

B R SHENOY MEMORIAL LECTURE 2020

By Dr Bibek Debroy, Chairman, Economic Advisory Council to the Prime Minister

Organized by:

Centre for Civil Society, New Delhi and Economic Research Trust, Mangalore

Shri Kumar Anand:

Welcome friends, to the B R Shenoy Memorial Lecture 2020 given by Dr Bibek Debroy, Chairman, Economic Advisory Council to the Prime Minister. This memorial lecture is titled the Roots of Reform – Professor B R Shenoy and the Economic Ideas that Changed India. My name is Kumar Anand and I will be the host this evening.

The lecture will be followed by a question-answer session. We will have about 15 to 20 minutes towards the end and I hope to present to our speaker as many of your questions as possible. Please enter your questions and queries into the chat window to the bottom of your screen.

The memorial lecture is organized together by the Centre for Civil Society, New Delhi and the Economic Research Centre, Mangalore. It is a great pleasure for me to thank our speaker for accepting our invitation on behalf of CCS President, Dr Parth J Shah and ERC Trust Chairman, Shri Giridhar Prabhu and my fellow board members of the ERC Trust, Shri M N Pai and Prof Subodh R Shenoy.

The Economic Policy Ideas of Prof B R Shenoy will be discussed by our speaker, but those who know about the life and work of Prof B R Shenoy would know him as a deeply patriotic jail freedom fighter, who saw Indian independence as part of a larger social uplift such as, in the equal education of women. Prof Shenoy believed that national progress would only come from a market economy, liberal democracy, social mobility and equality of all under the law. For him, economic growth only had meaning if it involved the betterment of R K Laxman's common man. He often referred to the Gandhian talisman of policy making, that of seeing the face of the poorest when making policy decisions.

Our speaker this evening is of course well known in India and abroad, Dr Bibek Debroy, he is presently the Prime Minister's Economic Advisor. He has done early research works in Economics at the Cambridge University and he has taught at Presidency College, my alma mater, Gokhale Institute of Politics and Economics, The Indian Institute of Foreign Trade and at the National Council of Applied Economic Research.

Among other things, Dr Bibek Debroy has been a member of NITI Aayog, achieved a committee to restructure Indian Railways and has served as Director of the Legal Reforms Commission set up by the Finance Ministry and UNDP.

Remarkably, Dr Debroy has also been able to move gracefully between the ephemeral and present world of editing financial newspapers and translating the Mahabharata. He is also the recipient of 2015 Padma Shri award.

We are all very honoured and delighted to have you with us today, I would now like to invite Dr Bibek Debroy to give the Prof B R Shenoy Memorial Lecture, 2020. Dr Debroy please...

Dr Bibek Debroy:

Thank you, Kumar, for that very kind introduction. Let me thank the Economic Research Trust and the Centre for Civil Society for having invited me to deliver this particular B R Shenoy Memorial Lecture.

My association with Parth Shah and therefore with the Centre for Civil Society goes back more than 20 years.

And let me say that the Centre for Civil Society and Parth have done a lot to propagate the cause of market-oriented reforms. And they have also popularized what Dr Shenoy did and what Dr Shenoy wrote.

This particular talk, the Shenoy Memorial lecture also has a subtitle – Economic Ideas that Changed India.

Yes, of course, the economic ideas have changed India. But changed when and changed in what direction?

A lot of people know about Dr B R Shenoy now. Unfortunately, they do not know enough about Dr B R Shenoy and the superficial impression that floats around about Dr B R Shenoy is something like this – Here was the 2nd Five Year Plan document, which was based on a Feldman–Mahala Nobis model, with an emphasis on the public sector, with an emphasis on capital intensive industrialization, with an emphasis on State defined as Government or understood as Government, with the State occupying the commanding heights. And Dr Shenoy wrote a minute of dissent to this particular model of the 2nd Five Year Plan and in retrospect he has been proved right.

He has been proved right because the consequences of State intervention led to India losing out on several development decades. So, in a thumbnail, this is the superficial impression. And at several events this superficial impression is indeed correct.

But what happened was much deeper. What happened was much deeper, as what happened involved action on Dr Shenoy's part, which was much, much more courageous than we can even pretend to understand today.

