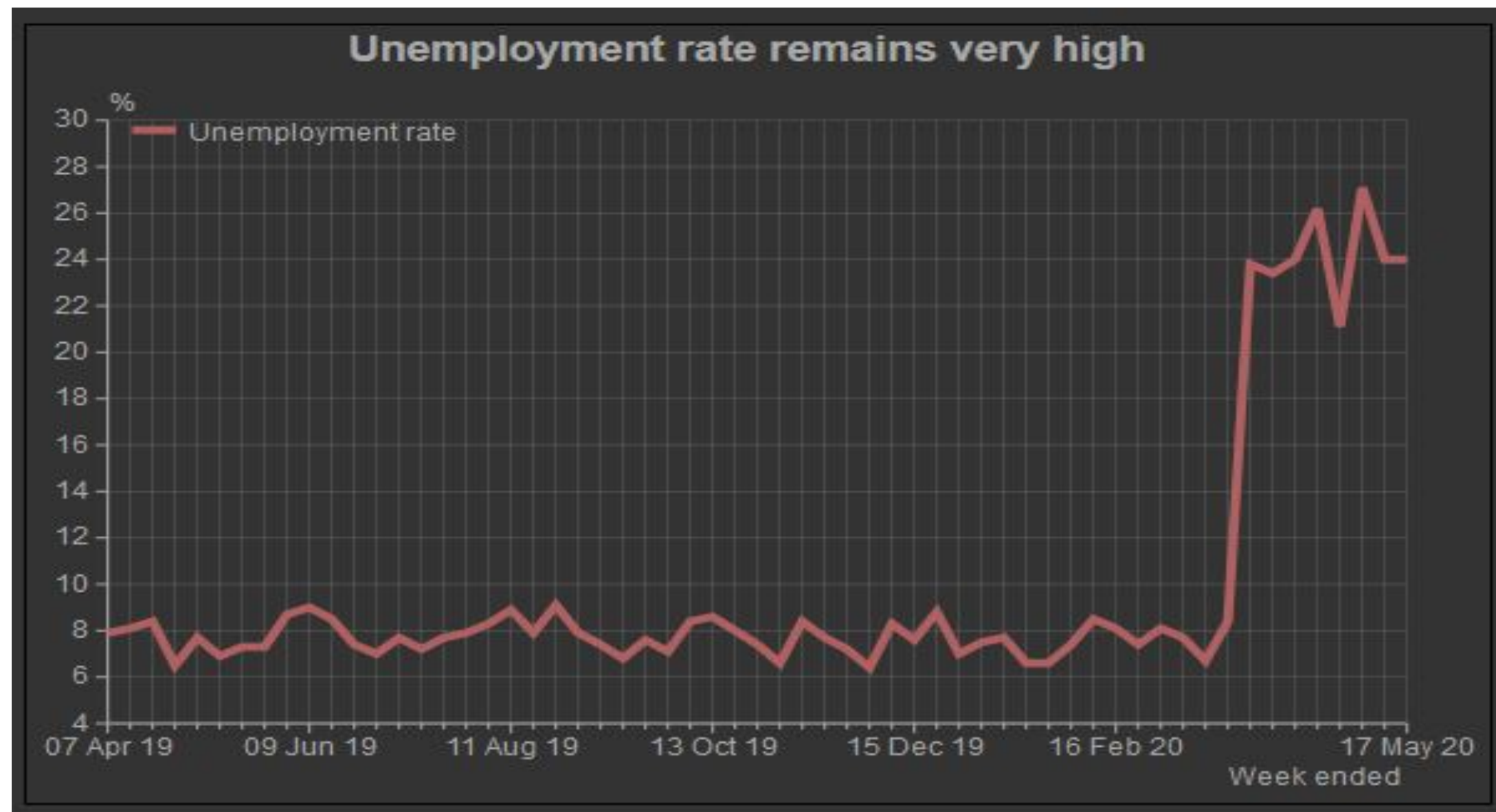
Source: Database on Indian Economy, RBI

Trapped in Liquidity

Banks investing more in safe government securities
More liquidity provision by the RBI is unlikely to be of much help



Source: Database on Indian Economy, RBI



Unprecedented levels of unemployment
Falling real rural wages
Inadequate MGNREGA allocation
Massive public expenditure required

