

# Business Standard

## Corona complexity

Set economic growth aside, intensify redistribution

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Coronavirus (Novel Covid-19) is a flu virus with face-to-face transmission. Remaining latent for some time, it infects others, and then spreads rapidly and intensively into the respiratory system that may lead to quick death for those with underlying vulnerabilities. Modern science has been unable to successfully deconstruct it so far. It is said to have spread from animal to human, and now human to felines. This newly identified latter direction augurs another dimension to the pandemic across 200 countries that threatens a far wider boomerang, though not yet recognised.

Mankind is again in the realm of Chaos and Complexity. The world had been adjusting to

Trump-era chaos in international trade, labour movement and destabilisation of capital. Countries geared up towards a new normal — a complex Mandelbrot set — a stable global solution emerging from pervading chaos. Suddenly, an unanticipated pebble was thrown into the global pond and new chaos has emerged from that.<sup>1</sup>

With the global economy suffering the shock of bio-economic unpredictability, new challenges— beyond capacities of governments to pattern or conquer — have emerged and will intensify further. Rather than global leadership leading humanity on a path towards a new normal, countries at the top are name-calling and casting aspersions.



Illustration by Binay Sinha

To address it, a familiar economic model may be revisited. That model is one of economic survival and revival and social action

with compassion. Here, whose survival, whose revival, and social action towards whom? Social action has to be geared to the protection of the economically excluded. Redistributive policy action has to come prior to actions for revival of capital markets.

Why so? The rate of economic growth is an average of the rate of return to capital use and the rate of return to supply of labour. Ideally, the three rates should be equal. A rate of return from capital markets that persistently exceeds the rate of return from offering work, disrupts that ideal. This disequilibrium has been unfolding for decades. As it continues, poverty increases and redistribution of incomes is called for. India's programmes for rural employment (MGNREGA), food security (NFSA), urban work and poverty (NULM), child development (ICDS), forest rights (FRA), and others have worked to alleviate poverty, though with their usual sting in the tail — corruption and leakages. Those programmes have not sufficed for, otherwise, the incidence of rural-to-urban annual migration should have been lower.

Two-thirds of India's population lives in rural areas of which a significant part migrates every year to eke out a living in the urban informal sector, serving the urban population.<sup>2</sup>

With corona's onset, under government diktat, urban businesses and construction sector shut down without central or state governments first putting in place adequate measures to protect migrant workers with food or shelter, reminiscent of preparation default for demonetisation and goods and services tax (*Business Standard*, November 15, 2016, November 14, 2017 and March 18, 2020).

Workers were obliged to begin a trek back to their villages. It was not easy to digest clips of male and female workers alike caged in small enclosures or squatting helplessly along pavements, being washed down with what could have even been chemical sprays. Ruthless efficiency without compassion may solve the immediate but not the fundamental.

It was subsequently reported that some inhabitants in poor neighbourhoods pelted health workers visiting to test them for coronavirus with stones. Though the inhabitants had to apologise later, who would not react spontaneously in light of fears that, if they were coronavirus positive, they too would be isolated and sprayed?

What would comprise a post-coronavirus global Mandelbrot set? Beggar-thy-neighbour policies of the Great Depression era would again be led by the US as already demonstrated. As related by French doctors, France had apparently ordered three million masks from China. As they were being loaded, the US was reported to have swooped down and bought up the stock at higher than the quoted price.

The UK has announced with relief that 3,000 ventilators have been ordered from China. Other European countries are also importing. A previous UK prime minister had asserted that, post-Brexit, the economy would take a "step up". One has to wonder, however, if the US or Europe could ever recapture their capacity to manufacture products of critical domestic need. Current accounts in the balance of payments are therefore likely to continue as is.

China need not be the sole global supplier. India has great potential in manufacturing; it is time to intensify efforts to achieve the potential. The American president leaned on the Indian prime minister to treat the US as an exception and obliged him to export Hydroxychloroquine, an anti-malaria drug anticipated to help control coronavirus, despite India's explanation that it had to support its neighbours first. In his press conference, the US president warned that India had taken advantage of the US for many years and, if it did not respond now, there would be consequences!

What would comprise the sources of financing for widening India's redistribution programmes? For a period of five years, reverse the cut in corporate income tax rate, increase the minimum alternative tax, deny tax incentives, increase individual income tax rates above Rs 1 crore at increasing rates for bands of Rs 1-2 crore, Rs 2-3 crore, Rs 3-4 crore, and so on, and remove exemptions from the gift tax such as for weddings. Do not increase the GST rate for protecting the poor.

Increase selective excises on sin goods. Freeze conspicuous construction projects — governments that undertake them mistakenly think monoliths leave behind a more potent legacy than economic advancement for all.

Can the eradication of maldistribution of Indian incomes be critically rethought to stem rural-to-urban migration? Here policymakers and the intelligentsia have a moral and ethical duty. One proposed package would be: Set 2025 as the year for eradication of poverty, not just extreme poverty, as well as — one of the global worst—extreme maldistribution of wealth and incomes.

Sharpen population control but not through coerced vasectomies. In this war, as delineated, broadbase redistribution through increased taxation and freezing unproductive expenditure. Then, there will be plenty of resources for the poor to be finally acknowledged as Indian.

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*I.J. Gleick (1988), E. Beinhocker (2007) and N. Johnson (2009) have written on Chaos and Complexity and the remaking of economics.*

*2. 2011 Census put annual internal migration at 139 million. It should be much higher now.*