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A Conversation with Jagdish Bhagwati on Indian Politics, Globalization, Socialism, Entrepreneurship, and African Aid

by

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Introduction

This reports an informal discussion with Professor Jagdish Bhagwati of Columbia University, one of the greatest economists of our time. It was held at 2PM on August 10 at 113 West 60th St, New York, NY, the Lincoln Center campus of Fordham University. At the suggestion of Professor Kulkarni, the editor of the Indian Journal of Economics and Business, we kept an audio and video record for easy reference. I have indicated the topics of our conversation in the form of section headings for the convenience of the reader. Although not explicitly indicated for brevity, we were having a lot of laughs during this informal discussion. The following report tries to be close to the conversation with scattered editorial changes for clarification. As the reader can see, we covered a wide range of controversial topics. Professor Bhagwati did not have access to any books or notes during our discussion. Readers interested in his numerous fully reasoned, thought-provoking views are invited to read his extensive publications. This report is intended to give the reader informal window into the mind of this great economist, without the usual scholarly burdens of checking all references, dotting the i's and crossing the t's. Accordingly, I am responsible for any errors or omissions and not Professor Bhagwati. I trust the reader will agree with me that this informal format allows us to get to the main point rather quickly. I am grateful to my student Ms. Meghan M. Hennessy for carefully transcribing the interview tapes, despite obvious problems with our accents. We both underestimated the amount of work involved in this task. I do not know how to give proper credit to Meghan for her work.

Globalization

H. D. Vinod: Let me begin the interview with a statement. This interview is on behalf of the Indian Journal of Economics and Business. Many Indian economists are looking forward to hear your views, especially this year, because this is the year of your 70th

birthday. The interview will focus on some issues involving the international economy as it affects India. Perhaps, we can start with Globalization.

Jagdish Bhagwati: Globalization can be looked at from the perspective of two sets of issues in the public domain. First, I believe that it is desirable that India participate in the world economy in a much deeper way than it has done do far. Second, of course is the broader question that transcends India: whether the economic globalization that is steadily going on along many dimensions such as trade and direct foreign investment flows is desirable or whether it is a malign force, as alleged by anti-globalization critics, among them our very own Arundhati Roy whose writings on the subject are so devoid of intellectual content that one can only remark wittily that her conclusions are more obvious than her arguments.

So let me take the first question which remains a matter of concern in India even though we have had a steady expansion of reforms, especially since 1991 when the present Prime Minister Manmohan Singh initiated them substantially in 1991. Let me first observe that a number of economists like me and Amartya Sen came back from the West after studying at Cambridge, Oxford and the London School of Economics. We were all trained in a left wing tradition; our teachers had been radical or progressive economists from a little left of center to all the way to the left, with luminaries such as Nicky Kaldor and Joan Robinson. We were taught basically about market failures and how when markets failed, the invisible hand of Adam Smith would fail: it would point in the wrong direction. For the invisible hand to point in the right direction we would have to intervene to adjust market prices so that they correctly reflected true social costs.

Now, when we returned to India with this training, we were programmed to endorse all kinds of interventions because India, and indeed most underdeveloped countries, seemed to be afflicted by all kinds of market failures. I'm talking about the late 50s and early 60s. I was at Cambridge University together with the current Prime Minister Manmohan Singh from in the mid-50s when we were students in St. John's College in Cambridge. Both of us returned to India, having spent time also at Nuffield College in Oxford. We both had the advantage of working close to the ground and finding out that the knee-jerk interventions which had spread through the economy were counter-productive and course correction was necessary. I pushed for the reforms, now under way, from the academic, scholarly side; he, from the policymaking side.

Slow Bus of Fabian Socialism and Pandit Nehru

H. D. Vinod: Was the policy influenced by Fabian Socialism?

J. Bhagwati: Yes, in the sense that Fabianism meant slowness in making changes. Fabianism also meant a socialist program. These principles were reflected in our early planning. Thus, Prime Minister Nehru, and the planners, favoured a growing role for the public sector. But they did not endorse nationalization. A rising share of investment

going to the public sector would slowly bring about the dominance of the public sector: a truly Fabian way to do it!

