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FROM PLATE TO PLOUGH: A MARSHALL PLAN FOR EAST INDIA

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

A famous line of Tiger in Walt Disney Productions' Winnie the Pooh is, "Life is not about how fast you run or how high you climb, but how well you bounce". In the context of today's economy, under siege because of the coronavirus pandemic, what matters is not how big a country's GDP is or how fast it has been growing; the real challenge is how best and how quickly a country can bounce back to a growth rate of 7-8 per cent per annum.

The IMF's projections for GDP growth for this year seem to be either in the negative or below 2 per cent for almost all major countries of the G-20 group. India could do a little better compared to the other BRICS nations, but its growth will most likely be below 2 per cent. This, of course, is under an optimistic scenario. Many experts reckon that India could also go into negative GDP growth this year, if it does not reboot the economy properly and in time.

The Centre and the Reserve Bank of India are trying to remove all roadblocks so that factories and farms can resume operations, albeit in a regulated manner that ensures that the virus is contained. The focus is largely on the supply side — how to ease restrictions and how to increase liquidity in the system for resuming production. My assessment is that it may not take too long as the real problem is the collapse in demand. And that demand may not pick up easily as the virus is likely to stay with us for quite some time. We could have lockdowns again if there is a surge in infection. This will surely limit our travel and restrict our shopping for non-essentials. However, there is one demand that can easily revive — that of food.

The NSSO survey of consumption expenditures for 2011-12 revealed that about 45 per cent of the total expenditure of an Indian household is on food. For the poor, the NSSO reckoned, this figure was about 60 per cent. We do not have information about the consumption patterns in 2020, but my guess is that about 35-40 per cent of the expenditure of an Indian household is on food and for a poor household, this figure is around 50 per cent. Herein, lies the scope to reboot the economy.

We have seen the problems of migrant labourers during the lockdown. The sudden announcement of the nationwide lockdown gave them no time to go back to their families. They lost their jobs and incomes, and having spent whatever little savings they had, these workers have been reduced to penury. The Centre and states, despite their best efforts, have not managed to address the problem of hunger of these workers. Even civil society has not managed to bridge the gap. The migrant labourers may well have lost their trust in the state, and once the lockdown is lifted, most of them are likely to rush back to their families in villages — as if freed from jail. And, it could be some time before they are back in the cities — that is, if they return at all. So, farms and factories, especially the MSMEs in the relatively developed states of western, southern and north-western India are likely to face labour shortages for many months, perhaps years. This could lead to more mechanisation of farms and factories in these states. In Punjab, for example, most of the wheat harvesting is already done by combined harvesters. Now even paddy harvesting could be done by mechanised harvesters.

However, eastern Uttar Pradesh, Bihar, Jharkhand, West Bengal, and Odisha, from where much of the migrant labour comes, will face a double challenge. Their agriculture, with tiny farm holdings is already saddled with a large labour force — this comprises 45 to 55 per cent of the total labour force of these states. Non-farm income from wages and salaries, through migrant labour, was an important source of income for households in these states. This is now severely hit. In all probability, the per capita rural incomes of these states could shrink, at least in the short run. This could lead to poverty and increase hunger and malnutrition. How does one then reboot the economy and also address hunger and malnutrition?

A special investment package — like the Marshall Plan of USA in 1948 — for the eastern belt of India to build better infrastructure, agri-markets and godowns, rural housing, primary health centres, schools and enhances people's skills will go a long way to revive the economy and augment the incomes of the migrant workers. Rising incomes will generate more demand for food as well as manufactured products, giving a fillip to the growth engines of agriculture as well as the MSME sector. Building better supply chains for food directly from farm-to-fork, led by the private sector, will enhance the export competitiveness of agriculture. It will also ensure a higher share of farmers in the consumers' rupee. Such broad-based development in a relatively underdeveloped region of the country will lay the foundations of a long-term, demand-driven, growth of industry in India.

The all India relief package of Rs 1.7 lakh crore announced by the central government earlier, which is about 0.8 per cent of the country's GDP, is too small to reboot the economy. If India has to bounce back quickly, it needs a much bigger relief cum stimulus package — certainly not below 5 per cent of GDP. And, it should focus more on the eastern belt, where the issue is that of survival. Else, the country could do even more badly on the indicators of poverty, hunger, malnutrition, infant mortality and well-being. India could get derailed from its course of attaining the Sustainable Development Goals by 2030.

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