

IN CONVERSATION WITH JAYATI GHOSH

Jayati Ghosh is a professor of Economics at the Centre for Economic Studies and Planning, School of Social Sciences at Jawaharlal Nehru University. She has authored several books and more than one hundred scholarly articles and has been the the winner of many prestigious awards. She is also closely involved in working with progressive organisations and social movements



Editorial Board: After graduating in Sociology from Miranda House, what drove you towards Economics?

Jayati Ghosh: The thing is you're studying society in Sociology and then when you look at it and realise that many of these are happening because of economics. So to understand why many of these things are happening, you really need to understand the economy. So I was feeling like I was on the surface rather than understanding the underlying things. That's when i decided i wanted to do economics. And fortunately in those days it was much easier; now it's quite rigid. But I did spend a while studying maths. So I decided in my third year, so I basically took to textbooks of mathematical economics to just catch up on that.

Editorial Board: So had your background in Sociology given you a different perspective in economics?

Jayati Ghosh: I think so, yeah. Because I'm much more interested in the wider interlink of how the economy works with the society. I would say that what I do is Political economy, rather than mainstream economics. In fact the mainstream economics doesn't really interest me at all. I would say in a sense I'm still interested in society, and how it changes. But then I'm looking at economy as one of the ways in which that has happened.

Editorial Board: So, in your opinion, has political economy moved away from mainstream economics?

Jayati Ghosh: well, Let me put it this way, mainstream Economics has moved away from the

richness of Political economy because early economists were all political economist. You know, Adam Smith, Ricardo, Karl Marx, Marshall, practically everybody was a political economist. In the 20th century I would say, in the second half of the twentieth century, particularly with the glorification of Micro economics, you got a focus on basing your work on abstractions that were not necessarily very relevant for the society or economy that you are considering. So you got the emergence of a whole new school of economics that would set up the market model, and it doesn't matter if the market model wasn't actually relevant. But you had these assumptions; all the textbooks still do this, they create an ideal world, which is fine in the beginning but then you have to break down those assumptions and try to understand what's really going on. I think that there are strands, called heterodox economics which are definitely doing that, the post Keynesian economics, you know, etc. But a lot of mainstream economics still is very obsessed with its own little world, and that's because many of us thought that the global financial crisis would shake that, but for some bizarre reason it hasn't!

Editorial Board: Do you think it will take time though?

Jayati Ghosh: I think it will take time but it's also interesting that you know people who look at the real economies in many institutions across the world, they aren't in the economics department anymore. They are in cinema, they are in business, they are in sociology. Even though they're economists, they're looking at the real world and breaking down these assumptions, they're saying, okay, let us now look at the messy side of the world and try and understand, and that's not seen as the posh thing to do as an economist.

Editorial Board: So ma'am in relation to this, you've spoken against the one-size-fit-all prescriptions to policy we have; so how do you think we can incorporate political and social context into models? Particularly as students of economics we're all very curious about how they can be incorporated into maybe modules or even policy making?

Jayati Ghosh: Very simple. In standard theories, the underlying assumptions are perfect competition, constant returns of scale etc. When you drop the assumption, what do you get? Think about developing a model without the full employment. Of course it's messier, because you can't have Pareto Optimality or say you are moving on a new PPF but definitely you will have to then think through that. It's not that you can't do it, it makes models more complicated, less easy and tractable. More and more economists are now doing things along that track, but I would say not enough. And when people realise that makes the real world messier, I think the tendency has been to switch to micro theoretical answers or look at the miniature.

A lot of experimental economics today is focused on the miniatures, like does an economic agent behave rationally? And the idea is to do these experiments and to see whether they are behaving rationally in this context. And of course it's interesting in the sense that you're breaking down the assumptions, but often it's such a miniature that it doesn't take account of the wider courses. For example, Banerjee and Duflo, who are very much flavour of the month right now, for the kind of randomised control trials they do, they find what they see as 'counter-intuitive' results. If people are given money for X, they don't actually spend it on X, but spend it on Y. But it's not counter intuitive if you are looking at the bigger context. So you know you come to, let's say, a city of India and forget about the vast gender discrimination, linguistic issues, caste etc. and then expect them to behave in a certain way. They will not. Because we know if you are aware of the social context you

will know that a person will not approach a person of another caste, particularly a woman, to get something done. It will not be a surprise if you had the wider knowledge; it's a surprise only if you go with a very fixed notion of rationality. So a lot of Micro stuff is very startled by things which, frankly, are very commonsensical. It's just that Economics has moved so far from common sense .

