

6th B.R. Shenoy Memorial Lecture 2023 by Dr. Surjit S. Bhalla,

November 1, 2023, from 5:00 p.m. to 6:30 p.m.

Prof. Kumar Anand:

Hello everyone! Good evening, and welcome to the B.R. Shenoy Memorial Lecture 2023, part of a series started six years ago. My name is Kumar Anand, and I will be your host this evening.

The talk by Dr. Bhalla will be for about 45 minutes, after which we will have about 30 minutes for a question-and-answer session with the audience who are joining us live. You can, of course, like every year, type your questions in the comments section on Zoom here or in the YouTube comments section, wherever you are joining us from.

The lecture series is in the memory of a precious Indian economist who, in the 1950s and 1960s faced great challenges in arguing for desperately needed changes in Indian economic policy. The economic reforms that Professor B.R. Shenoy had long advocated were finally implemented in part in 1991 and have helped transform India.

People unfamiliar with the lives in India before 1991 economic liberalisation might scarcely believe that for 30 years you were not allowed to promptly purchase even an old-style Vespa model scooter or a clunky black desk telephone by simply walking into a dealership. Even with an advance payment, the wait for delivery could take a decade because a government permit was needed to spend your own money.

The wrong-headed economic philosophy of the day was that private entrepreneurs might prosper by serving the customer, and that was a danger which must be suppressed. Indeed, profit was a dirty word.

Born in 1905, Bellikoth Raghunath Shenoy was the son of a poor farmer in Bellikoth village, North Kerala. Inspired by Gandhiji, the schoolboy Raghunath ran away from home to join the independence movement. He was arrested in Bombay and jailed in the same prison as Pandit Madan Mohan Malviya who promised him a scholarship at his recently founded Banaras Hindu University.

The young man did his B.A. and M.A. in Economics at B.H.U. and got a scholarship to study at the London School of Economics. Returning to India, B.R. Shenoy did monetary research at the Reserve Bank of India and served as Executive Director from India at the International Monetary Fund.

Driven by increasing disagreement with the government policy at the time, he resigned to join Gujarat University and later founded his own Economics Research Centre to independently argue for the removal of License Permit Kota Raj.

His basic philosophy was that economic progress meant the generation of prosperity for the mass of the population. And that the equal human dignity of every individual was the foundation of a decent society. As a classical liberal, he faced challenges in the public square. Continuous abuse and ridicule by established opinion, including the slander that this proven patriot was an agent of foreign powers. Although the huge benefits of a market economy are now generally accepted, challenges to his liberal viewpoints remain today.

Our speaker today is the distinguished academic Professor Surjit Singh Bhalla, who recently completed his own term as the Executive Director from India the International Monetary Fund. Dr. Bhalla did his Ph.D. in Economics from Princeton, has worked at RAND Corporation and the Brookings Institution, and has founded and managed the investment firm Oxus Research & Investments. He has taught at the Delhi School of Economics and has been on the governing board of the NCAER.

Dr. Bhalla authored five books including “Second Among Equals - The Middle Class Kingdoms of India and China (2007)”, “The New Wealth of Nations (2017)” and “Citizen Raj: Indian Elections 1952-2019”. Dr. Bhalla has published widely in the media on the Indian economic situation in data driven articles, a quantitative approach perhaps influenced by his undergraduate degree in engineering. He served on the Prime Minister's Economic Advisory Council and has had considerable experience in the formulation and presentation of public policy.

On behalf of the Economics Research Centre, Mangalore and the Centre for Civil Society, New Delhi, it gives me great pleasure to invite our speaker Prof. Surjit Bhalla to deliver 2023 B.R Shenoy Memorial Lecture on the topic of the “Challenges of Being a Liberal” today.

Dr. Surjit Bhalla:

Slide 1

Challenges of Being a Liberal

BR Shenoy Memorial Lecture - 2023

November 2023

Surjit S. Bhalla

1

Thank you very much for the warm introduction. You know, when I was asked to present this year's lecture on Prof. B.R. Shenoy, I had absolutely no hesitation in accepting the honour. And the title of this talk, Challenges of Being a Liberal Today, is reflective of the life and times of Prof. Shenoy.

When I entered Graduate School in Public Affairs and Economics in 1970, after an engineering undergraduate degree, I had not heard of Mr Shenoy or for that matter most economists. In addition, like most students in my age group of about 20 to 24 years, and especially those unread in economics and liberal “in outlook”, I admired names with a largely socialist outlook. And then I studied economics, and learned about the severe follies of liberals in the name of the poor economists who were dominating the discourse in India and most of the developing world.

Prof. Shenoy was a lonely angry young man in the 1960s and 1970s. His courage to persist in his intellectual beliefs despite the overwhelming presence of left-wing economists and policymakers in India is testimony to his strongly held liberal ethos and his courage. His dissent now to the Second 5-year plan is well known and has catapulted him into the ranks of the great and courageous thinkers. Like others of his genius, he was not to succeed in his country of origin. In the conventional establishment, the non-liberal economists made sure that his recommendations would not be followed.

He was engaged in 1966 by Mr. Jayawardene, then the Deputy Prime Minister and later President of Sri Lanka. Now, we are talking about 1966 to confront the crisis facing Sri Lanka then. Jayawardene looked for “an economist or economists who would come up with some fresh ideas on how to deal with the malaise of the Sri Lankan economy.”

Jayawardene did not trust academics at Sri Lankan universities because they were Marxists or advocates of policies that promoted state expansion as a solution to the crisis. Hence, he looked for someone who was free from such state-worshipping ideologues.

Shenoy wrote the report, somewhat and perhaps decades ahead of his time - a report that argued for considerably less state intervention, greater role for markets, export-led growth and a flexible exchange rate.

His major intellectual mentor was Hayek. His report was rejected and gathered dust. But Singapore implemented a package very similar to his recommendations. The rest, as they say, is history.

I am also a huge admirer of Hayek. His book "The Road to Serfdom," which radically changed my outlook on economics and economic policies and the recognition that the road to hell is paved with economic non-liberal thoughts and actions.

Now here, I need to define what a Hayekian liberal is. And if you will, the title of my talk is in many ways it is the opposite or what is conventionally understood as being liberal. Perhaps, over time, present-day liberalness will be known as wokeness, and we can all get back to liberals being in the 19th century.

What is a true liberal? Certainly, one who takes truth to power, truth to the establishment. In present day world, it is becoming increasingly difficult to define or identify a truth. There is artificial intelligence, fake news, and even worse, fake expert commentary. There is a lot of information. How does one sift through this misinformation or ideologically laced commentary? That is a challenge for a liberal.

I will provide four pointers.

First, a true liberal change his mind when confronted with strong evidence that challenges a prior view or recommendations. Keynes, an original 19th-century liberal, said it best when he stated, “When facts change, I change my mind. What do you do, Madam?”

