

On the occasion of the 150th anniversary of the birth of the father of Indian nation, I thought I would also recall another great Indian, Nani Palkhivala. At times like the present ones, we must remember that what makes India strong is its diversity, debate, and tolerance. What makes it weak is narrow mindedness, obscurantism, and divisiveness. I argue in this essay that what is true politically is equally true from an economic perspective.

Why We Need Critical Self-Examination for Economic Progress

I did not have the privilege of meeting Nani Palkhivala, but every citizen of India has been affected in some way by his life's work, and owes him a debt of gratitude. Born in 1920, Mr Palkhivala was not only a jurist of the highest caliber, he was also a tireless champion of constitutional liberties, of human rights and individual freedom, and of economic freedom.

Nani Palkhivala fought the Kesavananda Bharati case that established the principle that the Indian Parliament cannot alter the basic structure of the constitution. This, by itself, would be enough to enshrine him as a founder of modern India. But he did much more. He stood up to the Emergency, one of the few voices raised against authoritarianism when the very character of India's democracy



was in question. And recognizing that political and economic freedom go hand in hand, he enthralled thousands with his views on the economic policies of the country in his annual post budget speeches. His clear aim was to engage the Indian public in vital economic issues.

Mr. Palkhivala was a lonely voice against the socialism practiced in India then, arguing that it was a fraud – transferring wealth from the honest rich to the dishonest rich. Instead, he championed free enterprise. It bears remembering that he was chairman of Tata Consultancy Services, one of the brightest stars of the Indian economy today. No wonder Rajaji once called him “God's own gift to India”.

Towards the end of his life, Nani Palkhivala soured on the Indian experience. In a speech in Australia, dejected by the leak of the IIT entrance exam papers reflecting the weakening of yet another once-sacrosanct institution, he said, “I do not think India, in its entire history of 5000 years, has ever reached a lower level of degradation than it has reached now.”

But in that speech, he also said that India always seemed to find a way of coming out of the morass. I will argue in what follows that Palkhivala's optimism about India eventually finding the way was probably more warranted than his pessimism. Yes, we have our weaknesses and our excesses, but our democracy is self-correcting, and even while some institutions weaken, others come to the fore. India's is a dynamic society, ever changing, ever rejuvenating. However, I will argue that we do face important challenges to our society today, and we need to fight the forces that would make of India a static, unequal, obscurantist, and complacent society. In doing so, we will walk in the path trodden by Nani Palkhivala himself.

Let me explain why this is necessary from an economic perspective. Robert Solow, won the Nobel Prize in Economics for work that showed that the bulk of economic growth did not come from

putting more factors of production such as labour and capital to work. Instead, it came from putting those factors of production together more cleverly, that is, from what he called total factor productivity growth. Put differently, new ideas, new methods of production, better logistics – these are what lead to sustained economic growth. Of course, a poor country like ours can grow for some time by putting more people to work, by moving them from low productivity agriculture to higher value added industry or services, and by giving them better tools to do their jobs. And as readers who have taken economics will recognize readily, we in India are usually far from the production possibility frontier, so we can grow for a long while just by catching up with the methods of industrial countries.

But more intelligent ways of working will enable us to leapfrog old methods and come more quickly to the production possibility frontier – as we have done in parts of the software industry. And, of course, once you are at the frontier and using the best methods in the world, the only way to grow is to innovate and be even better than others in the world.

India's engineers and scientists are leading India's charge to the frontier and beyond. Take the fantastic developments in E-commerce, ranging from the creation of electronic market places to new logistics networks and payments systems. Today, a consumer in a small town can have the same choice of clothing fashions that anyone from the large metros enjoys, simply because the Internet has brought all the shops in India to her doorstep. And while her local shop no longer can sell shoddy apparel, it now focuses on the perishable items she needs in a hurry, even while sub-contracting to provide the last leg of the logistic network that reaches her. Economic growth through new ideas and production methods is what our intellectual class contribute to the nation.

So what does a nation need to do to keep the idea factory open? The first essential is to foster *competition* in the market place for ideas. This means encouraging challenge to all authority and tradition, even while acknowledging that the only way of dismissing any view is through empirical tests. What this rules out is anyone imposing a particular view or ideology because of their power. Instead, all ideas should be scrutinized critically, no matter whether they originate domestically or abroad, whether they have matured over thousands of years or a few minutes, whether they come from an untutored student or a world-famous professor.

