

# Amaresh Bagchi: Public Finance Economist Par Excellence

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A tribute to Amaresh Bagchi, a discussion of his academic career, his many interests in public finance and federalism, and an outline of his important contributions in policy formulation by a friend and colleague of many years

A pall of gloom descended on the National Institute of Public Finance and Policy (NIPFP) family in New Delhi when its members arrived at the institute on the morning of Wednesday, February 20. “Amaresh-da”, the man who everyone had seen for years was no more. There was disbelief, for they had seen him the day before. Little did they know that the man they admired had battled blood cancer for 12 years. He finally succumbed to it last month. Only a few knew of his battle, for he wanted to battle it alone.

Amaresh-da was a part of NIPFP for almost 28 years, and director for 10 of those years. The teacher, who many a youngster could walk to with his problems, will not be there to patiently listen and find solutions. Many young scholars from the institute and outside had spent hours learning the nuances of public finance data and discussing some theoretical or conceptual issue relating to tax policy, public choice, fiscal federalism or inter-governmental transfers. The NIPFP library was going to miss a regular visitor, who with his quest for knowledge could put many a youngster to shame. He looked at every new book that the library acquired, searched for papers to read and goaded others to read the good ones.

The pre-eminent scholar in applied public finance in India, Amaresh Bagchi, had an enthusiasm to learn and understand that was matched by few. He was

knowledgeable but unpretentious and modest, and willing to change his views if convinced and, of course, convincing him was not easy. Over the years his radical views moderated and he could see many of the controls and regulations that were intended to protect the disadvantaged had actually ended up harming them. He travelled long in the ideological highway and yet never embraced the market without moderation. While he agreed that the government’s benevolent role could not be taken for granted, he was not willing to go as far as to denounce the government as malevolent. Naturally, he was the bridge between the left and the right and was equally at home with scholars across the ideological spectrum.

## Outstanding Scholar

Amaresh Bagchi was a man immensely liked and respected by the public finance community. He was humility personified; he was humble and yet upright, generous in sharing, passionate in his views but open to change with the times, and simple to the core but sophisticated in thinking. It is difficult to think of another person like him. In his passing away, the public finance profession has lost an outstanding scholar, who analysed fiscal matters with his feet firmly on the ground, who always kept the interest of the poor and commoners at the back of his mind, and who recommended policies keeping in view the administrative constraints and realities. With his passing we have lost one of the votaries of change who served the cause of tax reform in the country in the last few decades with distinction.

Amaresh-da’s academic career followed an unusual path. He was born in Malda in West Bengal in August 1930, studied in

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Presidency College what was then Calcutta and after his master's degree joined government service as an officer in revenue administration in the income tax (IT) department. The 15 years he spent in the IT department was to be his strength in his subsequent academic career. While in service, he pursued some of high profile cases including those of prominent politicians from eastern India with unmatched tenacity, and he walked miles and miles to collect evidence facing not only inconvenience but also threats (see D N Ghosh, 'Amaresh Bagchi: A Tribute', EPW, March 1).

### Passion for Public Finance

As time went by, Amaresh-da found the work of the IT department too narrow for his liking and the academician in him woke up to pursuits in policy research. After a year at Centre for Economic Studies in Presidency College as a senior fellow, he returned to Delhi to complete his PhD on the 'Concept of Income in Taxation' at the Jawaharlal Nehru University. This is still perhaps one of the finest works on the subject and in fact, only last year Raja Chelliah had suggested that he revisit the area and write a book on the history of income taxation, a task he took up but remained incomplete. When he was first appointed in the revenue and banking department of the finance ministry in the mid-1970s, it was Manmohan Singh who got him to work in the department of economic affairs where at that time and again in the mid-1980s he had the opportunity to work with persons of rare intellect including Manmohan Singh himself, Bimal Jalan, Montek Singh Ahluwalia and Shankar Acharya.

Amaresh Bagchi's first love was public finance. Raja Chelliah fondly recalls his association with Amaresh-da since 1975 when he took up the ambitious task of building the think tank. Amaresh-da's involvement with the institution began from the time it was conceived. It did not require much persuasion for him to join the institute as its RBI chair professor in 1980, a position he occupied for two years before rejoining the ministry. He returned to the institute as its director in 1985, which he served with distinction until February 1995. Thereafter, he was the emeritus professor, the elder statesman at

NIPFP, and this gave him time to focus on research, interact with youngsters and do more policy work for the government.

As a member of the Eleventh Finance Commission, he was unhappy with the approach the commission took and particularly the way it dealt with the additional term of reference given to it in the wake of protestations on the recommendations by the then chief minister of Andhra Pradesh. He wrote a note of dissent highlighting the inappropriate design of the incentive-linked transfer scheme the commission recommended.

At the time of his death he was still engaged in serious research as a member of the commission on centre-state relations. He had put in efforts to complete the questionnaire of the commission, which he gave personally to some of his colleagues at NIPFP with the express command that we should find time to comment on it. His inquisitiveness, zeal, willingness and capacity to learn new things were as passionate and intense when he passed away as they were 30 years ago when I first met.

