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Q.1 Going back to your undergrad and post-grad experience in India, what are some of the fondest memories that you cherish?

My undergraduate was from Delhi University, Hindu College in Mathematics and the subsidiary was Economics. I also took Political Science (third subsidiary). I did very well in Mathematics. Then I went for an examination in an institute called Indian Statistical Institute, where I got my Master's degree. Then I went to Harvard. Harvard gave me a scholarship for work I had done (demolishing the Mahalanobis fractile accuracy) in publishing a paper when I was just a graduate student. Harvard was impressed. The secret to getting into Harvard is not just showing yourself in good grades, because everybody has good grades. They're very suspicious of grades from India. But if you show some writing, some research, they consider you. So I got a full scholarship.

Then I went in and I took the toughest course those days which was this course given in Mathematics by Paul Samuelson. With MIT, a student from Harvard could cross-register. He didn't use to take more than 15-20 students in that class. And because I had got this mathematical training, I was in. For the rest of the students, you know, mathematics was just starting to come into Economics at that time, I'm talking about 1962. I was correcting him in class. And I must say, this is the difference between Indian teachers and American teachers. In India, they would have flunked me and thrown me out, saying 'How dare you?'. They don't encourage people to question. Thereafter, I joined the faculty and taught there. First, I became an assistant professor, then associate professor and then came back to India. But the people in power at that time wouldn't let me teach. I was a professor at IIT and IIT students knew Mathematics, they all loved my course.

Mrs. Gandhi, one day, sacked me and I couldn't find a job anywhere in India. So, either I had to go back to Harvard, which is what Samuelson and Kuznets said. But I said no, I'm not leaving India. Thereafter, I went into Politics. Not only they sacked me, but they also made my wife's life difficult. She was, at that time, teaching in the Mathematics department. So we decided, my wife goes into law and I go to Politics.

But I did go, off and on, whenever I could to Harvard to teach one course. After Mrs. Gandhi was assassinated, we all lost. So during that time, I went back to Harvard to teach for two years. Then from 2000, I went every year for summer school to teach two courses. So my academic teaching stopped in 2012.

Q.2 Sir, what factors do you think have primarily led to the slowdown that the Indian economy is experiencing right now?

I think two things, one is, our fiscal instruments all discourage demand. There is tax terrorism. People are harassed. Today, we are suffering from the demand for salvation. And a relative oversupply. People are not even putting money in banks. Banks don't have money. Previously, they used to lend against deposits and if you put out one rupee in deposit, they would lend eight rupees. They would create 8 accounts of one rupee each. So, all that is gone. And so the banks are now in starvation. And any of them can collapse anytime. PMC just now has. But it could happen to Punjab National

Bank, ICICI and so on. So the demand is one that needs to be addressed and is not being addressed.

Second is the way to generate growth for India is not '*more capital and more labor*'. It is innovation. And innovation always has been the driver of economic change. The locomotives came to Britain. That brought about the Industrial Revolution. Then the Americans brought in electricity, they brought in bulbs, telephones, then jet engines, fax machines and finally the internet. So these have made a huge difference. I mean, the internet has really reduced the inventory cost of almost every company. You take even a bookseller, now he knows which book is down to last book or last two copies. So innovation motivates young people, and we have got a lot of young people, we've got 70% of our population below the age of 35. The average age works out to only 26, whereas the average age of Americans is 37, of Europeans, is 46 and Japanese is 50. Even China because of its One Child Policy is at 35. An aging population means fewer people would be coming into the labor force and more people will be living longer, so you'll have to pay for their social security, pensions and so on.

So innovation is the most important thing. We know how the law of diminishing returns works. After innovation, you jump from curve to curve. For the same capital and labor, you get higher output. So if you look at the work done on innovation's contribution to economic growth, it's called factor productivity, total factor productivity. It's varied. For the Americans, it's 65% and the Japanese, it's 50%, for us, it's running at 30%.

Q.3 Innovation in which field?

