

In conversation with:
Bibek Debroy

Chairman PMEAC.

Indologist.

Erudite.



Q: What insights would you share with current students of economics that you gained while studying at Presidency College, Trinity College and Delhi School of Economics?

A: The use of your economics depends entirely on the field in which you work. My test of any good educational institution is the threshold it has- every institution goes through ups and downs- but it never drops below a threshold. Economics doesn't provide answers to every problem under the sun; it provides you with a certain approach with which to look at things. It provides you with a bag of tools and then depending on the context, you make use of it. Good teaching of economics amounts to good teaching of theoretical principles. The rest of it will follow if you have that structure deeply ingrained in you. I think it's teaching the tools that are important. There are things you have learnt which in your subsequent career have been thoroughly useless. The person who revises the syllabus doesn't really know what you're going to do with it for the rest of your life. It's no different for the undergraduate economics syllabus. If I had known I wanted to go into government policy making, I'd say a vital part of any economics course would be to understand the Constitution, administrative structures. But for someone wanting to take up PhD at Harvard or some other university, it might prove completely irrelevant.

Q: As the chairman of PMEAC, how does the body agree on which issues are of primary importance in the national economy?

A: In the earlier government, PMEAC was formed from day one but in this case, it was assumed that NITI Aayog would do some of the work. The PM decided that NITI was unable to do the work so the PMEAC was created in September. Since its creation, my role 24x7 is actually as Chairman to PMEAC. NITI is still there purely for administrative convenience and they don't decide things together as their respective mandates are different. The PMEAC has four part time members who have meetings, we decide issues ourselves or through suggestions by the PM. We debate on them, arrive at a common point and advise the PM. NITI doesn't advise the PM, not directly, although the PM is the chairperson of NITI, NITI advises the ministries also. So far as NITI's functioning is concerned, it functions similarly.

Q: So, what is NITI Aayog's involvement in the framing of flagship government schemes now that it isn't involved in formulating central plans?

A: Initially, finance commission was meant to devolve finance from Union to State governments. But down the years, a distinction was created between planned expenditure and non-planned expenditure. Planned expenditure used to be routed through the planning commission and the non-planned expenditure through the finance commission. The mandate of the finance commission was diluted in the 1970s when the planned and non-planned distinction became important. Because of this artificial distinction, there used to be a five yearly planning session. One plan is the five yearly planning cycle and the other is perspective planning -this is the kind of public expenditure I want to know, this is how I want to measure its efficiency. All of that, NITI still does. All that happened was that perspective planning replaced five yearly planning. Hypothetically, the planning commission was also supposed to do that. But because of that obsession with the discretionary flow, they never did that. In addition, NITI sorts out administrative issues between states. It is also the voice of the social sector because understandably, every finance ministry has compulsions to reduce the deficit, and what is easy is to slash the social sector expenditures. NITI gets into policy in two ways that run parallel. One is if someone is proposing something, it gets referred to us or we decided to take it up of our own accord.

Q: After Richard Thaler's Nobel win, how have the principles from behavioral economics being used in Policy Making?

A: Fundamentally, it is telling me that people are not rational. The basic principles of rationality that we assume when economic agents take decisions, they don't hold. There is an ex-ante and ex-post. Behavioural economics provides one with the ex-post but for policy formulation, ex-ante is needed. So ex-post, the behavioral economist will come along and tell me you should have done this and you should have done that. My problem is ex-ante. Can you tell me what I should do? And the answer is no.

Q: You've translated the Ramayana, and Mahabharata, did you find anything related to economics in these epics?

A: Most of the English translations are abridged translations. They gloss over a lot of the interesting governance material- saying that Hinduism is not about wealth creation; it's about going off to the forests and meditating. Obviously, if I arrive at this deduction on the basis of the Upanishads, it's wrong. It's like saying I came across some economics textbooks from Miranda House, and I conclude there is no physics taught there. In exactly the same sense, if I look at the Upanishad literature and deduce that Hinduism was not about Artha, or creating wealth, is completely unwarranted as a deduction. The vast majority of the Indian population then, used to do exactly what we are doing today, namely creating wealth. In creating this wealth, there was a template of governance, or Dharma in the sense of the spiritual and metaphysical noun, of what holds a society up. All of these texts were meant to depict, what normal human beings would do in their day to day life. There was a structure of Dharma, which said what the king was supposed to do, the counterpart of the government today. Today, we all expect too many things from the government. Back then, the only thing that the government, or the king was supposed to do was- defence, internal security, dispute resolution, upholding property rights. Below that, there was a structure of what the community was supposed to do. So there was this template that we have lost. So, this template is about "We the People", not "We, the government". Now that needs to be rediscovered.

Q: What advice would you give to our generation, considering the plethora of problems we seem to be plagued with?

A: Firstly, there is a reluctance to check the origin of various information given in textbooks or on the internet. Secondly, there seems to be initial reluctance to speak up and disagree with teachers or policy makers like me. Thirdly, there is a singular inability to write amongst the present generation. These problems should be remedied at the earliest for success in government or research space. Also, we are dumping too many fancy theories on the students. If I as a teacher am able to explain the Original Samuelson to my class, I would have done my job. Unnecessary inclusion of mathematics in economics takes away focus from the theories.