Source: 'Hard times ahead', Vyas (2020), CMIE

Active MGNREGA job cards
7.86 crore

Total job cards issued
13.91 crore

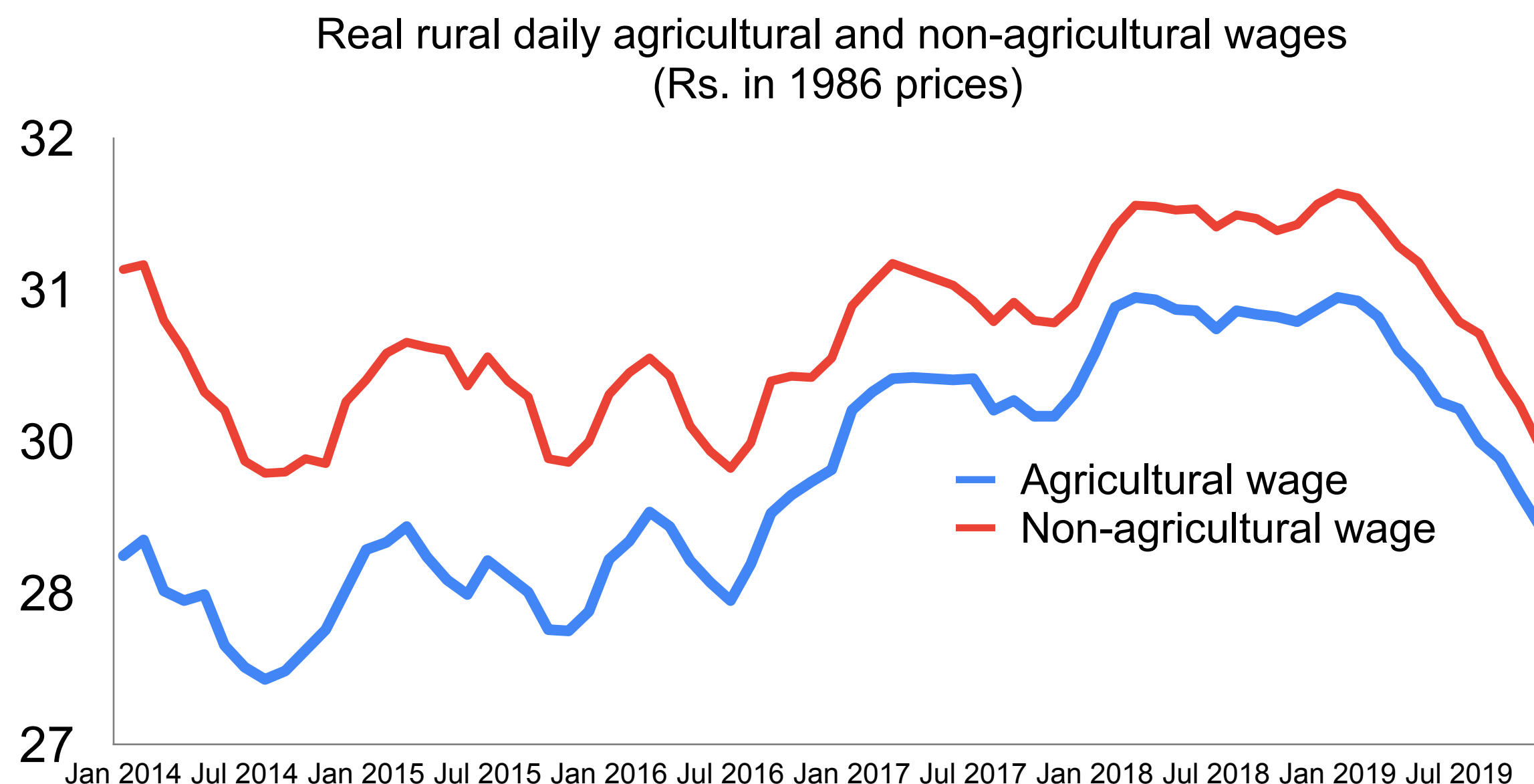
Total amount needed to provide 100 days of work to
13.91 crore people at Rs 202 per day

Rs. 2.8 lakh crore

Total amount needed to provide 200 days of work to
13.91 crore people at Rs 202 per day

