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Interview – Parth J. Shah

Parth J. Shah is president of the Centre for Civil Society, an independent, nonprofit think tank in New Delhi, India. He founded the Centre in 1997 with the determination to improve the quality of life of all citizens of India by reviving and reinvigorating the institutions of civil society. It offers public policy solutions within the framework of the rule of law, limited government, and competitive markets.

Parth Shah received his B Pharm from the Maharaja Sayajirao University of Baroda, and his Ph.D. in economics from Auburn University in Alabama. He taught economics at the University of Michigan at Dearborn before returning to India to start the Centre. He has published academic articles in the areas of development economics, welfare economics, business-cycle theory, free or laissez-faire banking, and currency-board systems. In India his research has focused on private initiatives in and reforms of the education system and a property-rights approach to environmental problems and natural resource management.

He has edited *Friedman on India, Profiles in Courage: Dissent on Indian Socialism, Do Corporations have Social Responsibility?*, and co-edited *Law, Liberty, and Livelihood, The Terracotta Reader, and Agenda for Change*. He writes regularly for several newspapers and magazines. He is the youngest Indian member of the Mont Pelerin Society, the premier international association of classical liberals. We asked Shah to reflect for us on the purpose he sees for his life and how much progress he has made toward achieving it.

In Character: **What led you to this point? How did you start the Centre for Civil Society and what were its initial goals?**

Parth Shah: Actually, I was doing undergraduate studies in India in pharmacy and I came across a few books on philosophy and economics, particularly by Ludwig von Mises, Friedrich Hayek, and Milton Friedman, and through reading those books I realized that economics was a very powerful subject and economic systems would determine what kind of quality of life people would have. So I studied pharmacy in graduate school for a year in the U.S. and then switched over to economics. I knew that once I finished my economics degree I would come back to India and try to change the economic and political system of the country.

And so that is how the whole idea of starting a think tank began in my mind. And as I was spending more time in the U.S., I came to know many more of its institutes, the Cato Institute in Washington, D.C., the Mackinaw Center in Michigan where I was for some time while teaching at the University of Michigan. And so by working with them I learned how think tanks operate and what are the ways that one can, over a period of time, change the climate of opinion and thereby change the policies of the government.

While you were in school and as a young adult in India, what did you see as the major problems plaguing the country and did you at that point envision that there was an economic solution to them?

No, at that point I didn't see. The only problem that I remember being disturbed about was corruption. You read in the newspapers everyday stories about how some politicians, some businessmen, have been able to enrich themselves at the expense of the public. So that seemed to me to be the biggest problem. I never thought that a different economic system would be a solution.



Did you see yourself as being part of this solution to the corruption problem?

I think as a student in college, we did have some rallies and a few other activities of the kind that would draw attention to the corruption problem. But I don't think I really saw myself as doing anything to solve it in a significant way.

What were the things that struck you when you first came to the U.S.?

The one thing that struck me was how friendly the people were. I remember going to Boston. I didn't know where I was going when I got there. I just had an address of a friend. And the couple who were sitting next to me on the flight offered, after a brief chat, to drop me off at my friend's place, and after that they invited me to go to their house for Thanksgiving dinner and Christmas dinner. I was quite surprised that one can so easily meet others who would befriend you in the way that they did. So that was one thing I particularly remembered.

That kind of trust among strangers makes a huge difference in terms of what kind of economic and political system you have. I think given the openness of the system in the U.S., the people are used to trusting others, while in Europe, everyone seems to be mistrustful of everyone else. And I think that certainly is a result of the economic system.

You wrote a book called *Profiles in Courage: Dissent on Indian Socialism*. I was wondering if you could talk a little bit about that. Many people don't think that dissent from socialism is a form of courage.

One person profiled in the first chapter of the book is Professor B.R. Shenoy and he is one of the persons that stand out in my mind as the most important. He was a columnist and popular writer in the '50s and '60s, opposing the centralization of the economy and government controls and regulation of the economy, the Five Year plans – the Soviet-style model that India adopted for economic development – and he was actually laughed at. I talked to some of his students who worked with him at the time about how lonely he felt – how isolated from the academic circles. He wouldn't be invited to most of the academic gatherings. If he did show up, the other people would refuse to talk to him. But despite all the academic, professional, and social problems that he faced, he continued to speak the truth as he saw it.

