

## 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 their 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**