Perhaps gradualism, slowness, a sense of equanimity are central to Indian way of thinking. After all, R.K.Narayan's *Malgudi Village* is a more authentic reflection of Indian sensibility than Salman Rushdie's magical realism that is so Latin American in inspiration and style! In this context, I remember a story I heard from Professor Kaysen at Harvard. The Chinese had come down the Himalayas in 1962 and President Kennedy had sent Kaysen and Governor Harriman to meet with Nehru and ask what America could do to help India. They proposed that the United States should get President Ayub Khan to withdraw troops from the Pakistani border to ease the burden on Indian forces. Nehru said: "Oh, well, you know, Ayub Khan is not exactly our friend; so he is unlikely to do this for us." So they went to Morarji Desai who was the Deputy Prime Minister. Morarji Desai said: "Pakistan is our enemy. They will not do this. But anyway you should not worry because even if the Chinese come down and conquer our country, we'll definitely get them out in three to four hundred years." Harriman said that was the first leader he had met who had a very different, the legendary Indian, sense of time.

H. D. Vinod: How did you get interested in policy and got so close to decision-making?

J Bhagwati: I got close to decision-making because I was loaned by Prof. Mahalanobis to work with Mr. Pant, the Chief of the Perspective Planning Division of the Planning Commission. Of course, it seemed logical to work on policy in India; after all, economics is a social science and poverty was a huge problem so it seemed that putting one's shoulder to the wheel in the great challenge of poverty reduction was almost a calling. I therefore made a rapid transition to policy work, though I continued to work on theoretical issues on my own time and indeed came up with the influential 1963 JPE paper, with my friend V.K.Ramaswami on Domestic Distortions in the theory of commercial policy which would eventually transform the postwar theory of commercial policy.

I therefore was among the earliest economists to move away from the knee-jerk interventionism that was crippling India's development: my work on policy provided the needed reality check. I sometimes remark that perhaps my Gujarati ethnicity helped me get off the interventionist bus: we are practical people even when we do high science or high principles: Gandhiji was a "practical saint"! Also, Gujaratis like Gandhiji and the freedom fighters around him can be fearless in taking positions that go against the prevalent wisdom: a trait that is forgotten because Gujarati businessmen, like all businessmen, generally accept and accommodate in the interest of their business pursuits. Perhaps the Panjabis are the same: and Dr. Manmohan Singh showed the same willingness to abandon policies that were not working. By contrast, my Bengali friends like Amartya Sen remained on the interventionist bus: they could not move, without great cost, towards sensible reforms. If they had made any move towards reforms, they would never have been able to live it down in the coffee houses of Calcutta. That required greater courage than most have. But, enough of ethnic and cultural determinism!

H. D. Vinod: Surely, Delhi was not that left wing.

J. Bhagwati: Indian planning has been described as “bureaucratic socialism” and some of us called the “socialist pattern of society” --- the asserted objective of the planners --- as “socialist patter”. The ethos was simply interventionist.

I have always argued that the blame must lie with economists functioning in the 1950s and early 1960s.

In my experience, Indian politicians were willing to be advised by the best economists of the time; and I was among the few Oxbridge trained Indian economists who had the privilege to be associated with the planning process as I was working for Pitambar Pant, as I said. But no one realized at the time that our advocacy of licensing and controls to guide resource allocation would degenerate into excessive knee-jerk interventions. Our ideas therefore led to institutions (such as the Licensing Committee at the Ministry of Commerce in Udyog Bhawan); and in turn, those institutions led to interests (i.e lobbies). Now that we economists, except for a few “neanderthals” on the intellectual left (aided and abetted by a handful of populist economists such as Dani Rodrik and Joe Stiglitz), are agreed on the need for reforms, our reforming politicians like the Prime Minister face these institutions and interests which grew up around the old, discredited model. So, they have to walk a minefield to get more and more reforms implemented. I therefore never get impatient with the pace of reforms. Yes, I want them to be faster. But I also recognize that democratic politics, and the inherited institutions and interests (which we are responsible for), cannot be ignored and slow down the pace of reforms.

H. D. Vinod: How much blame do you give to Pandit Nehru?

J. Bhagwati: People often say that all these policies were the mistakes of Mr. Nehru. But that is both true and false. Yes, he was at the helm; but I believe that he also was interested in getting the best ideas and translating them into policy. I remember being taken to see him by Pitambar Pant --- it was a perk for working for Pant --- and being Greatly impressed by his intellectual mien. This was confirmed to me also by Professor Rosenstein-Rodan who was closer to him than most foreign economists. After all, like most Indians, he was an intellectual snob! Unfortunately, the economists of the time advised him wrongly, as I have already said. In my Radhakrishnan lectures on the Indian economy, I lay the blame on us economists for having provided Nehru with the wrong ideas.