You mentioned people that you met in the U.S. who inspired you in some way – the different leaders of think tanks here. Did the men that you talk about in *Profiles in Courage* serve as mentors for you? Did you know any of them personally?

I worked with Professor Shenoy, who himself is an economist and taught at the university here, and I considered him a role model and friend.

The description of the book explains that the seven men profiled “represent the men who fought against the British for political freedom and then against the Indian state for economic freedom.” Can you just explain these two separate struggles?

There is a very important distinction between political freedom and economic freedom. One of the reasons why I started the Centre on a particular date, August 15, 1997, was that it was fifty years to the day since we got formal independence from Britain. We gained our political independence, but we still do not have our economic and social independence from the Indian state. The seven people in the book spoke quite often about this difference. People had come to trust the Indian government so much that they did not realize that they were losing their own freedom to the Indian state.

They were losing their own economic freedom?

Yes. The Indian people have only been conscious of restrictions on their freedom when it was some other group of people, like the British, restricting them.

Since 1997, what progress do you think you've made in this fight for economic freedom? There are a number of different issues from education to business regulation that you have been working on. Where do you think you have been most effective?

Actually, the economic reforms began long before I started the Centre. The foreign exchange crisis India faced in 1991 caused quite a large amount of reform. But in terms of the Centre's contribution, the best thing we have done is to change the terms of public debate in many of these areas, particularly in education, in employment, and livelihood, and, to some extent, the media environment.

In education, people always talked about how government should spend more and more money to make education accessible to the poor. We changed the terms of the debate by saying that it's not how much the government spends but how the government spends it that matters.

We brought a lot of attention to a study that was done in the state of Kerala, which has the highest rate of literacy in India and very high indicators in terms of the United Nations Human Development Index (UNHDI). Kerala has a much higher life expectancy and a lower infant mortality rate. And its women's education is almost on par with men's education.

Most people have attributed these achievements to the Marxist government, which has been ruling the state of Kerala since 1957. And then what research actually showed was that it was not the Marxist government, but the private management of the education system that made the difference. When the government proposed to take over control of the education system in exchange for giving subsidy to the schools, there were protest lines across the state. People refused to give up their independence in running the schools. That the government failed in its takeover made it possible for Kerala to achieve its high rate for literacy.

There are quite a number of think tanks in America now that are devoted to some of these ideas, like school vouchers, but the Centre for Civil Society seems unique in India. Do you feel as though you are fighting an uphill battle with very few allies in a very big country?

That's true. Again it's part of the nature of the project in some sense and so one of the things that I had not realized when I came back to India in 1997 is how difficult it would be to find like-minded people. I had thought that out of one billion people you would easily find a few hundred people who would think along these lines. And so that surprised me that I couldn't find even a handful of people who would see a different way of solving India's problems.

Is the rejection of these ideas in the academic circles part of the problem?

Yes. And one of the reasons for that I think is the state-controlled education system. Professors at colleges are seen as civil servants and they receive lifetime tenure once they are appointed. Just like any other civil servant.

I think the intellectual climate also has played a big role. The leaders of India were very sympathetic to the socialist model of economic centralization in planning. And so that has been the intellectual current. Given the fact that the professors in the colleges don't face any competition in terms of anyone challenging their ideas and given the fact that everything is so centralized in the hands of few committees, it is very difficult to break through that mode of thinking. I tried to talk to professors about adopting a different economics textbook and they told me, "The first thing we need to do is go to this textbook committee at the college or university to ask them to adopt it, and only after that can we use it."

Are all the universities state run?

Not now. In the last five or six years, there have been quite a good number of private universities coming up. But they are largely in the professional areas, meaning in engineering, medicine, management, etc. But the full-fledged universities with the humanities and liberal arts are state controlled.