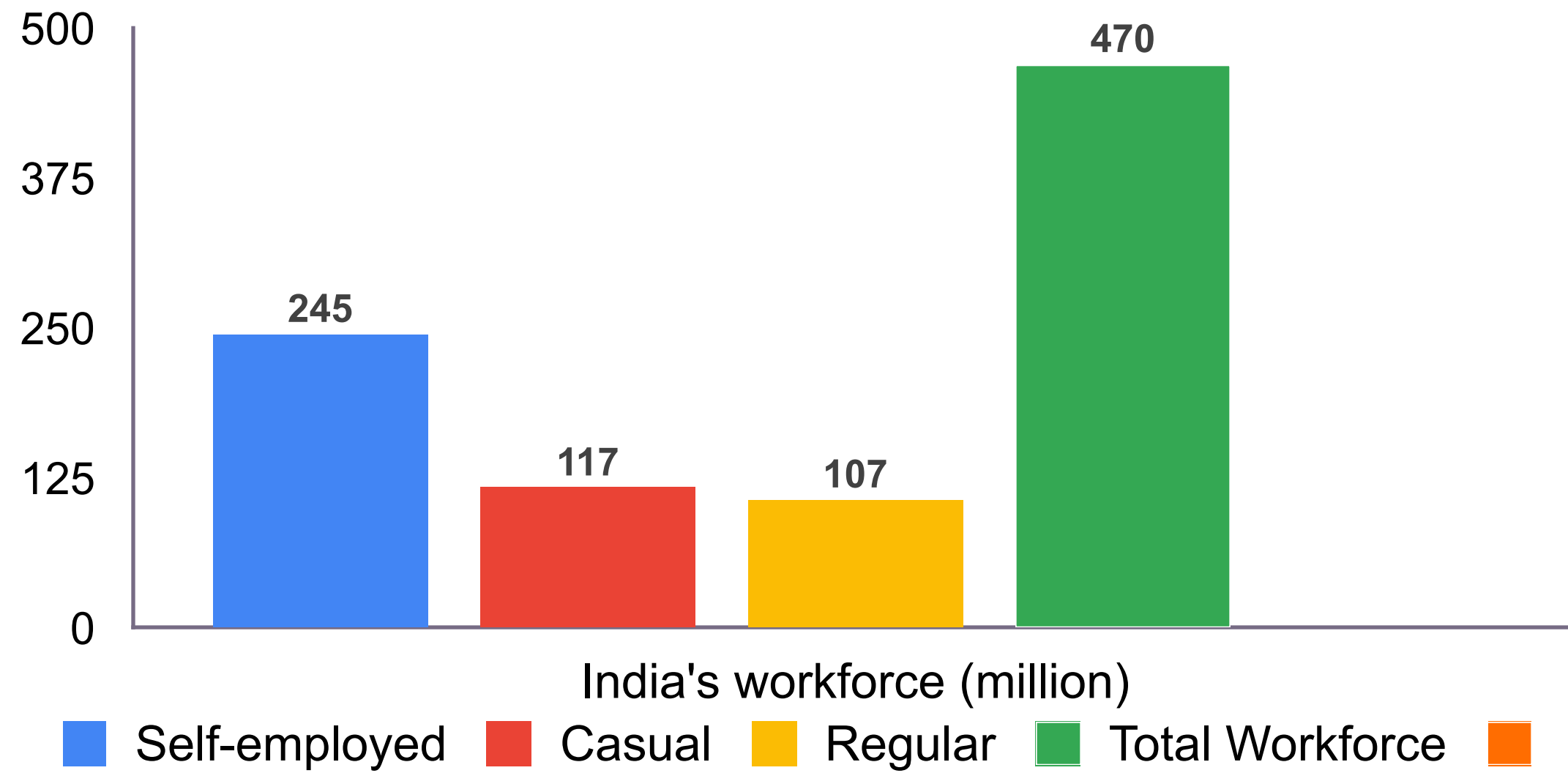
Rs. 5.6 lakh crore

Current MGNREGA allocation
Rs. 1 lakh crore



Source: Calculated using Labour Bureau, WRR series, deflated using CPI AL

India's workforce (millions)

