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P. G. Babu (ed.): economic policy in COVID-19 times

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The world including India has passed through a difficult time in the last 3 years. In recent memory, this is the first economic crisis triggered by a non-economic factor—a pandemic called COVID-19. It was the Spanish Flu more than hundred years ago that resulted in such a severe devastation. Without cure and vaccination (initially), the impact of the pandemic has been two fold. First was the human tragedy in terms of death and the second was the economic impact in terms of the loss of output caused by the restrictions such as lockdowns imposed to contain the spread of the pandemic.

There have been several studies and surveys undertaken to measure and analyze the economic impact of COVID-19. The book under review titled “Economic Policy in Covid-19 Times” edited by P. G. Babu is one such study. But it is unique in that it focuses on the actions taken and their impact in the context of the pandemic in Tamil Nadu. The book contains 18 articles written primarily by the faculty of Madras Institute of Development Studies (MIDS) with each article concentrating on one aspect of the Tamil Nadu economy such as macroeconomic scene, environmental issues, the agricultural sector including agricultural marketing, issues of migrant and informal labour, the tourism sector etc. All the articles also deal with the medium-term and long-term concerns in each of the sectors studied. The book taken as a whole provides a comprehensive picture of the Tamil Nadu economy, its strengths and weaknesses and also outlines the possible strategy for accelerating growth in various sectors.

The macroeconomic scene is elaborated by several articles. One point stressed by several writers is that the Indian economy at the start of the COVID-19 episode was not in good shape. We now know that the rate of growth of the Indian economy in 2019–20 was as low as 3.7%. The lockdowns imposed from time to time in 2020–21 had a severe impact on the economy because of the lack of mobility of people and goods and services. The GDP fell by 6.6 percent in 2020–21. In fact, Tamil Nadu is one of the very few states that had a positive growth of State Domestic Product in that year. Besides output loss, another major concern was the dip in labour participation rate. Yet another aspect of the labour problem was the exodus of migrant labour particularly in a state like Tamil Nadu. In fact, the mass exodus of

migrant labour from all over Tamil Nadu showed how dependent Tamil Nadu was on “imported” labour. The articles by Shesadri Banerjee and P. G. Babu, Vikas Kumar and Poonam Singh talk of policy options. One major issue was how to contain the recessionary effect while trying to minimize human tragedy. The dilemma was posed as the conflict between livelihood and life. Some balance had to be struck which turned out to be difficult. This also depended upon existing social infrastructure particularly in hospital facilities. The horror through which migrants passed also exposed the need to provide reasonable facilities to migrant labour. The role of fiscal policy in the situation has also been discussed in two chapters. In fact, the rise in government expenditure at a time when revenues were falling resulted in higher fiscal deficits which could be sustained only by liquidity expansion by RBI. The fiscal deficit of the Tamil Nadu government also went up. It is the liquidity expansion which has come home to roost. The flare up in inflation that not only India but also USA and UK are facing now is a direct consequence of the liquidity explosion.

The Indian economy grew fast enough in 2021–22 to compensate the loss of income in the previous year. But we are where we were two years ago. The expectation that 2022–23 will be a normal year was shattered by the Russia–Ukraine war. The COVID-19 episode not only underlined the need of how to prepare ourselves to meet a health emergency but also focus on some fundamental issues with respect to various sectors of the economy.

L. Venkatachalam in his article “Reforms in the Agriculture Sector in the Post-Covid-19 Era” talks about market reforms including contract farming, emphasis on more value added products, faster procurement and flexible crop loans. Sivasubramaniyan’s article focuses on tank and canal irrigation in Tamil Nadu. In the agricultural sector, there is an interesting article by P. G. Babu, A. Ganesh Kumar and Chandan Kumar on the Controversial Farm Acts which though withdrawn contain according to the authors some relevant ideas for reforms. In the chapter ‘Environmental Reforms in Tamil Nadu after Covid-19’, P. Durairasu and L. Venkatachalam address the need for proper ‘green accounting’ and also advocate a move away from command and control system. Ajit Menon and Maarten Bavinck in their article besides talking about the measures taken by the government to provide relief to small and medium fishermen spell out medium term policy measures to promote the fisheries sector.

C. Veeramani and P. G. Babu in their article argue for “Assemble in Tamil Nadu for the World”. It raises the question—why not make in Tamil Nadu for the world. In any case, we need not restrict ourselves to follow only one path. The choice must depend upon the good or commodity chosen. M. Vijayabaskar in his article talks about the garment industry and offers several recommendations for improving the quality and productivity of the industry. A.R. Venkatachalapathy examines the conditions of the Tamil publishing industry, an area which is rarely looked into. The tourism sector is one that had been badly hit by COVID-19. The problems of this industry are looked at by Krishanu Pradhan. The migration trends and hardships of migrant workers is a subject of analysis by K. Jafar and A. Kalaiyarasan. The plight of the domestic workers in general and in particular at the time of COVID-19 is the subject of analysis by S. Anandhi and E. Deepa. P. G. Babu and Chandan Kumar in their article on infrastructure development draw attention to the problems that arise in the PPP model. Karen Coelho and A. Srivathsan in their article look at the possibilities and difficulties in affordable housing. In a pandemic situation decentralized medical attention is critical. In

this context, what the role of Panchayati Raj institutions can be is the subject matter of the article by Kripa Ananthpur. Gayathri Balagopal and M. Vijayabaskar in their article discuss social protection systems at each stage of the life cycle and then examine systems which cut across the life cycle like health and sanitation and food security. The food security system includes programmes of various types introduced by central and state governments. Umanath Malaiarasan analyzes the food security issues during COVID-19 and suggests various policy measures to get over difficulties.

All the articles were perhaps written before the middle of 2021. That was the first year after the outbreak of COVID-19 when the economy suffered. In the next year, the economy recovered. But the human tragedy was high because of the relaxation of controls. The virus was also severe and it exposed the inadequacies in our health infrastructure. What we need is a companion volume to the present study by MIDS, depicting what happened in the following year. Some question whether we had been overly restrictive in the first year. These people argue that had we been less severe with lockdowns, the output loss in the first year would have been less. This is wisdom by hindsight! At the time of outbreak of COVID-19, no one including the medical profession was fully aware of the nature of the pandemic and how to control it. We could not gamble with human life. We have learnt much however at great cost on what needs to be done on our health infrastructure. As far as growth is concerned, we have lost two years. The loss of output measured from the trend line is even higher. The book under review is useful because almost every article contains suggestions for accelerating growth in the medium term. Tamil Nadu is well ahead of many states in terms of physical and social infrastructure. The goal of a trillion dollar economy is achievable as far as Tamil Nadu is concerned. It will take a minimum of 10 or 11 years and would require a real rate of growth of 8–9%. Fiscal stability is also important to achieve this goal. Tamil Nadu should get back to maintaining a fiscal deficit of 3% or less of State Domestic Product. The book does not address this issue directly. On the whole, a timely book with a lot of insights on Tamil Nadu economy.

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