One of the big goals of the Centre is encouraging India to move away from an agrarian society. Isn't that just a cultural change that happens over time?

One of the biggest social problems in India is the caste system and the caste system gets dissolved as people move out of rural areas and into urban areas. There's a lot of research being done that documents quite well how that shift slowly changes the attitudes of people. And the way to create that shift is not to force people to move out of farm areas into cities, but to give them the

option of where they should live to make the best of their lives. The obvious answer, looking at the history of modern society, is that people will choose to urbanize, to concentrate in small geographical areas, which offer a greater division of labor and thereby increase productivity in individuals.

It is also good in many social and cultural ways. Individuals in urban areas are more aware of the larger culture and society of which they are a part. I certainly would not say we should formulate any policies to encourage it, but I would say that we should eliminate the barriers for people to move to cities.

What policies are in place that discourage people from moving to the urban areas?

The Chief Minister of Delhi recently gave a talk about the fact that there are 300,000 people coming into Delhi every year and that creates a problem for the government of Delhi to provide facilities and all of that. When there is a problem in Delhi, it has always been blamed on the recent migrants. And the same is true in many of India's cities. For example, in the Northeast of India, the biggest problem they talk about is how the people from Bangladesh are coming into India and how that has created a huge problem for the nearby government of the city of Calcutta.

During the election cycle, many politicians talk about how everyone should be given an ID card, which ties them to a particular location, and those who don't have a domicile in the city should not be allowed to stay in the city. Also, they try to limit licensing for street vendors. Most immigrants are going to be poor people, and so one way for them to start earning a living in a city would be as a street vendor. They buy food from the vegetable wholesale market and then retail it on the streets of the city. But just to do that simple act of earning a living, you need a license from the government and the government has fixed the number of licenses to be given out at about seventy-five thousand. Actually quite a few studies suggested the number of street vendors in Delhi is in the range of six hundred thousand. The majority of the people who are doing this business are acting illegally. And therefore they are in a constant state of harassment from the police and the municipal officers.

Similar laws apply to most entry-level positions, which are very strictly regulated. There is a surprising amount of support for these policies from the middle classes, which don't want the competition.

Speaking of competition, there's been a lot of talk here in the U.S. about outsourcing jobs to India. Could you offer your perspective on that? It seems like a positive sign for India that these new jobs are being created there. What do you think has led to the conditions where American companies are sending jobs overseas?

One unique thing to observe in outsourcing is that it is all done through the Internet. And the reason why this revolution has happened is because India did not have a ministry of Internet technology until recently. So the whole area of IT was completely overlooked by the government regulators and that allowed the industry to expand and be successful.

Do you think other businesses will follow suit?

Yes. I think one area which is developing quickly is pharmaceuticals. That is also largely a human-intensive activity as opposed to being a capital-intensive activity, which means that poorer countries can compete. Then there is a lot of discussion about India providing medical care to countries whose systems have created obstacles for patients. We have provided medical services to foreigners who have been waiting in long queues for surgeries. Quite a few of them from England and Canada come to India for that purpose.

Many people think the solutions to poverty and hunger in places like India are to be found in charity work – trying to alleviate suffering on an individual-by-individual basis. But you're trying to change the whole structure of the society. Why have you chosen this route?

It's quite understandable that people see so much suffering around them and anyone who is trying to relieve the suffering, how small a thing that may be, is always going to be seen as a moral hero. And Mother Theresa and many people who provide that service are always seen as that. It is not surprising given the kind of conditions people live in. But when you begin to think about it, people like Mother Theresa are treating the symptoms. Of course we need symptomatic relief, but you cannot have real relief from suffering unless you

treat the disease. That disease is poverty.

Every child is born into a family. So you ask yourself: why does the family abandon the child when it is physically handicapped or mentally handicapped? The reason is that they don't have the resources to take care of the child in a proper manner. But if the family had resources, then they probably would not abandon the child and there would be no need for a third party to help those who are abandoned. So if we want to solve this problem, we have to create a society in which most people, even poor people, are employed. In such a society then there would be fewer dependents and less need for charity.