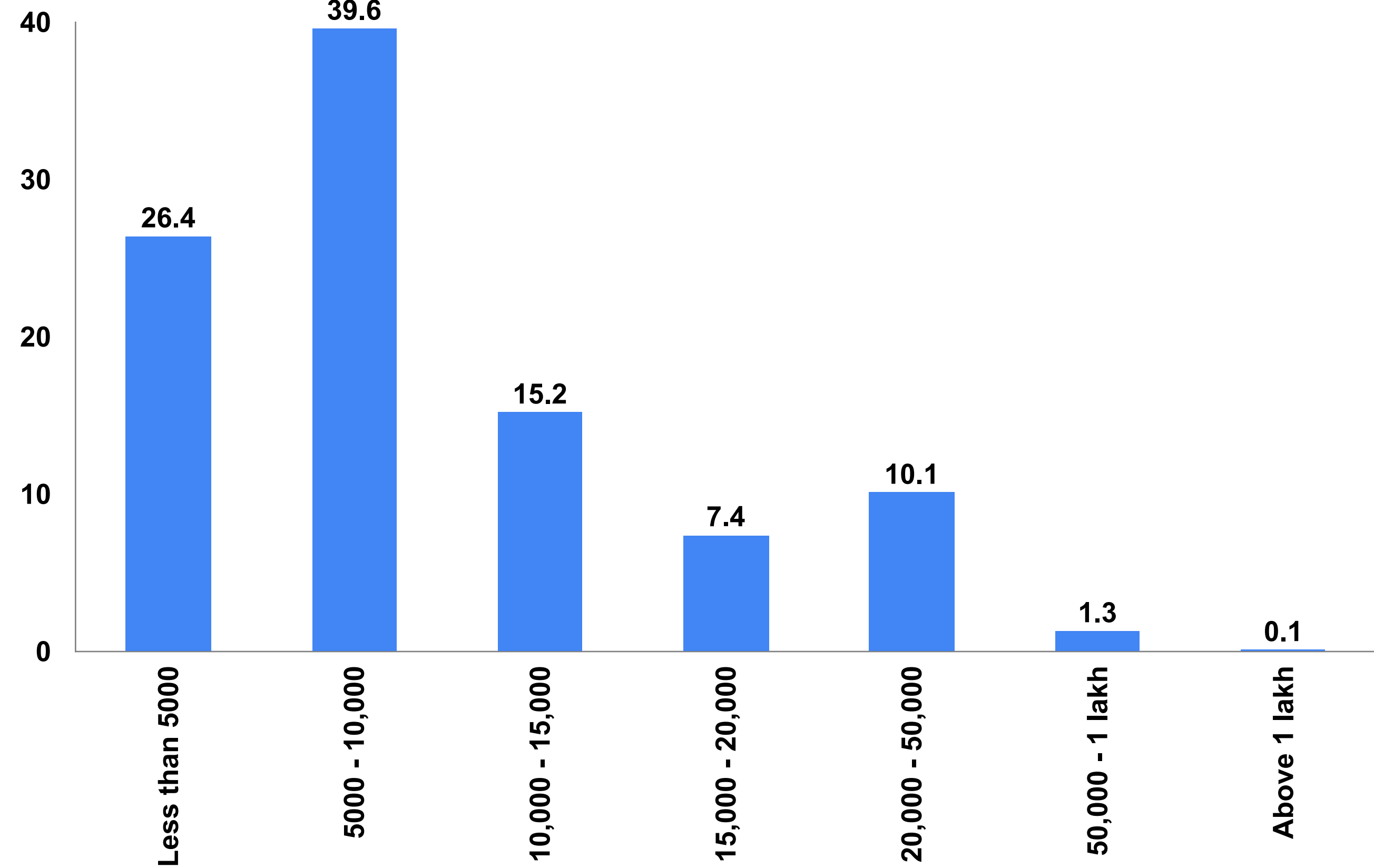


81% of India's workforce earned less than Rs. 15000 per month

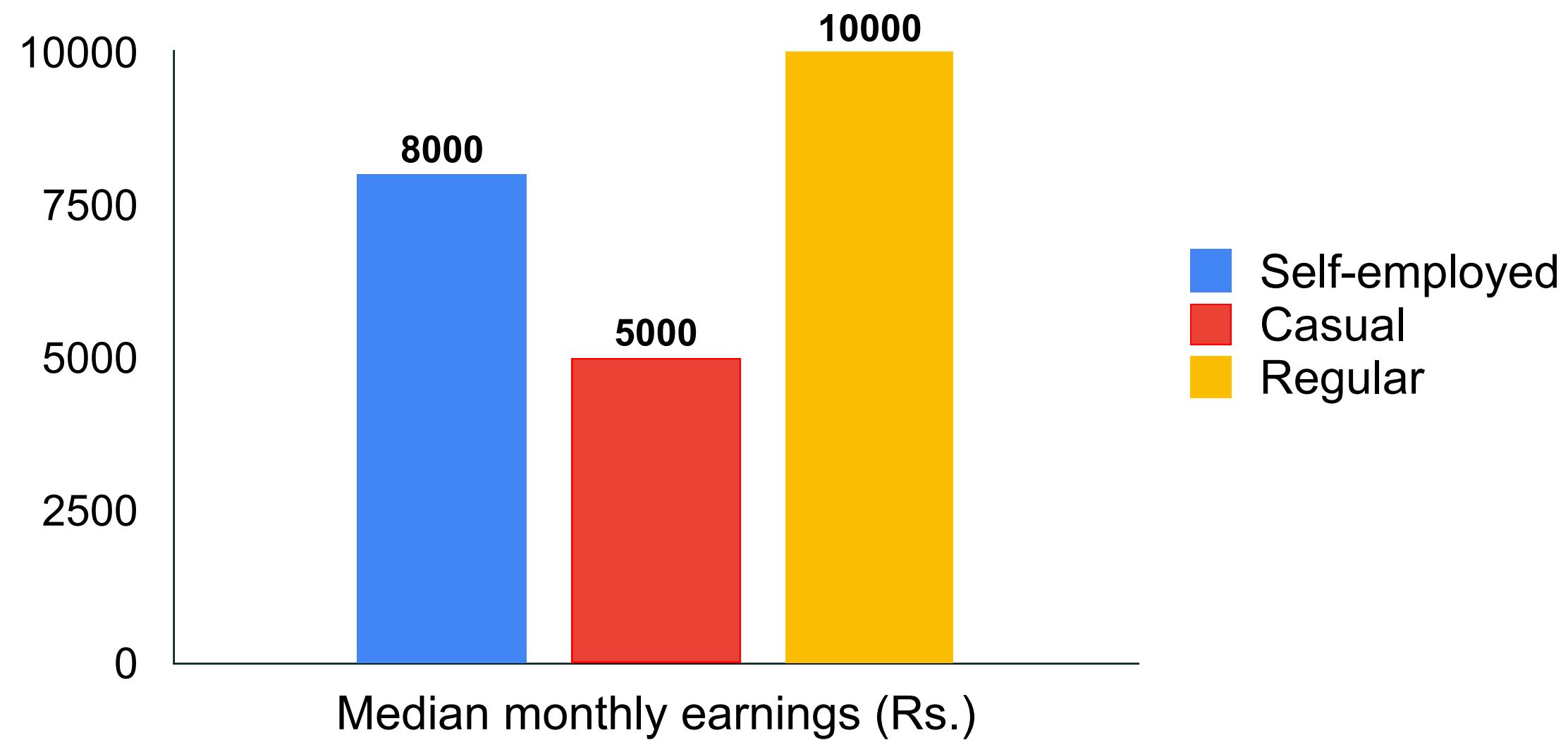
Median Monthly Incomes: Regular - Rs 10000;

Self-employed - Rs. 8000; Casual - Rs 5000

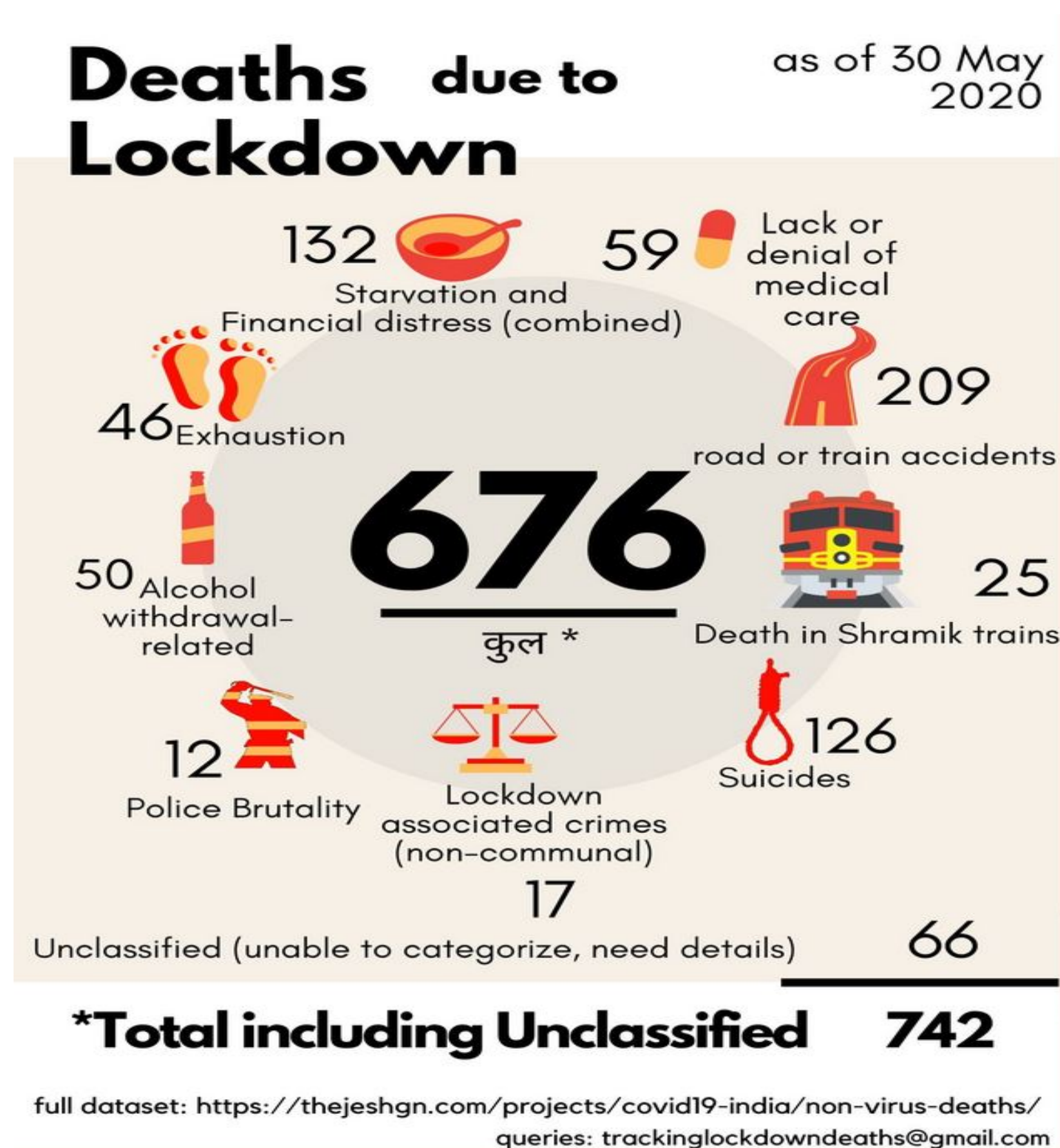
Proportion of workers by earnings slabs (%)



