

ERC

Ideas for a Market Economy

Professor B R Shenoy Memorial Lecture 2019

SUSTAINABLE ECONOMIC GROWTH

How India can grow faster

Dr Parth J Shah,

President, Centre for Civil Society, New Delhi

At Meeting Hall

Kanara Chamber of Commerce, Mangalore

On Saturday 14th December 2019

Prof Subodh Shenoy:

My late father Professor B R Shenoy was an economist who wrote both on ideas and public policy. So, it is particularly fitting that his Memorial Lecture 2019 should be given by Dr Parth J Shah, who is the man both of ideas and public policy. He is from the Centre for Civil Society, Delhi.

Parth did his PhD in the United States at Auburn University, taught Economics at the University of Michigan and one of his topics was Business Cycles, which is of particular

interest right now. In 1997, he founded the Centre for Civil Society in New Delhi, an advocacy and policy group and is Director of the Indian School of Public Policy. So, Parth will speak on a topic of great topical interest - Sustainable Economic Growth - How India can grow fast.

Dr Parth J Shah:

Good evening everyone and namaste. This is really a great privilege to be invited to deliver Professor B R Shenoy Memorial Lecture. Of course, he has been a revered figure among the economists in India. I remember very clearly that when I was studying Free Market Economics in the US, one of the things we talked about among Indian students was that there is no Indian economist whose name appears in the list of free market economists of the world and after that I happened to run into Prof Peter Bauer from UK and he said, no, there is one person in India who did talk about free market economics and that's Prof B R Shenoy and that's how I first heard about Professor Shenoy. I read about of course his work at that time and he has been one of the most influential economists I think, for many many of us in terms of how we have come to understand the Indian economy, the challenges of the Indian economy, and how do we then see a way forward.

So, I'm very grateful to Subodh Shenoy, Giridhar Prabhu and the ERC Trust for this invitation and of course very grateful to all of you to be here this evening.

I see there is a great connection between ERC Trust and Professor Shenoy. I also come from a place where Prof Shenoy taught for many, many years in Gujarat University in Ahmedabad and my hometown is actually Ahmedabad although I never had a chance to meet him there neither did, I meet him anywhere else unfortunately.

What I want to talk to you is little bit about my experience and exposure to Prof Shenoy. One of the big things that he is known for is his Note of Dissent on the 2nd Five Year Plan and that's how actually first thing that I read was that Note of Dissent on the 2nd Five Year Plan of India. Right, it was 15 pages long note that he wrote as a dissent and challenge this whole document that was put together by more than 50 different economists, not just from India but from around the world. They had together put this 2nd Five Year Plan as a sort of major step in the direction of industrialization for India and Prof Shenoy was one of the few who disagreed fundamentally with the premises of the Plan.

As you can see, he talks about the 3 different points that he had difference with the Plan in the first paragraph of the note itself. And that has been I think one of the most impactful documents in the history of Indian economic thought.

It gives you a very different direction in the Indian history of thought to how we think about economic growth, sustainability, and obviously the welfare of the people. In terms of what you do to get India on a fast growth path actually Prof Shenoy had an answer. Answer that he gave for Sri Lanka, because the President of Sri Lanka at the time had invited him. He was teaching there in Sri Lanka and was asked to prepare a blueprint for the economic revival of Sri Lanka and that's the note that you see that he wrote in 1966. And of course, he laid out a detailed plan of what Sri Lanka could do, to grow at a much faster rate.

One thing that struck me the most when I read that document and that is about his idea of cash transfers. Though we think about cash transfers and direct benefit transfer is a very modern thing but he talked about that in his 1966 documents; talking about it in the context of food subsidy. So, like just like we have PDS in India, same was true for Sri Lanka at that time, they also have subsidised grain given through some of the shops.

What Prof Shenoy proposed was a change in the pattern in which how you subsidised that grain. Instead of giving low-cost grain or grain at lower cost to the consumers, he suggested this would be the cash subsidy in lieu of the discount from the price of the grain and that's an idea that he spelled out in detail. How that can be operationalized and more importantly what are the benefits of moving away from the price subsidy, which was the PDS system that was in place towards a cash subsidy.

I just want to show you a little bit of that; his understanding that it is easier to enable a cash subsidy than it will be at the price subsidy so over a period of time government would be able to reduce the subsidies that it is giving for food consumption as economy grows, as people do better, slowly the subsidy amount can go down. So, if that's possible to do in a cash subsidy situation but not possible when you are giving direct price subsidy, right?

He also thought of a very interesting idea that we should have talked about today in gas cylinder scheme, the Ujala scheme of the cooking gas cylinders and the government has been asking many of us to give up the subsidy - that those of you don't want it can actually give up the subsidy and that's the idea that Prof Shenoy also had, as you can see on the slide, that you can wean away those who have better means from receiving that subsidy and thereby can also reduce the burden of subsidy on the government and the taxpayers.

So, I think very new idea that you think of his direct benefit transfer and cash subsidies was actually very well and in detail spelled out by Prof Shenoy in 1966. And you can see it was far ahead of his time right and that I think is one of the things that he suffered, in the sense, in his professional life being so far ahead that most people could not understand his reason and his way of thinking about solving economic challenges.

