



By Gautam Mukherjee

ECONOMICS OF THE REAL WORLD

KAUSHIK Basu is the vice-president and chief economist at World Bank, as well as professor of economics at Cornell University. He served a 30-month stint as chief economic adviser to the Government of India in 2009-12. It was a rare foray for Basu, outside academia, and spawned this engaging book for the layman who wants some insight into how economics in general, and economic policy in particular, works in India.

When Basu joined the government, inflation was raging at between 7-11 per cent, and lasted for the five years 2009-2014 after being stable for the previous 12 years. Inflation is a peculiarly Indian obsession, and trumps, somewhat self-defeatingly, the concern for growth. Basu revisits much worse inflation, in the heyday of socialism, and on a much lower base of just about \$0.25 billion. Those were also the days of the infamous 'Hindu rate' of growth — never more than 3.5 per cent per annum. In 1973-74, just before Emergency (1975), inflation never dropped below 20 per cent, and stood at an astounding 33.3 per cent in September 1974!

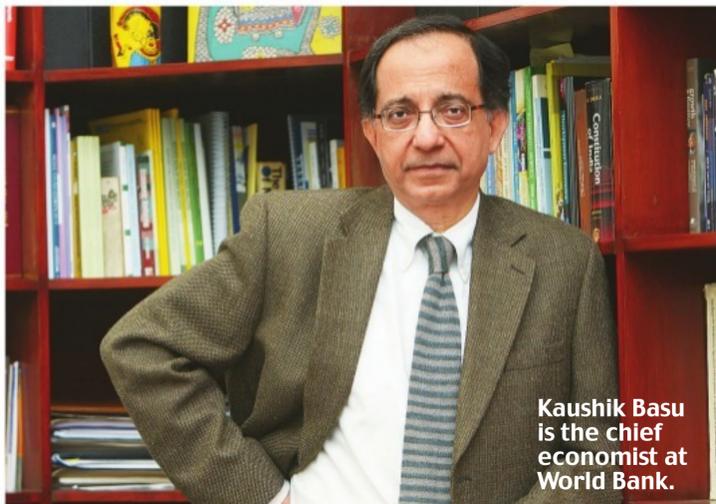
HIGH INFLATION

The new season of high inflation during Basu's tenure, however, sat upon a much stronger economy, reasonably large at \$2 trillion, growing at over 4.5 per cent at its worst. And it was back-stopped by a black economy, estimated to be of equivalent size. Basu acknowledges as much, writing that India's cash economy probably saved it from the ravages of the post-2008 sub-prime crisis and the borrow-and-spend decades preceding. That downturn engulfed the US and Eurozone, and sent them reeling.

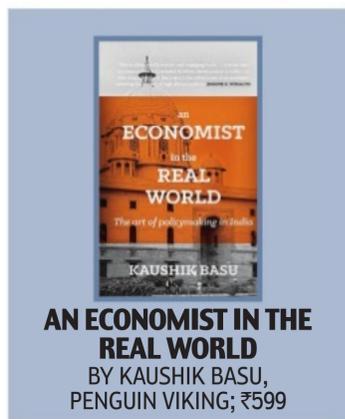
The West chose to stave off recession, or worse, with negligible interest rates, and billions in stimulation money, paid out every month, and for years together. India picked the opposite course, tightening interest rates, sucking up excess liquidity, even as it widened the fiscal deficit to finance welfare measures.

This choking manoeuvre went on, slowing an 8 per cent GDP growth rate to under 5 per cent, not seen since 1994. But, the inflation stayed high, until falling oil prices brought it down, but only during the successor NDA government.

Basu repeatedly makes the point, in almost every chapter of this volume, that economic policy is just



Kaushik Basu is the chief economist at World Bank.



AN ECONOMIST IN THE REAL WORLD
BY KAUSHIK BASU,
PENGUIN VIKING; ₹599

one element in the mix, and only succeeds to the extent that its prescriptions are taken up by the people — provided, of course, other macro conditions, both nationally and internationally, are amenable.