My second info on liberals is from the movie “Jerry Maguire,” where a football player keeps asking his agent for evidence about his job prospects as to what kind of money he is going to get. He keeps repeating, “Show me the money,” which for our purposes here is, “Show me the evidence.”

The third benchmark about evidence and being a liberal is in the attempt to identify the truth, the reality, the facts. What passes for evidence today is the Rashomon effect. We all have our own facts and, therefore, our own interpretation of the truth. In all of this noise, amplified many times by social media, how is one to act on the unknown truth?

The fourth pointer is look out for spin, today called narrative, when you search for the truth.

Nobel prize winner Robert Schiller phrases the origins and development of the term “narrative.” His book is called “Narrative Economics,” a must read for all interested in “identifying the truth” and interested in how a rational mind often falls for irrational stories, spin, or narratives.

One can be a liberal precisely by identifying the truth in the noise, at least to the best of one's abilities. This is what I will attempt to do in this lecture. I will look at economic facts and interpretations thereof. I will only present the evidence. I will not mention any names

of the individuals involved in my journey, like yours and Shenoy's journey, a journey in search of evidence that helps identify the truth and helps in being a liberal. And remember, all mistruths have an element of truth in them. Which is why identification of the most truth amongst the competing Rashomon truths is so difficult.

My first example is what happened in my second year as a World Bank economist. This is 1979-'80, and the World Bank has embarked on the definition and the measurement of absolute poverty around the world.

Now, as it turns out, we in India provided the very first definition of poverty, absolute poverty, almost simultaneously with the US war on poverty and the US attempt at a definition. Both definitions involve food consumption. This is the element of truth. If you do not have food, you do not survive. So, in some ways or more than one way, food consumption is tied to being poor but not identical to being poor.

So, both of these definitions, one in the US and one in India, had an income or consumption-based poverty line. That is the minimum consumption in expenditures that is needed to define one as being poor. And in the case of India, the definition adopted by the Planning Commission in the mid-sixties was ₹20 per person per year in 1960-61 prices. And in the US was that income level that generated at least 33% of your food consumption. If your food consumption was less than 33% of your income, you were defined as poor.

So, this set the stage for the measurement of poverty. However, and you are dealing with economists, and you are dealing with people wanting to establish their intellectual capabilities and credibility, etc., that two leading scholars at the World Bank came out with

a book called “Malnutrition and Poverty.” Now, malnutrition is somewhat different than lack of food consumption, though it is related very strongly.

But they, like other scholars at that time, were interested in moving away from an income definition of poverty to a more absolute measure of poverty such that individuals across the world could be compared as to who was poor and who was not.

So, they came up with a definition of poverty, which meant that you went ahead and measured caloric consumptions. How many calories you were consuming? And the FAO was very much in the act. The whole world was in the act, and they adopted a caloric definition of poverty. In 1979, India moved to a caloric definition of poverty; so many calories mean you are poor.

I was asked in my second year at the World Bank to work on the World Development Report of 1980, which was to be on human welfare. At that time, the central concern, at least for me, was identified to be as to how do you measure absolute poverty. What are the numbers of absolute poverty around the world?

I was a keen enthusiast, a keen believer in the Holy Grail of malnutrition and poverty, i.e., the measurement of calories. So, I thought this was the absolute measure, and you cannot get better than this. There are no prices involved, nothing, it is just how many calories you are consuming.

As it happened at that time, the Hanes nutrition survey was done in the US, and this nutrition survey was very, very careful. Perhaps, the most careful of the nutrition surveys

done then or since. Because, when I talked to the surveyors who were involved in conducting the survey, they told me that for example, hamburgers, when cooked, lose some calories in the oil, and they said they were counted for the calories that remained in the hamburger in order to determine. So, here we have a systematic attempt - a very rigorous attempt - to measure caloric consumption. And when I looked at the Hanes data, what did I find?

Slide 2

- Malnourishment and Poverty in the US
- Hanes Nutritional Survey 1972
 - How Hamburger calories were adjusted

US men 25-34 years – 67 % lower than US calorie norms (more according to FAO)

US women 25-34 years – 80 % lower than US calorie norms (more according to FAO)

Absolute Poverty in the US – 75 % poor in mid 1970s

US income poverty line – 18 % poor

Here, let me go to the US men aged 25 to 34 years. Their caloric consumption was lower. Sixty-seven percent of the male population had caloric consumption lower than that

recommended by FAO, and FAO was the arbiter or the international agency that defined poverty or caloric consumption at that time. And for US women, it shows 80% lower. So, what it means is that if you went by caloric consumption, 80% of women were poor and 67% of men were poor. In other words, absolute poverty in the US was 75% in the mid-1970s.

I mentioned earlier that they had an income boundary line, and that was showing 18% poor. So, I wrote this report, and I concluded that the caloric report, the basis of poverty, was not to be followed, and I will tell you about the illiberal nature. I mean, being liberal and fighting for liberal values is a centuries-old phenomenon. But the World Bank or the World Bank administrators who were in charge of the working paper series refused to publish my paper, the World Bank itself' paper, as a background paper. Unofficially, just as a working paper, it was categorically rejected.

That was my first official encounter with liberals, or lack of liberals. And it has not changed much because what we have is that 45 years later, history was to repeat itself.

This time it was when I was an ED at the IMF. I joined the IMF as an ED in November of 2019, and in 2020, as you know, we had COVID. The IMF was very interested, like all of us, in terms of what can be done and what should be done in terms of combating COVID.

At that time, in October, the authoritative IMF-WEO came out with the conclusion that lockdowns were very effective in combating COVID. This is November of 2020, when I do not think even the US had reached a million COVID illnesses.

The IMF came to two conclusions: lockdowns are very good, stricter lockdowns are even better, and early lockdowns are even better than later lockdowns. Well, we in India know about early lockdowns, and as we all know, India was one of the first countries to enter into a lockdown and, incidentally, the first country in the world to get out of a lockdown in the space of three months. So, by the end of June, we had dispensed with a national lockdown and it was left to the States to implement whatever they wished to do.

I did a report in November of 2020 after the IMF-WEO report, and I concluded on the basis of an extensive, from my vantage point, very, very extensive analysis of lockdowns: Were they effective or not effective in reducing the incidence of COVID? The answer was an overwhelming NO. The title of the paper was 'COVID Vs. LOCKDOWNS: COVID WINS.'

So, I presented this paper as an ED, and I asked for a seminar to be held on this since the IMF itself had been doing a lot of seminars and the WEO. I said, 'I would like to present the findings, get the viewpoints, so we can all learn from respective analysis'. It was summarily rejected. Indeed, I was told, 'Don't call us; we will call you if we need to have a seminar.'