Indian Politics including Manmohan Singh:

H. D. Vinod: Can we blame the current politicians? What are some of their political difficulties?

J. Bhagwati: As I have said already, the reforming politicians in India are walking in minefields defined by established interest groups. You cannot just unravel the entire system so fast in a democracy. Besides, the Congress currently is in coalition with the Communists who, while they are quite bourgeois back in Bengal, are their usual self when it comes to the Center.

H. D. Vinod: Is it difficult for Indian economists today to get out of the left corner?

J. Bhagwati: Some of us got out rather early. Dr. Manmohan Singh, Padma Desai (my wife), and T.N.Srinivasan were among the earliest ones. Now Meghnad Desai is among other prominent economists who have done so. But there are still people sitting on the bus headed in the wrong direction who want to drag the rest of India onto the bus as well. Some are frank about their ideas. Others criticize reforms by indirection, arguing that the reforms are largely for growth and hence for the rich: that we need also to provide for education and health for the poor. The latter position is disingenuous, since those of us who opted for growth always argued that growth would help reduce poverty by pulling more people into gainful employment and also by increasing revenues so that the government would be able to finance the educational and health expenditures for the poor. As the Prime Minister has often said, a stagnant or slow-growing economy cannot generate the revenues that are necessary to finance spending on the poor.

H. D. Vinod: The Indian election 2005 was somewhat surprising. In Hyderabad, I was surprised that a good (relatively non-corrupt) politician like their Chief Minister was defeated.

J. Bhagwati: The Wall Street Journal asked me and Professor Arvind Panagariya for our reaction right after the results. The hypothesis we advanced was that, since nearly all incumbents were thrown out regardless of their political party, this was not a vote against market reforms. Why?

My argument is that, as long as poverty was not declining due to very low growth for over a quarter of a century, the Congress kept getting re-elected as the poor reacted fatalistically: “sub aise hi chalta hai”: this was the “non-revolution of falling expectations”! But with the reforms starting in a fashion in the mid-1980s and intensified after 1991, growth accelerated by almost 3 percentage points and we know that, exactly as I and others had hypothesized in the 1960s, both rural and urban poverty declined significantly. We thus got the usual “revolution of rising expectations”, or what I call the “revolution of perceived possibilities”. Having improved, the poor wanted more. Oliver Twist asked for more but got less. But with the vote, with NGOs helping, and with

opposition parties to turn to, the newly-awakened aspirations of the poor for more translated into political demands through the ballot box.

H. D. Vinod: What is your view of the coverage of India in American media?

J. Bhagwati: Why do major magazines like The New York Review of Books and newspapers like the New York Times ask novelists like Arundhati Roy, Pankaj Mishra and Salman Rushdie to comment on the Indian economy or the elections? These people leapt, like leftwing lemmings, to the wrong conclusion that the Indian election results were a vote against reforms. Asking novelists to write on Indian politics and economics is like asking John Updike to write about the American economy; and that is something they will never do! It is a form of post-colonial condescension, especially when we have world-class scholars in these fields and some of us can write better than the novelists whose non-fiction writing is often appallingly bad, as in the case of Arundhati Roy.

Investment in India

H. D. Vinod: Foreign direct investment (FDI) is so much bigger in China than India, and that is something that is surprising to objective observers. How is it that, with all the laws and rule of law and democracy that India is supposed to have, India cannot attract more foreign direct investment? Is it because of corruption?

J. Bhagwati: I think it is because of the hassles caused by the enormous government intervention in India. I have met so many people who said they were interested in investing in India, went there and were being discouraged by the bureaucracy and regulations. Hence, they have just traveled on. Despite all the good will in the world toward India they don't want to handle all the hassles. The Chinese have managed to cut through the delays because of their autocratic and authoritarian government.

Corruption of course flourishes under both systems. But the Chinese have what I call profit-sharing corruption, whereas we have rent-creating corruption. Under the former, politicians and party commissars put their sons and daughters and sons-in-law into enterprises so that they get a share of the profits made: their booty therefore depends on the profits, thus providing an incentive for the corrupt officials to make the profits grow. Profit-sharing corruption therefore is compatible with the growth of the pie. But rent-sharing corruption consists of granting monopolies to cronies and relatives: a prime example is the Maruti factory which was started under our QR regime in India by Prime Minister Indira Gandhi for her son Sanjay Gandhi, and President Suharto's grant of a car production monopoly to his son in Indonesia.