I want to build on that. From the first reform I want to propose in terms of what India can do is to convert idea of cash subsidy that Prof Shenoy talked about. The idea that we should

convert all subsidies into cash or DBT direct benefit transfer and that I think is one of the most powerful ways of helping people who need help; at the same time cutting on the bureaucracy, the cost of transferring the help and being able to then wean people away from some of those subsidies as time goes by.

So, all the benefits of DBT should be acquired for all subsidies across the board. So, including every subsidy the Government of India gives can be converted into a DBT and that could be one major reform that we can undertake.

To give you a sort of outline of what I'm going to say, 30 basic points I want to make - one is about how we can fix politics and I will say why I am focusing on politics in talking about economics.

Second, what can we do to free the markets and why still there are hurdles and challenges, the license permit quota raj that we talk about, that seems to have been abolished in some areas but not in all areas. And the last one is how to have a Fat-free State, how to reduce the size and the burden of the State on the citizens at the same time.

Professor Shenoy and many of the good economists of that time and of course in the history of economics as you know it was known as a political economy. Economics became 'economics' much much later on as being commonly used. And the reason why it was political economy and not economics and the reason is that we all understood, at least those who are good economists, understood that economics and politics are tied at the hip.

In any society, particular democratic society, those two cannot be separated. And my understanding of what's going on today in India as well as around the world, I see there's a far deeper challenge in the politics than it is in economics. And unless we fix politics, we would not be able to fix the political economy or economics.

To think about how to solve economic problems we need to at this point in juncture in history you think about how to solve the political problem. And what I mean by political problem - we have an economy which is of 21st century, right?



This is the fulfillment center of Amazon the warehouse that they run near Pune I think, you can see how organised the system is. Each piece or item is labelled, is tracked. Each item you ordered over Amazon; you get notices as the item moves through the various steps of delivering to your house.

So, we have 21st century economics but we have 19th century or I would say 18th century politics. There's a huge gap between where we are in our economic domain and how we are organised and how we are functioning and what we are doing in our political domain. Unless we bring the politics to 21st century we would not be able to solve the economic problem.

So, we need that alignment of politics with economics both go together and that is why it is called Political Economy.

One way to fix it is in economic system. Companies are the backbone and at the center of the economy is all operations, companies, and firms, right? And we have Companies Act to regulate how companies are going to govern. We have very detailed instructions about what

companies are to do in terms of transparency, accountability, disclosure, the whole literature on corporate governance and it talks about how we should have board of directors, independent board of directors, what are the liabilities of the auditing firms, when they audit the accounts and put them in public domain, right?

So, you created a very detailed way of regulating how firms do business in the economic arena. Similarly, in the political space what is similar to form in the economy is a political party, and the political parties are the firms of politics, like corporations, which is literally true. They are also corporate houses run by the families as we have business houses run by families, right? So, it's quite a strong parallel between the two if you can think about it.

And for that, to regulate political parties, which are the sort of centre of political system, we have this particular act from 1950. It is hardly been amended unlike the Companies Act, which gets amended routinely and gets updated because we need to update how we govern ourselves as we change, technology changes. But very little has changed in this Act that governs our politics. Until we create a similar kind of Political Party Act, it is how I would label it, we would not be able to bring politics to a 21st century standard. Until we do that we would not be, I think in my view, able to fix, at least sustain basis of our economic problem.

So, my first sort of recommendation, or the second, after the DBT is to work over the Political Party Law, similar to a Companies Law. And we need that kind of detail and understanding analysis of how political parties should function, as we have of how companies should function in the economy.

I don't want to argue that just by putting a Political Party Law will solve all the problems in politics. There is a lot more to be done there. And one need to think about how much more needs to be done. I will give an example.

I can say all of you must have voted in some election or the other. Now think about how much time did you spend in deciding whom to vote for, in the election that you did vote. So, before walking into the polling booth, how much time did you spend to acquaint yourself with the political parties, which are on the ballot or the candidates, sometimes independent candidates are on the ballot, to acquire information about them, and be able to make an informed choice. Think of how much time you had spent in making that informed choice before pressing the button on the machine.

And then think about how much time did you spend last time when you bought yourself a cell phone. And for most of us or I can say all of us, the answer is very clear. We spend lot more time in deciding which cell phone to buy than we spend time in deciding which candidate to vote.

And that is I think the fundamental flaw in our current structure of democracy, where the voters who are the sovereign for whom the democracy supposed to work, of the people, by the people, for the people, right? We are not the ones who are engaged in the process, so unless we begin to engage it's not going to solve the problem.

There are other issues of politics that we need to worry about, which would not be fixed just by having Political Party Law.

Political Party Law would be a very good first step in that direction in fixing the politics in the country.

So, here is my 3 key points –

1. Convert all subsidies to DBT
2. Political Party Law
3. Mayor as CEO

And the 3rd I think is most important for governance. Talking about Mangalore, how Mangalore has been governed and how clean the streets are. I think we are all very surprised just driving around, if you have not walked around in the city yet; the roads are clean, you don't see that much garbage everywhere, that you would see in any typical this size town in most of India and that is credit to all of you.

I can understand from Mr Prabhu, how engaged citizens are, and how civic minded citizens are in this town and that has allowed you to able to solve some of the public challenges. But we don't have a similar situation in most of the cities and towns of India.

We need to have a mayor of the town or the city, who should have the powers of a CEO. We have chief ministers who are CEOs, which is why Mr Modi was able to do well in Gujarat because he basically acted as a CEO for the State, which of course does not work for the country as a whole, as we are learning. Hopefully, he's also learning. But for a city to run we need to have somebody who is accountable, who is in charge, to whom we can trust and rely on to deliver the services that we need for the city.