So, that is the second episode of Liberalist. Then I thought, OK, let me send my paper to one of the specialized COVID journals. And the COVID journal, in a 4-line refereed report, stated that my analysis was all wrong, or the data was all wrong - very familiar - and that in particular it was wrong because it showed that Sweden had about the same number of excess deaths as Denmark, right next door. My analysis in November of 2020 showed that Sweden had the same number of excess deaths as Denmark. And this was claimed by the referee to be nonsensical, and I think he may have even used a harsher word than nonsensical.

Excess Deaths - Covid 2020-21	
Region	Excess Deaths per 100,000
World	120.3
High Income	125.8
USA	179.3
Western Europe	140
Country	
Germany	120.5
Denmark	94.1
Italy	227.4
Sweden	91.2

Source: Estimating Excess Mortality - COVID-19 Excess Mortality Collaborators Lancet 2022

3

What I present over here is a Lancet study published in, I think, May 2022. Lancet, mind you, is one of those that, when facts change, they change their minds. Because, they were one of the original journals dedicated to showing that lockdowns were working and that the world had adopted a correct policy of combating COVID.

So, what I present here is a measure, as you all know, of whether lockdown succeeded or not, was excess deaths. And Sweden, just to remind you, was one of the very few countries in the world that refused to have a lockdown. So, what this shows is that at the

end of the COVID period, the world had 120 deaths per 100,000, in excess of what would have been expected given normal circumstances.

The country with the lowest number of excess deaths was registered by Sweden. Notice the number, 91.2. Also notice the number for Denmark, 94.1.

So, in retrospect, not only was my analysis exceedingly prescient and accurate, even in the comparison of all the countries chosen by looking at the data, it is all available in the paper which the IMF refused to even have a seminar, let alone publish it, that Denmark had 94.1, which is very close and much lower than the rest of the world.

Now, one other incident about the lack of liberalness at the Fund was that I published another paper. This time in a newspaper on, you know, super spreader events. And remember, there was this big discussion about whether outdoor rallies were causing the spread of COVID - whether election rallies spread COVID.

The conclusion that we reached, Karan Bhasin, my co-author, and I, was that the election rallies did not contribute in any manner whatsoever to a higher COVID rate. Because we identified that if there were certain areas that were having elections, certain states that were not having elections, and that was the analysis.

The importance of that is a newspaper article, and I get called in by Senior Management at the IMF to say, 'Please, this is not correct,' just like the COVID expert on excess deaths in Sweden said that this is clearly wrong. And that is how you identify whether somebody is a liberal or not, and you cannot really publish this without first funneling it through senior

management to look at any articles you write. My answer to that politely was, "Thank you, but no, thank you. I will continue to try and publish my research, obviously outside of the IMF, if I get the chance, and thank you, but no, thank you."

So, those are the two stories about 50 years apart with almost identical behaviour - illiberal behaviour - by institutions that were congested with so-called liberal intellectuals, liberal analysts behaving in my view, in a most illiberal manner.

Now, let us move a little bit to India. The economics in India - economic data in India, which has been subject to a lot of narrative challenges coming up.

One such narrative is that Bangladesh is richer than India in per capita dollar terms. It is not in PPP terms but in nominal dollar terms. Now, what do you need to establish, and is population the answer? Nobody is debating the size of the population. And how do you establish that a country has a higher per capita income than another? You take the nominal income, and you divide it by the exchange rate. Now, the exchange rate is given to you, determined by market forces or whatever by interventions or any combination of the above.

So, there is no controversy over the exchange rate - the denominator. But there is controversy, as I will show in the numerator. Because what happens is that the developing countries go through revisions in their National Accounts and the revisions in the National Accounts update the GDP in nominal rupees. So, for the same year, the update will give you a different level of nominal rupees.

Base Year Revisions to Nominal GDP			
			Cumulative Nominal GDP Upgrade
Country	First Year	Last Year	in %
Bangladesh	1975-76	2015-16	79
India	1960-61		18
Pakistan			51
Sri Lanka			37
Source: National Accounts,			

So, I decided to look at four states. All are neighbours – Bangladesh, India, Pakistan, and Sri Lanka - and their National Accounts since 1960–61 or 1975–76, wherever the case might be, the first National Accounts estimate was this. I did not fill in for Pakistan or Sri Lanka, but it is either 1960 or 1970. And then establish how much the upgrading in nominal income was, and therefore, '*ceteris paribus*' - all other things being equal, given the exchange rate - the upgrading is in per capita dollar income.

India has only seen an 18% change since 1960. Therefore, what we measured in 2011–12 as our nominal income was only 18% higher than what we would have thought it would

be if you went by the 1960s and then 1980–81, and then you had several base years that came along. So, only 18%. Sri Lanka was 37%. Pakistan 51%. And Bangladesh 79%.

In other words, Bangladesh's per capita income in dollar terms has been upgraded by 79% over the last 25–30–35 years. This analysis needs to be done for other countries, but I would hasten to add that it will be very difficult to find another country with as large an upgrade. The upgrading for developing countries should be 5–10–15%, but something like 79% is unheard of. But I have only done the analysis for these four countries, and what I want to emphasize through this is how you create a narrative based on very imperfect data and do not bother to try and see how accurate the data is.

Now, to assert whether it is politically inspired or not, ideologically inspired or not, I do not know. My purpose here is to just present the data as it is. So, Bangladesh is not richer than India. What about the Indian GDP growth rate? It is much lower than that stated by the National Accounts. And as you recall, this has been much in the news over the last decade. A prominent scholar, an expert on the Indian economy, came out with the observation that rather than six and a half percent, India's GDP growth was likely to be closer to three and a half percent.

I repeated that exercise for about sixty countries. It is very easy to do that because you use electricity consumption and some other variables, and all of them are available for sixty countries, some developed, some developing, and I have published those research results. And it turns out that the very same methodology showed that GDP growth in India was three percent rather than six and a half percent. The country that had overstated its growth the most was Germany. Again, I think the emphasis, my emphasis as a liberal, and I consider myself a concurrent liberal, again of the 19th century, not much later than that, is to look at the evidence and then decide. And look at the facts, and if they change, then decide.

Another intimation or another conclusion reached by many scholars now is that, look, you know India wants to grow at a six and a half to seven and a half percent GDP growth in order to reach developed country status by 2047 - an ambitious goal articulated by our Prime Minister, Mr. Modi – and the narrative here, if I may say so, is to show really the data and what is happening cannot anywhere substantiate that it is a possibility. Now, one of the major factors for growth, as we all recognize, is investment, it is the number one factor contributing to growth and its acceleration. Look at the investment rates! This can be the refrain.