Avoid Rent-creating Corruption

H. D. Vinod: As you know, I have published a few papers on corruption myself. How important is the reduction of corruption in India?

J. Bhagwati: Rent-creating corruption is endemic in India thanks to the controls in all areas of bureaucracy and is surely very expensive for India. Corruption has gone so far that one has to pay, not merely to get politicians to do what they are not supposed to do;

you now have to pay them to do what they are supposed to do but will not without a bribe! The basic trust in Indian government and governance has also been badly affected by the system.

Hopefully, the substantial reduction in the permit raj after 1991 has reduced the rent-creating corruption in the economy. But we also need to wean politicians away from corruption by enabling them to raise moneys for elections in legal ways, the way the United States has done. If we do not do this, the politicians will find corrupt ways to raise the moneys they need.

H. D. Vinod: Do you think that we have a crisis of leadership in India?

J. Bhagwati: Not quite. The coalition with the Communist Party and the return of the former socialists around Mrs. Sonia Gandhi creates lack of clarity about the pace at which reforms will be continued and strengthened. This lack of clarity could be lethal and everyone is watching to see what happens. We can only hope that the reformers in the Congress Party, led by the Prime Minister, win; and recent downgrading of the brilliant and impassioned socialist Mani Shankar Aiyar from his Petroleum portfolio to Sports suggests that the Prime Minister may be gaining strength. After all, his reputation worldwide is a great asset for India; and it cannot be denied. It is also clear that India cannot possibly hope to reach a sustained growth rate of even 8% unless the reforms are accelerated and expanded in scope, no matter what the hype that India may propagate by way of public relations at Davos and elsewhere. So, the reformist Prime Minister has many compelling arguments going for him.

Outsourcing

H. D. Vinod: Nowadays the outsourcing of services on the wire to India is discussed a lot in the United States. But, will it result in policy actions to curb outsourcing?

J. Bhagwati: I think the public agitation will continue. But the US government will not be able to respond to it. Partly because any US denial of outsourcing to its firms will handicap them in competition with firms in EU, Japan etc. where such restrictions do not apply and their firms therefore reduce production cost by taking advantage of outsourcing. Thus, an American firm might save 10 jobs by banning outsourcing, but all 100 jobs that it provides will collapse if the firm cannot compete. For the US to ban outsourcing would thus be a policy of "penny wise, pound foolish".

Besides, when you think about it, the outsourcing of on-line services (called Mode 1 services in WTO terminology, where the provider and the user of the services are not in geographic proximity) to countries like India is still in low-value services like call-answer services whereas the US exports a huge amount of high-value services on the wire to other countries, in professorial, legal, accounting, medical, advertising and other professions. Only foolish politicians would then succumb to the temptation to outlaw such trade where they enjoy the balance of advantage.

Direction of International Trade Theory

H. D. Vinod: Do you think that economic theory of International trade is going in the right direction? Should we have more or less emphasis on game theory?

J. Bhagwati: Game theory permits a study of strategic behavior. Its importance arose when US-Japan competition among big rival firms was intense. Industrial Organization theory, which has game theory imbedded in it, was really quite appropriate to the problem at hand. My brilliant students from MIT, Paul Krugman and Gene Grossman, and also Avinash Dixit, made important contributions in developing the theory of international trade under such oligopolistic competition. Today, these developments are part of the standard tool kit of international economists. They constitute one more chapter added to the conventional economic trade theory, in addition to numerous other topics which we teach.

To my certain knowledge, no serious trade economist uses strategic trade theory for problems where it has no relevance. For instance, this theory is next to irrelevant in discussing the intricate theoretical and policy questions raised by the hugely important topic of the removal of agricultural subsidies by the EU and the US. But if I want to explore competition between Eastman Kodak and Fuji, strategic theorizing would make sense.

Aid to Africa

H. D. Vinod: What about African poverty which has been in the news lately, and the approach taken by economists like Jeffery Sachs?

