

POST-COVID 'NEW NORMAL' MIGHT BE MARKED BY GREATER ECONOMIC, SOCIAL AND POLITICAL DIVISIONS

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Commentators have recently added the letter “K” to the alphabetic potpourri already compiled to define the trajectory of a COVID and post-COVID economic recovery. “V”, “U”, “W”, “L” and “I” were already in the pot. “K” is reflective of the performance of the stock market — a sharp decline followed by sharply divergent pathways. Thus, [Apple](#), [Microsoft](#), Amazon, [Facebook](#) and [Google](#) have together added \$1 trillion to their market capitalisation over the past six months, whereas according to the market research group, Cornerstone Macro, 100 or so of the 500 companies comprising the Standard and Poor’s stock market index, are trading at more than 50 per cent below their peak. A similar trend is evident in India. Reliance has added nearly \$10 billion and most technology and e-commerce companies have done well. But a large swathe of others especially in the mid and small-cap category — in particular, restaurants, hotels, real estate, airlines — are struggling to keep afloat.

The reason I was struck by this latest addition was not because of what it revealed about corporate valuations but because of the suggestion that the post-COVID “new normal” might be marked by even greater economic, social and political divisions than those that roiled the pre-COVID world. It got me to ask whether whilst, at the social level, we are going to witness a radical retrenchment of our social circle and, in a sense, a reversion to the extended nuclear family (joint family?) set up that defined the social relations of our tribal ancestors, at the political level, we are going to see an intensification of the populism that brought people like Donald Trump to power and the further erosion of the guardrails of basic human rights.

I am a member of the fortunate minority that has not had to worry about surviving the exigencies of the COVID present but instead have been able to use the lockdown to read and reflect about the COVID future. The introduction of the letter “K” reminded me of three tomes that I had recently perused. The one I speed read, because I was frankly not interested in the minutiae of the Trump administration, was John Bolton’s *The Room Where It Happened*, the one I read in parts as it was an edited compendium with each chapter addressing a specific theme was *After Piketty, The Agenda for Economics and Inequality* edited by Heather Boushey, Bradford DeLong and Marshall Steinbaum. And the volume I read with care was Daron Acemoglu and James Robinson’s *The Narrow Corridor: States, Societies and the Fate of Liberty*. The reason “K” made me think of these three books was that each of them, in very different ways, alerts one to the consequential dynamics of a divided world.

In his monumental best-seller, *Capital In The Twenty-First Century*, Thomas Piketty had asserted — here, I must apologise for this one-sentence summary of a 700-page volume — that concentration of wealth leads to unequal distribution of incomes and that, given the historical evidence that the rate of growth of profit from capital (inherited and accumulated) exceeds the rate of growth of the economy, “society will inexorably tend towards dominance by inherited wealth”. The contributors to the above referenced edited volume do not all agree with Piketty’s reasons for inequality but the majority, I surmised, accept the conclusion that the “super-rich” in society have the power to “purchase influence”, “determine public discourse” and “shape and drive political direction” (Paul Krugman) and that the persistence and deepening of inequality and “patrimonial capitalism” will eventually “overwhelm growth and lead to societal collapse”. In other words, to paraphrase Piketty, “The past (will) devour the future”.

Acemoglu and Robinson argue that inequality is not predetermined or unstoppable. And it is not the result of economic forces only. It is also the outcome of politics, the institutions of governance and the nature of the relations between civic society and the state. It is the consequence of actions, events, and of “decisions not made” which the sociologist Steven Lukes calls the “second face of power”. To counter this “face of power”, state and society must enter a “narrow corridor” within which the “leviathan” of the state is checked and balanced by society. To stay in this corridor, the two must move forward in lockstep harmony. They must strike a balance of power. The glue holding this balance is trust in the efficacy of the institutions of governance to build a sustainable society. In their words, “if people lose trust in the institutions, the corridor narrows and the ability of society to handle conflict diminishes”.

It is this latter point about trust that brings me to the book by John Bolton. He clearly kept capacious notes of his time as the National Security Adviser and the book provides a detailed description of his proximity to the Oval Office. What interested me were not these details but the fact that almost every page brought into sharp relief the thinness of the line between normalcy and cataclysm. What the book revealed in spades was the fact that the man who has his finger on the largest nuclear arsenal in the world is narcissistic, self-absorbed, egotistical and vindictive and interested only in re-election — and this from someone known for his hawkishness and bellicosity. At some point in the read, I lost interest in the details of Trump’s inconsistencies. Only one thought ran through my mind. “How on Earth did US society allow such a person to become the arbiter of public interest?”. And that is when, for me at least, the letter “K”, the consequence “inequality” and the sentiment “trust” conjoined to provide the answer. Trump was elected President because, in 2016, the US was the most unequal society in the world — 1 per cent of the US population accounted for 20 per cent of national income. Society had lost trust in the established elite — anyone but them was the electorates’ response.

The message: No country can risk a “K” shaped recovery. The writer is Chairman, Brookings India

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