Cities are at the heart of our economic growth story. Unless you get the cities right it can't get our economic growth story right.



The second point - How to free the market. I think here many of you probably have talked about this often in this forum and I'm sure as a business community you are very well aware the challenges that businesses face in the country right now.

A couple of things on the agenda to think about:

One, I think, which to me looks like most critical thing to worry about, is how our laws, regulations, and rules prevents honest living or honest earning of livelihood. Think about people trying to earn an honest living and how much our laws, rules and regulations are hindrance in their path. They are of course not helping one is left outside but they actually hindering people who are trying to earn an honest living by producing something and providing to other citizens in the country. And there are huge number of such laws. Some of course we removed in the 1991 reforms, the License Permit Raj for the formal sector but there are large sectors of India which have not seen much reform. And a key example of that will be agriculture.

The industrial sector has seen reforms but in agriculture there is hardly any reforms. There are many reforms that need to be done. I'm not going to go into detail but just give a flag for you because, you of course know that some of these laws which exists have been there for long time and how harmful they are to the farmers interest and farmers earning a decent honest living for themselves.

So, the Essential Commodities Act, the APMC Act, the last one actually approves genetically modified seeds that farmers can use and obviously its not really run scientifically; the committee is run far more politically and prevent farmers from using new varieties and technologies so that they can earn a better income, the series of such laws that apply to agriculture.

Now, I was thinking about how can you help farmers. And a friend of mine, not only friend but Prof Panagariya who was at the NITI Aayog, his famous line, so the best way to help the farmer is not to be one, is not to be a farmer. So, best way to help the farmer is not to be a farmer. We have a situation today in India where 17% GDP is produced by agriculture and 50% population depends on that production. 17% is supposed to feed the half of the population which depends on agriculture. They are never going to do well for themselves in that situation. Only way to help and this is what happened around the world, there are fewer farmers producing all the food in the United States than there are in this one single State of Karnataka.

Unless we have fewer farmers it's not going to be able to work well for those who remain in agriculture. Now I think you are thinking about what can you do to not be a farmer. One thing you can do is convert your land, which is agricultural land, into other; residential or commercial land. That's the first thing you can do to do something else than agriculture land that you have, that is the only biggest asset that you probably have. But who makes money in converting land from agricultural to residential and commercial use? These are the guys that make money.



If you want to convert your land it will be almost impossible to get the approval, to do the conversion, we need middleman like him, to be able to convert land from one to the other. So, one avenue to exit agriculture, which is to convert your land into something different, it is very difficult to do in India.

Second thing you can do if you can't convert that you can sell the land, right? If you try to sell the land, who is going to buy your land? Only other farmers can buy your land. Law doesn't allow anybody else to buy your land as Amitabh Bachchan found out himself.

So, your land can be sold only to other farmers who themselves are in distress, who themselves are trying to get out of agriculture and most likely they are not able to buy your land.

Last option we thought was that you can possibly have some entrepreneurial farmer who can have enough capacity to buy up this land and become a much larger farmer, just like most of the world's countries have, much larger agriculture sort of plot size than what we have in India. Even that is very difficult to do because of the Land Ceiling Act.

I have just put together few of the state data that tells you what is the upper cap on the amount of land that one can own, is around 7 acres of land that you can own.

bamboo is now grass in the Indian law and therefore tribals of India can access bamboo without any approval from the forest department, which was not the case before.

There are innumerable laws of this kind. Some of course, in the British time that we have inherited, but many that we have created ourself.

Biggest challenge we have is the urban informal sector. These are the people who are making a living by providing services that we all depend on, and my goal is what you see there is a zero informality.



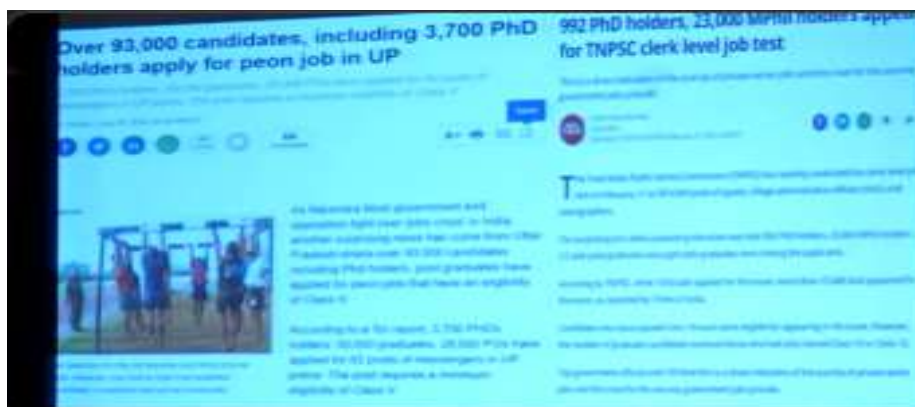
How can we encourage all the informal sector to become formal? People have tried many things and none of those things have actually worked as incentives because people are fearful of getting in the formal sector; because of the inspection Raj and many other other things that will follow once you become a formal.