Median monthly earnings (Rs.)



Humanitarian Crisis for migrant workers



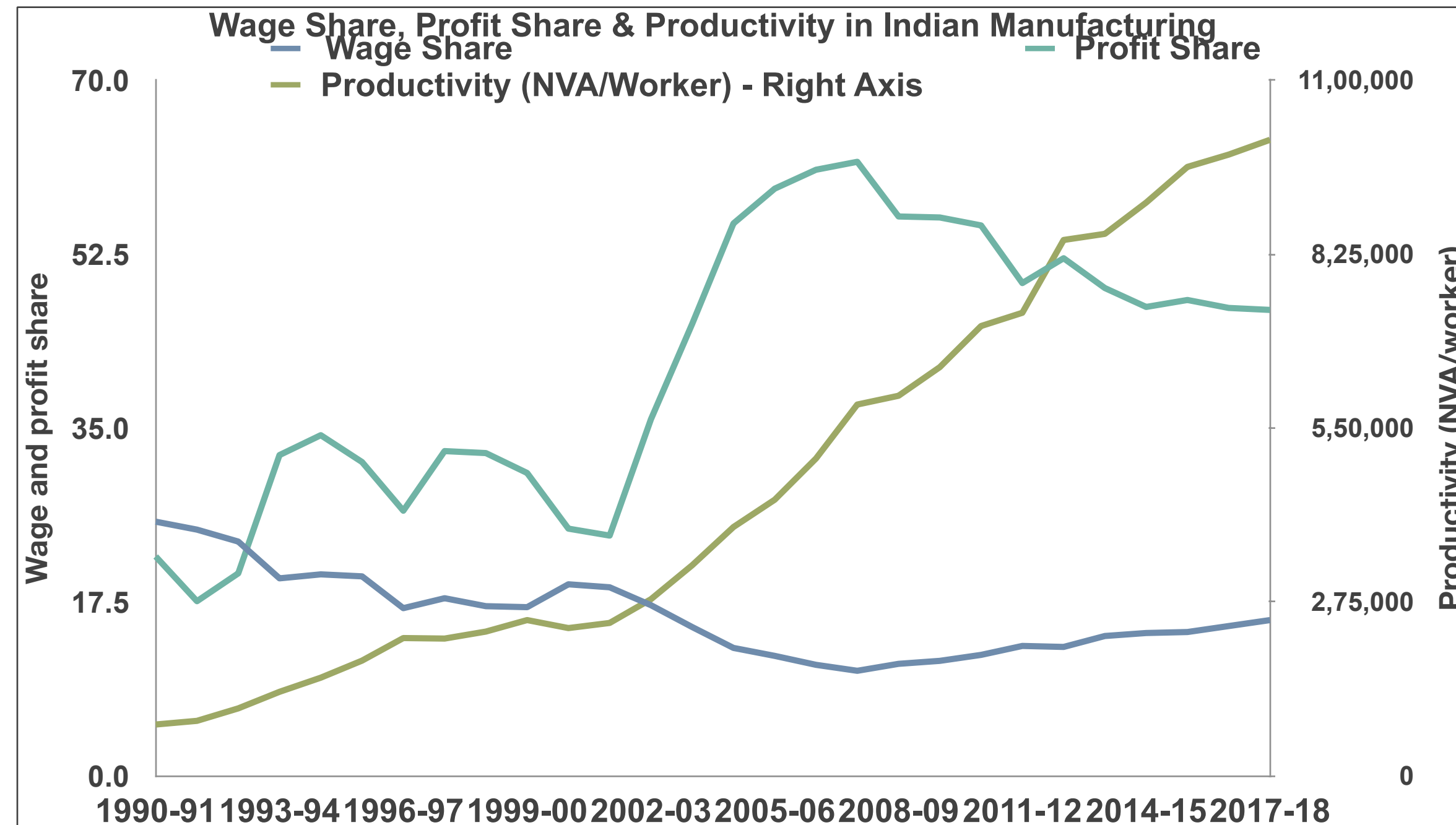
Source: https://twitter.com/_kanikas_/status/1266780095265505281/photo/

	Proportion of stranded workers who reached out to SWAN network on 26 April 2020 (%)
Not received rations from government	81.6
Not received cooked food from any source	68.2
Having less than 1 day of rations	49.9
Making SOS calls with no food or money	46.3
Not been paid during the lockdown	78.0

