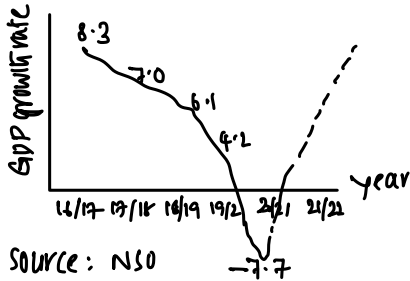


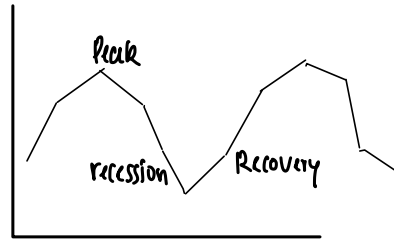
## COVID & ECONOMY

**QUOTE:** "GDP is a means and not an end" - Abhijit Banerjee & Esther Dufflo (Nobel laureates)

### DATA/TRENDS



Source: NSO  
Dia. 1.



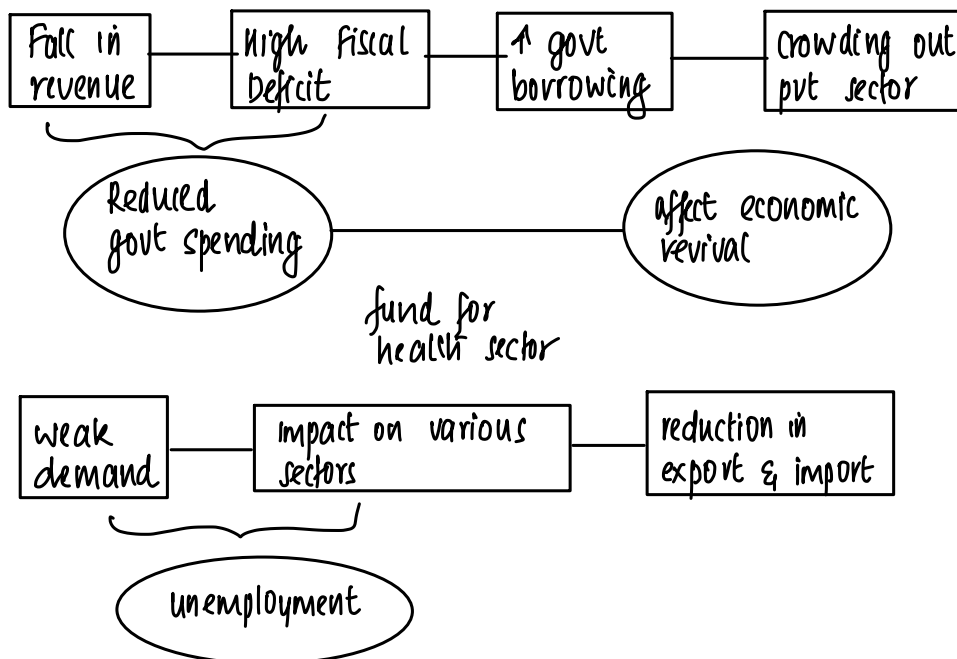
### Business cycle

Dia. 2.

### REASONS

- covid 19 → lockdown → slowdown
- structural changes → demonitisation
- GST implementation
- forced formalisation of informal sector

### ISSUES



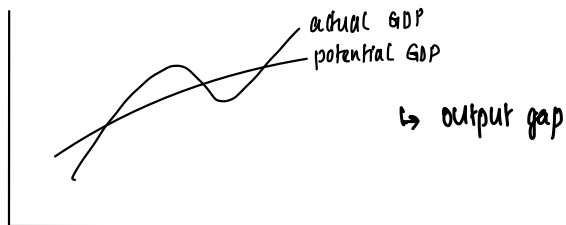
### THE 5 VICIOUS CYCLES

- 1) FISCAL
- 2) FINANCIAL
- 3) LOW WAGE
- 4) PSYCHOLOGICAL
- 5) SOCIO-POLITICAL

## CHALLENGES

### 1) Potential GDP and constraints

Estimate of the value of the output that the economy would have produced if labour and capital had been employed at their maximum sustainable rates



### 2) Inequality - hunger - poverty

3) Trickle down theory - rising incomes at the 'top' will trickle down to everyone else

4) Misery Index - measures people's misery score based on parameters like unemployment and inflation

5) Ease of living - indicator of well being

### 6) UN World Happiness Report 2021

- India's rank 139/149
- Factors - GDP per capita; freedom, life expectancy, trust, social support, generosity
- it also considered the effect of covid on the people and their evaluation of performance of governance systems.

7) Low tax to GDP ratio - tax revenue collected by govt as compared to GDP

8) Middle income trap - countries are not able to move up to the higher income status due to various adverse factors

9) Pre mature de-industrialisation - growth of industrial sector begins to slowdown prematurely in its path towards development

10) unemployment and jobless growth

11) high ICOR - amount of capital required to produce one unit of output

12) low human capital - low skill

13) A balance sheet syndrome

14) Low credit rating

15) Sustainable development

## STEPS

- 1) Stimulus package under Atma Nirbhar Bharat
- 2) Deregulation of agriculture sector
- 3) Reforms in MME; PLI schemes
- 4) higher FDI limits
- 5) Disinvestment - asset monetisation
- 6) National Infrastructure pipeline

## WAY FORWARD

- 1) identify priority sectors
- 2) ease of doing business
- 3) attract 'anchor firms'
- 4) startups and innovation
- 5) investments of NRIs & OCIs
- 6) focus on agriculture sector
- 7) industrial cities
- 8) improvements in infrastructure
- 9) basic income