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Online panel discussion on “ COVID-19's Impact and Way Forward for India: An Economic Assessment” on 13th May organized by The Bengal Chamber

Need to be cautious about slipping into permit Raj: Kaushik Basu

By Namrata Acharya | Kolkata | Last Updated at May 13 2020 21:32 IST

Topics [Kaushik Basu](#) | [World Bank](#) | [Bengal Chamber of Commerce and Industry](#)



Also, with a record capital outflow of \$16 billion in March, the biggest in a month, India must be careful about the future, he said

While endorsing India's policy on tackling Covid-19, Kaushik Basu, former chief economist of The [World Bank](#) cautioned against slipping into the regime of Licence Raj.

“The licence permit raj in India was slow evolution. The year 1991 saw the biggest economic reform, which transformed the landscape of the economy. Right now, there is a risk (of going back to permit era). But I understand the awareness has come among policy makers, and we will not make that mistake. We must not become a system where you need to take permission for everything. We need to quickly unwind, creating space, so that people can start taking their own decisions,” says Basu at a webinar organized by the [Bengal Chamber of Commerce and Industry](#).

Also, with a record capital outflow of \$16 billion in March, the biggest in a month, India must be careful about the future, he said.

“Global players are worried about India, because in the month of March alone we saw \$16 billion capital exiting India, the biggest outflow in a single month. There are many economies which are doing well amidst this crisis, like Vietnam, South Korea and Taiwan. We have to keep reforms in midst of this, so that we have a good future, along with managing the current crisis,” said Basu.

Also, while controlling the economy, India must not try to suppress market forces, he said.

“We must never think we can control the invisible hand, stop the market from functioning, halt the economy and have bureaucrats and Police run the state. It has not worked anywhere in the world and is a recipe for disaster,” he said.

“India has remarkably talented bureaucracy. You have to harness it and design package to pull out,” he said.

Basu said the stimulus package was a move in the right direction.

“I am glad about a big chunk (of stimulus) was announced yesterday. We needed that. For time being, we need to put aside the worry for fiscal deficit. Even if a little monetization, the stimulus is worthwhile,” he said.

“The initial moves made by India were right moves. A lot will depend how we exit from lockdown. Landscape of global economy will change, winners and loser will emerge,” he added.

Additional Stimulus 3% of GDP: N R Bhanumurthy, Professor, NIPFP

The additional stimulus would amount to three per cent of GDP, according to N R Bhanumurthy, Professor, NIPFP (National Institute of Public Finance and Policy).

“Now this Rs 12 trillion additional fiscal stimulus that PM has promised will include Rs 7 trillion because you are not going to compromise on expenditure that has already been planned in Budget 2021. We have already seen that the government actually increased the borrowing programme for

current financial year from Rs 7.8 trillion to Rs 12 trillion so I think the additional Rs 4.2 trillion is largely to cover the decline in revenues," he said.

Bhanumurthy said that his calculation suggests that the additional stimulus measure, assuming that there will be no further changes in monetary policy, would be close three per cent of GDP.

"And that is substantial given the fiscal condition right now," he added.

https://wap.business-standard.com/article-amp/economy-policy/lot-will-depend-on-how-india-exits-from-lockdown-says-kaushik-basu-120051301775_1.html

Lot will depend on how India exits from lockdown, says Kaushik Basu

By Press Trust of India | Kolkata | Last Updated at May 13 2020 23:46 IST

Topics [Coronavirus](#) | [Kaushik Basu](#) | [Lockdown](#)



Kaushik Basu said if business remains halted, the food chain will be disrupted and there could be a famine

India took the right call by announcing a prompt [lockdown](#) in March in the wake of the Covid-19 pandemic, but a lot will depend on how the country makes an exit from it as the landscape of the global economy will change by then, former chief economic advisor [Kaushik Basu](#) said on Wednesday.

The basic issues at present are the concerns about the food chain, jobs and migrant workers, which have to be resolved immediately, he said.

"The first move of a quick [lockdown](#) made by India was right. It was called for. Now, a lot will depend on how India exits from the [lockdown](#) as landscape of the global economy will change by then," Basu, a professor of economics at Cornell University, said during a webinar hosted by the Bengal Chamber of Commerce.

He said extending tax benefits might not be enough as the poor need direct support.

"Just giving tax benefits is not enough. Poor people should be given cash. But, this will not lead to hyper inflation," the former World Bank chief economist said.

"I am optimistic about the long-run indicators of the economy of India. The problem is with the perception of the people, who perceive more danger and risk than economy. That can jeopardise the entire process of recovery. The issue is how we balance these," Basu added.

Basu said he is happy that India is now looking at the economic aspect as the country prepares to gradually exit the lockdown.

"It is needed for unlocking the lockdown quickly. Quoting an Oxford study, there are different categories of lockdown. We can't stop lockdown altogether. But, this has to be differentiated," he said.

The former chief economic advisor said if business remains halted, the food chain will be disrupted and there could be a famine. Food shortage will also cause deaths, he added.

"India is now looking at a new face of lockdown by allowing the economy to prosper," Basu said.

Prime Minister Narendra Modi, while announcing a Rs 20-lakh crore economic package on Tuesday, had said that the next phase of lockdown will have a different look with a new set of rules and regulations.

Basu said India does have a remarkable bureaucracy and this advantage can be harnessed.

"I am glad that money is set aside as we know by the PM's announcement. But, fiscal deficit is a worry," he said.

"... India has a good law FRBM (Fiscal Responsibility and Budget Management Act) that does not allow governments to overspend. But, this is a natural calamity. States and the Centre can spend more. RBI can also opt for printing money," the former World Bank official said.

Basu said India is a highly interlinked economy in which small firms are connected with the big corporations in terms of goods and services.

"Markets should be allowed to run on their own as a natural mechanism. If that is not done, it will be a story of disaster."

Although India's growth has been falling over the last two years, there are bright signs on the ease of doing business front, he said.

"We have to address the issue of inequality. Global players are worried about that. A lot of money is going to other countries...", he said.

Basu said credit has to be directed to the MSMEs or else "within weeks, they will crash".

He also called for increasing savings and investment rates in the country.

To a query, he said China is now a "vacating space".