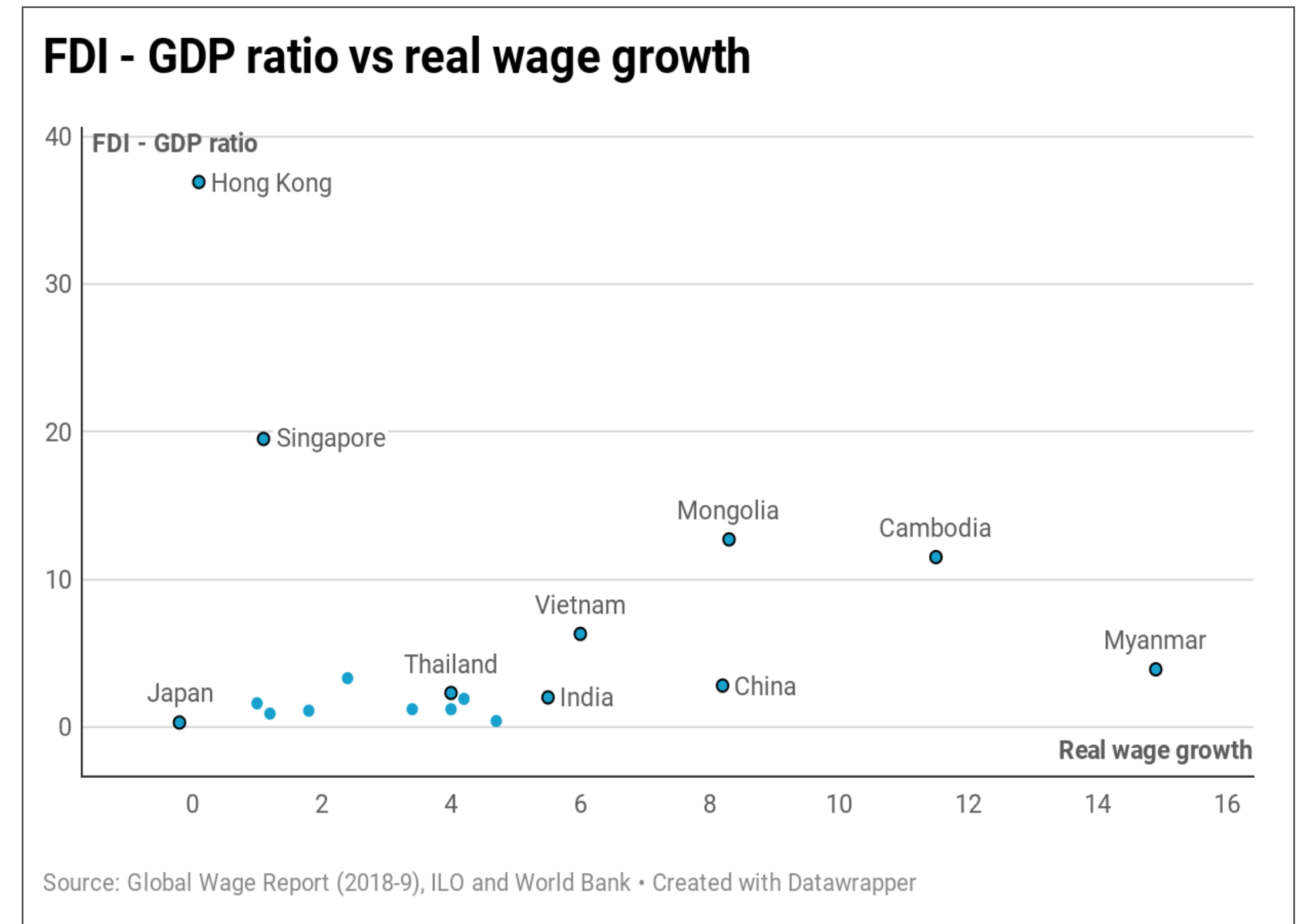
Source: Stranded Workers Action Network (2020)

Attacking labour at a time of unprecedented crisis

BJP-led governments of UP, Haryana and MP have moved to suspend labour laws and increase working hours
The aim is to suppress real wages in order to “attract FDI”



Source: Annual Survey of Industries



Source: Global Wage Report (2018-9), ILO and World Bank • Created with Datawrapper

Data shows falling wage share despite rising productivity in organised manufacturing sector
No evidence to show that FDI chases lower real wages, especially in South Asia or the ASEAN

What the Government Could Have Done, or Can Do Even Now, to Mitigate the Crisis

Announce a Substantive Fiscal Stimulus Package of at least Rs. 10 lakh crore, i.e. 5% of GDP in order to ensure:

Short Term

- ❖ ***Food for all:*** Universalize PDS and provide Free Cereals, Pulses and Cooking Oil to All for 6 Months
- ❖ ***Income for all:*** Make cash payments of Rs. 15,000 to the bottom 80% of households as compensation for lost incomes during the 75 days lockdown
- ❖ ***Work for all:*** Expand employment guarantee to urban areas, include agricultural work under MGNREGA
- ❖ 200 days of work for ***all including returned migrants***, pay cash wages at worksites & pay full wages to job card holders for lockdown period

What the Government Could Have Done, or Can Do Even Now, to Mitigate the Crisis (Contd.)

