

## The Deepening Crisis of the Indian Economy – A Video Presentation

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This is a [VIDEO Presentation\[from 15 minutes onwards\]](#)

(please start 15 minutes into the video)

It argues that unless the government and the RBI act fast, a major human crisis would unfold soon. Our policy makers messed up by ignoring the issue of migrant labour when they more than others are the labour force.

Moreover, by resorting to a territorial rather than a functional approach to restrictions and lockdowns, we missed the opportunity to capitalize on the six weeks of sacrifice made very early and generously to the PM's call.

The government continues to behave as if its finance ministry is run by accountants who cannot understand compositional effects. RBI too wants banks to do social service, rather than come out with policies and actions that would solve the problem. Both refuse to understand that they need to work through policies and budgets, in the first instance.

The RBI also seems to not recognize that in a period of heightened uncertainty the demand for liquidity sky rockets, which is better served. Moratoriums, its favorite weapon thus far, is akin to a body burning its fat and protein reserves to generate calories! It multiplies the risks to the financial sector. As a result, the payments mechanism has been jolted. And we are close to where productive capacities would soon be lost.

This presentation builds on an earlier [paper](#) where a fiscal stimulus of 2.5% of GDP at the minimum had been suggested. The greater the delay the more the action, and the less effective they would be. The contingencies in the usual understanding of a target for the fiscal deficit need to be understood to free the mind from the bind of “fiscal space”. The role of liquidity in a world of capital movements where the “panic” flows to and from the US can have large consequences unless central banks of countries like India, take corrective measures is another aspect that requires deep appreciation in the initiatives of the RBI.

In this presentation on [YOUTUBE \[15 minutes onwards\]](#), I cover

1. The current situation using high frequency data
2. Bring out the situation of slow growth before the GCC, and the reasons in our policies and actions that brought them on
3. The impact of GCC as one can reasonably anticipate
4. What RBI and Government has done thus far on the macroeconomic side
5. And we offer a critique of the same to lead to what needs to be done including
  1. A cut in GST in sectors with high price elasticity and is discretionary (auto white goods etc.)

2. Massive employment guarantee like scheme (EGSs) in urban /Industrial Estate/ Cluster setting
3. Private participation in EGS
4. New areas for public investment including via PPPs in urban especially municipal infrastructure (water, sanitation)
5. Immediate lifting of the lockdowns and the zonal based “system” by default, and to a more functional restriction activity wise, with public and NGOs involvement to work out distanced modes of working and practices for construction, industry, and shopping.
6. Opening all e-tailing especially the larger ones since they can handle and COVID proof workplaces and delivery.
7. All factories irrespective of zones, to start operations, since “colored” zones serve nothing else but give a false sense of monitoring and control.