Slide 5

GDP and Investment in India - Shares and Growth			
	Old GDP Series	New Series	
	Years		Quarter
Indicator	2004-13	2014-2022	2023 Apr-June
Shares in GDP			
Nominal savings/GDP*	33.8	30.2	
Nominal inv/GDP	33.2	35.3	29.9
Real inv/GDP	35.3	33	35.5
CAGR (% per annum)			
Real GDP	7.2	5.4	7.5
cpi	7.8	4.4	4.5
wpi	6.2	4.9	-2.9
Price - investment goods	5.5	3.1	0.7
Price - GDP deflator	6.6	4.4	0.2
Source: Mospi, IMF WEO data			

When you look at the investment rates, you find out, and I have got the nominal savings and the second line is nominal investment to GDP, and you find the nominal investment to GDP in the latest quarter, April to June, was only 29.9%, clearly much lower than what was experienced in 2004 onwards during UPA 1 and UPA 2. Therefore, there is just no possibility that we can achieve a respectable growth rate to achieve a developed country status, let alone compare ourselves with the golden years of 2004 to 2013.

One stark reality around the world, actually, is that the price of investment goods has risen by less than the price of overall GDP. When you take nominal investment to nominal GDP, you are taking a higher price level for the same nominal in order to arrive at what the real investment is.

What matters for growth is not nominal investment, as argued by leading scholars in India and leading policymakers in India. What matters is real investment, and if you look at real investment to GDP, the average between 2004 and 2013 was 35%. If you look at 2014–2022, the average is 33%, almost identical. And if you look at 2023 April to June, the second quarter growth or the fiscal first quarter growth, is 35%, which is very close, about 37½ percent. It is the maximum achieved in the halcyon GDP days of 2004 to 2013.

In other words, there is zilch evidence that we are investing too little, and therefore, on this basis - the prospects of us achieving a developed country status - the argument is that we cannot. If you look at the data, then the argument and the results come out that if you are experiencing the highest investment growth ever in your history or are very close to it, then there is no reason to think that we will not grow at seven, seven and a half, or eight percent. So, we have established then that Bangladesh is not richer than India, and indeed, PPP data does show that India is considerably richer than Bangladesh, and we have established that the investment rate in India is in a very healthy position at present. Then what else is the problem?

So, now for the narratives, it comes out, okay, we try to attack that the GDP growth was low, we try to attack that the investment rate was low, look, we have a huge level of unemployment. Then the estimates come out that in order for India to take care of the labour side - we have established that the narrative is that the capital side is very weak, and the narrative is that the labour input side is very weak because there is massive unemployment in India.

One scholar estimated that over the next ten years, and it is very explicit, over the next ten years, India will need two hundred million jobs in order to accommodate the huge unemployment problem that we have. Another scholar, equally distinguished - perhaps more distinguished - estimates that it is not two hundred million, but we will certainly need one hundred million jobs over the next 10 years, which is ten million jobs a year or twenty million jobs a year. As it happens, you know something accepted worldwide and used by all researchers, including, I would hope that the people making these estimates have a 'you know your population profile'. The kids have been born who will enter into the labour force over the next ten years. They are at least 5 years at the time, in the beginning now for them to enter.

So, we know the data pretty accurately. And what happens? When you look at this UN population division data used, as they said authoritatively, by almost everybody - what you get is that there will only be a hundred million people in the overall population in the age group of 15 to 64. So, those who could be eligible for work are only a hundred million over the next ten years. The average labour force participation rate for men and women, both together, is about 51–52 percent. What we get from the data very strongly shows that in order for India that basically five million jobs are needed. If more jobs are created over the next 10 years, the unemployment rate will fall and not rise to the skies. And it is falling, as the latest data shows. It is now, I think, four percent rather than six and a half

to seven percent, about four to five years ago. That is the story. That is the data. And that emphasizes the narrative.

Of all the narratives, perhaps the one that bothers me the most that it has even gotten to this stage is: What is the labour force participation rate of women? I must confess that in my entire career as an economist at think tanks and leading institutions, etc., I have never ever encountered anything even close to improbable, even close to the junk narrative on female labour force participation rate in India. So, let us look again at what the data shows.

Slide 6

Usual Status Labour Force Participation India 1993-2022 - Levels and Gender Gap						
	1993	2004	2011	2017	2019	2022
Women in labour Force (%)						
Ages 25-64	48.1	48.7	37.5	29.6	37.5	45.6
Men in labour Force (%)						
Ages 25-64	96.5	95.9	95.8	94	94.4	95.3
Gap - Labor force Participation (%) *						
Ages 25-64	50.2	49.2	60.9	68.5	60.3	52.2

Source: NSS PLFS data various years; World Bank Financed study; authors (Surjit S Bhalla, Tirtha Das, Karan Bhasin, Abhinav Motheram)

Notes: * Gender Gaps are defined as $100 * (\text{Male value} - \text{Female value}) / \text{Male Value}$; lower gap means greater equality.

Data for Usual status definition of employment i.e. worked at least 30 days in the year.

The data here shows that in 2022 the women in labour force ages 25 to 64 by the usual status, 46% of them which is one of the highest levels of labour force participation observed in India, I report both the 1993 which was 48.1, and 2004 was 48.7, we are very close to the highest ever.

So, what is the problem? What is the data that shows the labour force participation rate in India is abysmally low? Well, there is a data. The CMIE, which all of us who worked in stock markets etc know, a very reputable data dissemination and data analysis firm on stock markets, in 2014 - coincidentally the same year that PM Modi was elected and there was change in government from the UPA to the NDA - that very same year the CMIE decided that they were going to enter into the very difficult business of estimating labour force participation estimating consumption and therefore estimating poverty.

What do their data show? Well, their data shows, and they have been doing it continuously since 2014 - 15 is that the female labour force participation rate in India is somewhere around 8 to 10%. Please listen carefully, 8 to 10% is what they are saying is the female labour force participation rate in India today, the lowest ever observed in the world and lower than even war-torn Yemen.

Now, how has this data gained this kind of following? Which says clearly somebody has to sit down and look at the data and say, you know, do a smell test. Does it look like 8 to 10%, the female labour force participation rate in India? It does not. So, what is it that makes a lot of intellectuals, a lot of academics, conform to rejecting the PLFS data, which is you know, NSS data prior to 2011 now called the PLFS. So, when I asked them as to why you do not believe these data, they do not have an answer.

Either they can listen and say we think that the data is wrong for the following reasons. Nothing, nothing! They just assert in what I would say, a very illiberal manner that the

labour force participation rate is 8 to 10% because the CMIE says so, that it is 8 to 10%. And when you ask them as to how accurate that is, again there is no response. I would say one of the more illiberal conclusions that I have seen.

I want to go to the next slide, and this is the final slide, and this has to do with the gender wage gap.