So, in the first little bit of my talk, I shall explain what exactly happened in India before 1947, what happened in India post 1950, because that was when the Constitution was enacted and what was the intellectual climate like, what was the discourse like, what was the economic philosophy like, in the early 1950s.

That will be the backdrop to understand why what Dr Shenoy said was so courageous. And at a certain level, whenever I use the word 'State', I am not using the word 'State' as in the sense of the 29 states and not in the sense of provinces, but 'State' as Economists says, as Economists use the word to stand for Government. At the heart of it all is a question, about what should the State do?

What should the State do, in what form should the State do it, should the State actually produce something? Or should the State go on a regulation? What is the extent of State intervention? And at one level, as long as the word ideological is not misunderstood, this is not an ideological position about what the State should do.

And to me, the beginnings of that debate originate in 1931. What happened in 1931? In 1931, there was the Karachi Resolution of the Indian National Congress, and that Karachi Resolution talked about free and compulsory primary education, which is

fine, I guess. It not only talked about free and compulsory primary education, but also talked about protection against foreign competition.

So, protection against foreign competition was already getting built in and this was firmed up in 1937. This was firmed up in 1937 because the Congress Working Committee meeting in Wardha recommended that a National Planning Committee should be set up. And that National Planning Committee was indeed set up in 1938. It had several meetings, but it never led to any reforms.

But cast your minds back. At that time, immediately before 1947, there were several people who formulated plans. In other words, it was more or less accepted that India would have to be a planned economy. There were several people who formulated plans; the only ones which did not really talk about State intervention that much was a book written by Visvesvaraya in 1934. But it wasn't much of a plan, it was more of a perspective planning – where should India be several years down the line, that book by Visvesvaraya called “Planned Economy for India”. But if you look at all the other plans, whether it was the Bombay Plan of 1944 & 1945, whether it was the People's Plan of 1944, whether it was even the Gandhian Plan of 1944, cutting across all of these plans certain propositions were taken as axiomatic.

Industrialization should be driven by public investment.

There has to be extensive State intervention in the economy.

External trade was peripheral.

For these three tenets that I mentioned, were accepted as axiomatic across whoever was interested in development in India. After all this, we had the Industrial Policy Resolution of 1948. And if I read the Industrial Policy Resolution of 1948, what stands

out? And remember this was the Industrial Policy Resolution of 1948, not that of 1956.

In the Industrial Policy Resolution of 1948, certain principles were clearly articulated.

There would be a National Planning Commission.

There would be State monopoly in some sectors.

There would be possible nationalization of private enterprises.

In cases where the foreign capital is involved, there would be majority Indian equity.

No one contested these principles. They were accepted as given. And consequently in 1951, one of my pet peeves has been that economists talk about economic policies quite often they neglect the laws that were enacted to implement those policies. But I'm not here to talk about my pet peeves.

In 1951, we had the Industries Development and Regulation Act. The Industries Development and Regulation Act of 1951 set out a First Schedule of items where the State could control and regulate. And over a period of time, more and more items kept getting added to that First Schedule. So that heavy-handed State intervention that we were going to witness later came about largely, courtesy the Industries Development and Regulation Act of 1951.

What else happened? I said earlier that the Constitution was enacted in 1950. When the Constitution was enacted in 1950, in the course of the Constituent Assembly Debates, Dr Ambedkar, regarded as one of the architects of the Indian Constitution, and mind you, the Constitution provides the framework for all Laws that are passed in India.

In the course of the Constituent Assembly debates on 15th of November 1948, Dr Ambedkar said, the word Socialist should not be there in the Constitution. Why should the word Socialist not be there in the Constitution, we know it is there in the Preamble now, but why should it not be there in the Constitution? Because Dr Ambedkar said that Socialism means a certain kind of economic ideology. And since this Constitution is going to last, why should we presume today, what the citizens of the future will want the nature of the Constitution and the nature of the polity to be like in terms of State intervention that Socialism is equated with.

All right, the Constitution was passed, it had several elements that could be interpreted as Socialism. But at least in that day and age, the word Socialism was not explicitly used in the Constitution that happened later. Meanwhile, through a cabinet resolution on 15th of March 1950, the Planning Commission was established. And as I said earlier, almost everyone agreed that there should be a Planning Commission. And we had a 1st Five Year Plan.