There are many ideas. One idea I want to throw and see what you think of it, is to give sort of tax rebate. Instead of becoming a formal firm, I get a tax rebate of say up to ₹50,000 a year for the 3 years. So, whatever tax I may owe government because now I'm formal I'm not just making cash income, which I will report to government and then I may end up paying the tax on that income, which I had not paid until this point.

So, maybe government can encourage them they once you become formal, we would not tax you for 3 years at least up to ₹50,000 of tax that you may owe government at the end of the year so I'm just thinking out loud in terms of what can we do to incentivise the informal sector firms to become formal. It is important for them to access the formal credit market, labour markets, all of those things that we need for the society.

The last point in terms of freeing the market is about education. I know you don't think about education in anything about economics or economy but to me in the knowledge society, which is where we are in 21st century, education is really the key to success. Unless we have a good education system, we are not going to be able to do well by most of the people in our country.

What is wrong with the system? There are many things that are wrong.



I'm sure you have seen these headlines even in your own State, where a peon job in UP attracted 3700 applicants who had PhD. It is not really education we are simply giving degrees - pieces of paper. And therefore, a PhD degree is as valuable as a job of a peon in the government sector. Of course, we also have this problem of, everything here to do well in the

board exam at the school level and I don't know whether you remember this scene, I think about 3 years ago, in Bihar.



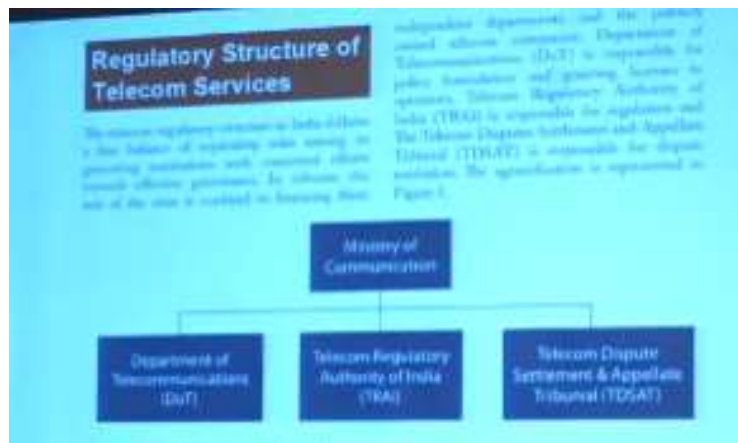
(Kumar, should I should look at you? Kumar is from Bihar.)

What is going on here? There are people outside the window passing on cheats and information to the students inside the room who were taking a board exam and that is what is going on.

Why is that the case? Because your whole life depends on one single exam. If you don't do well in Class 12 board, where are you going to go for higher education? And that has created such a huge competition of the worst kind of the education system. And I find that unless we are able to change some of these things fundamentally, we are not going to be able to solve the problem of economic growth.

You can have people working in industries who are not that educated but we cannot have a service economy, which is what we would need to have, which is where we would have to build our future; with people who are not so educated, that is just not going to happen, right? But there are many things that are needed to be done in education. I am sure that if education is sitting here, they would have better ideas in terms of what needs to be done.

Just two things I want to put on the table, one is what we call separation of roles or functions.



You see that I put a slide there with the telecom sector. One reason why telecom has done so well is because instead of having just Ministry of Telecom or Communication they divided various roles to different independent agencies. So, we have a department, which is a policy maker. It just makes telecom policy. How to auction, spectrum, and what to do, what is allowed, what is not allowed; then you have a regulator that regulates telecom sector and then we actually have a tribunal; an adjudicator, who adjudicates his views, as disputes between the regulator and the policymakers and the service provider, which is a private company except for BSNL.

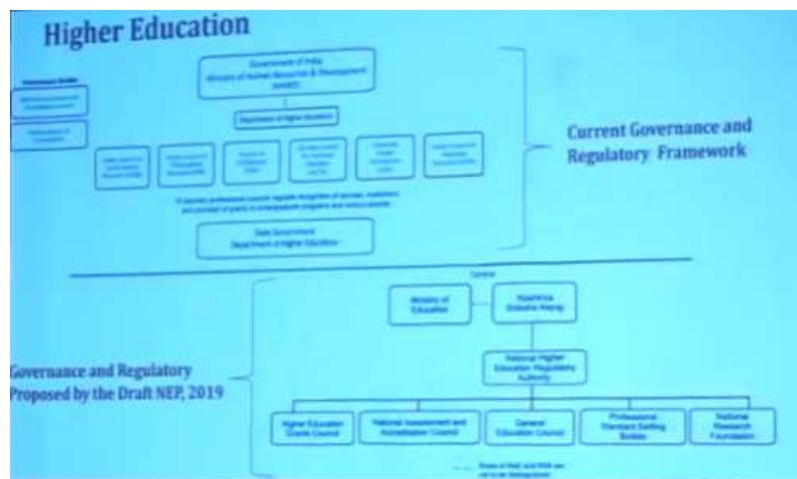
So, in telecom we have a policy maker independent of a regulator, which is independent of the adjudicator, which is independent of the service provider. All of them are independent. All of them specialize in what they do and become better at what they are doing over time hopefully.

In education, there is one department for education for the whole state; one secondary of education, and that one person does everything that all these guys (Telecom) do. For an important sector like education, that one secondary is in charge of making the policy, is in charge of being a regulator, regulate government schools as well as private schools. The same department, same person is in charge of assessing quality of education, same

department of course, they provide service, run government schools themselves, which are run by the department itself.