J. Bhagwati: Sachs wants to give more aid, like many other people, but he keeps asserting rather than persuading us that aid, even in Africa, has been used to advantage in the past. Even most Africans don't believe that past aid has been used to advantage. At the same time, there are lots of people like Bill Easterly and others who say that aid did not work. There is a real problem here: Sachs dismisses all reservations about the ability to use substantial increases in aid, especially in Africa, productively; many others are so pessimistic that they think aid cannot be expanded at all in a productive way. The truth lies perhaps in between but must be examined and assessed most carefully or else we will undermine the current renaissance in aid flows.

I have studied aid for nearly forty years and have written extensively on it for UNCTAD, Overseas Development Council and in many professional journals. And currently, I am on the advisory group of UN Secretary General Kofi Annan on the NEPAD process in Africa. I would like to believe Sachs as I believe that we ought to increase aid. But frankly, I have been disappointed in Sachs's inability to produce meaningful numbers backed by careful research. The line I have taken, in our Report for Kofi Annan, is

perhaps defensible: that aid has not worked well in the past in most of Africa because of a variety of governance problems; but these are being addressed by new institutions such as the African Union, and by a new determination on the part of several African nations to break with the past. So there is some hope that the future absorptive capacity will be greater than was the past.

I have also argued for two new ideas in aid giving. First, that whereas increases in aid spent for Africa in Africa run into serious absorptive capacity problems quickly, this is not true for aid spent for Africa outside Africa. The latter includes aid spent on developing new vaccines, and treatment of diseases endemic to Africa: a task that has the advantage of being both greatly beneficial to Africa and also employing vast numbers of our pharmaceutical scientists who are under pressure from the torts attacks on their employer firms in the industry.

I have also suggested, since local shortages of skills afflict the African nations in virtually every developmental task they confront, that a most important use of aid funds could be to develop a "grey Peace Corps". There are lots of retired doctors, engineers, etc. Pay them, say, a salary of \$150,000 as a tropical premium. Send them for 2-3 years to Botswana or wherever to alleviate the skill shortage for the foreseeable future while local people are educated in larger amounts but with little prospect of immediately getting them to stay and work at home until the governance improves and their economies begin to take off. I think the senior citizens in the rich countries will be happy to rise to the challenge. In my book *In Defense of Globalization* I argue that there is a u-shaped intensity of altruistic and environmental preferences related to age: the intensity of preference is high with children, falls with middle age, and then rises again post-retirement. We can exploit this altruism, which is also a defining characteristic of Americans, to the advantage of Africa. Sachs wants to concentrate only on aid spent in Africa, often decrying salaries paid to "consultants" and presumably for technical assistance. That is simply wrong and fails to take into account the critical shortages of skills that afflict African development.

The other idea I have been pushing is that the altruism unleashed by rock stars like Bob Geldof and Bono is wasted when linked to the UN aid target of 0.7% of GNP. This target has been around for at least three decades and has not been met by any country other than the Scandinavians. The reason is that public sector (i.e. fiscal) budget constraints are hard budget constraints. There are always competing demands, like for the Iraq War, for Katrina disaster, for social spending at home etc. Even Paul Martin, the liberal and altruistic Prime Minister of Canada, was most reluctant to sign on to this target, as much as President Bush was. In the end, they did because of pressure at the UN Summit last year. But does anyone seriously believe that things have finally changed so dramatically that this arbitrary aid target will suddenly be fulfilled? Instead, I have suggested in an article in *Global Agenda* in January 2005, at the World Economic Forum at Davos, that the rock stars' efforts be geared to seeking personal pledges of aid (since personal budget constraints are much more soft). With 2 billion people tuning in to these concerts, a pledge of just \$20.00 per person could raise \$40 billion annually for Africa! And it would all be "grants" instead of the "loans" which governments typically tend to

provide by way of aid, so that it might be the equivalent of \$80 billion aid dollars annually!

Importance of Entrepreneurship

HD Vinod: One issue I'd like to include here is of personal interest to me. This month, between August 1 to 3, I organized a conference at Fordham University on entrepreneurship and human rights. What are your views on the relevance of entrepreneurship in trade and economic growth?

J. Bhagwati: Well it is central, in my opinion! Entrepreneurship is Schumpeterian venture-taking basically. Entrepreneurship involves risk-taking rather than making profits under the umbrella of sheltered, protected markets. The latter leads to a rentier society instead.