Editorial Board: Do you think the curriculum of our economics courses draws too heavily from these 'standard' notions?

Jayati Ghosh: Definitely. I think we're too slavish about what happens in the North Atlantic. If we see they are into micro finance, we are into micro finance. They say cash transfers is the solution, we say cash transfers is the solution, they like RCTs, we like RCTs. Frankly I feel it's a little pathetic; we don't have self confidence.

Editorial Board: You've talked about how the academia is prone to influences like these. Is it true in the Indian context as well?

Jayati Ghosh: Oh yes. Look at the numbers of young people rushing to do RCTs today. Ten years ago everyone was rushing to do auction theory. Before that everybody was rushing to do game theory. And none of these is wrong or bad; it's just that the true things get missed out. Even in the way we teach I think. The basic sense of reality; it doesn't have to be Indian reality, it could be global too. So don't talk about perfect competition if it doesn't exist. Build a model based on the imperfect, the presence of oligopoly, the presence of market power. The second point is the implicit notion that it is better to be a B or C grade academic recognised by the north, than first grade academic doing something relevant. Doing something relevant with your own solution. I mean this is just my feeling, i hope you will not go beyond that. It's a lot of pressure.

Editorial Board: One specific example that our Editorial Board is looking into with the current issue is the management of the common natural resources. So the prescription is generally either the division of property rights or command-and-control policies. Do you think there is any way in which the social context can be incorporated here?

Jayati Ghosh: Yes, indeed there is. And again you see it's an example of how the North influences the way we look at things. So there have been environmentalists and others who have been talking a lot about precisely what you are saying, the social context and recognising for example traditional ways of managing properties, whether it was groundwater resources or is it the fodder areas, etc. And we've had excellent work done by various people in India as well and the basic insights are the same.

Editorial Board: Ma'am, what would be real development according to you? Is it trickle-down economics, i.e. create employment so that it percolates, or is it trickle-up economics?

Jayati Ghosh: Well, trickle-down doesn't work; it hasn't worked anywhere. The only place where you could argue that there was a kind of trickle-down is China, where you have dramatic growth and more and more people being drawn to higher wage activities. But it hasn't really been a trickle down because there was also a lot of state intervention along with it; it wasn't purely market driven. There is no other country, in the developed or developing world, where you have found pure trickledown market without state intervention. I would say there are two things. First, what is

development? Like Sen talks about capabilities and freedom; but these are better ways to talk about it. Suppose you take the simplest indicator like diversifying from low income activities to high income activities, which is reflected in per capita GDP, but not entirely. It is how much of your workforce has moved to higher income activities. So in India, our development project is really incomplete because we still have 85% of our workers stuck in low productivity agriculture and low productivity services. That's our big failure. So suppose you take that indicator, moving people out to higher value-added activities, and then you find that you need state intervention of different kinds. It doesn't have to be exactly the same thing in every place, and the political economy matters. You need to know what is required in every place and the class configuration matters too. So there is a big failure in India of this basic thing and I would argue that is both a reflection of and contributes to our failure in so many other things like nutrition, health, lack of education. All of these come out of that basic inability to shift people into higher value-added activities. And it requires state intervention which is a necessary, but not a sufficient condition. So if the state intervention is of a particular kind, which encourages the small middle class to emerge along with elite, like we had in the 60s and 70s, then that doesn't do it either. What you need to do is push the majority of your workers into higher income activities.

Editorial Board: Then what kind of state intervention do you think would work?