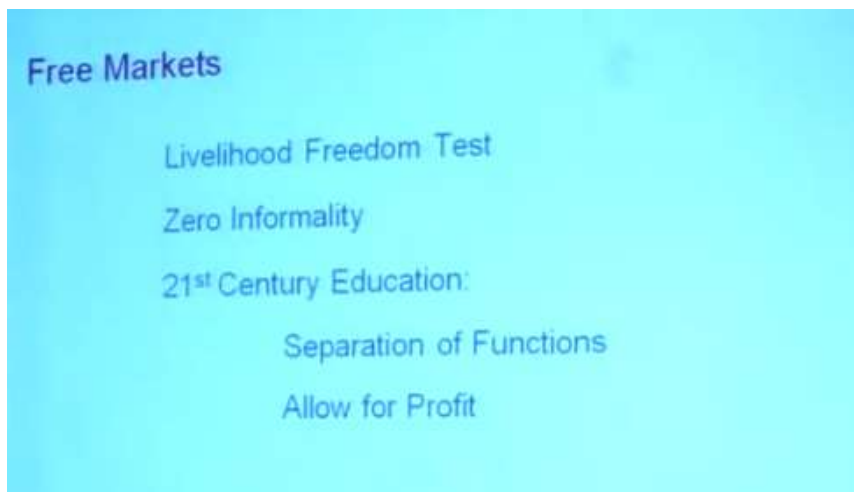
So, one single department does all of those functions. Policymaking, regulating, assessing quality, adjudicating disputes, the private schools' dispute with the department; where do they go? They go to the same department for adjudication and they also provide of course the services run by the government schools.

Some important governance reforms that need to happen in education is a separation of roles or powers or functions to face that. Unless we do that, I don't really see how education is going to improve in a systemic way. I just put one slide there as an example of higher education:

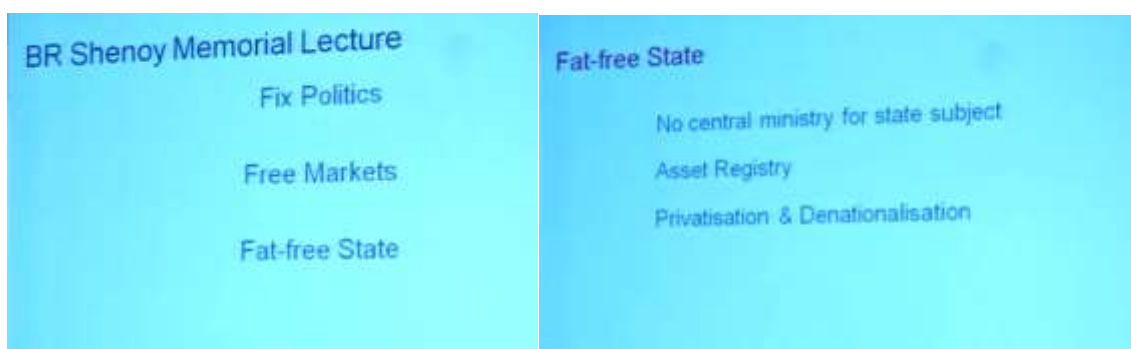


These in the top that you see are our current institution, which control our education. There is of course new education policy which has been drafted. It does sort of streamline many of these things along the lines that I'm talking about. But what we hear in Delhi is a huge opposition to this idea from the bureaucracy. They do not like dividing their power across so many different agencies. They want to be in charge and so many people suspect that this is not going to go through even though it's there in the draft policy.

Unless we do the governance reform in education, we would not be able to deliver hyper education to our own children.



That's the second point of how to free the market - apply livelihood freedom test to every rule and regulation, make sure that nobody is prevented from earning an honest living by our laws and regulations.



Last one, about how to get a Fat-Free State - 3 ideas. There are many ideas that people have talked about I'm just picking 3 of them for your consideration.

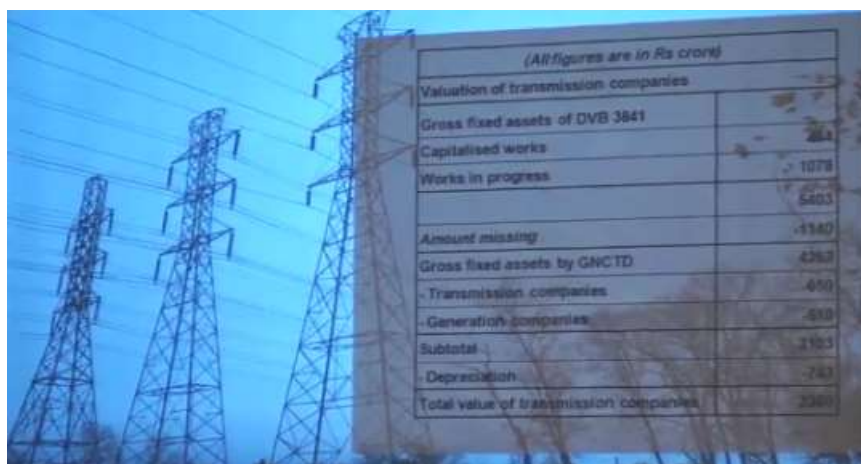
The first one is about the number of ministries we have. I am suggesting you that we should not have ministry at the central level for a subject, which is state subject; for all states

subjects, that includes concurrent subjects also, so that we know central government ministry on those subjects. Education is a state subject or concurrent subject. Agriculture is a state subject. There is no need for Minister of Education or Ministry of Agriculture at the central level. They should be all really state subjects run and operated by state governments, not by central government.

