



# A CRITICAL ASSESSMENT TO ECONOMIC GROWTH AFTER THE PANDEMIC AND EXPECTED WAYOUT.

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## ABSTRACT:

Projected economic growth for the year 2021 was 6 %, a mere increase from 5.5%, and 4.4% in 2022. The outlook was based on how well the pandemic continued to be controlled, the efficacy of fiscal policy in regulating economic damage and global financial situations.

Although creation of utilities is the regulator of the economy, governments modify the environment and infrastructure that regulate the symptom to flourish. How governments create and shape the environment for economic recovery, the opportunities and challenges they face in doing so, will depend on two decisions they make and take in response to their approach.

**KEYWORDS:** Growth, Pandemic, Policies, FDI, Innovation, Centralized and Decentralized Economy.

The poverty trap caused by infectious diseases might cause economic growth to stagnate in the long run. Chakrabarty et al believed that the poverty trap caused by infectious diseases would change the investment tendency of economic entities and it is expected in the long run, infectious diseases would cause a "growth trap" as a result of that the economy deviates from the original equilibrium growth path, and growth inevitably slows or even stagnates.

This persistent poverty is related to infectious diseases (Gallup and Sachs).

## Literature review:

It has been observed that extreme poverty is often combined with Infectious diseases in areas where it is poverty stricken. Spreading coupled with Disease -driven poverty trap put hurdle in economic development.

Goenka and Liu analyzed the endogenous fluctuations of macro variables caused by infectious diseases in a growth model and explored how to stabilize the macroeconomy through countermeasures such as vaccines or isolation. They argued that even when the virus cannot be completely eliminated, the prevention and control measures against the spread of the disease would smooth economic fluctuations and could bring welfare gains.

Clemens and Veuger ([2020](#)) focused on the declines in government sales and income tax

Collections across US states. According to them, COVID-19 has led to a substantial decline in consumption patterns compared to income levels. This pattern is substantially different in comparison to previous recession, where income decreased more than consumption.

They found that the COVID-19 pandemic had reduce the states' tax collections by \$42billion in the second quarter of 2020. For fiscal year 2021, the authors anticipated an overall decline in sales and income tax revenues of \$106 billion with heterogeneous losses across US states.

McKibbin and Fernando ([2020](#)) estimated the aggregate economic costs. Using a hybrid global model which visualized COVID-19 as a negative shock to labor supply, consumption spending, financial markets, but as a positive shock to government expenditure, particularly stemming from health-related expenditures. The authors outlined seven different scenarios and provided a range of estimates of the increase in mortality and the fall in GDP for a number of countries across the world. In the case of the most contained out break the reduction in global GDP was around \$2.4 trillion in 2020.

Eppinger et al. ([2020](#)) used a quantitative international trade model with input-output linkages for 43 countries to assess the impact of COVID-19 supply shock on global value chains. They found that due to the supply shock, China experienced a welfare loss of 30% with moderate spillover to other countries. Estimating a simulation consisting of a counterfactual scenario described as "without global value chains," the authors found that welfare losses were reduced for some countries by as much as 40%, while they were magnified for others.

The economic impact of shocks, such as pandemics, usually measured with aggregate time series data. However, these datasets were available only after a certain lag. To analyze the economic impact that a higher frequency, Lewis ([2020](#)) developed a weekly economic index (WEI) using 10 different economic variables to trace the real economic impact of

COVID-19 in the United States. Several authors reported that between March 21 and March 28, the WEI declined by 6.19%. This was expedited by lowering consumer confidence, fall in fuel sales and more specifically rise in unemployment insurance (UI) claims and changes in other unidentified variables.

Demirguc - Kunt et al. ([2020](#)) estimated the economic impact of social distancing measures via three high-frequency proxies (electricity consumption, nitrogen dioxide emissions, and mobility records). The authors found that social distancing measures led to a 10% decline in economic activity (as measured by electricity usage and emissions) across European and Central Asian countries between January and April.

Chetty et al. ([2020](#)) developed a real-time economic tracker using daily statistics on consumption, employment, business revenue, job postings, and other variables. The authors showed that the initial slowdown in economic activity was partly driven by reductions in consumption by high-income individuals. These spending shocks negatively affected business revenues catering to high-income individuals. Subsequently, low-income individuals working for these businesses lost much of their incomes and reduced their consumption levels.

Kapteyn et al. ([2020](#)) tracked a representative sample of 7,000 respondents in Los Angeles County, California every 2 weeks to assess the impact of COVID-19 over time and same results were obtained.

