

Learning From the Covid-19 Pandemic: Lessons for Economic Theory and Policy

Rahul A Sirohi

JSPS-ICSSR Seminar- Nov 21 and 22, 2022

Crisis as Epistemology

- The Covid-19 Pandemic has led to millions of deaths and enormous economic damage.
 - 88 million people pushed into extreme poverty, increasing debt burdens, decelerating growth rates(World Bank 2022)
- The Pandemic has turned out to be a watershed historical moment. But it has also served as a warning to policy makers and economists to course correct (Guggenheim, 2014).
 - Crisis as method; as an epistemological instrument

Bringing ‘Human Beings’ Back in to Policy and Theory

- Although our economics textbook depict human beings as “lightning calculator of pleasures and pains”, recent literature in behavioural economics have painted a more complex picture (Thaler and Sunstein 2013; Bahinipati et al. 2022).
 - Policies success is bound by people’s behavioural responses to interventions. Complex feedback effects in uncertain contexts.
 - Decision making via heuristics, non-pecuniary motivations; pro-social behavior; inattention; status quo bias- decision to wear/not wear masks; to/not to vaccinate; break/abide by travel restrictions.

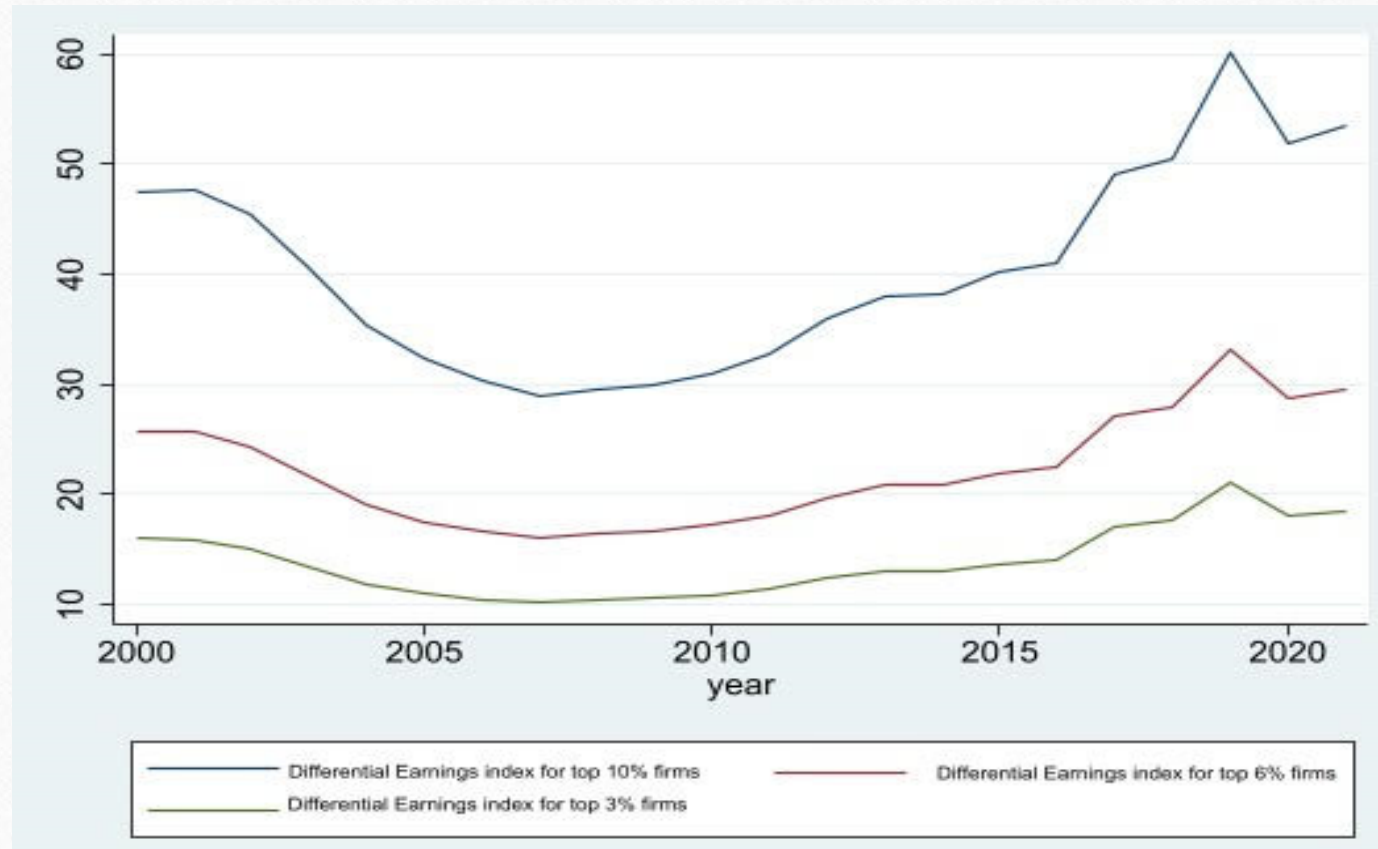
Bringing 'Human Beings' Back Into Policy and Theory

- Previous literature shows that people are inattentive to energy savings. They therefore tend to underinvest in energy efficient technologies. Energy savings paradox (Sallee 2014; Alcott and Mulainathan 2010)
- We surveyed 500 households were surveyed from Bengaluru city during August-September 2021 (Bahinipati and Sirohi 2022).
- When consumers are provided additional information about reducing CO₂ emissions, around 33 percent of the consumers are willing to purchase an efficient refrigerator and air conditioner.

Bringing 'Politics' Back in to Theory and Policy

- Human beings are parts of broader social relations characterized by competition and command. “Economics” and “Politics” are inseparable from each other (Nitzan and Bichler 2009).
- Much of the recent literature on the slowdown of the Indian economy pre and post-Covid has overlooked the political nature of economic development (Kothakapa and Sirohi 2022).
 - Liberal Approach- State Failure (Bosworth and Collins, 2015; Rajan 2014, 2018; Subramanian & Felman, 2019)
 - Keynesian Approach- Market Failure (Dasgupta 2020; Azad et al. 2017; Ghosh 2022)

Differential Profits: 2000-21



Source: CMIE Prowess

Bringing ‘Southern Epistemologies’ Back in to Theory and Policy

- Global epistemological landscape is West-centric. Knowledge has been assumed to emanate in the West and diffuse to the Rest (Quijano 2007).
- There has been a conspicuous silence on original and innovative thinking that has come out from the Global South (Sirohi and Gupta 2020; Sekhar and Sirohi 2021; Sirohi and Gupta 2023).
- Consequences of “sanctioned silences”:
 - Narrow notions of development and narrow focus of policy making; Blindness to racial/gendered/caste inequalities; Issues of unequal exchange/dependency ignored.