He dwells on the theory of the 'focal point' first postulated by Thomas Schelling in 1963, wherein the level of acceptance of a new law is based on peer behaviour. It shifts the strategic epicentre, or focal point, to a place where state effort will give best results, assessed along with John Nash's concept of

the Nash equilibrium. This speaks of consensus brought about by several people agreeing on a preferred course of action voluntarily, as part of his celebrated Game Theory. As an economic theoretician, Basu feels strongly about the people having the last word. Another concept, beloved of Basu, is 'the invisible hand' postulated by that prince of early capitalist thinking, Adam Smith. In this, the enlightened 'self-interest' of the people pushes the economy towards desired outcomes, and economic policy does well to adapt itself to it.

And I suspect, though he does not say it in so many words, in a black-and-white economy like India's, where a full half operates as it pleases, the writ of the government is, to that extent, happily compromised.

Basu makes relevant comparisons between what India does and what other countries have done differently, but does not make any definitive value judgements either way. Also, underlying everything Basu has written in this book, perhaps tantamount to his worldview, is the implication that the sophistication and receptivity of the populace, as in First World vs Emerging Economy contexts, has a major effect on outcomes.

STREAMING NOW

Violinist Sharat Chandra Srivastava



The string theory proponent

By Srijani Ganguly

MUSIC was an integral part of Sharat Chandra Srivastava's childhood. There would always be some or the other kind of music being played at his house. Learning to play the violin at the age of seven, therefore, was quite natural for him.

It was his grandfather, Pandit Jai Srivastava, who decided to mentor him and become his *guru*. Thus began the age-old custom of *guru-shishya*, which was this time sweetened by the fact that it was a man teaching his grandson the same craft he had once been taught by his own *guru*. Srivastava says, "The *guru-shishya parampara* is the only way to learn Indian classical music in India. This is a string instruments legacy which is followed over the years, where the student lives in the *guru's* house and learns the art form. It requires genuineness of the *guru* and respect, dedication, commitment and obedience of a *shishya* to gain knowledge in the best possible way."

After he gained the requisite knowledge, Srivastava used his musical prowess to become a part of not just one but two critically-acclaimed bands — Parikrama (with whom he played for 12 years) and Mrigya (the fusion group he now leads).

Apart from his work with bands, the violinist has also curated quite a few noted musical events. He was the music composer and conductor for UNDP's 'Stand Up, Make Noise' programme in 2010, which featured a 100-

piece Indian instrumental orchestra, and recently he also composed the music of the finale of the cultural programme of the India Africa Summit that was held last year at the Rashtrapati Bhavan.

Srivastava has had a lot of experience managing musical events of a large scale. After all, he is the one behind the 'Strings of the World' festival which happens in the Capital every year. He says, "This will be the fifth time 'Strings of the World' will be held in the Capital, this November. The main idea of the festival is to feature a whole variety of string instruments under one roof. This has now become an annual festival that happens every year in November where musicians from different parts of the world come and collaborate with our Indian musicians. We have had musicians from Scotland, Slovenia, Holland, Norway, Russia, China, and Germany. This year I am planning to bring orchestras from Italy and the United States."

Having spent close to 30 years in the profession, Srivastava has quite the definite advice for those wishing to become a violinist. He says, "Find a good teacher and learn the proper way with full dedication and passion without seeking short cuts. Success can only be achieved with constant practice."

ALBUM OF THE WEEK

ALBUM: Untitled Unmastered
ARTIST: Kendrick Lamar

IT SAYS a lot about an artist's popularity and talent when even a compilation album of demos — songs that couldn't find place in a studio album — receives a lot of critical acclaim. But that's just how Kendrick Lamar rolls. The American rapper, whose 2015 song 'Alright' became an anthem during the 'Black Lives Matter' movement in the US, continues on the same strain of culturally relevant topics with his songs. Undoubtedly the best track on Untitled Unmastered, 'untitled 03 | 05.28.2013.' is a powerful anthem where representatives from different races give Lamar advice about life as the song builds to the point where the rapper nearly shouts, "What the black man say?! Tell em we don't die, we multiply".



★★★★☆

— Srijani Ganguly