Tackling the Economic Crisis of Corona Outbreak & Macroeconomic Policy Packages

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Amidst the outbreak of COVID 19 India's immediate macroeconomic policy stance echoes the past famous slogan of self-reliant, import substitution, infant industry protection argument & local resource mobilization, MSME augmented development strategies. The present crisis of supply of sustainable health strategy as a public good to combat COVID-19 has made the world order in disarray in many dimensions. The important ones are not only social but also economic, political, environmental and ecological. Economic thinking to address this crisis caters in searching both demand and supply constraints in policy ambit. Production, consumption, distribution & mobility of products, labour, capital & resources have become concerning issues. The immediate solution is rooted in enhancing purchasing power as the situation is likely to pose under-consumption problem of demand recession. Thus, it has become essential to promote government consumption expenditure to restore economy in order. Regardless of the fact that solution lies either in consumption led or investment led or export led strategy, the ultimate success depends on right coordination of monetary and fiscal policy simulation. This crisis has also made GST dues. The expansionary policies may fuel fiscal deficit and inflation spiralling well. The million dollar question is does this on-going problem needs only short term government policy action? If the problem remedy needs medium and long term comprehensive policy program, how policy outcomes to be expected in the absence of development planning like five year plan and institutional setup like planning commission.

The immediate threat during the Covid-19 epidemic and afterwards is food crisis and unemployment. If people do not have enough food and money to satisfy the basic needs, the economic fallout would be enormous in terms of lossin production, income and employment which would have serious implications for food crisis. The effects of the lockdown due to COVID-19 loomed large the agro-food economy crisis as impinged uncertainties on India's food supply chains, which essentially links households and labour market for both rural and urban areas. The surprising reality is that the Indian food economy is managed predominantly by the private sector while the government sector plays a relatively small direct role via its public distribution system. India is very heterogeneous in terms of developmental levels across states and even within the states. Millions of informal sector workers are daily or weekly commuting. If health risks problems are transformed into income and employment risks due to immobility restrictions, that may likely to cause disruptions in food supply chains, putting food security at risk as would have massive impact on incomes and jobs and high transaction costs creating economic hardship for both farm and non-farm sectors. The other impending contagious may be the risks of geopolitical and socio-political tensions as well. The crisis brings unprecedented cash flow problem into the economy. It demands injections of liquidity to pump in the purchasing power so that resource utilization is to work till economy recovered from pessimism.

The development strategy is slated to be self-reliant by reviving MSME to spur growth momentum creating local brand to be globally competent and not insulating from the world economy as is vowed in the very recent announcements of the Prime Minister and the Finance Minister. In response to immediate policy challenge, the Government of India announced a fiscal stimulus package nearly 10% of the annual GDP of the central government's annual budget in in 2020-21, which is claimed to be worth around Rupees 20 lac crore aimed at ensuring access to food and cash for the MSME, the poor and the vulnerable sections. There has been announced an enormous favourable provisions and clauses to extend the purview of MSME sector in terms of investment and turn-over criterion, easing credit and debt capital, liquidity infusion and reliefs, direct cash transfers, moratorium, waving, subsidy, agglomeration and extending threshold global tender limit compared to earlier. The various components of this special fiscal package also touch upon with some positivity the scheme for microfinance, NBFCs, Housing Finance Corporation, investment companies, goods and service market, road, transport, construction works, real estate, businessmen and fixed salaried. Meeting this crisis situation also requires a biggest stimulus from the on-going government schemes like PMGKY, MGNREGA and PMJDY to bring target group beneficiary ensuring reliefs and food security. Fiscal stimulus package has been to increase public spending through enhancing government purchases through impacting MSME sector to revive growth trajectory. To manage the special cash package relief, the combo fiscal-monetary policy simulation seems to have been the tool. From the Finance Minister's and other ministerial speech, we have noticed that it has been vividly pronounced that government is supposed to be guaranteeing the debt papers or commercial papers unlike equities while MSMEs are believed to be issuing. Thus we like buyers of those debt papers are expected to be the major source of financing that mammoth amount of special cash relief package. The basic purpose in order to get wriggle out from this trap seems to have been surfaced to increase effective aggregate demand combining both fiscal and monetary channels from the demand side. And from supply side wage revision, employment generation, export optimism and liquidity infusion have been the components of the target to steady the labour market. The approval of special fiscal stimulus package as an immediate policy challenge seems to have been based on zero coupon bond-financed deficit financing argument. If this special cash relief is managed from international capital market, interest-growth differential over time would determine our future prospects and the sustainability of the vulnerable. The moot problem lies here also in the gap between gross domestic investment and gross domestic savings and their mobilization, monitoring and thereby management. Let's better wait to see how the time bringing a better future elapsing the on-going hard and bad times, because this is too early to foresee what will happen even in near future.