Today, or even earlier, when economists talk about the 1st Five Year Plan they say, 'Ah the 1st Five Year Plan had a Harrod-Domar model.'

What does the Harrod-Domar model say? The Harrod-Domar model says, here is the savings rate for the economy which for all practical purposes closed economy can be taken at the investment rate, here is the savings rate for the economy, divided by the capital output ratio and whatever is the result, will be the rate of growth.

So, if you want to increase the rate of growth, typically you will have to increase the savings rate, public investment rate and alternatively you will have to reduce the capital output rate. So, what is the prevailing wisdom as depicted in the Indian

Economic history textbooks, the prevailing wisdom is, 'Here is the 1st Five Year Plan based on the Harrod-Domar model and it did this'.

If you go back and look at the history, you will find that the 1st Five Year Plan did no such thing. At that time the Colombo Plan was being set up. As a result of the Colombo Plan being set up, as part of the Commonwealth Consultative Committee India had to formulate a Six-Year program. And essentially the 1st Five Year Plan was a repetition of what India did for the Six-Year program for the Commonwealth Consultative Committee.

Was there mention of any model? No, there was no mention of any model. Economists may love models but the era of models into Planning came only towards the end of the 60s. Not before that. So, the Planning Commission in the 1st Five Year Plan had no particular model. It is only reckoned when Brahmanand wrote a paper in 1955, when K N Raj wrote a paper in 1961, trying to explain what the 1st Five Year Plan of 1951 to 1956 was doing, that they thought of a model.

Let me now seemingly go up on a tangent. And there are several things to note. The first thing to note is that in 1955 Milton Friedman visited India. He was an advisor to the then Finance Minister C D Deshmukh. All of these strengths I am now to describe are trends that happened when the 1st Five Year Plan was already underway and preparations were being made for the 2nd Five Year Plan.

In the midst of this, in 1955, as the 2nd Five Year Plan would be for the period 1956 to 1961, Milton Friedman visited India. And he wrote a devastating critique, which surfaced much later. And this devastating critique pointed out the distortions in resource allocations that were being caused and the distortions in capital labour ratio that were being caused by the policies that the Government of India was following.

So, these are the first things to note, that in 1955 Milton Friedman wrote this devastating critique. Meanwhile, before Mahalanobis joined the Planning Commission. Before he joined the Planning Commission in January 1955, in 'Sankhya', he enunciated a two-sector model in the year 1953. Often referred to as the Feldman-Mahalanobis model, Feldman formulated a similar kind of model in Russian in 1928. I don't think it has yet been proved whether Mahalanobis knew of the existence of the Feldman model at that time or not because the Feldman model became available in English much later; but that's neither here nor there.

So, Mahalanobis produced a two-sector model in 1953, followed up by a perfect model in 1955, both published in 'Sankhya'. Nice sophisticated model and to repeat, the Economics text books will routinely say, 'this was the model adopted in the 2nd Five Year Plan'. Perhaps, but the 2nd Five Year Plan model had no mention of a plan of a model at all. There was no mention of a model in any of the documents associated with the 2nd Five Year Plan.

The 3rd stand is Jawaharlal Nehru's remark at the 3rd meeting of the National Development Council, the NDC, in November 1954. So here is the NDC meeting in 1954. The then Prime Minister Jawaharlal Nehru is making his remark, and he says, 'India should have had a Socialist pattern of society. The 2nd Five Year Plan to which Prof Shenoy would react is often projected as the 'discontinuity' because of the model.

I don't think it was discontinuous because of the model. The 1st Five Year Plan did not mention the expression Socialism or Socialist pattern of society anywhere. The 2nd Five Year Plan document mentions Socialism. The 1st Five Year Plan document only talked about the directive principles of State policies. It did not mention Socialism or the Socialist pattern of society.

The 2nd Five Year Plan talked about the Socialist pattern of society. That was the discontinuity. A question can rightly be asked about the relevance of the Planning Commission. The historical Planning Commission only became relevant when it was in sync with what the political masters wanted. And the 2nd Five Year Plan was completely in sync with all the political leadership wanted, namely the ‘Socialist’ pattern of society.

