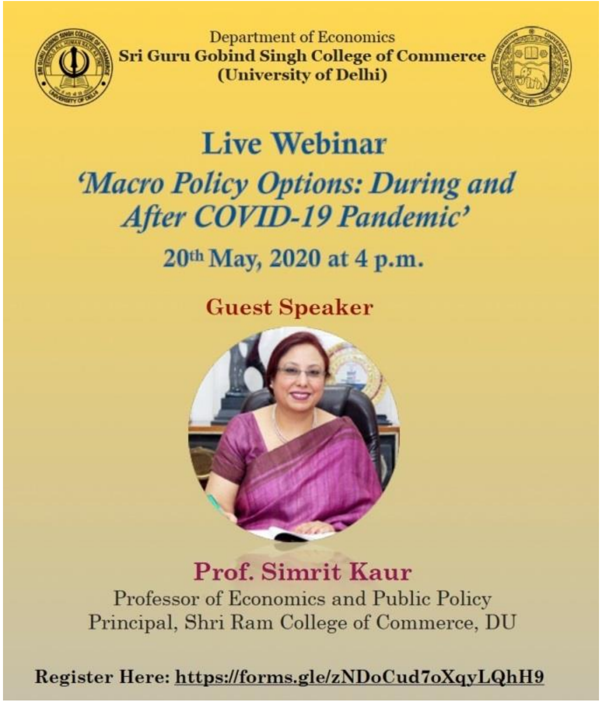
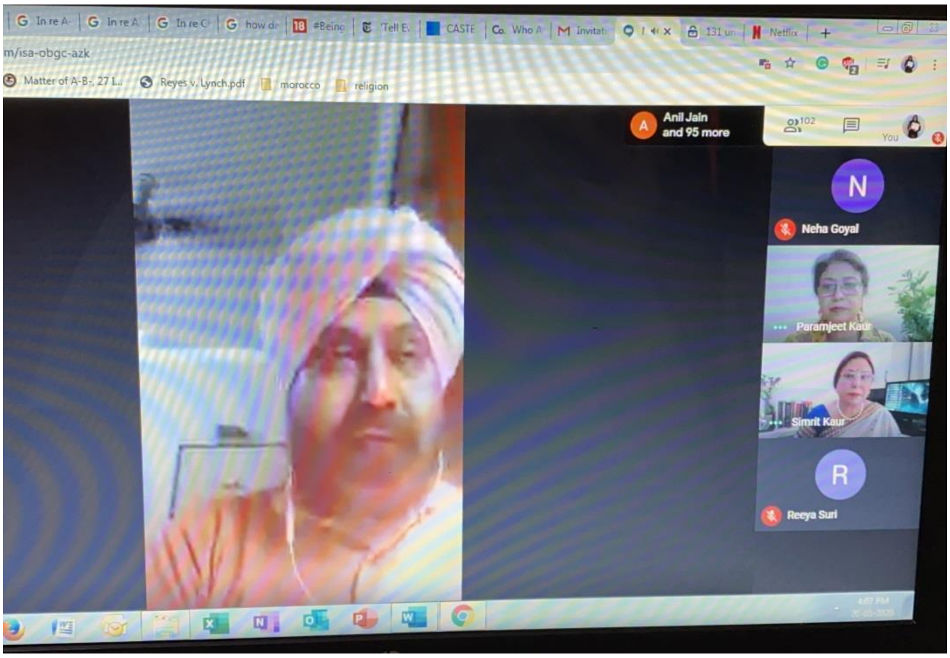
Report of Webinar conducted on 20th May, 2020, titled

MACRO POLICY OPTIONS: DURING AND AFTER COVID-19 PANDEMIC

The Department of Economics organised a Webinar on the topic, "Macro Policy Options: During and after Covid-19 Pandemic" on May 20, 2020. The resource person, Prof. Simrit Kaur, Principal, SRCC, delivered on the topic.



Dr. Paramjeet Kaur, head, Department of Economics, welcomed and introduced the guest to the participants, followed by the opening comments by Principal, Dr. Jatinder Bir Singh.



