

MY VIEW | VOX HETERODOX

The economy is a mess: Can the government do anything?

If it stays in denial mode, the economy risks slipping into secular stagnation from which it will find it hard to extricate itself



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Good news about the economy is rare. It is mostly bad news, which is getting worse. Growth in gross domestic product (GDP) has declined for six consecutive quarters. It plummeted to a low of 4.5% during July-September 2019, the lowest in 26 quarters since March 2013. There is a sharp slowdown across sectors. Compared with July-September 2018, growth dropped from 4.9% to 2.1% in agriculture, from 8.7% to 3.6% in utilities, from 8.5% to 3.3% in construction, and from 6.9% to 1% in manufacturing. Growth also declined significantly, though not as sharply, in services. In the core sectors of coal, crude oil, natural gas, petroleum products, fertilizers, steel, cement, and electricity, which account for 40% of industrial production, growth plunged from 5.4% to 0.8%. The consequences on the demand side are no surprise. Growth in private final consumption expenditure, in real terms, fell from 9.8% to 5.1%.

Alas, the bad news extends much beyond these dismal statistics. The unemployment rate, always high among the educated, is much higher, while the poor in rural India are experiencing diminishing employment opportunities and stagnant real wages. The financial sector is a mess. The amount of bad loans is huge. Banks are reluctant to lend for fear of default. Investor sentiment and business confidence have sunk to a low. The government may have accentuated the problem. The fear of harassment by tax authorities and enforcement agencies, through often arbitrary and selective actions, has intimidated businesses. There is a policy paralysis. Civil servants seem not to have the courage to speak the truth to those in power.

The government appears in denial mode. The finance minister says that the economy is not yet in a recession. Spokespersons never tire of stating that the fundamentals of the economy are strong and a revival in growth is around the corner. An ostrich can bury its head in the sand, but governments simply cannot. The quiet crisis, which has been mounting for some time, is visible and could soon be audible. Indeed, the state of the economy, which has begun to hurt and will inevitably impose a disproportionate burden on the poor, is bound to have political consequences.

The origins of the problem go back in time. The economic slowdown, which surfaced in 2011-12 to gather momentum in 2016-17, was ignored rather than being addressed by successive governments that hoped it would go away.

The enormous opportunity created by the sharp drop in world oil prices in 2014, followed by a downturn in world commodity prices, was entirely lost by the high interest rates that strangled investment and the strong exchange rate that stifled exports. Obsessive concerns about the fiscal deficit

meant that counter-cyclical macroeconomic policies to stimulate consumption and investment were ruled out.

The persistent slowdown was exacerbated further by two shocks that the economy was subjected to. Demonetization in November 2016 dealt a severe blow to rural India, the informal sector, construction activities, and small businesses, with negative consequences for output and employment that persisted in the medium-term. The goods and services tax (GST), a good idea but introduced hastily in July 2017, was flawed in conception with its

multiplicity of rates and poor design made up of complex procedures. The preparation was grossly inadequate in the government for implementation and in the economy for complicity. This dampened economic activity. The consequent shortfall in revenues was inevitable.

Attempts to revive growth from the supply-side are concentrated in physical infrastructure. The proposed investment falls far short of our needs. Government expenditure (Centre plus states) on education and health as a proportion of GDP is almost the same as it was a decade earlier and is woefully inadequate. However, public provision of education and healthcare is essential, not only for the well-being of people, but also for sustaining economic growth, a fact that is just not recognized. This needs correction here and now, even if the benefits accrue with a time lag.

In the short run, the only path to reviving growth lies on the demand side. In any economy, there are four components of aggregate demand: private

consumption expenditure, private investment, net exports, and government expenditure (on consumption plus investment). Private consumption expenditure is based on incomes, which in turn depend on growth. Under normal circumstances, private investment depends on the expected rate of return as compared to the interest rate, but in a situation where there is uncertainty and fear, the restoration of investor confidence is imperative. The needed correctives require the government to act. For any given level of imports, net exports are determined by the quantum of exports of goods

and services. Our export performance is poor. The value of total exports at current prices has stagnated in the range of \$300 billion for the past six years, while the share of exports in GDP has dropped from 17% to 12%. The government needs to act on the exchange rate and infrastructure constraints or procedural complexities that dampen exports.