I was in India recently. There was a centennial celebration in New Delhi, for the great industrialist Lalchand Hirachand of Maharashtra. Prime Minister Manmohan Singh said something quite remarkable in his speech. This industrialist had established shipping, shipbuilding etc. after an early trading career in sugar; and the British government had provided him with neither subsidies nor tariff protection. . So the Prime Minister said: Look, we had here in him and others at the time true entrepreneurs, genuine risk-takers, and they never received from the government any assistance or protection; this is what our industrialists today have to learn. I was really quite impressed at the Prime Minister's forthrightness and courage in saying this.

There is in fact a lot of entrepreneurial energy in the Indian system. Let me give an example. I was recently visiting our Minister of Commerce Kamal Nath.. I was sitting with the minister, and then suddenly a crowd of photographers came in. I thought they must be coming to see the minister. So, I said: "Oh, I'll step out!" The minister said: "No, there's no need to step out." Meanwhile a television crew also came in. Again I said: "I'll leave!" He said: "Oh no, I think they are here for you!" Well, it turned out that they were indeed there for me! The Minister said: "You know what, I'll step out, and you stay here." After all, it was his living room! Later, when I did step out and met the photographers in a different room, I found out that these television crews go around trying to find out if somebody interesting is coming to see the minister, and then they just barge in, do their video and they sell their videos to Z-TV and to national TV! That is surely entrepreneurship! One could never imagine something like that happening in Washington, or anywhere else. Here I was witnessing India's entrepreneurship at work!

Role of Teachers and Family

HD Vinod: We would like to know if there was any influence of special teachers on you?

J. Bhagwati: Yes, teachers had an important influence on my life! I had the good fortune of having exciting teachers. I was taught by best economists in Cambridge, England: Joan Robinson, Nicky Kaldor and Harry Johnson. Charles Kindleberger, Robert Solow

and Paul Samuelson taught me at MIT. I regard myself as being extremely fortunate: I even interacted with the giants at the Chicago school, especially Milton Friedman, when Harry Johnson took me there for a semester.. So I think I can say that I was exposed to, and often taught by, almost every one of the gigantic figures of my youth, This was an enormous piece of good luck.. Paul Samuelson, who sent for my 70th birthday celebration at Columbai University a most generous message (se my website www.columbia.edu/~jb38), once said to me: “You are an outstanding economist and you have been involved in so much in both theory and policy during your life so far; you should write your memoirs”. But I am still full of research ideas and policy challenges, so the memoirs will have to wait!

I should like to add that Harry Johnson taught me a couple of invaluable lessons. In response to charges that he published too much, he pointed out that this was an egalitarian policy. You could always communicate your ideas to the elite through meetings and social interaction; but the non-elite could have access to your ideas only if you published them. As you know, I have taken his advice and example to heart and have published voluminously like him. The other thing that Johnson taught me is that when a small college calls you to give a talk, always go. He said that is where you can make an impact. You can always go to MIT, Princeton, Stanford and Chicago but there they know you well anyway. In small schools, it is such a big thrill for them to see a big name at close hand and you can inspire a number of young students and faculty.

A third lesson, I owe to Professor Kindleberger. He was a Puritan and did not believe we should charge universities and colleges for Lectures and seminars. At MIT, once there was a professor who will remain nameless was asking for \$300. Charlie got mad and said: “That man wants money to give a seminar? He will never speak at MIT, ever.” Of course, I didn’t convey that message to the professor when I told him that we had run out of money for seminars! So, even as my lecturing fees have mounted --- I learnt this from my favourite student Paul Krugman whose fees are very high --- for business groups, I refuse to charge Lecture fees to universities unless there is an Endowed Lecture with an attached fee. When I went to Cornell some years ago to debate Ralph Nader, they said they wanted to talk to my agent. I said: “Why? I am my own agent.” They said that Nader’s agent was asking for \$15,000 from the student’s union. I said: “I am a professor and I think it is my professional obligation to engage in such debates. So I will just come and charge you only the airfare.” They could not believe it. Of course, I have heard that Nader (whom I much admire) is Puritanical and gives all his lecturing money to NGOs and public groups; and maybe he should get more!

HD Vinod: You have such an accomplished family. You are a prominent economist, your brother was once the Chief Justice of India. What is it that your parents did? Did you have a Gandhian influence?