I am sure many of you have come across Richard Feynman's Lectures on Physics, a must-read when we were students at IIT. The Nobel prize-winning physicist was one of the giants of the twentieth century. In his autobiography, though, he writes how he found the atmosphere at the Institute of Advanced Studies at Princeton stultifying. Now, as you know, the Institute of Advanced Studies brings together some of the finest scholars in the world to ponder problems in a multi-disciplinary environment. But he found the atmosphere sterile because there were no students to ask him questions, questions that would force him to rethink his beliefs and perhaps discover new theories. Ideas start with questioning and alternative viewpoints, sometimes seemingly silly ones. After all, Einstein built his theory of relativity pondering the somewhat wacky question of what someone travelling in a train at the speed of light would experience. So nothing should be excluded but everything should be subject to debate and constant testing. No one should be allowed to offer unquestioned pronouncements. Without this competition for ideas, we have stagnation.

This then leads to a second essential: *Protection*, not of specific ideas and traditions, but the right to question and challenge, the right to behave differently so long as it does not hurt others seriously. In

this protection lies society's interests, for it is by encouraging the challenge of innovative rebels that society develops, that it gets the ideas that propel Solow's total factor productivity growth. Fortunately, India has always protected debate and the right to have different views. Some rulers have even embedded these views in permanent structures. Raja Raja Chola, in building the magnificent Brihadeeswara Shaivite temple at Thanjavur, also incorporated sculptures of Vishnu as well as the meditating Buddha, thus admitting to alternative viewpoints. When Shahenshah Jalaluddin Muhammad Akbar invited scholars of all manner of persuasion to debate the eternal verities at his court, he was only following older traditions of our Hindu and Buddhist kings, who encouraged and protected the spirit of enquiry.

Indeed, minorities can often be the source of tremendous advancement because of the peculiarities of their position. For instance, a disproportionate number of entrepreneurs during England's Industrial Revolution were nonconformists such as Unitarians and Quakers, who were excluded from civil or military office and from Oxford or Cambridge University. The silver lining may have been that, given their exclusion from the larger community, nonconformists trusted one another more to continue maintaining business ties – since they knew everyone amongst them had few options. Many a budding entrepreneur got help from others in the community as he started out, and repaid it manifold when he was successful. The point here is certainly not to extoll discrimination but to emphasize that no community has a monopoly on ideas, and an attempt to impose a uniform majoritarian culture on everyone can kill minority community characteristics that can be very advantageous to growth and development. Cultural diversity can promote intellectual diversity and intellectual ferment, something every economy at the frontier needs.

What then of group sentiment? Should ideas or behaviour that hurt a particular intellectual position or group not be banned? Possibly, but a quick resort to bans will chill all debate as everyone will be anguished by ideas they dislike. It is far better to improve the environment for ideas through tolerance and mutual respect.

Let me explain. Actions that physically harm anyone, or show verbal contempt for a particular group so that they damage the group's participation in the marketplace for ideas should certainly not be allowed. For example, sexual harassment, whether physical or verbal, has no place in society. At the same time, groups should not be looking for slights any and everywhere, so that too much is seen as offensive; the theory of confirmation bias in psychology suggests that once one starts looking for insults, one can find them everywhere, even in the most innocuous statements. Indeed, if what you do offends me but does not harm me otherwise, there should be a very high bar for prohibiting your act. After all, any ban, and certainly any vigilante acts to enforce it, may offend you as much, or more, than the offense to me. Excessive political correctness stifles progress as much as excessive license and disrespect.

Put differently, while to the extent possible you should avoid pressing the buttons that upset me, when you do push them you should explain carefully why that is necessary so as to move the debate forward, and how it should not be interpreted as a personal attack on me. You have to tread *respectfully*, assuring me that a challenge to the ideas I hold is necessary for progress. At the same time, I should endeavour to hold few ideas so closely intertwined with my personality that any attack on them is deemed an intolerable personal affront. *Tolerance* means not being so insecure about one's ideas that one cannot subject them to challenge – it implies a degree of detachment

that is absolutely necessary for mature debate. Finally, respect requires that in the rare case when an idea is tightly associated with a group's core personality, we are extra careful about challenging it.