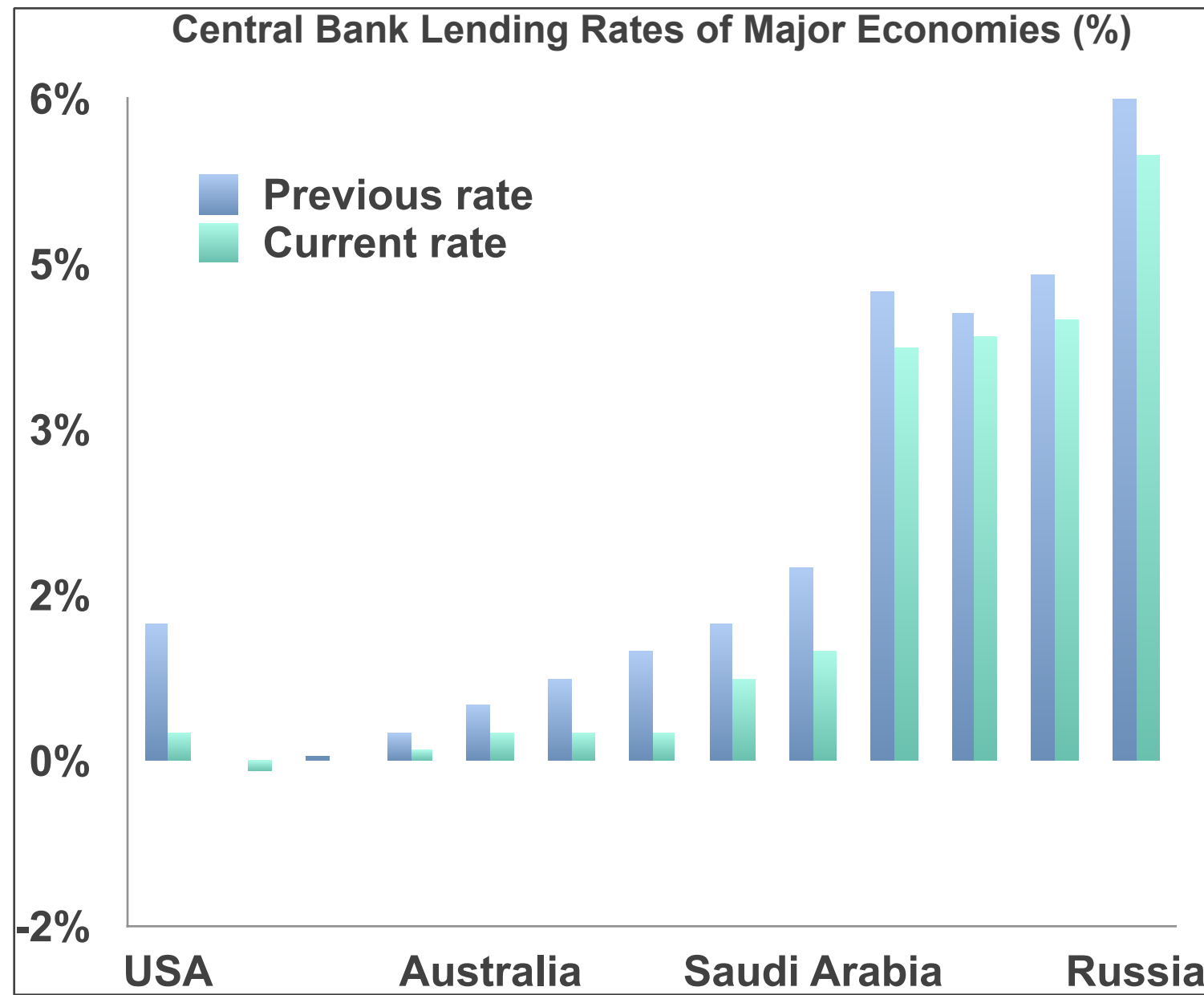
Short Term

- ❖ **Suspend** FRBM targets both for the Centre & States; Issue special Covid-Bonds for low-interest public borrowing
- ❖ Increase Central **Transfers** to the States without any conditionalities
- ❖ **Monetise** the Central **Fiscal Deficit** if required

