

OUR VIEW

MY VIEW | HERE, THERE, EVERYWHERE



Ease legal constraints on fiscal expenditure

A few tweaks of the law must go alongside calculations of a stimulus package designed to relieve economic distress. The government should act on these quickly to save the day

The longer the Centre dithers over a big-bang fiscal package to counter the adverse economic fallout of covid-19, the closer it risks pushing India's economy to the precipice of disaster. The nationwide lockdown has more or less paralysed commercial activity, our exit path looks dreadfully long-winded, and the distress being seen right now could just be an early sign of what is to come. The suffering of citizens will likely expand once the shutdown's second-order effects, which operate with a lag, begin to kick in. Estimates of ₹10 trillion needed by way of fiscal relief, once seen as too much by some, could yet turn out to be too little. Either way, preparatory work in terms of legal enablers should be done alongside the arithmetic. There are two major constraints that we need to be relieved of—if only temporarily—for a stimulus programme to take shape. The first is the Fiscal Responsibility and Budget Management (FRBM) Act of 2003; and the second is the amendment done in 2016 of the Reserve Bank of India Act to give legislative cover to a flexible inflation-targeting framework that set our central bank the task of keeping India's retail price index within a certain band. Both of these were aimed at long-term economic stability, but made no allowance for a robust fiscal response to the kind of crisis we now face. It would be best if these were tweaked appropriately by a special session of Parliament. If not, then ordinances should be issued to suspend specific restrictions for a while.

Under the budget presented in February, the Centre's fiscal deficit for 2020-21 was projected at 3.5% of gross domestic product (GDP). This included a half percentage point

deviation from the FRBM glide path allowed by the law's contingency clause. Total expenditure was placed at a little over ₹30.4 trillion, and receipts at ₹22.4 trillion-plus. With tax revenues and asset-sale realizations expected to fall short, the fiscal gap could widen to about ₹10 trillion even without any extra spending. Drastic cuts in expenditure could save some money, but even if a heavy axe is wielded on expenses, the government's deficit this year would have to exceed twice the legal limit for a stimulus that saves the economy from a collapse. If this turns out to be a year of negative growth, as some fear, effecting a revival will only get harder. For pre-emptive action, the government should use its parliamentary clout to permit a limitless deficit for 2020-21.

An effort to spend our way out of an economic morass could prove inflationary if too much cash ends up chasing too few goods and services. As we have undergone both demand and supply shocks, opinion is divided on whether prices will go haywire. This risk would depend on how much cash gets pumped around at what point in time and the pace at which supplies are restored. In other words, the inflation outlook is highly uncertain. But should prices threaten to rise, it would be counterproductive of the central bank to tamp them down by tightening credit. As of now, RBI's mandate is to keep inflation at 4%, with a tolerance band of 2% on either side. This target is valid till March 2021, but needs to be reviewed right away to let the central bank focus on growth. The acceptable range could be widened and the time limit to achieve the goal lengthened as a special reprieve. Doing all this shouldn't be a fiddle for the ruling Bharatiya Janata Party. It has over 300 seats in the Lok Sabha.

exchange earnings or assets for food. During severe disruptions, demand for labour collapsed, prices rose, and foodgrain stocks dwindled. The labouring poor were unable to exchange their labour for food and hence starved and/or migrated.

Most famines in history were a combination of FAD and FEE, with one of the two predominant in each case. Sen's study was based primarily on relatively poor agrarian societies with primitive division of labour. Poor communications and transport constrained long-distance bulk movements of goods; most of the harvest was produced and consumed locally with minimal processing. The world changed greatly after the passing of agrarian empires in the wake of the Industrial Revolution and the associated political revolutions that spawned the welfare state. Modern technology, all-weather roads, railways and motorized transport enabled the bulk movement of goods from surplus to deficit areas. This made the great famines of the past a distant memory—despite rapid urbanization, with over 500 cities housing over a million people each and over 30 megacities of over 10 million living far away from food sources. The rise of the democratic welfare state also ensured that exchange-entitlement losses were made

good through interventions like employment insurance, food stamps, etc. Nowadays, one associates famines only with failing agrarian states or authoritarian setups impervious to pressures from civil society.