Jayati Ghosh: Well, if you look the examples of that have done it, first of all, it means you have to do industrialisation. But that doesn't happen through just Make in India type announcements; it happens through public investments that encourage industrialisation at the base. Minimum transport infrastructure, education; all the South East Asian countries put a lot of resources into education, slightly more equitable distribution of property, industrialised goods, and public spending on what we call the basic goods. So if you look at the combination of basic infrastructure, transport facilities, minimum nutrition, and health facilities and if you are providing these, say universally, then it does two things. One is that it creates more demand, because people then have money to spend on other things, so it's creating more local demand and there is a multiplier effect of public spending on these things. So that generates more employment and all that. But the thing that is usually missed is that this is like subsidizing private employers. If you have workers, like in South East Asia who are living in subsidised houses, have subsidised food, get good public transport that is subsidised, send their children to subsidised schools, then you don't have to pay them such high wages. The East Asian Miracle was also driven by the fact that all this spending actually subsidises private employers. They can be globally competitive with the so-called lower wages. You look at China's workers, who are called low-wage workers. Chinese workers (the ones in urban areas) get subsidised housing, transport, healthcare. It actually makes the wage components for the employers much less.

Editorial Board: So do you support subsidies as a way of public investment?

Jayati Ghosh: Yes, absolutely. Let me put it this way; providing public provision of basic goods and services. I won't call it subsidising; the public sector is doing the provision of basic goods and services almost as a social and economic right of the citizen. One by-product of this is that private employers also benefit. Public spending on goods and services is good from the welfare point of view; it improves all our terrible indicators: nutrition, food, everything, infant mortality. At least we can bring them up to acceptable civilised standards. Also, as you need public services to deliver all

this, they spend in the rural areas and that has multiplier effects, that generates more employment, it lowers costs overall if you have a healthy educated workforce. And best of all, it lowers costs for private employers also. So, I mean this is a strategy that has worked in very different political regimes; in Scandinavian with democracy and East Asia with dictatorships.

Editorial Board: But Ma'am, most of the public projects are marred by leakages; NREGA, etc. So do you appreciate the idea of JAM trinity?

Jayati Ghosh: So two things. One, everybody loves to pick up NAREGA leakages. They are relatively low considering because this is one act that had a lot of embedded accountability. It's true in some states there are still leakages. But you look at the extent of the leakages relative to the programme, it's actually very small. I have actually studied NREGA in several states and in some states like Andhra Pradesh, Tripura and Tamil Nadu, it is functioning very well. There are some problems in others but if we say that there are leakages in UP, there are leakages in everything in UP. Nothing works in UP; why just point out NREGA. Second, if you're going to have a transfer and you're worried about the wrong people getting it; how much easier to just misappropriate cash? Third, one of the points about NREGA was that you use labour to do socially useful work, and where it's been done properly like Tripura or Andhra Pradesh, you actually find that they're doing useful things. They are clearing groundwater resources, doing natural pesticides, improving soil quality. So if you design the projects well, you'll actually ease the supply side in agriculture, which is huge. Or you improve the conditions of the life of the people, which is also huge. It can work on both demand and supply sides. Finally, a lot of NREGA work is horrible; very difficult and very arduous, 45 degrees and you are out the hot sun. They do not provide shades and crèches that they are supposed to. But it is work not a handout. I have talked to a lot of women on these sites and they appreciate the fact that it is work and it is difficult work for sure, but it gives dignity in a way that handouts don't. Even the people who are giving it to you recognize that it's not a handout, which is very important for people. So I think if it is done properly, it will have much broader social implication and then really a kind of social revolution if you implement it properly and that's one of the reasons why they don't want to implement it properly.

Editorial Board: So in states where it has worked, why do you think it has worked?

Jayati Ghosh: Well it needs a committed state government for sure and you need local mobilisation amongst people, to hold them to account. Because it's much more work for the bureaucrats involved, for the panchayats involved and people always try and avoid work, so they need to be held to account.

I think it is places that have active civil societies have worked more; Andhra, Kerala, Tripura. I have friends like Jean Dreze, who are out there in Jharkhand fighting, struggling, but there are few in a large sea of relatively less socially active. So, you really need a combination of a receptive state government which is willing to spend that money, and strong social mobilisation since in lot of states, the life of activists is under threat.

Editorial Board: That's interesting. Has the civil society been able to impact the policy-making scenario in India more effectively over the years?