You can see, in the US the size of cabinet in the US, even Trump had 15 people. There are 15 subjects basically that they control from the federal government. Rest is all left to the state to manage.

In UK, a little more, 27. It actually varies from 21 to 27 depending on obviously the politics of the time when the ministries are getting formed. But no more than 27. 27 is the highest number they have formed.

In India it is 54. This actually is a very low number; we have had much higher number than this. One thing we need to think about is how to just reduce the fat at the top. It does a lot of damage; it's a cholesterol that damages, of course, what central does. It also damages what we can do at the state and local levels because they are controlling those things from the top. Second idea was Asset Registry.



(All figures are in Rs crore)	
Valuation of transmission companies	
Gross fixed assets of DVB 3841	
Capitalised works	263
Works in progress	1073
	5403
Amount missing	-4340
Gross fixed assets by GNCITD	4363
- Transmission companies	490
- Generation companies	3873
Subtotal	3193
Depreciation	-763
Total value of transmission companies	2360

This is the example I have from our Delhi electricity privatization vihar, Delhi Vidyut Board, which is a government agency providing electricity to the whole of Delhi. About 10 years ago, little more than that, we privatised that into private companies. It turned out at the time of privatisation that Delhi Vidyut Board had no idea what assets they own. So, all the transformers, no big transformers that you see, the land around those transformers; they had no idea how many of those exist. So, they evaluated and put some number there and the whole thing was sold off to private companies. Of course, we had a big scandal later on when people learned about it.

But facts that I want to highlight is government does not even know what assets they own. The land owned by Railways, Defence, all over the country, most of them are not really accounted for; which are easily what gets occupied and converted to slums, in many of these cases, because nobody is watching those assets of the public; it is not government's it is a public asset.

We need to pass the asset registry. Once we get the asset registry right then we can begin to privatise all of those things. Last idea that I have is basically the losses that banks are making.



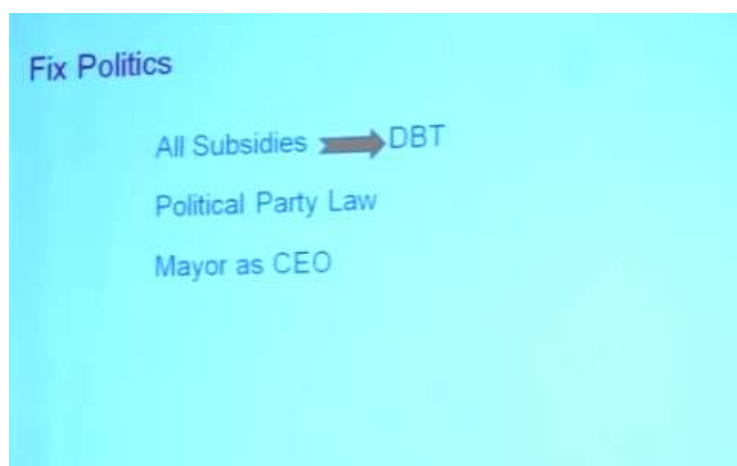
All the red lines that you see, each indicate bank losses. In the last is Indian bank, which is last, the longest line that you see. So, from banks, from all the excess land that we have, so once you create the registry of the assets, we will be able to know where the assets are and therefore be able to privatise or de-nationalise or want to disinvest, if you want to use, but that's what really needs to be done.

Just to summarise the 3 points, I want to draw attention to,

1. Fix Politics
2. Free Markets
3. Fat-free State

How to fix our politics to fix our economics, how to free the market, empower them, make sure the people can earn their living honestly without any undue interference and the 3rd, how to make the state less fatty and use or take away our own blood little less than they normally do.

So, these are the key ideas I want to put in front of you.



I hope that Prof Shenoy would approve some of these ideas if he were around. I'm quite confident that he would have approved those ideas.

Thank you so much for having me here, it has been a pleasure.

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Question & Answer Session:

Question:

In Pakistan, there is a requirement that a candidate who stands in elections should be at least a graduate. In India there is no minimum qualification except that he should not be insolvent, he should not be a convicted criminal, and the minimum age factors.

The question here is, in the Kaun Banega Crorepati there is a voting pad, so when we advocate a party reform the constitutional authority is the Election Commission but there should be something that regulates parties whether it is the Election Commissioner or separate as you pointed out, the Telecom Regulatory Authority of India it could be a Director General of Political Organizations, which will govern parties. Because now there is the worst forms of democracy inside parties and they are totally unregulated and no self-discipline. So, this can be the first possible move - that there should be an agency under the President or Vice President and Commission.

What would you recommend as an equivalent in the world? Are there any? Other than self-discipline and regulating agencies?

We looked at some of the political party laws.

There is no law for parties, only the Peoples Representation Act, that's what I am trying say, I studied this in 2000, there is no regulation or an act for parties, not even financial, not even social. The voting aspect is done in the Peoples Representation Act.

Dr Parth:

The Peoples Representation Act does have some guidelines. A whole debate around this is going on, whether the political parties can come under RTI or not. There are lots of those issues that have been debated. There are some physical requirements about accounts to be furnished. It does say in the Peoples Representation Act a political party must furnish audited accounts but it has never been enforced.