Mind you, no one objected. And as mentioned in the NDC meeting, the minutes of the NDC meeting have been published. Did anyone object to the Socialist pattern of society? The answer is, no.

In 1955, John Kenneth Galbraith turned up in India. He turned up in India as an advisor to ISI, the Indian Statistical Institute. He would return as an Ambassador to India in 1961. And when he was being examined as a possible Ambassador to India, he coined the expression, Post Office Socialism, for what was happening in India.

But at that time after his ISI visit, in July 1958, he wrote an article in foreign affairs without using the expression Post Office Socialism has explained the expression Post Office Socialism came later. He wrote an article in foreign affairs, criticizing what India was doing.

I am not aware of any other instance, anywhere in the world, where Milton Friedman and John Kenneth Galbraith of deferring ideological persuasions agree what India was doing was wrong. Milton Friedman and John Kenneth Galbraith, both agreed what was happening was wrong.

There is a book I recommend that everyone should read. Technically it is banned in India. It is a very patronizing book written by a foreign journalist. It is a very, very patronizing book, known as “Heart of India”, written by Alexander Campbell in 1958.

It is still banned in India, which means imports are banned. But in this day and age, imports and printing are banned, but in this day and age you will find the “Heart of Darkness” floating around on the net. It is a very condescending book, it is a very patronizing book, but it is a very hilarious book about what was being planned and in the then Planning Commission. Ethically, the sections which report a conversation that Alexander Campbell had with a senior official of the Planning Commission known as Vaidya Sharma, is very hilarious.

By the way, at that time, the statistical system was not what it is today, it was just beginning to be set up. It was imperfect. However, we come back to the title, Economic Ideas that Changed India.

What were the economic ideas that changed India? The economic idea that changed India then was Socialism. And heavy-handed State intervention.

That was the economic idea that changed India.

An economic idea that continued in terms of legal changes and policy changes throughout the 1960s and certainly the first half of the 1970s leading to India losing valuable development decades when other countries were following policies that were different. And mind you, to reiterate what I said there was consensus then, that this was desired, those consensuses that this needed to be done.

The 1st Five Year Plan was ostensibly without any model and was very, very successful. There is a growth rate of about 3.6% real growth, 3.6% was not that bad.

On an average the savings rate was 6%, and remember this, on an average the savings rate was 6%.

The Planning Commission felt, if the saving rate is 6% towards the beginning of the 60s, we should be able to push up that savings rate to 11%. And at the end of the 70s we should be able to push up that savings rate to 20%. The capital output ratio in the course of the 1st Five Year Plan was 1.8, let us say 2, which means that if I can push up the savings rate to 11%, I have a 5.5% of real rate of growth or if I can push it up to 20% then I will have 10% real rate of growth.

Mind you, in the external world at that time, India was regarded as a model economy. Here, when the economy that was setting about the task of modernization, industrialization, early 60s, late 50s, with the exception of people like Milton Friedman and John Kenneth Galbraith outside it, internally they have absolute consensus.

It is against the background of this, that there was a memorandum prepared by our panel of economist in April 1955, to which Prof Shenoy submitted the minute of dissent. The minute of dissent that everyone knows about, by doing so he expended that minute of dissent in a book that he wrote in 1958 called, "Problems of Indian Economic Development". And essentially in this minute of dissent, Prof Shenoy made 3 points, out of which in hindsight the third one was the most important.

- a) The size of the plan was too optimistic.
- b) It was impossible for the saving rate to become so high; it was impossible for the savings rate to cross anything more than 8%. In that sense the size of the plan was too large. It should not be resorting to deficit financing.

- c) And given the context was not spelt out that much, he called it policy and institutional measures which meant opposition to nationalization which meant opposition to the continuation of controls and which also meant particularly important given in the context the price support given to agriculture.

So today when we talk about the influence left by Dr Shenoy and we talk about the economic idea that should have changed India then, it is less about the size of the plan, it is less about deficit financing and it is more about the policy and institutional measures.

