

# **Some Dimensions of A Holistic Approach towards Economic Policy and Economics**

## **Introduction**

Lord Keynes, when he was accused of holding different opinions at different times, had famously remarked: “.....when circumstances change, I change my opinion. What do you do sir?” I think in these days of breathtaking and disruptive changes in the circumstances all around us, we all need to be “Keynesians Now” .... at least in this respect.

Indeed, what we are witnessing now, is an unprecedented upheaval – not only in economy and economic policy, but also in – polity, geo-political structure and in (any) society or ‘social mindset’ as a whole. In all this intriguing scenario, the ordinary human being finds himself / herself totally perplexed and anxious about his / her very survival and about the future of his family. In such a dynamically evolving situation, it is an ongoing challenge to make Economic Policy – more pragmatic, welfare-oriented and an instrument of ‘desirable social change’ at the same time. In this direction, significant amount of work is being done by several scholars covering vast areas such as - economic system, technology, society etc. (Autor, Baldwin, Coyle, Frey, Wolf etc.)\_

## **Brief Overview of the Recent Past**

In the sphere of Global Economy, the last two decades have witnessed major contradictions. On the one hand, most of the world (including developing countries), experienced remarkable improvements in the standard of living as well as in the quality of life of millions, but simultaneously, these two decades (2001-2021), also saw the GFC and its aftermath and the Covid-19 and its – stil continuing- adverse impact. COVID brought to the centre-stage, many hitherto – hidden structural realities. Consequently, serious doubts began to emerge about the prevailing economic policy – matrix, economic management and about ‘economics’ itself. Hence, many apparently new / modern paradigms became increasingly short-lived, even as many ‘old’ theories and conjectures are being resurrected or re-invented....

Two structural and enduring factors which have overwhelmingly influenced the policy domain are: *‘Technology’*, and *‘Climate Change’*. We are a regular witness to the individual as well as combined influence of these two

factors. In such circumstances, it is imperative for the policy-makers of the day to at least ‘comprehend’ (if not anticipate!), the unprecedented disruptions and unforeseen challenges....

As mentioned briefly earlier, Economists are very much focused on this task in the last about ten years – of revisiting the traditional framework(s) of analysis and debates on policy-related issues. The question is: After all this (and still ongoing) ‘intellectual metamorphosis’, does today’s Economist (young and old alike), find anything which can lead to some workable hypothesis about the contemporary global, socio-economic realities?? We need to pause and ponder. (A recent IMF Issue of F&D highlights some significant themes in this domain. Illustratively, Deaton, Coyle, Frieden etc.).

### **Current malaise...**

Let’s try to briefly recap some of the major economic ills of the present day – recognizing that every economic issue invariably has some social, political and behavioral dimension, so that any specialized an approach, is not likely to yield useful explanation of complex reality. (This is particularly relevant in the present era, where there is growing tendency to find ‘technology as the sole solution to all problems....!)

Some critical economic issues facing the world today and having wider and deeper societal implications are:

- Rising Inequality Among and (especially) within economies and its socio-political consequences
- The ‘dark’ side of Modern Digital Technologies (MDTs) and its implications for labour and society.
- The chasm between ‘development’ and ‘environment’
- Disruption and dislocation arising out of unfettered / (excesses of) globalization of financial markets

Needless to say, the recent tendencies towards ‘economic nationalism’ (protectionism?) as adopted by many countries and geo-political developments, have added their own dimensions to this mileu.

It needs to be recognized that even for any ‘efficient’, ‘smart’ and ‘capable’ Government of the day, there are and there will always be factors operating, which are beyond her control and anticipation. Illustratively, in the case of MDTs, even the Government, Regulatory Agencies and Stakeholders in

Advanced Countries are also grappling with the issues “generated” by: Platform, Digital Markets, AI/ML, Blockchain etc. From the perspective of devising appropriate policy apparatus, this phenomenon is getting quite challenging. (Lots of research is currently under way, in this domain).

If Economic Growth has to be rapid, inclusive, tech-led and environment-friendly, and if this pattern of growth has to have the transformational power to create peaceful and cohesive society, then policy-makers cannot anymore be adhering to a “unique” model or a single ideology, as the underlying dynamics is prone to massive and disruptive change, almost all the time.