Today, the public policy response to the covid-19 pandemic raises the spectre of a third type of famine, namely a failure of supply chains (FSC)/famine, peculiar to post-industrial societies based on intricate divisions of labour and complex, dispersed supply chains. Dense urban conglomerations consume a large variety and quantity of processed packaged food that is grown, aggregated and processed at multiple locations far from their place of final re-aggregation and consumption. Just think of the amount of food that needs to get into a big city each day, and what were to happen if these supply chains were disrupted.

Administrative lockdowns of cities, regions and indeed whole countries are a big leap into the dark. As a result of India's lack-

Easter, Andrea Bocelli gave a spell-binding 24-minute performance from an eerily vacant Duomo in Milan, singing *Ave Maria*, *Domine Deus*, *Sancta Maria*, and *Amazing Grace*, with images of empty streets of Milan, Paris, London and New York reminding us of our unreal time. Seagull Books of Kolkata, my first publisher, has been giving away seven books a week as free downloads; the list includes Shakti Chattopadhyay's poems, conversations with Jorge Luis Borges, Lola Lafon's *We Are The Birds Of The Coming Storm*, and Banaphool's short stories. So are other publishers. I download those and thank them as I hear the relentless ambulance sirens on the street outside.

This outstanding and generous outpouring in cyberspace reminds us of our collective aesthetic experience. Art lifts our mood, and those who believe that art is indulgent, or something that can be done without, should ask themselves what an internet meme has been asking pithily: Where would we be without the books, music, films, drama, and imagery during this lockdown?

And yet, two questions are critical for longer term viability of art: Will art be sustainable over time? And does the current model accentuate the privilege some artists have over others? Everything I experienced in the past few weeks has been free for me as a consumer, enjoyed by many more because some sponsors underwrote some of the costs involved. The marginal cost of each production today may be low, sometimes negligible, such as when a play or performance is a rerun, but it cannot measure a singer's years of *riyaaz* (practice), the pitiless practice that makes a dancer's body bend as willed by a choreographer, the vast effort that goes into the writing and designing of a book, and the enthralling power of theatre to make the past come alive.

It cannot go on like this, and given that the threat of coronavirus has not diminished, and it will only amplify when people gather in large numbers,

what kind of future exists for public performances or museum exhibitions? If it must change, what kind of economic model will enable the arts to flourish?

A friend raised a more troubling question. Did you see the size of the apartments of the Parisian dancers, she asked. I went back to the video, and noticed relatively large and spacious kitchens, balconies overlooking the magnificent city, and enough space to take steps sideways to complete a movement. Space of that kind at home is a luxury for many artists, regardless of their status, unless they have secure jobs that state-subsidized opera can provide. In this regard, Europe is lucky; performers in other societies are not so. I am truly grateful to Opera de Paris for agitating our hearts and letting our spirits soar. Other theatre groups and dance companies around the world are also going to have to join the act to remain visible. But for how long can this go on? Art makes us free, but must it be free? And if it is to be free for users, how will the costs be borne? Are we to depend on generous and aesthetically-inclined sponsors?

On Monday, I was a panelist at a webinar organized by IETM, the international network of contemporary performing arts, on freedom of expression in the time of covid-19. One underlying theme was the viability of the arts. We spoke of the threat of creeping authoritarianism, but we were aware of the sinking feeling produced by submerging economies.

To be sure, front line healthcare warriors—our doctors, nurses, scientists, and others—keep us healthy and safe, and we salute them. They are essential to our existence and survival. And yet, we know that life is what it is because of what we feel, the ideas that lead us in new directions, and the boundaries that we cross with our imagination. Artists spur those, making us look at our world differently. What kind of life would it be if nobody can afford to be an artist anymore?



