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Lunch with BS: Kaushik Basu

Professor CEA
A K Bhattacharya / New Delhi May 3, 2011, 0:35 IST

North Block hasn't made a bureaucrat out of the chief economic advisor yet



Kaushik Basu, chief economic advisor (CEA) in the Union Finance Ministry, is unlike most government officers. He takes calls on his mobile, returns calls and text messages and does not hesitate to apologise if he's late replying. So when Business Standard decided to invite him to lunch at a restaurant of his choice, the task proved both simple and agreeable, writes *A K Bhattacharya*.

Perhaps the clue to this patently unbureaucratic behaviour lies in his long stint in academics. Barring a couple of years spent with the Institute for Advanced Study at Princeton and World Bank on research assignments, he has been a professor until his arrival in North Block on a cold December morning of 2009 for a two-year stint with the government of India. Another notable quality is his desire to experiment with food, a trait that by his own admission he has developed while travelling the world to lecture and participate in research conferences.

There was, therefore, no surprise when Basu politely turned down my suggestion of a Bengali eatery. How about a Korean restaurant then, I had asked. Basu was quick to agree. A bit nonplussed, I had mumbled that I would get back to him with suggestions. A quick search and Gonie Kungang, a restaurant at The Ashok, came to my rescue.

Now, greeting him at the huge, largely empty lobby of The Ashok, I realise that Basu looks much younger than his age (for the record, he is past 59). He has no airs, a near-permanent smile that greets everyone and a twinkle in his eyes behind large glasses. Gonie Kungang is not a popular restaurant. We soon realise that it is well past two in the afternoon and until then we are the only ones there. The food, however, turns out to be authentic Korean and Basu is quick to certify that, first after a glance at the menu and then at the end of the meal.

Sensing my discomfiture with what appears a little exotic to me, Basu quickly becomes my friend, philosopher and guide as far as choosing our meal is concerned. He even teaches me how to use chopsticks and I note the professorial touch even in that short lesson. In return, I try to be a good host and suggest he try dim sums, which he graciously accepts and then recommends that we go for bulgogi, boneless chicken in a mildly spicy sauce, and japchae, potato-based noodles. No alcohol, he says, and settles for a glass of fresh lime juice. I am disappointed, but follow suit.

Ordering done, I ask him the obvious question. What brought him from the comforts of Cornell University, where he was teaching economics, to the hurly burly of New Delhi's economic policy-making headquarters? He shows no sign of fatigue at my question and gives an elaborate reply: "I was in Delhi in August 2009 and I got a call from someone in the Prime Minister's Office a day before I was to have returned to Cornell. The PMO official told me the prime minister wanted to know if I would like to take up the CEAs job. I said I needed to talk to the prime minister before taking such a big decision."

Fifteen minutes later, the PMO official called back and asked Basu if he could meet the prime minister the next evening. He packed his bags and a few hours before his flight to the US was due, he went to meet the prime minister. "I have great regard for Dr. Manmohan Singh as a human being. I told him that I was very tempted but would take a few days to think about the job offer," Basu says. Was Manmohan Singh his teacher at Delhi School of Economics? "That is a misconception. But I have known him for a long time, ever since he was Governor of RBI; I am very fond of him as a person; he is also a natural intellectual." Basu talked to his wife, mother, children and his Ph.D advisor, Amartya Sen, who, surprisingly, told him to go ahead. Within two or three days of that meeting with Singh, Basu had made up his mind to take up what he thought would be a challenge.

Has it bothered him that he is known more for his work in microeconomics whereas a CEA's job required expertise in macroeconomics? "Let me correct an impression here. Yes, I have done more work on microeconomics than macroeconomics, but I have done more macroeconomics than most people in the system have done macroeconomics," he replies with no trace of arrogance or pique.