Crude oil. We use it for petrol. I'm saying, you have something that's a drag on your economy, okay. So you find a substitute for it from within your country. You don't have oil, but you have hydrogen fuel cells which you just plug-in and it gets charged. I don't think electric cars will last very long. It will be taken over by all over the world. They're doing the research, the Japanese are about to introduce Toyota models with hydrogen fuel cells, which overnight you charge and travel 350 km the next day. And you'll have, instead of petrol pumps, charging stations. So that makes a huge difference.

For India, we can be converting 60% of the world's Thorium which we have into reactor fuel. You would be able to produce so much electricity that you will be able to give it away free. Qatar gives gas-free. Anywhere they poke a hole, gas comes out. So those are the kind of innovations we need. After all, what is software? Software is innovation. So those are things which raise your productivity. So that's why I'm saying instead of going along the curve, we should focus on going from curve to curve.

Q.4 You've been of the view that income tax should be abolished to spur demand. But considering how close the government is to breaching the fiscal deficit limit, which is 3.3%, do you think it's a good idea?

Why is 3.3% so sacred? Why can't it be 10%? It's called thinking out of the box.

Suppose I tell you, I build 8 lane highways, from Delhi to Bombay, Bombay to Madras, etc. How to finance it? Print the notes. Give it to the workers. What will they do? They'll go and buy in the market. If you have today a demand problem, it will be over tomorrow. Public work is the most important thing. So, how did the American Depression come? The American president, in order to please the electorate, he said, "I'll remove unemployment by persuading the unions to reduce the wage rates by 10%." So the unions were persuaded. They lowered it by 10%.

Unemployment increased and nobody could understand until John Maynard Keynes came and explained. When you reduce the wage rate, you also reduce the purchasing power. So the demand goes down. This is what Raghuram Rajan did. He kept on raising interest rates and the cost of capital kept going up. He kept on saying that he was controlling inflation but small and medium industries collapsed. Today, there's the highest unemployment in history because of this man.

I would say that if the total amount of personal income tax is about 4 lakh crores, my first defense would be that I enabled you by going to court and getting the allocation of spectrum arbitrarily canceled and let you auction.

Anyway, the issue you see is that, you've got to get your machinery started and what will happen, suppose I print notes and I build these highways. Then, I pay the workers with the printed notes, they'll go and spend it, demand goes up and boom.

Q.5 Zimbabwe tried to do this thing during its depression state, right? It tried to print notes and inflation skyrocketed so much so that they had to print notes in denominations of lakhs and so on.

Dr. Swamy: I don't know if they had enough supplies. Today, we have an oversupply. People are ready to give huge discounts for buying cars. Inventory is going up everywhere. We've got to get the demand thing settled.

Q.6 Don't you think the government is not trying to look at this side of the issue?

Dr. Swamy: Honestly, they've no clue. I have known the PM since 1972. So the issue is this, you see, the government has no clue. In the case of the UPA, Manmohan Singh knew Economics. It was Chidambaram, who knew no Economics. But Chidambaram knew how to make money. For himself, not for the country. Maybe he'll learn some Economics in jail.

Q.7 Statistics have shown that sixty percent of agricultural products that were sold were below the minimum support price. This was around the time that the government had introduced the PM KISAN scheme and in the first phase, the revised estimate was about twenty thousand crores, so this is like a lump sum subsidy. Do you think that such a lump sum subsidy could take care of the pain that farmers have right now?

How will the subsidy reach them?

Make them export. Help them. Put up cold storages, small airports. Put good roads so that their products can reach the Bombay harbor fast, fight in the WTO. Do you know

how cheap our milk is? The Indian cow, medically called *Bos Indicus*, its price is one-sixth of what they pay in Europe. In America, you go to the supermarket, there is this separate carton called A2 Milk. It costs four times more. And it's written there, *milk of cows from India*. They are doing it.

But we are not able to do it, because we have all these bureaucrats and the first thing they will discuss is, "Can you get my son into one of the universities here?"

Q.8 Sir, what do you think of the idea behind a scheme such as PM KISAN?

Dr. Swamy: PM KISAN is all a waste of time. There are many leakages all over on the way. It's one more way for politicians to make money. We should empower them. I tell you that farmers will learn the internet in no time. People are very very intelligent. So you educate them, find out their buyer, and teach them how to package. Our flowers are much better than the Amsterdam flowers, but there is no packaging. Our milk, there is no pasteurizing, there's no bottling. These are things that should have been more focused on.