Slide 7

Gender Wage Gap in 2022 (in % of male wage)			
	India	USA	
All workers	30	17	
College educated			
Unmarried (single, widowed, separated)	3	6	
Married	16	20	

7

Remember, the previous slide had to do with the labour force participation gap, and Claudia Goldin got the Nobel Prize this year for identifying these gaps, testing them, and establishing their pattern form in history, especially US history. But it seems that the U-shaped curve on labour force participation and the gender wage gap - women earn less than men - all other things being equal - is a phenomenon around the world.

So, I decided to examine that phenomenon in India: Is there discrimination? So, if there is a gender wage gap, then it means that women are being discriminated against. And clearly, that is not very conducive to growth, welfare, or anything else. It is unfair, and you lose output when there is such widespread discrimination. So, what does the data show? And I take India and the USA, at the same point in time, which is 2022.

We look at the wage gap for all wage workers. In India, the wage gap is 30%, and in the USA, the wage gap is 17%. So, both large; India perhaps larger than the US. But really, this wage gap measured is the average wage gap. It does not control for education, experience, etc., which in the case of the US is very much controlled for in their analysis. In India, it is not. This is just the raw figure as to what the wage gap is between men and women in India.

Now, we all realize that education is a major determinant of your wages. I looked at college-educated women and college-educated men, and I looked at two separate components of college-educated women.

The first is unmarried and single, or widowed, or separated. In other words, those who are single can perhaps participate more in the labour force as they do not have the responsibilities of children, etc. Whatever, what you find is that the wage gap among college-educated women in India is as low as 3%, compared to 6% in the US. If you look

at married women, in India, it is 16%, and in the US, it is 20%. So, when I presented these findings as well as in a Times of India article, I was questioned.

You know, that is the natural order of things. You come up with any result, and there will be somebody questioning you. And these are senior people questioning these results or these findings, and their thinking was that, as I said on the labour force participation rate, there is no defence or no argument.

On this one, there is a slightly more sophisticated argument as to why these data are wrong and misleading. And that is, look, we are not controlling for the natural ability of the woman and the man. And that the natural ability of women who enter the job market is higher than the natural ability of men, and therefore, you observe only a 3% or zero difference. If you really had control for ability, you will find the wage gap to be much higher.

When I tried to address this discussion, I said, 'You know, really, economists have tried, UN economists have tried to measure ability.' It is not the easiest of tasks and is composed of a lot of measurement errors. This person did not deny that there was a large element of measurement error but still asserted, 'Look, you are measuring it wrong.' This cannot be the case; wage gaps are the only ones.

So, in conclusion, on this liberal nature, as I said, nobody bothers the intellectuals who believe in an alternative virtual reality or alternative narrative, do not come up with the evidence and therefore violate the essential nature of being a liberal, where you look at the facts and you go with the facts. If you do not, you say why the facts are wrong. You cannot assert that you are not measuring abilities, so they are wrong. Well, which survey is measuring ability correctly?

So, you have to be able to come up with an alternative interpretation rather than with the very illiberal conclusion of do not confuse me with facts. My mind is made up. If you are going to be a Hayekian-Shenoyian liberal, you change your mind when the facts change!

Thank you very much.

* * * * *

Prof. Kumar Anand:

Thank you, Dr. Bhalla. Thank you very much for that interesting talk. You raised several points, and we now have some questions from the audience. Before we get to the questions, I will use my privilege as the host and the moderator to make one small point.

What fascinated me most about Professor Shenoy is that, going from the mainstream view of looking at the prosperity of a society or a country in aggregate terms, he was probably the only economist I know of who, during the planning era of the first few, at least, Second and Third Five-year plans, looked at the disaggregated numbers, not the aggregate GDP numbers or per capita GDP numbers, but looked at, like you also pointed out, the consumption number. So, he was looking at the amount of cereal grains, which were in terms of grams, an amount of cotton cloth, for example, so if you have to, you know, make an extension of roti, kapda aur makaan, he was looking into roti, kapda, what is the amount of availability per person, you know, as the population was growing.

And what a lot of economists have said is that the Second and Third Five-Year Plan were a success. I think Professor Shenoy is unique in pointing out that by looking at these disaggregated numbers that look at both the amount of per capita food grain availability and the amount of cotton and cloth availability in those Second and Third Five-year plans, it hardly grew in terms of per capita numbers. Therefore, those Second and Third Five-year Plans may have given us higher GDP aggregate numbers but did not do much for the lot of common people.

So, this is one kind of story about the Second and Third Five-year Plans that get lost. Who is the plan for, and Prof. Shenoy always made the case that we should be looking at if the growth is happening for the people or not? That is a unique lesson, so I just wanted to make that point.

We will move on to the questions. There are many questions from anonymous attendees, maybe they do not want to identify. But one that comes immediately, and it relates to the many data stories that you have talked about, comes from Sourya, and many people have raised objections in recent times about the data.

So, his question is:

Considering political incentives, can the government ever be considered a reliable source of data unless the same can be reliably cross-verified?

Considering political incentives, political economy, etc., can the government ever be considered? So, what incentives are there at play for government officials themselves, the politicians and bureaucrats?

Dr. Surjit Bhalla:

It is very important to look at that. You know, I have two dictums. First, how will the data be analyzed? Second, the mark of a good economist is what she does with bad data, not what she does with good data. So, my point being that even bad data can yield interesting insights.

Now, to the larger question of: Can the political compulsions lead to the data not being very reliable? This is being recognized around the world, basically by other countries as well, and the US has a policy now of looking at administrative data rather than survey data. They look at both. They use administrative data, local data, etc., to cross-check unemployment exchanges, and so on and so forth.

You know, those people who file for unemployment have separate firm-level surveys, and as you know, they have separate individual surveys. So, I think around the world, there has been increasing disappointment with the accuracy of survey data.

One recent example is that England has stopped - from what I read, now how true that is, and I do not know when this will be put into effect - that the UK will no longer do employment surveys because they find that Generation Z is really too preoccupied with their mobile and does not have time. Remember, surveys take a lot of time, and they do not really have that much time to bother. And this is the other thing: Nonresponse in surveys has gone up to amazing record highs around the world.

People are just not willing to respond to surveys and waste their time, so either you give them tons of money to participate in the survey and most of the time you do not give them any money, they just say, 'bhai aapki meharbani', thank you very much, you have helped us do the survey.

So, I really think this is a mega concern as to the inaccuracy of the surveys. And I think increasingly, the world, including us, will move to more administrative data, like National

Accounts is what I call administrative data - how many cars were sold, and so on and so forth - rather than go and ask people.

You know, the NSS survey on consumption of cars said that in 2012, I think the average per car expenditure was something like 100 to 150 rupees a month. I mean, it just is mind-boggling as to how inaccurate those data are.

As I said, it is not in particular with India; it is around the world. So, I appreciate that question. Very true, and I think we will see less and less survey data, and you know what we have? Also, our survey data is now because of the political economy, because of the polarization, around the world, not just in India, because of the presence of social media, that you go for clickbait type of conclusions. And do not really worry about the accuracy of the data. Do not let the data go through tests in order to establish whether they are accurate.

