Callousness in a Time of Crisis*

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On May 12, Prime Minister Modi declared that the government, in response to the Covid-19 induced crisis, is about to unveil a Rs. 20 lakh crore relief and revival package amounting to 10 per cent of GDP. This announcement came more than seven weeks after the first response to the crisis in the form of the Gharib Kalyan Yojana, had been announced. Involving new and additional fiscal resources of far less than one per cent of GDP, that effort was seen as too meagre to be anything more than a hesitant first step. Given this fact, the human, social and economic costs borne during the seven week period, and the calls that had come from multiple sources that a much stronger relief and stimulus package was warranted, the delay in announcing a new package was clearly unjustified. But the sheer size of the promised new package seemed to partly make up for the lost time.

However, the expectation that India would put out a relief and stimulus package that would compare in size (relative to GDP) with that seen in countries that have been adopting a proactive stance has been belied. The most shocking feature of the much delayed package is that it offers little relief to the workers and the self-employed who lost their jobs and sources of income, especially to migrant workers driven to walking hundreds of kilometres back home since they had no jobs, money or place to stay. This despite the overwhelming evidence that the unplanned and hasty lockdown that was imposed on the country, without any protection for the vulnerable, was in large measure responsible for their plight.

There was one factor favouring a major and effective relief effort. With the government in April sitting on more than 70 lakh tonnes of food grain stock, or more than three times the required buffer for that time of year, the surpluses could have been deployed to support an effort at universal distribution of grain, free of cost, of at least 10 kg per person per month, along with adequate supplements such as pulses and cooking oil. That could have been an important component of immediate relief.

Foregoing much of that opportunity, the government chose to initially provide the 800 million beneficiaries of the National Food Security Scheme, five kilograms of rice or wheat per person per month and one kilogram of pulses per household, for the next three months. When it was pointed out that there would be many, including migrant workers, who would be excluded from the identified set of beneficiaries, the government in its second package has promised to supply food grain to migrants as well for 2 months, though the way this ‘targeted’ scheme would be implemented is by no means clear.

The other area where the government has chosen to remain tight-fisted is financial transfers to the poor, who would find it difficult to survive for long with no source of income, consequent to the lockdown that is to be in place for two months at least. There were many who had recommended that a sum of at least Rs. 7,500 a month should be transferred to as wide a range of poor beneficiaries as can be reached. Ignoring that recommendation, the government has chosen to transfer just Rs. 500 per month for three months to Jan Dhan accounts held by women, and Rs. 1,000 each to senior citizens, widows and the physically challenged registered under the National

Social Assistance Programme. This was too little reached to too few and did not even marginally meet requirements.

But even when small amounts are provided to particular sections, much is made of the action. One instance is the announcement in the fifth tranche of the second package that the government would increase the allocation for 2020-21 for the Mahatma Gandhi National Rural Employment Guarantee Scheme by Rs. 40,000 crore or 65 per cent, to around Rs. 1 lakh crore. Since the demand for work under the scheme is likely to rise dramatically as unemployed migrant workers return to their rural homes, this is a necessary move. But it is also something which the government is already committed to, since the MGNREGS is by design a demand driven scheme and the government is required to provide work on demand of up to 100 days in a year to each rural household. The financial allocation would have to automatically increase to match up to the demand within the limits set. The People's Action for Employment Guarantee Group estimates that if the total of 270 crore person-days of employment under MGNREGA approved as part of state-level labour budgets even before the Covid-crisis had to be provided, and pending past dues under the scheme had to be cleared, the central allocation required is Rs. 1.02,044 crore for 2020-21. That is, the Finance Minister, even after increasing the budgetary allocation, has only provided what would have had to be spent even without the Covid pandemic. The crisis triggered by the pandemic would increase demand far beyond those levels, and for many this is likely to be the only source of earning. So, what was needed was a substantial increase in the the aggregate number of days of employment, in the number of days of employment each household is eligible for, in the wage rate paid. But no or best marginal revisions have been made, presumably to keep allocations low.

Given this reticence to allocate resources to provide relief and mitigate the adverse impact of the crisis, it is not surprising that closer assessments of the actual volume of the total fiscal commitment in both rounds of the relief and revival package place it anywhere between 0.9 and 1.3 per cent of GDP, as compared to the 10 per cent claimed by the government. The arithmetic that the Finance Minister put on display at the end of her five part presentation on "what would be done" was nothing more than a meaningless aggregation of almost randomly chosen numbers to yield the magic Rs. 20 lakh crore figure announced by the Prime Minister. Allocation for schemes that had already been announced and implementation begun, such as the PM Kisan Scheme that promises Rs. 6,000 a year to farmers, were listed. Use of money available in pre-existing, earmarked funds, such as the Building and Other Construction Workers Welfare Cess Fund, were added on. Provision of access to money belonging to the beneficiaries under deferred benefit schemes such as the Employees Provident Fund Scheme was treated as a new allocation. Credit facilitated by the Reserve Bank of India and refinance windows of SIDBI, NABARD and the NHB, and squeezed out of the banking system, only on occasion with the help of partial or full guarantees, were considered part of stimulus spending. And to top it all, neoliberal reforms involving no financial allocation such as the further opening of defence production to foreign investors and shrinking the role of the public sector even in strategic areas were quoted as relief and revival measures. The result was not even a competent effort to paint a government that is doing little as being one delivering the utmost.

In fact, there were many aspects of the package revealed by the Finance Minister in tranches over 5 days that sounded almost cruel and callous in the midst of one of the worst post-Independence disasters affecting the poor. The first, already mentioned, was that the actual additional allocation for relief, pandemic management and economic revival was minimal, with the fiscal cost to be borne by the Central government placed at around 1 per cent of GDP. The second is the inclusion of past schemes and projects among the special measures being taken to address the severe crisis afflicting the nation and its poor. As in the case of the Kisan Samman Nidhi, many of the measures that have already been announced and under implementation have been added to relief and revival package. The case was that a prescient government had in advance launched schemes to address the fall-out of the crisis induced by Covid-19. The third is presentation of monetary infusion, or "liquditiy" provision, as a means to mitigate a crisis that calls for direct transfers to the needy, and spending to address the pandemic and protect as much of the economy from its effects as possible. Money and credit will remain untilised, barring that accessed by speculators, if production is stalled and demand absent. Yet, much of the "relief" takes the form of a promised substantial increase in access to credit to different sections, to be ensured by the Reserve Bank of India and other institutions offering refinancing facilities to banks for lending to specified borrowers. It is not that credit is not needed to help small and micro businesses and vendors stay afloat till matters improve. But there is no sense in the suggestion that this credit would be used to pay workers even when production has come to a halt and to pretend business goes on as usual, when the expectation of returns is distant and minimal. The government must compensate the workers for their loss of livelihood resulting from the sudden stop, and simultaneously support owners of businesses that are barely viable and have now been devastated. Finally, there is nothing more cynical then to use the crisis as an opportunity to push ahead with inequalising, neoliberal reform, which in the case of some state governments has included draconian labour law changes.

What is shocking is that this cynical display has been sought to be justified as an effort to promote self-reliance. Cynicism of this kind needs to be abjured even in normal times. It amounts to callousness when displayed in a time of deep crisis.

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