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Page :-10

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

‘India must be cautious not to slip back to the Licence Raj or Permit Raj regime’

PM's stimulus package is a move in the right direction, says Kaushik Basu

OUR BUREAU

Kolkata, May 13

Kaushik Basu, Professor of Economics and Carl Marks Professor of International Studies, Cornell University, on Wednesday, said that India needs to be cautious not to slip back to the Licence Raj or Permit Raj regime.

The 'Licence Raj', which basically involved an elaborate system of licences and regulations that were required to set up and run businesses in the country, was dismantled with the liberalisation policy introduced in 1991.

"The licence permit raj in India was a 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 the per-

mit era). From what I am hearing from corporates and a variety of people, that awareness has come for policy makers that 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," said Basu at a webinar organised by the Bengal Chamber of Commerce and Industry here on Wednesday.

Suppressing market forces

While controlling the economy, it is important to see that we do not try to suppress market forces. "We must never think we can control the invisible hand, stop the market from functioning, halt the eco-



Economist Kaushik Basu

nomy, and have bureaucrats and police run the state. It has not worked anywhere in the world, and is a recipe for disaster," he said.

According to him, the stimulus package announced by the Prime Minister on Tuesday is a move in the right direction. He also said that though fiscal deficit was a 'worry', it has to be put aside for now.

"The initial moves made by India were right moves. A lot will depend on how we exit from the lockdown. The land-

scape of the global economy will change, winners and losers will emerge," he added.

Though it is important for India to work in terms of taxation and policies for transfer to the poor, one cannot be obsessed with long-term changes at the moment, he pointed out.

"The level of inequality in India is unacceptable, but right now our window is a couple of months, and we cannot make mistakes to have a course of setbacks.

"Global players are worried because in March alone we saw \$16 billion capital exiting India, the biggest outflow in a single month. There are a lot of economies that are doing well amidst this crisis, such as Vietnam, South Korea and Taiwan.

"We have to keep reforms in the midst of this so that we have a good future, along with managing the current crisis," he said.