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Over the weekend, without leaving my small apartment, I was treated to an embarrassment of riches. On Saturday, I could catch *Emily Of Emerald Hill*, Stella Kon's powerful play about a Straits Chinese matriarch in 1930s Singapore, offering a fascinating glimpse of Peranakan society, the culture of early Chinese settlers on the Malay peninsula. On Sunday, I could listen to my friend Dhanashree Pandit-Rai's *thumri* at a live concert Zoomed from her home thanks to my friends who hosted it, or an eclectic assembly of Gujarati poets from India and beyond, organized by the Gujarati Literary Academy of North America, which attracted a 1,000-strong audience around the world. (I listened to the *thumris*, ending with Dhanashree's haunting *Babul Mora* in Bhairavi.)

The previous week, nearly 40 ballet dancers of Opera de Paris performed a moving tribute to health workers, set to Prokofiev's *Romeo And Juliet Opus 64*. As its resounding notes filled my room, tears filled my eyes; those dancers, their supple bodies tiptoe, waved their arms in the balconies of their Paris apartment, yearning to be free.

Museums around the world have "opened" their vaults. Mumbai's National Centre for Performing Arts has unveiled its archives, and I can't wait to see some of Satyadev Dubey's and Vijaya Mehta's plays. Earlier, during

10 YEARS AGO



JUST A THOUGHT

The arts are not a way to make a living. They are a very human way of making life more bearable.

KURT VONNEGUT

THEIR VIEW

The spectre of a new kind of famine haunts India now

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In his study on famines, Nobel laureate Amartya Sen described two distinct kinds of famine. The first, what he called FAD (food availability decline), was till then the usual conception of a famine: starvation caused by disruptions arising from war, repeated rainfall failure, or pestilence, such as disease, locust infestations, etc. Humans need a certain minimum caloric intake to survive. If food supply dipped below this point, starvation would ensue.

Sen also drew attention to a second type of famine, which he called FEE (failure of exchange entitlements), that challenged the common notion of famines as caused by insufficient food supply. An FEE famine implied starvation even in the midst of plenty. Access to food is class-selective. Even in the worst of famines, the better-off usually had access to food. It was the poor and disadvantaged who starved because there was what Sen called a failure of exchange entitlements. Unless you produced food directly, access was determined by your ability to

administrative orders based on end-use. This is a function of the market. If the State fails to mimic its complexity, which is likely, supply arrangements will collapse.

Consider what making an essential good like a packet of biscuits entails: sowing, harvesting and transportation of grain and cane; processing into flour and sugar; movement of flour and sugar to biscuit factories. Likewise for preservatives, salt, colouring agents, and essence; and also the paper, ink, adhesives, etc., needed for packaging biscuits. A disruption at any stage of their production, maintenance, processing or movement can bring the entire process to a standstill. Will all these associated activities be placed within the ambit of essential services? In today's world, more than ever before, a battle can be lost for want of a nail—or biscuits for the want of adhesives and ink. It would be far more prudent if general guidelines were issued on how social distancing and hygiene could be enforced in different economic activities, and how the safe movement of passengers and goods can be done in various economic activities, rather than exempting and allowing particular activities. We have been there before. The State failed disastrously in its effort to direct economic activity as it saw fit.

The State cherry picking what's essential echoes the sort of central planning that's seen to risk starvation

down, several grocery items went out of stock in retail outlets, although unprocessed food like cereals, dairy supplies, fruit and veggies are still available. Anything in need of processing is fast vanishing, as supply chains for processed foods are frictional. On the other hand, demand for and the prices of unprocessed foodstuff, like veggies, fruits, food grain and dairy products, are going down in their places of origin because of broken supply chains on one hand, and the loss of exchange entitlements on the other. The fiscal and administrative capacities of poor countries like India to cushion the failure of these exchange entitlements on a large enough scale, even in normal times, are limited.

Modern societies are too complex to shut down. It is impossible to gauge all the linkages and knock-on effects of such a shutdown. In a world characterized by intricate divisions of labour and complex supply networks, it is dangerous for the State to cherry-pick economic/industrial/services through