The World witnessed the collapse of Soviet-type of communism. Subsequently, a system based on market-based economic principles, on private investment-initiative and on competition, ruled the world. This trend was further strengthened by the winds of “globalization” flowing incessantly across the world, after 1990s. As a result, not only money or capital, but even people, technologies, ideas and knowledge became globally mobile, almost instantaneously. Many countries, including the poorer ones derived immense benefits of this radical shift of gears.

However, especially after the GFC of 2008, the ‘market-based capitalism with global connection’, began to be questioned. Inequalities started becoming unacceptable, the sources of traditional employment ebbed and the digital divides began to surface. In recent years, lots of upheavals have already taken place, as mentioned earlier. The combined effect of all of this was that nations and societies began to increasingly feel the ill-effects of the excesses of markets and *irrational exuberance* of ‘finance-led globalization’. Finally, because of these ‘divides’ and economic anxieties, doubts began to be raised on the relationship between ‘market-capitalism’ and ‘democratic process’.

### **Directions of Recent Research...**

Needless to say, economists (of different persuasions ) did not remain passive watchers of these phenomena but their writings (in the form of Books, research-papers and periodicals), started reflecting these fast-changing ground socio-economic and even political realities. While there have been many significant and truly thought-provoking contributions in this direction, some common and significant observations from them are worth mentioning.

- The glorious marriage of ‘market-based capitalism’ and ‘liberal democracy’, which produced decades of global prosperity, generated

million of innovations and ruled the (economic) world, is now under severe stress, with each arm individually sick and the marriage broken (Wolf, 2023)

- The (disruptive) technology which revolutionized economies, societies and nations, is now perceived to be multi-sided, rather than singularly beneficial. There is a threat perception that these giant Tech. companies and MDTs are taking hold of the economy and (even) society at large. It's not just the issue of 'effects of technology on future (of) work', but on the whole economic system, with an unholy alliance among: Big Corporation Politician and Media (Acemoglu 2023)
- These companies are known to thwart / pre-empt competition, exploit the markets, try to by-pass the Regulatory Authorities and put (invisible) pressure on the consumers. The "Power of Persuasion" of these Corporates is overwhelming and the common man unwittingly starts becoming an "educated slave" of the system.
- We are often led to believe that, intrinsically, "economic development" and "environmental upkeep and promotion" should not be conflicting objectives. But, in reality, in the process of industrialization involving public policy, the "optimal balance" is often found wanting in actual operation.
- Post GFC and especially in recent years, many macro-economic crises have been surfacing with regularity - growing inequalities, slowing global trade and greenfield investments, resurgence of inflations, fluctuating fortunes of the unemployed (and unemployable!), and the uncertainties about the very possibility of steady, inclusive economic growth. Added to these are geo-political tensions, 'economic nationalism' (protectionism?) – policies being pursued by many Country-govts. All in all, the 'traditional economic policy paradigms' have been coming under attack from both-the right as well as from the left.
- How is the "mainstream economics" dealing with these formidable, unanticipated and un-predated challenges – is a moot question. Fortunately, economists themselves have been in forefront trying to question their own discipline, focusing on its limitations and suggesting new methods and tools of analysis, almost incessantly. (A lot of literature is being generated consistently, for example, on the effects of MDTs such on AI/ML/G-AI/LLMs on labour, economy, education, society etc.) (Autor 2023)

### **A Summing-up...**

Of course, economics is essentially a social science, and there are obvious limitations to experiments, precision in measurement etc. Social behaviour of economic agents also counts, and also – perception and perspectives of scholars, opinion-builders and policy-makers. Hence, we are often a witness to extreme ideological positions adorned by many scholars & thinkers. In all this, the so-called ordinary layman is left confused has no alternative but to bow to the wisdom-toy in the form of the cellphone, for redressing all his queries...!

The real challenge is – how to make the policy-making apparatus - more effective, pragmatic and welfare – driven. How can it increasingly reflect the ever-changing social dynamics, preferences and behaviour. Another (academic) challenge is – how to make OUR Economics increasingly useful-operationally, multi-dimensional out objective.

All this said, the responsibility of implementing or executing economic policies, lies squarely with the policy-makers / Government and their agencies. Herein, the role of Economic Institutions and Political Institutions (a la North, Acemoglu, Greif), assumes critical \_importance. What is needed is apolitical, unbiased and regular dialogue between ‘politician’ and ‘economists’, so as to meet the challenges of the day, together. It will inevitably involve the reconciliation of (seemingly) contradictory positions and opinions. But these need to be factored in, skillfully so as to generate effective, timely and decisive solutions to today’s vexing societal problems..

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