Do people see your emphasis on self-sufficiency and independence as cold-hearted when compared with someone who does charity work?

I think on the first look, yes. Once you begin to point out all the arguments, then people come to see it and they agree that you can't only have Mother Therasas. You also need somebody else to finance the charity.

There are some pieces on the Centre's website that mention the tendency in India to blame a lot of the problems on being a former colony. Do you believe that's part of the issue?

There are large number of social and political organizations which perpetuate the idea that the problems of India are largely due to the fact that we have been colonized for three hundred years by the British. And there were Moguls who came to India and they actually colonized India for seven hundred years before the British. So the argument goes that for one thousand years, India has largely been an exploited colony. And that is the reason why we have the problems that we do.

A very simple rebuttal to that is that many countries were colonized at one point in time and many of them actually were much more oppressed than India ever was. And they have bounced back and are doing quite well. An example would be Hong Kong. It was a British colony until 1997 and then became sort of a Chinese colony after that. And Hong Kong's per capita income is actually about \$5,000 higher than the per capita income of its colonizers, the British.

Are you optimistic or pessimistic about the future of India?

Always optimistic, of course. It is very hard doing what we do if we are not optimistic.

Have things changed at all in terms of government support of your ideas? Have you gained more supporters in Parliament?

Yes. A new government has come to power recently. The Finance Minister has actually been a person who has come to our seminars and both the Finance Minister and the Prime Minister of India are quite sympathetic to the kind of work we are doing. On top of that, there are now quite a good number of young members of Parliament and we have developed a program where we have very fast lunch meetings with the members of Parliament to discuss specific policy issues. So we bring economic and social experts that we have been working with to make brief presentations on the problems in India and what are some approaches to solving them. And then have open discussions with the members of Parliament. That has been very well received and we have had good attendance for the programs that we have done so far.

I wanted to just ask you a little bit about being a man of purpose. Some of the studies that you've done have gained attention and there have been policy changes in the last several years. Do you enjoy these successes or do you always feel as if there's something else to be done? Are you able to savor these accomplishments?

I guess you are under constant pressure that there is so much to do. So it does not allow you to enjoy successes that much or for that long. We do sometimes have a get-together in the office when we hear the government announcing a policy that is along the lines that we have been proposing for some time. But it doesn't last for too long because after the celebration you realize there is so much more that's left undone. So it does, in a sense, put pressure on you to focus further ahead.

It's almost 11 p.m. there now. I guess it's not surprising that these society-changing projects require long hours, but do you have a family? How do they deal with your work schedule?

Well, actually when I started I was alone. I was not married. My parents lived quite far from here. My hometown is quite far from Delhi so I was initially pretty much by myself. I spent all of my time doing the work that I wanted to do. Then I did meet someone and I did get married about three years ago. But she works with me. So now we are both in the office almost 24 hours a day. We live on the second floor and the office is on the first floor.

Were you ever tempted to stay in the U.S. or live somewhere you didn't feel like there was not quite so much to accomplish?

Actually I did stay in the U.S. much longer than I initially had planned. There's no doubt that being a professor in America was great. I mean, I taught two days a week. I devoted myself to research, reading, and writing. And so that was very attractive. Initially I thought I would come back to India a year or two after I got my Ph.D., but I stayed for almost five more years. At that point, I had a health problem which required me to go into surgery. The night before undergoing the surgery I asked myself if something were to happen to me, what one thing I would regret not doing. And the immediate answer, of course, was that I had not gone back to India to do what I had always wanted to do. And so because of that, I simply resigned from my department the next year and came back to start the Centre.

Do you believe that you have a sense of purpose and how has that helped you?

I personally do. I do think it is a very important virtue. Some of my thinking in this area actually began by reading a few individuals and Ayn Rand was one of them. She considered human purpose a very important part of any good human life. I mean I don't know what else I would be doing if not this. I had the dream of doing this and that's actually what I am doing. I feel that I am doing what I was destined to do.