No smell tests are ever done. As a matter of fact, the nastier the smell, the more you approve of the data. That is the unfortunate reality of most data producers and most data users today. The worse the smell, the worse the accuracy, and the easier the acceptance. Because it is all guided by the personal political economy. That is what is determining what is happening.

Prof. Kumar Anand:

Thank you for that. One quick addendum on the same point, and I think you are in a unique position to illuminate on that.

Did the Government of India use such survey data as part of their own policymaking when you were part of the Economic Advisory Council to the Prime Minister? Because I know the RBI uses, if I am not mistaken, survey data in terms of inflation. For example, what kind of price rise are households seeing? So, does the government of India look at those survey data - to what extent or not at all?

Dr. Surjit Bhalla:

No, I do not think it is the case, not at all. I think the government of India pays a lot of attention and has consistently paid a lot of attention to the data and the accuracy of the data.

I was member of the first National Statistical Commission back in 2006 to 2009 under Tendulkar and there were two things I argued very, very strenuously for. One, to have an expanded annual employment - unemployment data because we were moving towards from a developing economy to a low middle income - middle income economy, and I am pleased that the government listened to the advice of the National Statistical Commission and established the PLFS survey, which is being done on a quarterly basis for urban areas, not even annual, quarterly basis and annual basis for the rural. That was the data I used, and I think the unemployment employment is easier to measure than most other things.

The other data that I argued very strongly for conducting was an income distribution survey. Because you know, politically and otherwise, for policy purposes, what your income distribution is, it is very important. Unfortunately, many before me, many after me, and I myself have lost that battle to date. I do hope that sometime in the very near future, the government will engage in conducting an income distribution survey in India. Many

countries do it. We are one of the few large countries that do not do an income distribution survey.

When I went to the NSS, headquartered in Kolkata, again, there were no answers. You know, as I was saying, 'My mind is made up,' I mean whether it is by researchers or by survey authorities, you should at least have a reason why you do not want to do it when you are doing consumption. Now, we all realize that income is more difficult to measure than consumption.

Another incident in our collection of data that I wanted to point out is that in the NSS consumption surveys since 1983, first of all, there were just too many questions. One of the many questions is: How much salt did you consume? Not how much was the expenditure on spices, but how much salt? And this is an inheritance from the Salt March. I mean, you know, what do you do? You are wasting time; you are wasting information. You would rather have a limited set of questions than worry about salt just because that was important 100 years ago.

I think the government and the policymakers, as well as the survey authorities, MOSPI, and NSS - we have to get real in terms of gathering data, interpreting data, and improving the accuracy of the data collected.

Prof. Kumar Anand:

I will take up the first question that was put out in the chat and the question is:

What is one policy of the current government that Dr. Shenoy would have disagreed with, in the opinion of Dr. Bhalla?

So, in your opinion what is the policy Prof. Shenoy would have disagreed with?

Dr. Surjit Bhalla:

Very good question. Look, it is very clear what Dr. Shenoy believed in. And as I said in the case of Sri Lanka and others, he was heavily against import substitution policies. He was heavily pro-market, pro-modern economy, he was a visionary. He was a real visionary, and he saw where India was going and where other countries were going, and he was in a hurry to get there.

I, for one, do not think I have ever read a single article of his that I disagreed with either for the timing at that time or for the forecast. I think there are several policies he would agree with and several policies he would disagree with.

So, the import substitution, the increased protection - now, mind you, times have changed. One of the countries with the largest increase in protection now is the US. So, I do not know how Mr. Shenoy would have incorporated the fact that the world dynamic has changed on the import substitution policy.

I have written on it both in the 80s, 90s, and 2000s as well, as I had the privilege of being head of the HLAG Committee, the High-Level Advisory Group Committee on Trade. You know, it is very difficult to find an economist who is for import substitution.

The other thing I think Mr. Shenoy would do is strenuously argue for the nationalized banks and the nationalized public sector. You know, it is only now that we have at least

done Air India, but the banks are still too many or too many state-sector banks, and you know you have an argument about how in 2022–23, 2010, or 2000 you can have.

The other areas that he would be very much against government policy, and to this government's credit, they tried to change it, are farm laws and the massive PDS system, which is highly distortionary, and I must commend the government for having tried hard. Land consolidation was another thing that he would want to happen, and therefore, the fact that it had not happened, he would disagree with.

So, I think you know, let my people be, let the market be, and one important aspect that he will really agree with I think is that this government has got a very commendable record on redistribution - the food subsidies. In the manner of food subsidy, he would go for cash transfers, which is what is happening today. So, the in-kind transfers during COVID - at that time, you could not really give cash - we did not have the fintech as advanced as it is today.

The entire advancement by this government of providing bank accounts to every individual and having them, I am really amazed. Around the world, the world has recognized, including at the IMF, everywhere, the immense gains in terms of inclusive growth that your UPI and financial technologies in India have been able to achieve - it is one of the most progressive policies ever done anywhere in the world.

So, he will have a lot to criticize but I think he will have much more to appreciate and agree with than when he was writing in the 70s and 80s.

Prof. Kumar Anand:

On a related note, Mr. Giridhar Prabhu asks this question:

What do you recommend today's students look at Prof. Shenoy's work to have rapid growth in all low-income nations? What policies can get the economic growth going especially for low-income countries?

Dr. Surjit Bhalla:

Prof. Shenoy was talking then for low-income countries - whether Sri Lanka, India, or any other country was willing to listen to what he was talking about - I do not think the reality has changed to change for his recommendations. We do now have flexible exchange rates, and at that time, having a fixed exchange rate was a major battle. At his time, the macro-concern and major battle was inflation, and, as you know, we have come a long way on terms of controlling inflation. Fiscal deficits - I am not so sure.

I will be very interested to find out what he said then about public investment. We have said that ownership of public firms should not be in the hands of the government, but they are public goods like infrastructure and investments that cannot be done by the market. And I think he would approve of the large investment program that the government has undertaken, especially over the last five to six years.

When I went to graduate school in 1970, the first thing that was told to me, as I said, I came from an engineering background and did not know anything about economics. But the first lesson I learned from the experience in other countries and from economists was that the biggest bang for the buck for growth was infrastructure investment.

At that time, infrastructure was roads and then electricity. Now, we have achieved a lot of roads and dams, water supply, we have even got sanitation, which is another huge public gig that Indian governments ignored until 2014 when the Swachh Bharat movement took off in India. It is an important piece of infrastructure that you cannot rely on the market to give.

So, I think what he would say is that whatever the policies that the government undertakes - infrastructure - should have a market discipline for them. In infrastructure that also means a minimum of corruption. I do not think you will ever get to the point where there is zero corruption anywhere in the world. That is not what bothers me, but you must minimize corruption, and I do think we are somewhat getting there. But it is a political economy game.