Brinca et al. ([2020](#)) estimated the labor demand and supply shocks occurring in different sectors. They found that the decrease in work hours can be designated to negative labor supply shock; a result that they suggest has important policy design implications. Labor supply shock is directly related to the lockdown and might be mitigated if such policies are lifted.

Aksoy Eichengreen, and Saka ([2020](#)) found that individuals' degrees of exposure to epidemics during the ages 18 to 25 had a negative effect on their confidence in political institutions. These individuals happened to be less likely to had confidence in their healthcare systems during the

times of pandemics. Barrios et al. (2021) and Durante et al. (2021) provided evidence that regions with stronger civic culture engaged in more voluntary social distancing.

#### FEASIBLE WAY-OUT POLICIES:

Actions that support economic recovery may adopt different choices when prioritizing between preservation of existing one and creation of new one. However, each is likely to implement and evaluate a combination of the following innovation to support economic recovery.

The tentative way out will be:

1. Increasing investment
2. Increasing revenue
3. Reducing unit cost of production
4. Encouraging innovation and its application
5. Supporting work force effectiveness through internal and external economies of scale
6. The tentative policies will be:
  1. Direct capital injections through investments and reinvestments, loans and grants.
  2. Injecting productive capital into the banking system to activate investment
  3. Channelizing activity through PPC model structures.
  4. Inviting foreign direct investment (FDI) and mitigating the loss of outgoing FDI.

Upswing recovery process directed mainly towards two decisions: Governments need to reduce internal and external debts, creation of productive assets and there by activating growth:

Most of the countries prefer to take actions that enable economic recovery by minimizing unnecessary expenditure through the process of creating a positive return on investment, in ways that consider their global world view, country context, legislative structure, political will combined with national ideology. Countries can make two decisions to help them understand the approach best suitable with their needs.

**Decision 1:** What will be the best drive applicable to a country's immediate economic recovery—an approach that's more locally orientated or globally orientated? Countries which are at risk for severe and systemic insolvency, which have high levels of domestic inequality and/or more disgruntled citizens, or whose supply chains for vital industries are at risk would probably have to prefer and intensively rely on local economic recovery.

Countries that are too much dependent on global supply chains and internal and external financial flows, and believe global problems require global solutions, will have to intensively rely on globally oriented recovery.

**Decision 2:** What's the best feasible option among all for activating national economic growth—active participation and forecasting of issues or capacity of the private sector and local institutions? This choice may be based on a government's politically feasible will or on infrastructure and operating model.



Every outcome depends on how strongly the government reacts. can trust in a consistent and steady level of activity and on citizens to drive decisions, how prudently public and private institutions act and react, and what core skills effectively the government can possess.

Domestic economic strength depends on Centralized government, Decentralized government, Local orientation, Global orientation, Combination of policies and hands-on activities focused on expected growth.

In these circumstances: (a) Targeted outcome should be broad and deep. (b) Clear cut specifications should be provided for states and municipalities to cover up. (c) National regulatory environment should be commendable. (d) National industries and corporations should be viewed as part of the government's broader policy apparatus. (e) Social services and programs should be subsidized and solely targeted. (f) National and local should be considered a higher priority than global challenges. (g) Collaboration of policies and hands-on activities to support global stability and growth and Global issues will have to be considered with national priority. (h) Policies and programs will have to be used to drive alignment across the state and municipal governments, the private sector, and civil society. (i) National regulatory framework will have to be widened. (j) Government programs will have to be targeted on strategic industries associated with the national agenda and those in which the private sector has a global competitive advantage. (k) Nationalized social services will have to be emphasized. (l) International expected orders will have to be strongly focused.

Policies to encourage and create incentives for a private sector should focus on potential domestic economic strength and areas to be emphasized should be:

1. States and municipalities will have to be empowered and capable to manage affairs independently, with persistent oversight and guidance.
2. Concerned areas should have significant free domain conducting operations in a way that are capable of validating value and profit.
3. Local governments will have to be responsible for addressing and resolving social issues, with in broad federal targets.
4. International responsibilities and engagement in international affairs should be viewed for protecting national interests.
5. Policies to encourage and create incentives for a private sector will have to be focused on global stability and growth.
6. The overall direction and focus of national policies will have to be aligned to global interests.
7. These priorities should be emphasized heavily on reliance on the private sector to find feasible efficient, effective solutions.
8. There should be a broad regulatory frame work and few protected policies.
9. Local governments should work on social issues but should be encouraged to cope with global standards.
10. Government should strongly support, but should not imitate, the global international order and commitments.
11. Opportunities and challenges for each approach might be centralized and local governments should activate a high-touch of success.