In hindsight, many of the things Dr Shenoy said came true. The worst exception of the deficit financing was witnessed in the second half of the 70s. Although it is statistically difficult to control and there were wars and droughts that India would face by the time of 3rd Five Year Plan, the plan had collapsed. So much so that from 1966 to 1969 we had planned holidays.

Of course, there were people like Bhagwati and Desai who wrote a very influential book, influential meaning it was read; it did not impact policy much in 1970, called “Planning for Industrialization”.

Government policies change when there are internal arguments, internal committees, which drive that impetus for change. We might tend to think that the reliance on markets depending on your perspective began in 1991 depending on your perspective began earlier. I think the importance of the points that Dr Shenoy made in terms of policy and institutional measures can be dated to a government committee appointed in 1978.

The Dagli Committee on controls and subsidies, what are the documents used after 1991 were really rehashing the arguments of the Dagli committee using slightly different jargon. Rather tragically, if I am not wrong, 1978 was the year when Dr Shenoy died. So, in some perverse kind of sense, the year he died destiny ensured that his ideas in a way first came to be accepted.

How important was Dr Shenoy?

Dr Shenoy was important in terms of his ideas, having been original, having been against the grain of what was regarded as popular wisdom then. I hope I am not misunderstood when I say that if we try to evaluate Dr Shenoy in terms of what impact his arguments, his propositions had, while he was alive, I don't think he had much of any impact.

They say that Peter Bauer wrote on Dr Shenoy says that, they say that Mahesh Bhatt wrote on Dr Shenoy in that book edited by Parth Shah for Centre for Civil Society called "Profiles and Courage", says Dr Shenoy was extremely influential. In terms of the influence he had on students, in terms of the papers he wrote amongst other places in quarterly journal of Economics, and mind you, unlike academics (academics in the west somewhat being different certainly in the US) but unlike academics, Dr Shenoy at that time wrote a lot in public articles and newspapers, Indian academics don't typically do that, whether it is Swarajya Hindu, Times of India, Statesman or Far Eastern Economic Review. If you look at all these writings, this comes across very clearly in the compilation that R K Amin and Parth Shah edited for the Centre of Civil

Society called economic prophecies. If we look at that, particularly at the section where those articles have grouped under policy and institutions, you will find that he progressively amplified his initial apprehension about State intervention even more and more, his critique of the State intervention become sharper and sharper as the State intervention intensified over the period of time. So, his subsequent critique presented a much more coherent critique than the initial minute of dissent, that is all perfectly natural.

I have come to the end of what I wanted to say, I think it is now time for someone to write a biography of Dr Shenoy, not merely a compilation of articles. Because what Dr Shenoy stood for is part of our history, is part of legacy, it should be preserved for posterity, not only in terms of his writings but in terms of who he was, what he stood for.

One of the principles in everything that he did was, he stood for Dharma, the way he interpreted it and saw it.

Thank you once again for having invited me.

Shri Kumar Anand:

Thank you very much Dr Debroy for that wonderful glimpse into the history of Indian planning and how certain policies came to be adopted. Fortunately, and unfortunately, unfortunately in the beginning not the right ones were being adopted and later probably we are correcting slowly and gradually the errors.

We have a few questions:

Looking at the ongoing farmer protest we can see how difficult it is to sell free market ideas to Indians. How can our policies practically incorporate Dr Shenoy's ideas while ensuring that they don't lead to massive protest?

Dr Bibek Debroy:

I think I will keep my response simple because I am delivering a Shenoy memorial lecture not stating what the Chairman of Economic Advisory council feels. So, my response would be please read Dr Shenoy's arguments including - on intervention for agriculture and propagate those, that is part of the message that I am trying to convey. It's not just the minute of dissent; it's all the other stuff that he wrote including on State intervention in agriculture. So, what everyone listening should be doing, is reading what Dr Shenoy has to say and disseminating that argument.

Shri Kumar Anand:

Just for our listeners, those who do not know, the two books that have been edited by Parth Shah and R K Amin are titled "Economic Prophecies" and "Theoretical Vision", and the PDF copies of both of them are available on CCS website. They are a collection of fantastic cases and I think the typical title of the book was critically perceived when it's called Economic Prophecies. So, any chapter you pick almost anything Prof Shenoy has said or advocated or criticized more often than not they have come true.