Some of the things are there in the Act but then there is nobody in charge of enforcing it and therefore Election Commission does not go out of its way to ensure the enforcement.

It is a grey area. I studied to; we call what the constitution of parties is the most undemocratic documents that parties file. The party constitution is undemocratic. You know, in one state there are 62 general secretaries, in another state there are none and in one place they have they have a committee. But you know, the Peoples Representation Act is mastered by all politicians. The form that is required to be filed with Electoral Officer, has to be signed by the party official. That is what they control. And at the last count, Election Commission had 1673 registered political party. Even if you go to the site now, only the 6 or 7 that count, they are published. I think the fact is that we need that reform within the parties and how it can be gone around is part of the debate and dialogue.

Dr Parth:

Yes, I think we need that political party law, just like you have commented, for regulation.

Question:

You were talking about the freeing the market of education. Absolutely right! We have already reached a point of no reason and it's so decadent.

But health sector reform has become such a necessity now. In fact, health has become much more than educational decline. So, at one stage how to free the market and how to keep it open, the transferring in health care. Hospitals have become much more than the commercial centers. Unless we bring them and make them some sort of transferring system, whole economy is occupying, 1/3rd of the whole economy is now regarding the health sector. So, this we must solve along with education. Of course, education is ruined, health we are ruining right now.

Question:

Sir, you spoke about the size of the ministry, union ministry, considering the size of the nation, UK you said 24 ministers are there, India has got 56, but look at the size of our population and ours is a diverse nation so we need numbers.

Dr Parth:

I'm not really focusing on the number of ministries, it is number of functions, which is why I said what you want to focus on is that. The functions which are left to the state governments, there should be no ministry for that function at the central level.

So, 15 which are in the US it's not so the number that matters; I am just giving you a hint about what the US thinks are the 15 different functions or domain for areas that should be under federal government purview. And that's why there are those 15 ministries or departments. Of course, UK has expanded at least to 27.

But it is too hard to imagine that you could have 79 - 80 different areas to be controlled in India, It's not about the size of the country. The kind of functions that you want central government to regulate or operate. And the rest has to be left in the state and local government. So, my point is more about the kind of functions that central government controls and not about the number of ministers.

Question:

You said politicians require no qualification for holding office. You showed a slide, that for a post of peon 3000 PhD holders applied. So, we can't do anything about politicians?

Dr Parth:

If you make your requirement maam, I am sure you get a certificate. It is only that difficult to get a certificate or whatever requirement, you put PhD requirement, that also *mil jayega*.

Question:

In western democracies also now all kind of populates are holding office there is threat to the World Peace and democracy. Even in Brazil, you see, a big populist has become President. He is ordering the destruction of Amazon rainforest. Even in UK Boris Johnson has been reelected on populist appeal. He has got a good friend in Donald Trump, who is likely to be reelected. How do you associate this with Indian democracy?

Dr Parth:

The global problem in terms of what is happening in that space, I don't think there's any simple solution to that challenge, like the rise of populism and the threat to liberal values of open markets and open borders and so it is a much deeper malaise. Some of the calm is panned thinking about that part of the problem is also with us in terms of the way we dealt with people who lost even temporarily in the globalization and debilitation sort of process.

So, we know that of course, people lost their jobs in many parts of the Western countries, whose jobs got shifted to the South but nobody worried about those people at the time; how are they going to be able to deal with the losses they are suffering. And I think there is not enough attention being paid to them.

On top of that, the new elite thinks very differently. They have no concern for the people who have lost the job, who are not as educated, who are not as savvy; that fighting all of those forces are playing out in what you see in the rise of Donald Trump or others.

I think there is not so much left to right either. I think we have populist of both kinds and there are populists on the right, Trump being example. Of course, there are many more populists on the left, the one that you mentioned also earlier. So, I think it is in a sense

ideology neutral, both sides have these populists among them and that gives the idea that there is something far more fundamental than that is going on.

It is not just about ideologies of right and left. It is something which is more structural. And that is something that we are trying to understand. You want this structural changes and how they are going to be even exacerbated with more automation, more machine learning, more 3D printing based production, etc. So, all of those things which are going to come certainly is going to exacerbate some of the challenges that we have seen in the last 20 - 30 years.

Question:

You said, security registry is not there, but how do they show in their balance sheets? These balance sheets like MESCOM, their assets whether it is MESCOM or National Highway projects and all, they have their balance sheets and they show assets in that. How do they manage it if they are not registered?

Dr Parth:

No, I'm sure that not everything is forgotten some assets are in the balance sheet. I'm not saying nothing is in the balance sheet. I'm just saying that there are lot of things that they own, which don't show up anyway. They don't show in the balance sheet. I'm sure it is true even for in Mangalore city. You should ask the city government to show their accounts.

There is hardly any city that does double entry accounting in India. So, even basic accounting, maintaining their accounts, money coming in, money going out, that we do at any small company is not done, is not done by our DMC, Bombay Municipal Corporation, which is one of the richest corporations we have in the country. Even they don't maintain those accounts.

[These balance sheets are signed by board of directors who have IAS people.]

But they never go to jail. You can put a CEO in jail but you would not be able to put an IAS officer, who is the Commissioner of the city in jail because he signed a wrong balance sheet or account.