The dim sums are quickly dispatched and the bulgogi arrives but there is no sign of the japchae. Basu does not wait and as he attacks the succulent chicken, I ask him whether being the prime minister's choice for a job in the finance ministry is a problem. Basu did not know Finance Minister Pranab Mukherjee before he joined the government but they have clearly hit it off. "He is a remarkable person. Without Pranab-babu, I would not have enjoyed my stint in the finance ministry the way I do. I am an independent, free-thinking person and I don't like to be constrained in that. Fortunately, the finance minister's intellect is phenomenal, and he follows intricate arguments. Being confident, he gives me the space that I need for my work in the ministry."

It is clear Basu has hit it off really well with his finance minister. He is effusive in his praise. "You see, given the nature of my job, I need the freedom to bring new ideas to the table, even if they do not eventually turn out to be feasible. Pranab Mukherji is very receptive to such new policy thinking. There have been occasions when others in the group have not understood my point, but the Finance Minister has taken over and explained the idea to others with remarkable clarity," he

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says.

I ask him if he believes the government system has high-quality officers. "Yes, I do. The people are first-rate but, as for the system, the less said the better. We have to do something about the system of governance," he says. Did he take time to adjust? "Well, initially I had some adjustment problems in understanding hierarchies, but that was temporary and I am now better at it," he says triumphantly adding that contrary to what he had feared, people in the government have accepted him with warmth and cooperativeness.

So what are his preoccupations these days? Well, the big challenges are there in inflation, growth, fiscal policy and our arcane systems of subsidy. But there is something more that Basu holds dear – the need to promote quality thinking in government and in public debate. There is also the issue of corruption and he talks about the paper he floated on the need for a fresh look at curbing bribery. He argues that people who are victims of harassment and forced to bribe to get services to which they are entitled, like driving licences and food rations, must not be treated on a par with bribe-takers. His idea did raise eyebrows initially, but he is pleased that it is catching on now. He is thrilled that ordinary citizens have sent him hand-written letters thanking him for opening up this discussion.

His primary goals also include promoting the finding that good personal moral qualities are essential ingredients for economic growth. Honesty, trustworthiness and personal integrity are not only important in themselves, but, when inculcated at the level of the society, they promote economic development. There is a lot of recent research that demonstrates this and Basu says he has tried to incorporate these findings into government documents.

The japhae arrives at last, but Basu ignores it and says he does not see himself just tackling inflation and growth problems as CEA. "I believe that we must promote cutting-edge thinking to tackle the problems we face. That is the backbone of all great civilisations. In the long-run the most powerful driver of development is not physical capital but human capital, and the inventiveness of the citizens who comprise society," he says. I quiz him on whether his idea of introducing a cash transfer system will be feasible since things will start moving from June. He sounds confident, but adds perhaps not in June, but hopefully soon thereafter. The important thing is that the idea that we must clean up our leaky subsidy system is gaining acceptance, he says.

Basu looks at his watch and says he needed to leave in ten minutes. I offer dessert. Basu looks tempted, but the waiter disappoints us saying there are no Korean desserts available. Instead, he offers us some fruit and juice. We settle for the juice. I quickly ask him if he keeps long hours in office and whether he finds time to write. He looks sad and admits that much of his time goes on meetings and the little personal time he has goes in scrutinising the files. No writing at all? Basu relents and reveals that he has begun writing a diary. "Not every day," he qualifies, adding that, after all, he does not just have a ring-side view of what is happening in government, he is an insider too. Do we expect a book out of those diary entries? "It depends but for now it is a record – a fascinating record – kept for myself."

What does he do to unwind? "Unfortunately, I have no time to unwind. I used to read a lot of philosophy, but I don't have the time for that now." He thinks and adds ruefully, "I enjoy doing Sudoku and spend more time on it than I should." Despite the pressure, he says he is one of those lucky ones who is not prone to stress. He becomes a little ambivalent when I ask him if he misses teaching. "I enjoy my current work, but it would be wrong to say I do not miss teaching. I also miss writing research papers," Basu says, highlighting the dilemma of an independent researcher in the government system.

As Basu prepares to leave, he phones his driver and then rushes to the porch. "My driver is very fast, he often brings the car even before the finance minister's car arrives," he says. As we bid goodbye, I realise that North Block is yet to rub off on Basu; his professorial charm and sense of humour are intact.

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