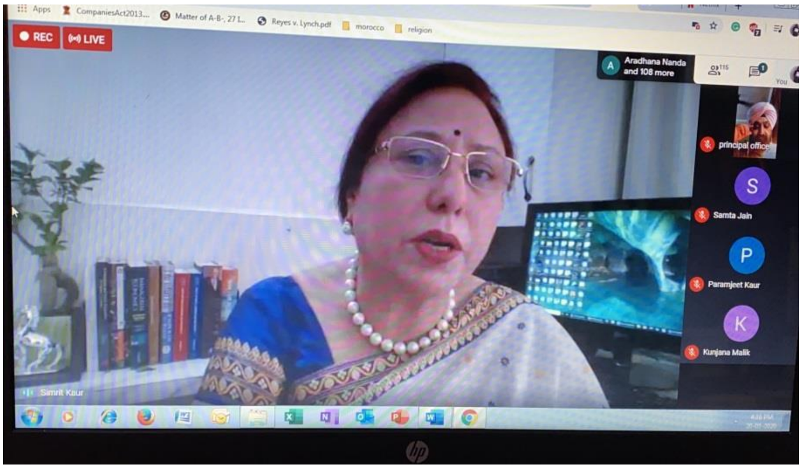
The speaker covered the topic by dividing into three broad headings:

1. The macro policy options and its relationship to the spread of the pandemic,

2. Theoretical arguments for boosting the economy- whether to focus on demand side or supply side and the structural policy adjustments required during the crisis,

3. The stimulus package –the unveiling of the economic package announced by the government, its adequacy and impacts on different sectors.

She began by explaining how the pandemic started with a particular continent and it spread worldwide, due to globalization and tourism. Consequently, both exports and imports were impacted. She pointed out how the human cost becomes an important factor for the next course of policy action. She particularly emphasised on the fact, that as compared to the developed countries which have developed health care system and also have high per capita expenditure on health, India was suddenly caught on crossroads.



She explained   how the trade-off between lives vs livelihoods sprung up, once it was decided to go for a lockdown. Since the economy cannot be under lockdown for indefinite period, decision for unlocking was taken. There arises the strategy of gradual opening of the economy and the question of which sectors to open first. She emphasized the need to open up those sectors first, where consumption multiplier is high and where employment multiplier is high.

She discussed the components of the stimulus package and also the perils of having a high fiscal deficit. Using simple AD-AS and IS-LM concepts, she explained how an expansionary fiscal policy leads to a rise in income levels, rate of interest, inflation etc. She pointed out how the use of fiscal deficit depends on availability of buffer and India has already lost its buffer on account of low growth in the past. Further, a high fiscal deficit could be unsustainable and might lead to downgrading of credit rating of the economy. She cautioned that infusing money is not the right policy and hence fiscal policy is important and should be used. She cautioned that in the present circumstances, when the exchange rate is not expected to be functional and international mobility of cargo has stopped, depreciation by one country leads to competitive depreciation.

She highlighted the role of structural reforms in revival of the economy. She spoke on MNERGA as an effective employment generating source. She raised concerns to ensure money spent on MNERGA reaches the concerned hands and the need to check leakages, corruption and proper governance to get the best outcome. She highlighted that the 1991 reforms emphasized on industrial sector reforms and hence the need for agriculture sector reforms to expedite revival in the economy. She cited the scrapping of APMC Act as one such reform step.

She concluded that since the economy had already dipped prior to pandemics, the recovery will be an important issue-whether it will V shaped, U shaped, L shaped or W shaped will depend on the magnitude and composition of the reforms. It must be ensured that the stimulus package is adequate and cannot afford to give a wrong signal to the world that we cannot sustain a high fiscal deficit.

The webinar concluded with a question-answer session conducted by Mr. Vaibhav Puri, faculty member at the Department of Economics. The webinar was well received and attended by more than 150 participants that included faculty and students of University of Delhi. On the successful completion of the webinar, an ‘E-Certificate of Participation’ was awarded to each participant.

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