Stepping up government expenditure on consumption and investment is the only answer. Its multiplier effects on private consumption and stimulus to private investment

will revive economic growth from the demand side. Fiscal loosening, through rural employment guarantee expenditure (NREGA), Mudra disbursements or GST rate cuts are all possibilities at a time when inflation is low.

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ing occasionally into my email during my months off, all the while knowing I could happily switch off whenever I wanted to? Soon, the baby was awake more and the customary first injections were over, and it was time to take her out of the oppressive Delhi heat. Baby, dog, nanny, husband—all bundled up to take trains, planes, and long drives, and we had a wonderful time at a rented home in the hills. I was lucky enough to get the baby out of the Delhi air a second time—to Goa, for a little longer, just before my maternity leave ended.

Being taken out of the trenches and transplanted into a baby bubble is a really strange experience. I wasn't just working—I was working all the time. Till I got home from the hospital, for me, productivity was measured documents, panels, team meetings and coffee cups. So, despite my initial apprehension, I got completely absorbed with baby, baby and dog, dog and baby... and my iPhone kept telling me my weekly screen time was going down.

I might not have ever come back from Goa had my boss not pinged me a few weeks before to tell me that he'd recommended me for a programme at Stanford. The tricky part was it would be my first day back at work—in

the US, no less. Of course, I didn't need to take it on right now if I wasn't ready to leave the baby, but he didn't want to assume I wouldn't. He was right. I had spent six months in the baby bubble, but I was slowly getting ready to return to the real world. And the programme seemed worth that effort. The company seemed worth the effort. My husband and my family were beyond supportive—a family calendar was made to keep the baby well entertained so that she wouldn't miss me, and with regular FaceTime, she really didn't.

I am back at work. Truly, I had been oblivious to the responsibility-ridden parallel lives working moms have at home. A recent report by Avtar called *Second Careers of Women Professionals: The India Story*, suggests 35% of mid-career women who take breaks are on maternity leave. It's exceedingly easy to become a statistic that doesn't make it back.

But not me. Why? And I have a few thoughts about how easily that has come to be. First, there can be no question over a good-paid-maternity leave policy. To have five full months paid leave (actually, six, thanks to Indian law) ensured that I could enjoy my maternity leave with complete financial security and didn't feel the need to rush back to work. I know some people need longer, and I completely understand, but I'm thankful for the time I got. Second, the flexibility my company allows us on working from home has allowed me to calmly settle back in at the new frequency I'm oscillating at. More companies need to understand women can't really go from full-time baby care to a 9-to-5 office routine overnight.

The baby is finally interactive and it's tough missing her. We really should do for a smooth transition from full-time baby care to a regular work routine.

MINT CURATOR



A hunting scene painted on the wall of a cave in Indonesia.

AFP

The earliest example of human storytelling

In December 2017, Hamrullah, an archaeologist on an Indonesian government survey, was exploring a cave system in Sulawesi, a large island in central Indonesia. He noticed a tantalizing opening in the ceiling above him. A skilled spelunker, Hamrullah (who only uses one name, like many Indonesians) climbed through the gap into an uncharted chamber. There, he laid eyes on a painting that is upending our understanding of prehistoric humans. The dramatic panel of art, dating back at least 43,900 years, is "the oldest pictorial record of storytelling and the earliest figurative artwork in the world," a group of scientists said in a paper published in *Nature*, although additional research will be needed to confirm the age of every character in the painting.

The New York Times

An invisible border that still divides Germany

Thirty years after the fall of the Berlin Wall, an invisible border running through Germany continues to resist all efforts to make the country truly whole again. However, this dividing line is not about attitudes to democracy, refugees or Russia, but something more elementary: how to tell the time. In the northern half of the old West Germany, from Flensburg in the north down to Heidelberg in the south, people use the expression *viertel nach zehn* ("quarter past ten") if their clock reads 10.15. Yet in a tract of land that covers the old socialist GDR as well as parts of Bavaria and Baden-Württemberg, the same time would be described as *viertel elf* or "quarter eleven". With so much potential for failed meet-ups and missed appointments, one would have expected one variant to trump the other over time.