The emerging Core questions for these governments revolve around how to best: (a) invest locally (b) identify and support industries that may drive economic recovery (c) promote domestic spending through cash-transfer projects (d) protect local industries from foreign competitors (e) safeguard industries that are vital to national security (f) promote exports (g) Create a society that's inclusive, more equitable and skilled for the future.

These governments have an opportunity to build their national security and resilience by motivating local industries and, by extension, with local communities. It will be important to

identify 'national priority'—industries at the foundation of the nation's economy. Money spent on foreign-aid contributions can be diverted to these industries. Large, centralized governments will have to be critically cautious, though, not to neglect small or infant industries or communities with too much funding or regulation. Government should initiate advantages of PPC partnerships for sound economic Growth.

In areas of targeted investment, governments will have to monitor key indicators, such as industry growth and employment, to focus on the impact to investment.

Skill will be vital to ensure that local industries are staffed with people who have the knowhow to help productive growth. For instance, Japan's Government has expanded the stimulating feasible programmers that it directed for small enterprises at the beginning of the pandemic to include direct government financing for medium and large entities. The program now involves government-backed lenders in Japan providing subordinated loans and preferred shares to all pandemic-impacted companies. Interest rates are about 1%, compared with the usual rate of 5% or more, and the loans don't have to be coordinated with private lenders, as is usually required. Decentralized and local governments maintain light central oversight, preferring that states and municipalities manage their affairs independently. Enterprises have a wide berth to operate in a way that maximizes profits, under the objective that those enterprises that do well also create more jobs and channelize more money into local economies. If there's a persistent regulatory framework, it probably pertains to national safety and security, specifically protecting national supply chains and the economy from foreign interference. These governments rely on private, civil and local organizations as governance partners. A central question arises concerned with how to enable industries and communities to support themselves persistently. It will generally involve removing obstacles to corporate and individual economic growth, i.e., by reducing taxes, introducing tariffs, promoting tax incentives and risk guarantees to stimulate investment and above all creating incentives for corporations and local governments to upgrade their workforce to the real standard. These governments have an opportunity not to help local communities but to maximize their growth and achieve their specific needs, to free up central government resources for redistribution to local institutions. This approach of governance can create thriving hyperlocal infrastructure, with cottage industries that can serve as the base of the national economy.

Such an economy, however, depends on a central government's strong partnerships with the local governments, private sector and civil society organizations that serve as a bridge to the local economies that drive national GDP growth. These decentralized and local governments will have to minimize potential social and economic disparities among individual parts of the country. The central government can help manage these disparities by coordinating the sharing of knowledge and best practices among local partners and customizing the stimulus and incentives they offer to different local governments that can be observed in Mexico.

Although the Government regulated capacity and health and safety protocols across the industry; it didn't implement protocols that would have made visitor entry difficult. It did not require international travelers to be tested for COVID-19 before entering the country, nor to quarantine or restrict their movement. Intra and inter governments foster alignment among local governments, the private sector and citizens in support of a

singular set of national but globally influenced ethical priorities and values. Governments identify, assist and generate local industries that have global competitive and comparative advantages, promote innovation in industries and those aligned to a broader global perspective and create regional supply chains to strengthen their national position and that of their neighbors. Key questions for these governments concern which industries support the global common good, how best to shape and affect the global agenda, and which partnerships—regional, local or international—are most beneficial.

Investment in national focused industries might stimulate a significant amount of innovation. Governments do have an opportunity to partner with the private sector on activating the citizenry, helping to create social and ethical mobility opportunities that benefit society while providing those national priorities industries with a workforce equipped and confident to compete in a digital world. The primary challenge for these governments is ensuring that small and medium-sized enterprises, which make up a large percentage of many economies, don't get left behind.

Comparatively smaller companies that power most local economies and that are the foundation of a strong middle class. Global government so need to have a strong,

Centrally communicative strategy that explains how their global goal is important to, and directly benefits, the citizenry, otherwise, they surpass the risk bypassing the public's trust in them.

Norway has initiated by investing considerably resources in a government fund called the Green Platform. The initiative is run as a competition in a complementary way with state-owned enterprises valuing project proposals which focus on research, development and innovation in green growth. The objective of the initiative is to activate investments in sustainable manner, keeping the Norwegian economy for global steady growth.