(Comment from audience is inaudible)

Yeah, it's in good faith, exactly, permanent excuse.

Question:

Good evening, I just had a question in terms of ecommerce like Flipkart or Amazon. How do you view these new ecommerce sectors that have emerged in last, say, 10 years? Do you see it as a positive in terms of how it is taking us in the right direction or do you see it as a major hindrance for any entrepreneurs to come up?

Dr Parth:

My personal opinion and there is a research also on this issue, not as much in India unfortunately, but I see that some of these changes are in some ways inevitable. We can slow them down a little bit. They are not going to stop.

Just imagine, when the first automobile cars came on the road the other means of transport and at that time the common means of transport in 1920s or so was horses, in horse buggies. There were millions of people who were employed in that industry. As soon as the cars began

to roll off the assembly line, they all began to lose their jobs. If we had tried to protect those jobs, where would we have been?

A friend of mine uses the example of the fan. How people have been unemployed by the fans? If you look at the old palaces, the person sitting behind the king or the queen, whose full-time job was to fan the person. So, the moment fan came, all of those people lost their jobs, right?

And so, I agree that there is a transition phase where of course, the brick-and-mortar businesses are going to face competition. But that competition overall for society is a good thing. Yes, there is a cost being borne by them. You don't overlook that cost. Those who are going to lose their businesses obviously is suffering, they would have. And we do think about what we can do to help them as opposed to trying to stop what in my view is just inevitable.

Question:

(Inaudible.) Could you elaborate a little bit?

Both size, cost; cost in terms of money. So, if you have 56 ministries, that is 56 ministers, who have bungalows in Delhi, who have cars, several cars being given by us. I have seen bungalows where there are 11 gardeners - *malis* - 11 of them in one compound. There are cooks, guards, etc. So, each minister is a very expensive proposition for us as citizens, right? And that's just explicit cost. What bad things they do, it is a bad law, is even higher cost.

Question:

In this milieu, can you give some 3 ideas how to really create jobs? It can't be done in the state or in the market in the kind of conditions we are in. Can you give some 3 ideas how

Indian any class of India, the PSBs or a skilled person, how can we create jobs, community, state or entrepreneurship? Do you have any idea?

Dr Parth:

The couple of ideas of course were in the presentation. One of course, what I call livelihood freedom test, so apply this test to every rule and regulation, that is the rule or regulations.

(Could you repeat? What test ?)

Livelihood freedom test. The criteria is what the name says. Criteria is that if the law hinders anyone from earning an honest living, then we should relook at that law. I gave examples of some laws, of the Essential Commodities Act, the APMC Act. So, unless you reform those farmers in this particular example would not be able to do well for themselves. If they do well, they will create more jobs.

One key idea is to free up the livelihoods for people to one and review all the rules and regulations that we have and there are just too many. Actually, I don't know this, we don't even know how many laws we have.

(Too many!)

And we don't even know how many are there. We discover as we go along.

Question:

I am Ahmed Mudasar, I am a director at the Chamber of Commerce here. You mentioned about transition basically like the invention of fan as well as automobiles, but lately what we are saying is the transition whatever is happening is happening at a very quicker pace.

Today's youngsters for instance, they are not aware of where they, not just youngsters, people in general, they are not aware where the transition is leading to.

So, for instance take Mangalore itself, lately, earlier we had people venturing into something innovative. They were ready to take risk and all that. But today we are finding people venturing into eateries and such sort of business they are not able to think beyond a particular, I don't know, you can call it a glass ceiling or something like that.

So, what would you suggest to come out of such a mindset?

Dr Parth:

I always wonder. Now we have startup industry also in Delhi right, and there of course very venture investors and venture capital investors there. And I always wondered that if you go to them with an idea of delivering food, then there is a huge amount of capital investment that you can get from them.

If you go to them with an idea to open a new kind of education school or school or system there's no capital available for those ideas. So, in the sense we have such a skewed capital allocation system, where in some ways somewhat frivolous ideas like delivering food, we have so many apps today, just doing the same thing, delivering food from one place to the other. I'm not against delivery of food. There are so many people getting funding to do those kinds of things but the people who want to run better school, find new pedagogies, new technologies in education, for example, there is no funding. There is no VC funding in education enterprise, or education startups.

Why?

I had indirectly put that on the slide, which is the fact that education by law is supposed to be non-profit. And so, money, our capital, and talent, smart people are putting their talent and hard work in building one more app to deliver food but there is nobody putting their talents and hard work into building better education system

And that I think it's very sad commentary on our society'

Question:

My question was sort of like this; that all of these are long term, structural, extremely important, and will generate development and so on, but what is the immediate, I mean distilling from this, what are the immediate actions that Nirmala Sitharaman could take or some other party take to get India started again?

Dr Parth:

I think almost all of them can be done tomorrow morning.

Question:

So, you think these things I can be done shortly and you will see a reaction or an impact in real time you don't have to wait?

Dr Parth:

For example privatization and all of that we have immediately seen impact, right? You are freeing up the assets for more productive use right in front of you, also generating revenue for the government to hopefully do something better with it.

For example, separation of functions in education can be done by tomorrow morning. I mean, if somebody wants to do it. Most of these ideas are pretty easy, once you agree, easy to implement.

From audience:

Denationalization has been there since '92, the fact that it is 18 years later and it is not moving forward is the issue.

This has been a wonderful presentation and lots to think about. We thank you very much.