Jayati Ghosh: It's a very tough one to answer. I think right now, the policy making scenario is quite closed. Right now it has become much centralised and it's not very centralised outside, for the civil society; but it's very centralised within the government itself and many ministers and bureaucrats are complaining but they don't have any say. So, right now it's a specific situation but maybe up to 2014, there was a sense that it's much more open and it's true that there was civil society in the National Advisory Council. But it's complicated because it was a bit like pressure cooker letting out steam, and I think UPA I was like the apex of civil society having the voice. During UPA I, there was RTI, NREGA, the beginning of the Forests Rights Act and so yes, there was a lot more activity. I think UPA 2 there was already a clampdown. Already Mr. Chidambaram was doing all those things against NGOs you know etc. It was already a beginning to silence, quieten, and there was much less willingness to hear. My husband was in the Planning Commission and in UPA I, they developed a plan to go around and get hearings in different states for the draft plan, which is an excellent idea; you get NGOs and the civil society together to comment on it. By UPA 2, those were such cosmetic exercises, just a little choreographed show everybody talks and they are not even taking notes. They just don't care. I think there was a phase when the civil society was very active and to some extent had a voice. I think already by UPA 2 that was being suppressed, and now as we know it's completely muzzled. Now there is active repression. The strategy now is to starve people of funds or get them involved in court cases. But suddenly this starving of funds is widespread and major NGOs, including research NGOs, are being told even by private donors that the government has sent them a signal that they are not supposed to fund them.

Editorial Board: Do you think there is any way around this?

Jayati Ghosh: Well, I mean, the ways around are political. They may take time, but it's India, it always surprises you. I am still optimistic and then there are young people like you around.

Editorial Board: In the past, we have followed prescriptions of models like Harrod-Domar and Mahalanobis plan. Is there any model which we have in mind now?

Jayati Ghosh : Look what terrifies me now, is the death of planning. It's true that now it's been officially buried, but it had died before that. It had died, in the sense that, the planning commission had become more like a coordinating agency, which is also an important role and I think that the loss of that coordination is also very bad in the current government. But it was not an agency with vision, like 25 years ago. So medium term planning or even 5 years planning in terms of priorities, integration within the economy etc. had already been lost for a while, because we had heads of institutions who didn't believe in planning. We had Prime Ministers who, sadly, didn't believe in planning. Now that we have got a government which is explicitly anti-planning which, frankly, is a disaster. Everybody plans; France, US, everybody out there is planning. Imagine if they need it, then developing countries, where the development project is still incomplete, cannot do without it. You cannot have a smart city programme without a plan. You can't simply say, okay now you have these cities, and they are going to be smart. You need an urbanisation plan, which will then bring in different kinds of infrastructure plans. It has to be a part of the cohesive

whole. You couldn't have done Industrial Revolution without some medium term planning because it requires infrastructure, it requires other resources. You have to think about that allocation. You can't do agriculture when the soil quality is falling in so many parts of the country, water tables are falling. You know, you have to have a vision for the next 10- 15 years; what are you going to do to change, to stop bad things happening, to let good things happen. So, I think it's a total disaster that we don't have planning. Actually the worst effects will be sent by --. When you are at your peak, that's when you are going to feel the fact that basically we didn't do justice to you. When you were young, we should have been planning to create the context for a viable society and economy for you and its after you.

Editorial Board: Do you think there will be a revival of planning?

Jayati Ghosh: There has to be. You can't be a vibrant sustainable, powerful economy without it. So call it some other name, whatever it is they will have to be. The point is they make a big mess before that and the fallout will be felt by you. But yes, eventually.

Editorial Board: So Ma'am, what is your approach to analysis in economics?

Jayati Ghosh: Let me answer it differently. What would I like my students when they finish here and go out in the world? I would like them to have a framework, a broad framework, which they can use to try and understand realities. In other words, which assumptions you can afford to drop, which assumptions must you retain when you are building your analytical model. Whatever you do, you obviously have to have some analytical model. And then, I would like that analytical model to be always conscious of the impact on the bottom half of the population. So, don't just go by GDP, if that GDP is entirely skyscrapers, service sector and finance.

Editorial Board: So ma'am, what is your advice to the aspiring economists?

Jayati Ghosh: To people like you, you know, it's a fabulous subject. It is fascinating; it never loses its fascination. And to be fascinating, it has to be based on reality. So, just keep your head on the shoulders and your feet on the ground.