Decentralized and global governments often consider global issues to be national priorities, but they believe that untraced markets are the most efficient and balanced way to make progress. Government set the direction of globally aligned national policy but relied on the market forces to carry on. Lean and global countries have a consistent but broad regulatory framework in place and few constraint policies; they rely on the free-market system to check and balance automatically. They use interventionist policies sparingly, primarily to reduce obstacles for the enterprises or to create a more competitive environment—for, by way of injecting liquidity into the financial sector, reducing taxes, providing tax incentives and risk guarantees, and creating an entrepreneur-friendly environment to encourage foreign direct investment. One key question for these governments concerns how to identify and communicate a consistent set of national priorities, because lean governments generally don't communicate through explicit activities and incentives but instead apply a more subtle influence.

Other key questions are how to balance a light-touch approach with helping industries build resilience and re strengthening national security in a fluctuating global environment, and how to determine what areas should be pulled, and when, to ensure that economic growth leads to a more sustainable development.

Lean and global governments, particularly those in larger, industrialized economies, can quickly create enormous growth, because their free-market economies are globally based and competitive.

Industries and enterprises in these countries that shadowed the pandemic might be revitalized for a windfall if they can lead in the market as global economies open up. The challenges for the global governments are both economic and social. Economies that grow too quickly are susceptible to overheating, leading to a spike in inflation, among other undesirable deadly effects.

Free-market economies driven by a global agenda without significant constraint, such as tariff protections, or support, such as targeted revitalizing indicatives, might result in the loss of small or



infant enterprises and industries that can't compete without these constraints. The loss of these businesses and industries may way out innovation and may cause long-term damage to the Country's economy. Small and medium-sized enterprises that do survive might lose out in the marketplace if there is tremendous overseas competition, and income disparity could be generated, as evidenced by the current K-shaped recovery emerging globally. Earlier this year, African nations established how lean and global government's approach can initiate economic recovery, with their activation of the African Continental Free Trade Area agreement. The agreement removes trade barriers across the continent, reduces regulatory complexity, and paves the way for increased industrialization at scale, jobs and global competitiveness.

Working together to create stronger, more inclusive economies Governments and enterprises are facing a world that has been radically changed by COVID-19, and recovery will probably be marked by significant in stability and change.

But the rising opportunity to activate economic growth and social progress, four guiding principles can help governments and enterprises to create a more efficient working relationship to achieve social justice.

#### SUGGESTIVE MEASURES:

1. National vision statement will have to be generated that includes roles, responsibilities and expectations for every stake holder in society.
2. The post COVID world will give us an unprecedented opportunity to correct and create stronger, better version so four societies.
2. Everyone has to play a significant role in this new vision; and enterprises of all sizes should activate themselves to the maximum reflected in plans to rebuild the economic wave and help to create and implement inclusive, skilled workforces and sustainable ethical values and supply chains for years to come.
3. Social issues—long the sole purview of governments—have become an issue for enterprises, too, as stakeholders begin to demand that enterprises use their resources and activate to effect positive social change.
4. Governments and enterprises must identify new ways to work together to drive this meaningful change.
5. Government should strengthen communication channels. To work together, governments and enterprises must reassess, build channels that allow them to communicate with one another. Roundtables, liaison offices, and other solutions should be activated and widely implemented to ensure open, active dialogue.
6. Government should work to improve mechanisms and incentives for moretransparency.Stakeholdersshouldinsistthatenterprisestakeactiononsocialissuesandreport transparently on those actions. As a result, enterprises must re-evaluate their strategies and operating models.
7. Governments should support enterprises by providing economic incentives—in the form of increased capital support, tax concession, preferential treatment on government bids and more—for companies that can demonstrate a sustained, good-faith effort to ad dress social justice.
8. Governments and enterprises will have to be operated in complementary way, result in gin economies that are sustainable and inclusive. Getting national economies growing in a sustainable way again, which is efficient and results in more equitable benefits, will require that public-and private-sector activators work together in a more coordinated, productive manner.

9. Government should build societies that are stronger, more resilient and more equitable; enterprises can foster this vision by providing jobs, competitive and comparative advantage and economic growth. The PPC model can create economies of scale that simultaneously drive growth and lead to more inclusive patterns which will benefit all the countries.

**Conclusion:** Any form of way out can't be in an isolated way but in a complementary way i.e. active participation in the basis of PPC model. Decentralization from the grass route level with complete specification focusing on productive activity should be given more focus and the upper ridge line should not co inside with the lower ridge line. Proper implementation of the policy and visible assessment should be done periodically. Productive capacity will have to be generated and will have to be utilized. There should not be any lag between decision taking and decision-making process. Governments funds will have to be channelized according to therequirement. Buffer stock will have to be created and should be injected in an insignificant way to minimize inequality in the distribution process. Unnecessary expenditure will have to be minimized to the maximum extent.

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