Q.9 The union government has still not released the data on the actual expenditure estimates. (Question asked in October 2019)

Dr. Swamy: You know why? I'm going to file a case on this actually. Chidambaram, when he was finance minister. You see now, we can print notes. But we don't have the paper to print it on. It's a special, watermarked paper. So we were buying it from abroad. Chidambaram decided there is a British company called De La Rue, and his son got a kickback, so he decided to give it to them. Our intelligence people went to Chidambaram and asked him to not do it because De La Rue was also printing paper for Pakistan. It's a private limited company. So Pakistan can say, give us some of the watermarked currency paper (in exchange for a bribe). They are a private company and they don't owe India anything. And that's exactly what's happened.

So all the counterfeit notes have been brought into our system by the ISI, have Indian watermarks. So today we have a larger number for the currency in circulation than we printed.

Q.10 Sir, according to you, what should the government do, to deal with the slow down in the very short run?

In the short run, abolish personal income tax. Second, lower the rate of interest on loans to 9%. Third, raise the rate of interest given to fixed deposits to 9%. The economy will turn around tomorrow. If you have no experience in the business, you will find that difficult to swallow. But that's what you have to do.

Why don't they abolish income tax? Because it gives control of people. We have a bunch of sadists also in our government. Almost everybody in politics is blackmailable. So there is nobody to speak up. They start talking about \$5 trillion. We calculated the required rate of growth, 14.4%! And then the FM says it is just in current prices. How can you say at current prices? If there is inflation, then you don't have to do any work.

Q.11 Sir, do you think that the government has the right advisors?

The government has advisors, but they are too terrified.

Q.12 Sir is there any recent economic policy initiative of the government which you like?

Economically, there is nothing.

From day 1, there have been stupid policies. This country is a very strange country, people are very sentimental. Narsimha Rao produced the best economic growth of five years, he was badly defeated. What's the explanation? Vajpayee came up with India Shining, everybody liked him, and he advanced the election by six months. And our strength came down to half.

We are heading for a crash. People, don't care in our country, for economics unless they are out on the street. If the Maruti car company closes down tomorrow, it will be good for India because then everybody will wake up.

Q.13 When the government is mainly sending out this message of 370 and Ram Mandir, wouldn't the many economic issues get trivialized?

Mr. Swamy: It is trivialized unless it leads to collapse. Then, it affects your family. You can't bring bread home. Your savings are wiped out. Then what do you do? The whole climate has changed, lies are difficult because social media uploads it right away. So we have no challenge except if people start starving, people don't know how to pay their rent, etc. When that situation comes, none of these non-economic messages are going to affect the citizens' concerns over the economy.

Q.14 Sir, since you were into so much into research in your undergrad and postgrad days, so do you have any tips for the Indian students interested in research?

Dr. Swamy: I would say to Indian students, which is how I developed myself, don't depend on your professors, except for courses and getting grades and your GPA and things like that. You start looking at journals. You won't understand in the beginning very much. Just go through them, see how much you can understand. There's a Physics process, a term called osmosis, have you heard it? Nothing clicks for a long time, then suddenly everything clicks. I'd say you can read journals like *Econometrica*, etc. And if you want to know about India, I would suggest you read these pink papers like *Business Standard* and *Business Line* of *Hindu*, etc. Of course, you have to read prescribed textbooks because you have to do well in your exams. But the originality comes from reading journals. You may not understand anything, but it happens, it happened with me.

I spent all my time in the library looking at journals and then suddenly, I found a way to demolish a man's theory, who was the right hand of Jawaharlal Nehru (Professor Mahalanobis). We met just before his death.

He had taken the Lorenz Curve and passed it off as fractile graphical analysis. So, my paper was sent to *Econometrica* and the person who refereed it was the Committee Chairman. He immediately said that I was admitted to Harvard, I had got a scholarship. They sent the paper to him for an opinion. He did not reply.

Anyway, read *Econometrica* or *Quarterly Review*, just go through it, see what are the subjects. It all ferments into your mind. At the same time, you should learn as much Mathematics as you can.