Another question comes from one of our listeners here, Shri Akshay Akadh asks:

Sir, why are we going backward on industrialization?

Dr Bibek Debroy:

I don't exactly understand what that question means, the question should actually be about Dr Shenoy and talk. But let me interpret that question.

The share of industry in GDP, people usually use the word industry when they actually mean manufacturing. There are non-manufacturing components to industry also, the share of manufacturing in GDP has been lower than what it should be, and has been flat for a large number of years. For people who are fond of blaming the present government, let me point out that the share of manufacturing in GDP has been flat for at least 40 years now. Here it should be higher as has been the case in many other countries, East Asia, China. Less people accuse me of trying to be the Chairman of the Economic Advisory Council, which I said I wasn't going to do at this particular forum.

In the year 2004, the then Government set up a National Manufacturing Competitiveness Council and the NMCC in the year 2005 brought out a report, which if I recall was called National Manufacturing Plan, something like that (it will be there on the website). In that you will have a whole list of reasons as to why manufacturing in India is not doing that well and what should be done to increase the absolute rate of growth as well as perhaps it's shares in GDP although the share in GDP you must remember also is the function of what is happening to agriculture and also the function of what is happening to services.

Shri Kumar Anand:

The next question comes from Shri Valtsan Mehrotra and he asks:

How can we ensure that the policy corrections being carried out don't give rise to another form of extreme situation, he is meaning, crony Capitalism?

Dr Bibek Debroy:

I think people are excessively fond of expression crony Capitalism without recognizing that there is crony Socialism also and since we are talking about period of 2nd Five Year Plan, soon after the 2nd Five Year Plan, in the 1960s there were committees, the Dutt Committee, the Hazari Committee and the findings of the Dutt committee and the Hazari committee, not only established the existence of crony Capitalism but also documented the existence of crony Socialism because essentially the policies of Socialism lead to shortages and if there were shortages things would have to be licensed, if things had to be licensed then there would be rent seeking for these, in other words crony Socialism lead to crony Capitalism.

Shri Kumar Anand: The next question is from the ERC Trust Chairman, Shri Giridhar Prabhu. He asks:

Prof. Shenoy proposed a Gold Bank of India as an answer to gold smuggling now.

Even now gold is being smuggled?

Dr Bibek Debroy:

Lot of things have changed since then, the trouble with gold in India is that, yes, figures are not very reliable but such figures exist on stock of gold suggest that most of gold is in the form of gold jewellery, it is not in the form of gold biscuits and coins, which means, that there is serious valuation issue and the gold that I possess in the form of jewellery may not be worth as much as I think it is. As far as the smuggling part of it is concerned, as with several other things, I think the best antidote to smuggling is to reduce the import duties. The smuggling also happens because of some other reason but the main reason in my view is, it happens because of misalignments in exchange rate, sometimes it can be linked to drug trafficking, human trafficking but substantively it happens because of high import duties.

So, I think, import duty should be reduced.

There is an issue of monetization of gold. The monetization of gold is not the same as setting up a Gold Bank or not in the sense we understand the word Gold Bank, because there is an issue of testing valuation assaying and effectively I would use the expression, not Gold Bank but multiple Gold Banks, where I can come and transact in gold, I can go value my gold jewellery and decide this is the amount of gold, which is lying unutilized today, its capital that has no productive value today, I can release it into the system, so that tomorrow the jeweller wants that gold can go to that bank, not the Gold Bank, but several such banks, can go to the bank and purchase the requisite quantity gold. Now to do this a whole lot of formalization has to happen and a prerequisite to that is assaying the testing.

Shri Kumar Anand:

Next question is from Shri Ashutosh Patel and he asks,

How would Dr. Shenoy respond to the present RBI proposal of allowing large corporate houses to open banks?

Dr Bibek Debroy:

How Dr Shenoy would respond, I have absolutely no idea because offhand I cannot think of anything that Dr Shenoy had written then at that time on corporate houses setting up banks. So, I don't know.

Shri Kumar Anand:

Next question is from Shri Rajesh Jain and he asks,

If Dr. Shenoy was alive today, which policy he would be happy with and which would disappoint him?