What I would like to find out - at that time it was too early, now it is very onerous - what he said, or if he did say anything about the fact that we are in election mode every minute of every year. I think the only other country that has as bad an election mode and which has been severely criticized is the US. You know, Europe and the rest of the world, most of the civilized world is not in election mode all the time. And we are in election mode all the time, as is the US.

Prof. Kumar Anand:

I will try to locate what Professor Shenoy would have thought about public ownership in terms of public investment and share if I can find that.

The next question is from Prof. Subodh Shenoy, and he asks:

What is the best definition of a developed country status, and based on estimated GDP growth rates, is it possible for India to reach a developed country status by 2047?

Dr. Surjit Bhalla:

I could have paid him to ask that question. It is a very important one.

I was actually asked to write the report for the State Secretary's Conference that the Government of India had organized back in early January. This obviously came about after Modi's challenge, ambition, and vision of India being a developed country by 2047. So, I took it to heart as to how to do this.

There is only one country in the world that, in our lifetimes, has moved from a developing country to a developed country and is universally considered to be a developed country. And that is Korea. There is no other example. Korea in 1996 was considered by the OECD, they were admitted into the 'big boys club' as a developed country. A lot of the indicators at that time suggested that they were a developed country. So then, I looked at what is conventionally known as a developed country, which is Western Europe, Australia, New Zealand, etc., everybody knows which those countries are, and there is a large amount of variation in their per capita income, whether measured in PPP or in dollars, whichever way.

One tendency, maybe amongst Indians, is we take the US, which is one of the richest countries in the world, to say that we cannot achieve that level of per capita income. So how can we be a developed country? That is completely erroneous.

If you look at what Korea was in real terms - PPP dollar terms - real per capita terms - I estimated that even with a 4½ percent per capita income growth between now and 2047, we will reach developed country status by the early 2040s.

This is something that will be researched more. I am doing more research on the subject. This is from a policy point of view, from an intellectual point of view, and from a world interest point of view. This is a very important question.

I did another study that is related to this and that has been even more controversial or of more interest than when we will reach a developed country status is, the huff-huff behind China. When will we reach the same income level as China's per capita income level?

This story has a lot of meaning, and you were kind to mention my book, "The Second Amongst Equals," and I discussed in there that India was China with a five-to-ten-year gap. And I documented the history of per capita incomes in China and India as being almost identical from 1500 to 1980. Okay?

So, there is a lot of meaning attached to two large economies, one Democratic and one not Democratic, which have a shared history at least in per capita income levels. Post-1980, China's per capita income level is two and a half times India's, in PPP terms today, and in dollar terms, it is four and a half times India's.

So, the question is: When will there be convergence between India and China in terms of per capita income? And this analysis suggests that all India has to do is grow at three to three and a half percent per capita in excess of China. Let me expand on that. If China

grows at minus three and a half and we grow at zero, we will converge. If China grows at zero and we grow three and a half over the next 20 or whatever years, we will converge. Okay?

People often get confused. Oh! No! No! They are that far ahead. Remember, they are that far ahead because of higher per capita growth. They were the same because of the same per capita. And it also converges on reasonable assumptions of excess growth in the 2040s. I think it is an interesting convergence of various incidents and realities that India will have the same per capita income as China in 2047. By 2047, India will be a developed country by most, I think. Since I came up with that analysis on Korea based on the most reasonable estimates of how to do the exercise, so, really look forward to the next 20 years of Indian growth.

Prof. Kumar Anand:

Fingers crossed; let us see. The next question I will take up is from Arj Taneja, and the question is:

What does one mean by “natural ability” when entering the job market, and if so, why do women possess it more than men? Why do women have more natural ability?

Dr. Surjit Bhalla:

It is a good question.

I do not think women have more ability than men, and I certainly do not think men have more ability than women. We all have the same. What I say is that because of the nature of society around the world for the last millennium, women have had to carry a larger burden of work - both housework and outside work. Therefore, they multitask a lot more.

I am very bad at multitasking; most of the men I know are very bad at multitasking, and every woman I know is very good at multitasking. So, in that sense, if you include the ability to multitask, I think women are more able than men. But I wanted to qualify not natural ability but societal-imposed ability due to the functions assigned unfairly to men and women that they have generated.

The other thing I want to say on how you measure natural ability is the very famous article back in 1971 in the American Economic Review, I think by John Huse, and it is called, "If you are so smart, why are you not rich?" So, I think it is a mugs game to try and measure; there are other things that are coming out, like learning abilities, where you are, etc. That, I think, is more tractable than natural ability.

As it happens in my PhD thesis, because of the panel data, I was able to estimate statistically, not natural ability, but the natural permanent income, if you will, but anyway, that is as an aside.

I think science is progressing; we do have broadly good measures of IQ, etc., but there is so much variation. On that, and in terms of what I talked about earlier, and on calories again, P.V. Sukhatme had a very important paper in the 1970s where he said that caloric norms were the rage. Very, very important paper where he said inter-individual variation in needs of calories is about 15%, which is quite large to one standard deviation. So, it is large enough to encompass almost any.

He also argued correctly against not using the FAO or the World Bank caloric norms. So, based on ability, I do not know with artificial intelligence how much need we have for

measurability. I will take a rain check on that. But I do think the ability to multitask is an important aspect of what we call ability in modern times. You are more efficient, and therefore you are more able.

Prof. Kumar Anand:

Thanks. We will take two last questions; we are coming to a close. The next question comes from Narendraji, and his question is:

What is the impact on the economy of the culture of giving freebies in the country by the governments?

Dr. Surjit Bhalla:

Negative! That is the crossroads we have come to, and I have done several papers on leakages in government administrative systems, and that was before freebies, just when it was difficult to target individuals. So, there was a lot of leakage.

I remember Rajiv Gandhi's famous conclusion in 1985 that only 15% of the money that is meant for the poor actually reaches the poor. And my conclusion based on much research, is that Rajiv Gandhi was an optimist. So, we now have considerably less leakage, but there is a growing tendency for freebies. And I think regardless of who or which party is in power, this is a tiger we must contain. It can ruin an economy, and it has ruined many economies. Not just one. Look at Argentina - all in the name of the poor. I think freebies are all done in the name of the poor.

I had an article, I think, twenty years ago, which I called 'Bismil Mufliis: I begin in the name of the poor'. We have to get away from that, and let us hope. I think the information asset that the government has and that the people have in their communication that we can address this leakage and this tendency in a much more efficient manner than we ever did before. But the political compulsions for winning the next election are huge. That is another reason why we should move away from having an election every minute.