Tolerance can take the offense out of debate, and indeed instill respect. If I go berserk every time a particular button is pressed, rebels are tempted to press the button, while mischief-makers indeed do so. But if I do not react predictably, and instead ask button pressers to explain their concerns, rebels are forced to do the hard work of marshalling arguments. So, rebels do not press the button frivolously, while the thuggish mischief makers, who abound in every group, are left without an easy trigger. Tolerance and respect then lead to a good equilibrium where they reinforce each other.

For example, rebellious youth in the United States used to burn the American flag. It was calculated to upset the older generation that had fought in America's wars, for the flag was a symbol of all they had fought for. And the police, many of whom were veterans, used to react with violence, which was precisely the reaction the rebels sought to further their cause. Over time, though, U.S. society has become more tolerant of flag-burning. Because it no longer triggers a reaction, it is no longer used as an instrument to shock. In sum, if group sentiment becomes more tolerant and less easily hurt, the actions that try to hurt it will diminish. As Mahatma Gandhi said "The golden rule of conduct is



mutual toleration, seeing that we will never all think alike and we shall always see Truth in fragments and from different points of vision."

India, gloriously multicultural India, has always been a contributor to global thought leadership. We stagnated for a time under colonial rule, but we are looking to resume our rightful place – one where every sixth Nobel laureate is an Indian, as suggested by our population weight.

We Indians are intrinsically no better humans than anyone else, but we can aim for a society that is better than that of other countries for encouraging dialogue and scientific study. Key here is to look forward, absorbing the best in the world, while sharpening our own capabilities.

I worry about three emerging developments, however. The first is a tendency to look back into our past to find evidence of our greatness. Understanding our history is, obviously, a good thing, but using history to thump our own chest reflects great insecurity and can even be counterproductive. It does nothing for enhancing our current capabilities. It was our poverty in the past and continuing shortcomings in our still-developing academic, corporate, and government research systems that keep us from the frontier. Even so, a number of our institutions like ISRO and TIFR have overcome even these handicaps. While we should be proud of the very real achievements of an Aryabhata, pride in the past should not divert us from the enormous effort that is needed today to improve our current systems. Indeed, an excess focus on the past makes us its prisoners. Let us find the strength to move on.

A related concern is a suspicion of foreign ideas and foreigners. Once again, it seems a number of cultural and political organizations are trying to oppose anything foreign, not because they have examined it carefully and found it to be bad, but because of its origin. In the "not invented here"

syndrome lies stagnation. We cannot be so insecure that we believe allowing foreign competition will demolish our culture, our ideas, and our firms. Indeed, it is by erecting protective walls that we have always fallen behind, making us susceptible to total colonization. There is no need for us to be slaves to anything foreign, but it is best that we examine everything, domestic or foreign, dispassionately, and see what is worth keeping. It is only then that we will have a dynamic society, adapting to the needs of the times.

Finally, people in authority have to tolerate criticism. Undoubtedly, some of the criticism, including in the press, is ill-informed, motivated, and descends into ad-hominem personal attacks. I have certainly had my share of those in past jobs. However, suppressing criticism is a sure fire recipe for policy mistakes. If every critic gets a phone call from a government functionary asking them to back off, or gets targeted by the ruling party's troll army, many will tone down their criticism. The government will then live in a pleasant make-believe environment, until the harsh truth can no longer be denied. Constant criticism allows periodic course corrections to policy – indeed public criticism gives government bureaucrats the room to speak truth to their political masters. After all, they are not screaming the loudest in the room. Conversely, fulsome public praise crowds out the possibility that the government can be self-critical – even a whisper of dissent stands out. Governments that suppress public criticism do themselves a gross disservice.

India is going through a period of self-examination. Whatever the merits of an argumentative diverse society in the past, it is perfect for an India that wants to compete at the frontiers of production. It would be retrograde, indeed against our national interest, to give up this vibrant democratic society that tolerates and respects its diverse people and viewpoints for a more authoritarian, mono-cultural, majoritarian imposition. We must be vigilant against encroachments on our freedom fighters' vision of a strong, liberal India. It offers a model for coexistence to the world. In this year, the 150th anniversary of the birth of the Father of the nation, we must rededicate ourselves to preserving this model. Nani Palkhivala, that doyen of liberalism in India, would probably agree wholeheartedly.