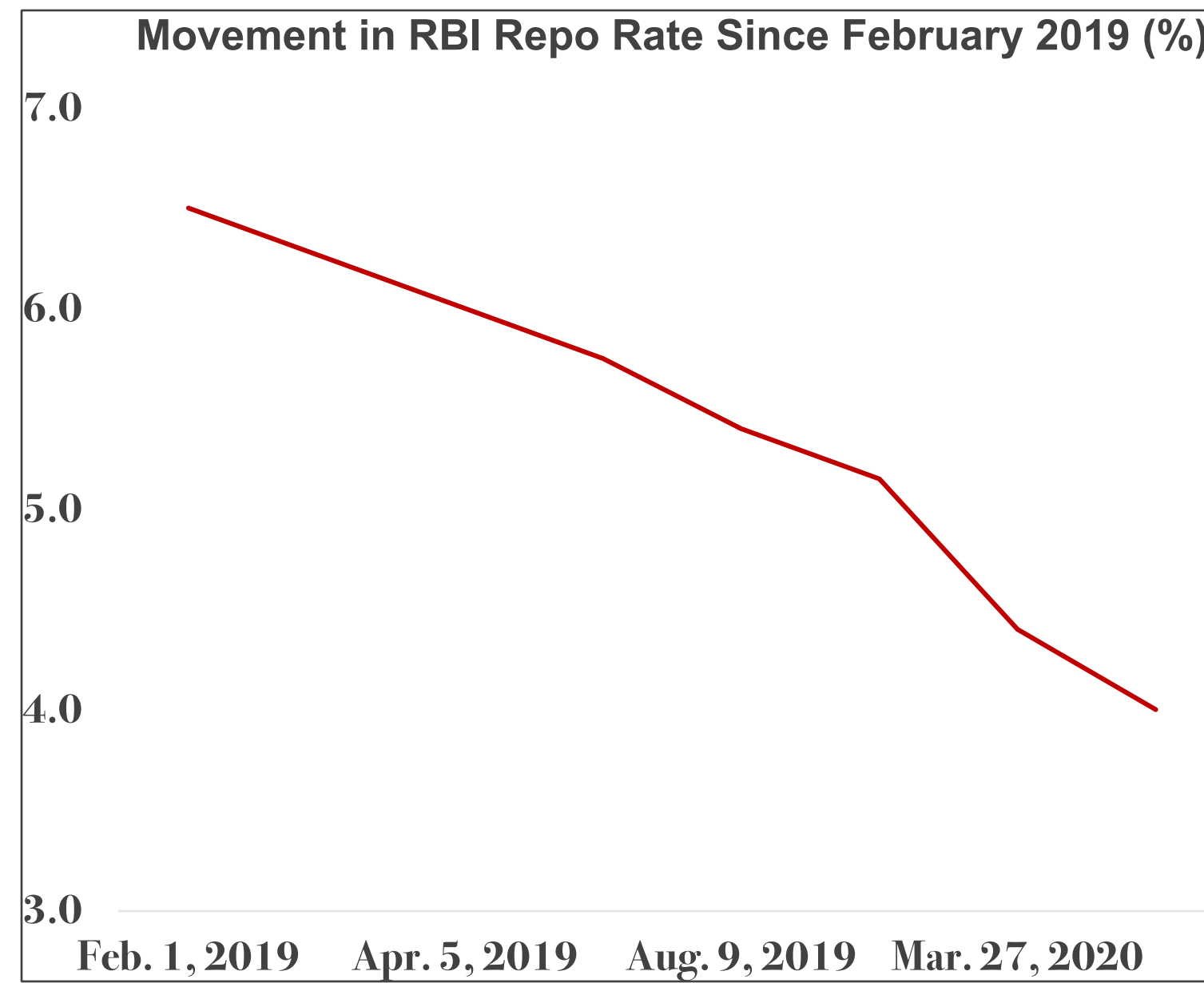
Medium/Long Term

- ❖ Invest in Public Health and Improve Regulation of Private Health Sector
- ❖ Invest in Domestic Manufacturing and Green Technologies
- ❖ Invest in Physical & Social Infrastructure
- ❖ Restore previous corporate tax rates, Introduce a wealth tax

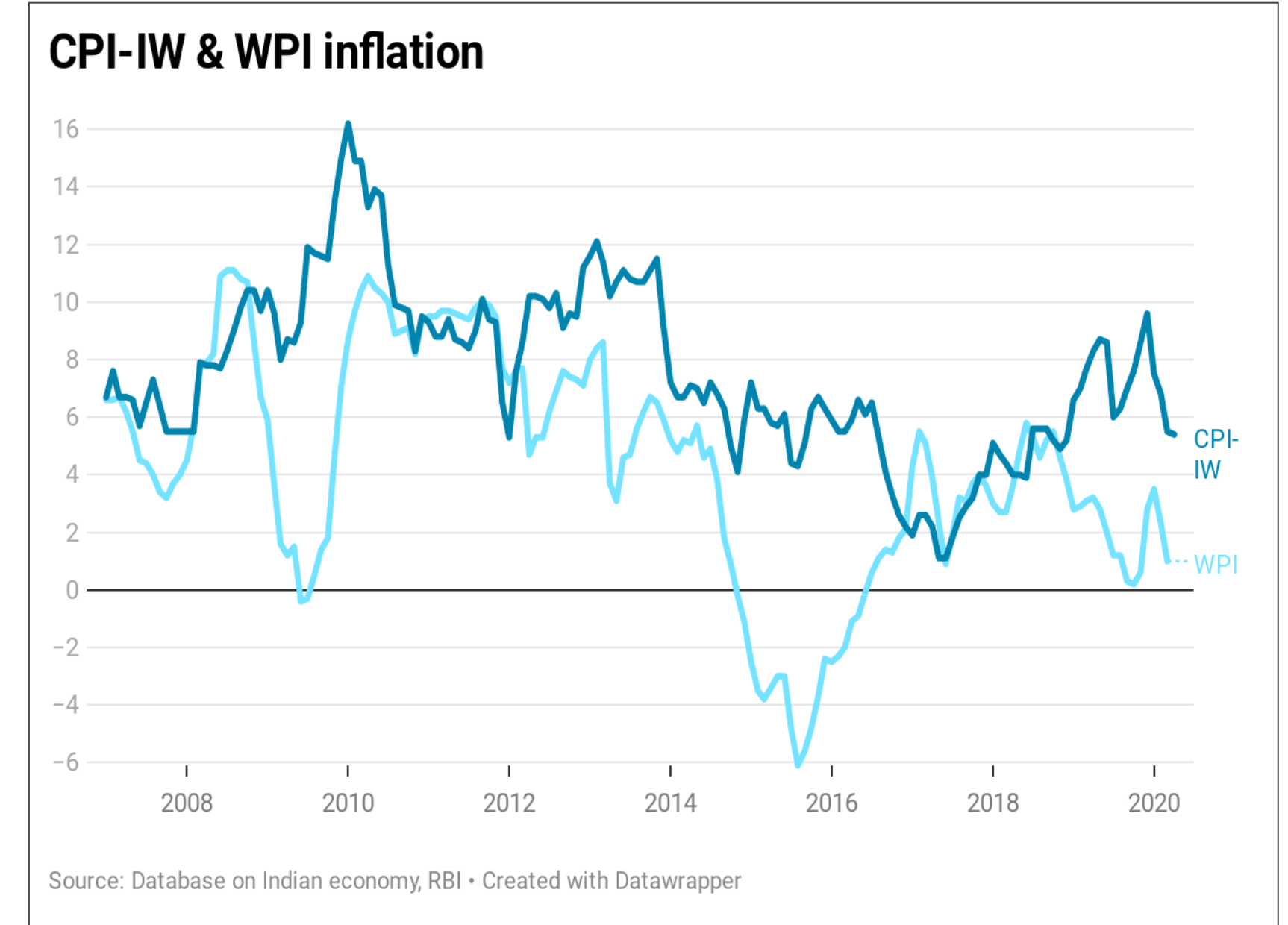
At a time when interest rates are being cut by central banks across the globe, including by the RBI, and inflation in India is showing a downward trend...



Source: global-rates.com



Source: Reserve Bank of India



Source: Database on Indian Economy, RBI

What exactly is the argument against expanding the fiscal deficit to stimulate a recession-struck economy in the short-term?

There's none!

Once the economy is revived and positive growth restored in the medium run, taxes on profits, income and wealth can be increased to improve the fiscal balance

**Reject Irrational, Neoliberal, Counter-productive Policies!
Support Progressive Economic Policies to Mitigate the Twin Crises!**

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