

Conference on Finance in India

11th & 12th November, 2022

THE DYNAMICS OF THE GLOBAL RECESSION: THE REPERCUSSIONS ON INDIA AND THE WAY FORWARD

Centre for Financial Accountability | Economic Research Foundation | Focus on Global South

Context:

There are growing apprehensions of a global economic recession in the coming months. There are debates about its severity, its duration or even about its timing, but it appears that in whichever shape or size, it is coming in all likelihood. And given that most of the world, particularly the global south is still struggling to recover from the shock of the pandemic, the timing could not have been worse.

The pandemic-induced lockdowns and the recurrent viral waves brought the world to a standstill and economies contracted. While the pandemic exposed the lack of social security and extreme vulnerability of those particularly in the informal sector in developing countries, governments across the globe in varying degrees pumped in money in the economy, reduced the interest rates and gave moratorium to the businesses so as to bring the economy back on track. As the economies started slowly picking up, the global supply chain disruptions caused due to lockdowns meant that cost-push inflation was on rise. This could also possibly be the first recession that has the climate crisis as one of the contributory factors (China, Europe, US extreme drought, 2022). Finally, the situation was aggravated by the Russo-Ukraine war that started in February 2022 as it brought disruptions in the energy supply and in turn paved the way for energy and food inflation across continents. As central banks across continents have been hiking interest rates to combat inflation, the World Bank has already warned of an impending recession in 2023.

While there may be some broad trends, the trajectories in motion differ in different countries depending on their place in the global financial food chain. The US economy due to its incessant rate hike technically went into recession as it contracted for two consecutive quarters for 2022. While in the US high inflation coincides with remarkably low unemployment, in India joblessness has been alarming. Largely it has been the developing economies that have been at the receiving end of the cumulative burden as is evident in Sri Lanka. In India for instance, the self imposed fiscal constraints, in line with the rulings of global capital, meant that our investment on the social sector remained far from adequate in our recovery plans while we continued to give concessions to the corporates. Questions have also been raised as to whether the crisis here predates the global crisis and even the pandemic and whether we are actually immune to the apprehended recession.

Already we are seeing the rising dollar Index impacting India's exchange rate - rupee depreciating to the lowest of all time, FII outflows, foreign exchange reserve depletion and reduction in GDP forecast for India by IMF for 2023 and 2024. And it is difficult to assume that the recession will leave us unscathed.

In this context, the two-day conference will analyze the depth of the oncoming global recession, its genesis, dynamics and intricacies with the consequences of the recession on emerging markets and especially India. So far, the mainstream discourse on the looming crisis is dominated and restricted to the conventional tools of tackling inflation (rate hike) and its apprehended impact on growth. The conference would give us an opportunity to scratch the surface and ask some fundamental questions around the susceptibility of finance capital to crises and their impact on developing economies. Attempt thereby would be to critique the mainstream ways of combating recession and inflation and look for alternative processes to strike the right balance between inflationary and recessionary tendencies. We would also try to go beyond the GDP centric understanding of growth and recession to focus on the informal sector which has taken the worst hit over the last few years. The deliberations at the conference would delve into the subject of overleveraged crony capitalism that thrives today, its ramifications in such uncertain times, our learnings from the 2008 crisis and the crucial role that public sector banks played in insulating us. Finally, the convening will also attempt to evaluate India's particular vulnerabilities defined by our economic choices, the socio-political consequences of the same, the possible future trajectories and the way forward.

Session Plan:

The **first day of the conference** will have three sessions and each of them will deal with the specific theme related to the global recession.

The theme of the **first session** will deal with the understanding of the broader contours and questions about the apprehended global economic crisis. The aim is to explain the nature of the ongoing recession in the world and where we are headed; to go beyond the mainstream ways of combating such trends; to assess the role of climate crisis and the banality of existing tropes of climate finance; and, finally, to assess the impact on emerging economies.

In this backdrop, we would like to delve into the more India-specific questions hereafter. The **second session** will address the issue of integration of the Indian economy with the global one, its structural faultlines and the apprehended impact of a recession on India, fundamentally asking whether we need to worry or are we immune to it? A related question is also whether the crisis we are facing is entirely external or have we in fact been in one for some time? What could be the implications on the marginalised sections and finally we would also like to understand the limits of meaningful recovery and resilience in the context of self imposed fiscal constraints.

The theme for the **final session** of the first day will ask the fundamental question of fallacy in GDP measurement and how an obsession with it in terms of understanding growth and recession precludes the informal sector. We will explore here the divergence between growth and human development. How even high GDP growth came at the cost of joblessness in the first decade and how present platitudes to us of being the “fastest growing economy” obscures the crisis in employment and in the agrarian countryside. Are we approaching a looming crisis blindfolded?

The focus on the **second day of the conference** would be on the structural rigidities of the Indian economic system. The theme for the **first session** would be based on the changing nature of the economic crisis from 2008 to the present. This would also attempt to compare the Indian economy’s preparedness in the face of the crisis then and now. We would evaluate the role played by the public sector banks in insulating us in 2008, and the welfare measures that cushioned the crisis - aspects that are fast eroding in recent years making grounds for widening inequality and concentration of wealth.

The **second session** will be looking into the exponential growth of overleveraged crony capitalism and its ramifications in uncertain times. We would like to assess the role played by banks in financing such monopolies, and also the handing over of public assets that have come under scrutiny (CreditSights report). We would also attempt to understand the implications in terms of capital-labour relations and finally discuss the ways in which these monopolies are being and can be held accountable.

In the backdrop of the above issues facing the Indian economy, the **final session** will be in the form of a public meeting focussing on engaging in the debate of decent and quality employment, the question of stronger social protection and the need for heightened public investment in people. We would like to discuss the immediate need for our readiness to face the crisis as also the long term corrective measures needed to build what we may call real resilience in the coming times. Can an uncritical obsession with growth fueled by limitless consumption be a sustainable path towards a real and meaningful recovery? The attempt would be to lay out a roadmap to recovery through the above sub themes.

This would also mark the release (11th November) of the first edition of the “**The State of Finance in India Report 2021-2022**” (SOFI). This report seeks to initiate a dialogue on the effect and influence of financialization and policy changes on the economic growth of India wherein the leverage of private capital has soared substantially over the years in comparison to the bargaining power of labor. Written by authors from varied fields - economists, activists and policy experts - the compilation gives us an opportunity to critique the dominant view in the field of finance and economy and seek alternative pathways.

The report is a result of the combined efforts of Centre for Financial Accountability, the Economic Research Foundation and Focus on Global South. The editorial board comprises CP Chandrashekhar, Jayati Ghosh, Shalmali Guttal, Nitin Sethi, Joe Athialy, Bhargavi Rao and Benny Kuruvilla.