Dr Bibek Debroy:

I think these questions are masquerading a little bit. They are ostensibly directed towards Dr Shenoy but are actually directed towards me. So, Dr Shenoy, what he wrote, we know what he wrote. If you read what Dr Shenoy wrote, you will find your own answers as to what Dr Shenoy might have decided.

Shri Kumar Anand:

Next question is from Shri Paul Thomas and he asks,

Do you think monopoly is like reliance or any firm which receives special support from the Government is a threat to free market competition? But then I think the next part is more clearer and is more generic where he says, are we seeing a rise of monopolies in the Indian market at least in some sectors?

Dr Bibek Debroy:

The world is one of not monopolies but perfect completion does not exist anywhere in the world. Everywhere, the perfect competition is defined as what economists preach as the model of perfect competition, free entry, free exit, infinite number of buyers, infinite number of sellers, no transaction cost, everyone is a price taker. This is just a convenient general equilibrium model for establishing the two theorems of welfare economics. That does not exist anywhere in the world. Therefore, one needs regulation of some form to ensure that barriers are not created to entry through unfair business practices, through restrictive business practices and perhaps even with a question mark

about the structure of the market because of the question is not to ask about whether the X company has Y percent share in that segment, that's not the question to ask.

The question to ask is the forces of competition would have whittled down to that Y percent share. The Y percent share only exists either because of unfair trade practices or restrictive business practices or restrictive barriers because of intellectual property rights, high fixed cost of entry and various other things. So, per se, the share, I think, is a very misleading indication.

Shri Kumar Anand:

Next question, I think this pertains to your talk today and what Dr Shenoy wrote all through his life.

What does the future of planning look like in India? What would be the right way to go?

Dr Bibek Debroy:

What does the word planning mean, the word planning means multiple things to multiple people. Interpreted as a Five-Year Plan which tries to allocate resources, that idea is dead. Increasingly in a system where decisions are made on the basis of private choices, not public ones. But there is a certain notion in which the word planning existed in the form of Planning Commission in terms of the perspective plan division. Remember, I mentioned Dr. Visvesvarayya's book earlier that kind of perspective planning continues to be necessary because after all, to take one particular example, there are sustainable development goals with targets and indicators.

So, there needs to be a plan in that sense of perspective planning of this is where I want India to be 20 years from now, 30 years from now, 10 years from now. This is not the same as equating it to the old Five-Year Plans. So, I think the answer depends entirely on what we mean by plan and I think Dr Shenoy, I don't think he wrote about it, but Dr Shenoy would have been perfectly happy with Dr. Vishvesharayya's plan, not with the other plan.

Shri Kumar Anand:

This is the last question we will take Shri Vamsi asks,

Is there any scope for India to move toward the future with less government intervention with India's majority population looking at the government as a major provider and what we as a future of India can do to move in that direction?

Dr Bibek Debroy:

Let me answer this question a little bit differently. I have said all kinds of things against Socialism. In a country like ours, with an indirect democracy, our voices are reflected in terms of what political parties do. After the Amendment to the Preamble to the Constitution in the mid-1970s, the representation of People's Act of 1951 and '52 was amended, so that every political party in India had to be registered as a Socialist party. Let the importance of that sink in - every political party in India has to be registered as Socialist political party. Shouldn't we, before asking questions, ask ourselves, "Are we comfortable with that?" If we are not, are we raising our voices? If we are not raising our voices, we should be prepared to accept that all political parties in India will be Socialist and therefore, all policies in India will be Socialist. So, the buck actually stops with us as the citizens because if it's not just the cliché that the

citizens get the government that they deserve but in a sense the governments reflect indirectly in a democracy like ours, the will of the people.

Shri Kumar Anand:

Thank You very much Dr Bibek Debroy. On behalf of CCS President Shri Parth Shah and ERC Trust Chairman Shri Giridhar Prabhu and my fellow board members of ERC Trust, Mr M N Pai, Prof Subodh R Shenoy, thank you very much Dr. Bibek Debroy for spending time and to deliver the 2020 BR Shenoy Memorial Lecture. With this we will close this up.

Thank you very much.