Prof. Kumar Anand:

I think the question was about the rat race that each of the states is trying to outdo or each party is trying to out promise the other. We will take the last question, and on the same note, on the last question, I think Prof. Shenoy's paper and his suggestions to the Sri Lankan government could be a useful guide that stands the test of time. The last question is:

Is there a risk of calling issues of science, as in the case of COVID deaths, liberal or illiberal? What is a more effective way to discuss scientific issues so that science is not turned into ideology?

Dr. Surjit Bhalla:

I gave an example of how I was, and others with similar analyses and conclusions were boycotted and considered stupid. I mean, I cannot begin to tell you the kind of discrimination done by officials, by people who should know better on this, by the vendetta

almost by those who believed in lockdowns in particular, and what causes the disease to transmit itself.

You know, prior to this time or period, the world never ever had a lockdown. The closest it came to lockdowns was a quarantine of 40 days or whatever, when smallpox was a rage. Allow me to take this opportunity, in my paper I discussed this in detail.

In 1957–58, from October 1957 to April 1958, there was a very severe case of flu in the US. The Spanish flu was in 2018, and this I am talking is about 1957-58, and there is a lot of literature available on it and a lot of discussion. The CDC, the very same organization that has turned nihilistic in present time, came out with the dissemination that they did not advocate shutdowns or lockdowns of any form whatsoever.

It is not as if they did not have deaths; the excess deaths between October of 1957 and March of 1958 were higher than the excess deaths in the first 6 months, 9 months, or 12 months in the US. And as you have seen now in the case of Sweden, there are almost negligible excess deaths with no lockdowns. So, I think my description of lockdown analysis, and this is multicountry, you know? One of the things that lockdowns and COVID did was increase the dissemination of data. Some of it is not so accurate.

I remember reading articles about scientific experiments that when I go to a restaurant how far my breathing would hit somebody. And I remember the dictum: if you bought vegetables, you should wash them and your hands, and if you got a package, you should put it aside for 24 hours before you picked it up.

The only way you can describe what happened was utter madness, and we all subscribed to it, including the leading intellectuals in the world and leading governments in the world. I think it was a kind of punishment. You saw the whole debate on vaccinations versus non-vaccinations, and the anti-vaccines were really discriminating. In New York, policemen who refused to get a vaccine were fired, and they have all been reinstated now. So, another deep question as to what we learn from COVID mania and how did it happen and why did it happen.

Testimonies to the US Congress, where they are doing the most in terms of public dissemination, are very disturbing. Compared to that, we were lucky, in the sense that in 3 months we had moved away from lockdowns, and indeed, the policy of targeting the three Ts was quite effective in terms of analysis, which has shown that it was quite effective in terms of reducing.

See, what people do not understand or do not want to understand is that nobody argues that there were no deaths. Okay? The whole question is because it is a contagious and deadly disease. But the question has to be what you can do to minimize the deaths, not that because people died therefore, we must do something and have lockdowns. I think history will document this more and more, and we will be better prepared, the world will be better prepared when the next contagious disease happens.

Prof. Kumar Anand:

Hopefully, life lessons will be learned.

Our time is up, but if you allow me one final question, Dr. Bhalla, this is the final question. It comes from Mansa, and she asks:

On multi-dimensional poverty, economists disagree that India's poverty levels are improving. What is the reality?

Dr. Surjit Bhalla:

It is the political economy that is stupid. So, look at who is disagreeing and who is not agreeing, but I think behind that there is an important question, and it goes back to the question of caloric norms to measure poverty versus an absolute measure - income measure of poverty.

So, the question has to be, does this improve our understanding of who is poor and what can be done to alleviate it? So, first, identification of the poor and what can be done to reduce poverty. I am afraid that my view is that the multi-dimensional poverty index is very similar to a caloric poverty index. There is zero value added. Indeed, there is negative value added when using the multi-dimensional poverty index.

Let me just give you by example as to what difference it makes. The multi-dimensional poverty index from 2015 to 2020 shows that 135 million people were brought out of poverty, which is commendable. Now, you know we were measuring, and the World Bank had continued to measure it. Now, I think they might be moving against it. Of poverty, is like the salt measure, or consumption, the way we measured it in 1951 when the first survey was done. And the way we did the first survey - measure salt - how much did you spend on salt? But all items were asked on a 30-day recall period.

So, last month, how much salt did you consume? How much subji did you consume? In particular, how many cauliflowers did you consume? And so on and so forth. And how many bicycles did you buy? How many radios did you buy? And later, how many cars did you buy and what did you spend on the purchase of cars? So, everything was in a 30-day recall period. In the mid-90s, a World Bank-sponsored project led by Angus Deaton, a Nobel Prize winner, on the basis of several studies that World Bank itself had conducted came to the conclusion that the periodicity of different items of consumption is different and you should measure it to get a more accurate measure of poverty or consumption.

You should have perishables like fruits and vegetables and eggs and meat on a 7-day basis, normal goods on a 30-day basis and consumer durables on a 365-day basis, which is very sensible. And indeed, the government of India adopted it, and in 2009–10 and 2011–12, two independent surveys were done, one by the traditional uniform recall 30-day period measure and the other by this new more defined measure. They are all trying to measure the same thing, which is consumption and, therefore, the poverty level.

Well, in 2011–12, the traditional uniform recall period measure of poverty in India was 23%. The correct measure, more correct measure, or less incorrect measure yielded a poverty level of 13%. In other words, the policy makers as well as the world, as well as our knowledge, a hundred million people who should have been considered poor or were considered poor by the uniform recall period were not poor.

So, you know, measurement matters, definition matters, and my argument for all those people who want, for whatever reason - political economy or non-political economy - a higher level of poverty than 13% as the case was, in 2011-12, you raise the poverty line and we have raised the poverty line over the last 50-70 years, and you know, continue doing that.

But do not mess up by coming up with yet another measure of poverty. I mean, I try to reproduce the multi-dimensional index of poverty for education. In my view, it has negative value added, zero knowledge, and negative knowledge while using the multi-dimensional index.

Prof. Kumar Anand:

Thank you very much Dr. Bhalla. So, with that this brings us to a close to the B.R. Shenoy Memorial Lecture 2023.

On behalf of the Economic Research Center, Mangalore, and the Center for Civil Society, New Delhi, I would like to thank our speaker, Prof. Surjit Bhalla, for such an interesting and illuminating talk and engaging with questions from the audience. Thanks also to the audience for engaging with the speaker and asking very interesting questions and many thanks to Mr. Sourya Banerjee at CCS and the rest of the team at CCS for helping us organize this lecture. Thank you, very much, and good night.

Dr. Surjit Bhalla:

Thank you from my side. I really enjoyed it, and I learned a lot, thank you.

** The above is the output of transcribing from the recording of the event uploaded on You Tube. Although the transcription is largely accurate, in some cases it might be inaccurate due to audio disturbance.*

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