J. Bhagwati: Actually, out of seven sons, four hit it big time in their professions. Another brother is a world-class neurosurgeon and was President of the International Neurological Pediatric Society . And my younger brother, who took his Ph.D. in Metallurgy from the

Aachen Hochschule (Germany's MIT) was just elected President of the World Federation of Foundry Engineers. Yet another brother started one of today's top firms in civil engineering. So, we have had a great track record; and the joke is that we can start a Bhagwati township where all professional portfolios could go the family! Why did this happen?

I am convinced that it had to do with the values on which we were all brought up. When I went to my father and asked for a little pocket money to buy a samosa or a coke, the answer was invariably No. If I wanted to go to a restaurant, my father would say: ask your mother and she will cook for you whatever you want to eat in the Restaurant. I never wore long pants until I left for England: long pants were a luxury. Each year, a local tailor would come around and every boy was fitted with two sets of pyjamas and kurta, for the year. But when we wanted to buy books, we faced a soft budget constraint. We had an account at the local bookstore and we could run up hundreds of Rupees on that account.

In short, education was emphasized; as was wider reading of literature --- I recall reading much of Charles Dickens, Alexander Dumas, Sir Walter Scott, Arnold Bennett, Thomas Hardy, the English poets such as Wordsworth and Keats, Gujarati authors and many Benagli authors in Gujarati translation.

Aside from seven sons, our parents had adopted my cousin who grew up as our sister, and two cousins came to stay with us and were educated at my parent's expense. We were 2 to 3 to a room, and we grew up with a lot of fun and noise in our lives. As a result, I have never been able to work in total silence and have an open door policy for my students: the more they come in, the happier I am, and it helps, not hinders, my creative juices! I have noticed this with my Chief Justice brother also. Often, when he was dictating a judgment to the stenographer --- he was phenomenal: he could dictate for hours ---, he would let his little children walk in and crawl all over him as he continued his dictation.

I was on a panel recently with Laxmi Mittal the Steel king who is the richest man in India. So, the panel was balanced nicely with human capital and real capital! I said: "In Hindu mythology, we have two goddesses: Laxmi the goddess of wealth and Saraswati the goddess of learning. In my family we worshipped and were favoured by Saraswati. And unfortunately for me, Saraswati doesn't seem to get along with Laxmi."

I am often asked: what influenced you in life? Mahatma Gandhi's famous song "Vaishnawa jana to tene kahiye je peed parayee jaanere" (a true Vaishnav is one who shares the anguish of others), and its corollary that in our altruism we were not to take pride (per dukhe upkar kare to ye mana abhimana na aane re); and Ravindranath Tagore's "Eklo Jaanere" (go alone if necessary). Empathy and non-egotistical altruism; and ferocious tenacity in pursuing what your heart and head tell you is correct: these are the two values I imbibed in my youth. These are also the values that Gandhiji espoused.

Any Regrets?

HD Vinod: On a personal level, looking back at your life, are there any regrets? That's my last question!

J. Bhagwati: I think that economics as a discipline is a very powerful instrument for bringing about social change. I think that if you really want to be an outstanding economist, you have to stand on two legs.. They are Knowledge and Virtue. First, you have to attain the knowledge, and then second you have to use it to achieve social good. I think that on the whole I have succeeded in both.

Maybe I could have been a lawyer promoting human rights. Perhaps I could have been the Chief Justice of the Supreme Court myself. But when I was studying in England, the power of law to bring about social change was not realized by me. The law that I learnt for a while was mainly a matter of memorizing case laws, reeling off cases such as Regina versus Brown! On the other hand, my economics teachers at Cambridge and then MIT gave me a great sense of possibility that knowledge could be used for doing public good.. Some of my Cambridge teachers, as I said earlier, were famous socialists who understood that economics could be used to better society, and they were dead right.

So I don't think I have any regrets. My father had regrets that I did not become a lawyer and I always told him that having one son, my eldest brother, turn into arguably India's most remarkable post-Independence lawyer and jurist, was enough. Recently however I have become a University Professor at Columbia in both Economics and Law. My father would say that finally, I have come around to fulfilling his dream at the age of 70! But, were he to see how I have used economics to strive for public good, he would be pleased anyway. After all, he worked hard for Independence, encouraging all his sons --- I was too young --- to participate in the Independence struggle even though it delayed his being appointed to the bench in Gujerat High Court by years. And he, and later my brother, worked hard to set up Legal Aid for the poor.

HD Vinod: Thank you, this was indeed a fantastic interview.