The Guardian

The truth about Ireland's sex-crazed sheep

Pharmaceutical company Pfizer has denied a bizarre claim that sheep went 'sex-mad for a week' when Viagra was spilled into an Irish harbour after the false report was spread online. The spoof report, initially published on satirical website *World News Daily Report*, claimed a Pfizer drug-manufacturing plant had accidentally spilled more than 755 tons of Viagra near Ringaskiddy, Ireland. The fictitious story then claimed shepherds across southern Ireland had noticed that their animals were behaving 'very strangely and were sexually overactive' as a result. Pfizer has since denied this is the case and confirmed the story stemmed from a 'fictitious report'. During an apparent interview with RTE One, one fictitious shepherd, 'Michael Murphy', was said to have described the animals as 'sex maniacs'.

Daily Mail

Birds of a feather need not tweet together

Twitter Inc plans to set up an independent research group to create an "open and decentralized" system for social networks, CEO Jack Dorsey said on Wednesday, which could relieve pressure on the company to appease critics of its content policies but also give rise to a new crop of competitors. The system, or "standard," would not be owned by any single private company, Dorsey said, and would enable individuals to use a variety of services to access the same network, just like they choose different email providers to see the same messages. Policing speech on social media sites has required hefty investments while still failing to stem criticism from users who find the policies either too aggressive or too lax. Twitter will fund the project, which will take many years to complete, but will not direct it, he said.

Reuters

Weinstein's \$45 million may not buy a let-off

After months of wrangling, infighting and uncertainty, a controversial \$45 million settlement was reached between Harvey Weinstein, his former film studio's board and several women who have accused the disgraced movie mogul of sexual misconduct, according to attorneys involved in the negotiations. A US Bankruptcy Court judge in Delaware still must formally approve a deal that would bring an end to one chapter of the scandal that rocked the entertainment industry, decimated Weinstein Co. and propelled #MeToo into a global movement. The tentative settlement does not, however, resolve a separate criminal case against Weinstein in New York over multiple accusations of sexual assault. That criminal case will go to trial next month.

The Sydney Morning Herald

MY VIEW | PEN DRIVE

When a bump makes you size up a corporate policy

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Maternity leave is a strange time. My growing bump had accompanied me to beach holidays, government buildings, and even made it up the stairs of Humayun's Tomb in Delhi. However, all of a sudden, I was unable to get up off my recliner and, before I knew it, I was back in the recliner, with baby in tow. My colleagues were amazingly respectful of this time off, and no doubt I needed it, but I went from being on my laptop, phone and Twitter feed almost 24/7 to this strange digital decline. I didn't need the internet for *work*, but my gadget became a sort of lifeline between feelings and the tsunami of content available for new mothers. I discovered the world of YouTube mommy-bloggers who sliced your baby-raising experience product review by product review, and tonnes of Instagram accounts that served as daily affirmations for new moms not to feel guilty for wanting some time off. Can I admit I enjoyed Twitter simply as a user and I enjoyed peek-

ing occasionally into my email during my months off, all the while knowing I could happily switch off whenever I wanted to?

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just because you've had a baby, you wouldn't want to maximize an opportunity even if it's out of town (or the country). All they need to do is ask.

So now I'm part of a community of women who have returned to work and are now crafting a new normal. Stella has long gatecrashed work video calls. Baby M has already shown signs of copying her big sister. However, another secret of success, the sisterhood (or should I be calling it the motherhood), is what keeps you going. I don't think I was quite prepared for the stillness of maternity leave, but colleagues did warn me. The terrible isolation of the early days of nursing was made easier by known unknowns across social media who shared their own stories. The family members who knowingly took the baby from me and insisted I get out of the house for a meal (for that I thank them, but in Delhi's 46 degrees, it is honestly just better to stay home). The kindness of the professional ecosystem that waits for your return and then enthusiastically says "Thank god, you're back!"

The truth is, you don't just make a new little bump, a little bump makes a new you. The workplace can be a direct beneficiary of this evolution if it just learns how.