### Work on Taxation

Amaresh-da covered a vast canvass in his public finance research. His initial work was on taxation of income, but he later branched off into property taxation, value added taxation, and fiscal federalism and decentralisation. The experience of tax administration in the IT department in the early part of his career gave him significant advantage to undertake policy relevant research in income taxation. Although he wrote a number of important articles on income taxation, the perfectionist in him did not allow him to publish all he wrote including his doctoral thesis, which is a masterly work and is a must-read for any student working in the area.

A lot of research Amaresh-da undertook in the initial years was for various committees and commissions he served. Mention must be made of the early work on presumptive taxation in agriculture for the K N Raj Committee on taxation of agriculture in the early 1970s, which he served as an adviser. He probed the subject even after submitting the report and wrote a well researched article on agricultural

holdings tax. His work for the Committee on Fiscal Policy for Employment Generation chaired by V M Dandekar was equally impressive. The most important contribution by him was on value added tax. The Expert Group on the Reform of Domestic Trade Taxes in India in 1994-95, of which he was the convenor, provided a clear exposition of the problems of prevailing sales tax systems and explored reform options including alternative approaches to phasing out the contentious central sales tax. In the Tax Reforms Committee of 1991-92, he was one member Raja Chelliah relied on heavily.

The study on property taxation in West Bengal in 1983 in which he examined the alternatives of rental value and capital value systems for determining the base remains an important reference volume for students and practitioners of municipal finance. The study on tax administration he undertook in collaboration with Richard Bird and Arindam Das-Gupta was also an important contribution in this much neglected area.

Although tax system reform was his first love, he branched off into many other areas. The paper Amaresh-da wrote with Pulin Nayak, 'A Survey of Public Finance and the Planning Process: Indian Experience', for the International Seminar in Public Economics (ISPE) in 1990 which was published in the volume he edited with Nick Stern is a classic treatment of the subject that is much referred to.

### Interest in Federalism

In the latter part of his career, Amaresh-da developed a keen interest in fiscal federalism and intergovernmental finance and approached the subject from the perspective of theory rather than politics. His liking for the subject started with a review article he wrote on the two books by the Australian scholar, Russel Mathews in the *Indian Economic Review*. In subsequent years he went into the issue and my association with him took deep roots with the passage of time due to the common love we had for the subject. Indeed, Amaresh-da championed the cause of states' fiscal autonomy, was against imposition of conditionalities and therefore detested the proliferation of schemes which either constrained the states' fiscal freedom or

bypassed the states altogether in the centre's keenness to claim ownership of various schemes. For the same reason, he was against stipulating uniform tax rates in the state VAT and preferred that the Empowered Committee should agree on uniform floor rates which would enable individual states' flexibility.

### Kale Lecture

The most important contribution of Amaresh-da in intergovernmental finance was the Kale Memorial lecture, 'Fifty Years of Fiscal Federalism in India: An Appraisal', which he delivered at the Gokhale Institute of Politics and Economics in Pune in 2001. In that lecture he lamented the over-centralisation in economic policies and the attempt by the centre to intrude into areas legitimately belonging to the states, the failure to establish a common market and the inability to prevent segmentation through fiscal and regulatory actions by both the centre and the states, the faulty design of the transfer system and the resulting perverse incentives and the

inability of the centre to rein in subnational deficits and debt to ensure a hard budget constraint.

He had harsh words in the Kale lecture to say about the proliferation of central schemes. He pleaded for clarity in functions and adherence to the division in the Constitution, strengthening local governments, the need to have a fresh look at the tax assignments, access by sub-national governments to broader tax bases and above all, a rethinking of the role of planning. On the transfer system, he wanted the multiplicity of transfer handles to go and restoration of the role of the finance commission as envisaged in the Constitution. He liked to quote the expressions that I used often to characterise the shortcomings of finance commissions, "the tyranny of the base year" and "fiscal dentistry". Concluding the lecture, he stated, "For the federal structure to be stable and flexible, attention of both experts and wider public is imperative all the time. I shall feel rewarded if this talk helps to stimulate a wider debate on the issues of

federalism, and not merely fiscal federalism in India".

### Concern about Teaching

Amaresh-da was very much concerned about the quality of teaching and research in public finance. He often complained about the deterioration in academic standards and politicisation of institutions of excellence, including the one he loved the most, Presidency College. When the NIPFP initiated the four-week refresher training programme for university teachers, he was pleased and enthusiastically participated in teaching. He readily responded to the invitations to teach students at the Centre for Development Studies, Thiruvananthapuram, and the Indira Gandhi Institute of Development Research, Mumbai. He often lamented that West Bengal, with so many eminent economists, did not give much attention to the study of government finance. He was particularly unhappy that the fiscal health of West Bengal was in bad shape and wanted Asim Dasgupta, an eminent economist and the finance minister to do

## TISS-SaciWATERS Workshop on Research Methodology, April 17-30, 2008, Mumbai

The Tata Institute of Social Sciences, Mumbai, in collaboration with the South Asia Consortium for Interdisciplinary Water Resources Studies (SaciWATERS), Hyderabad, invites applications for a 14-day workshop on research methodology.

The workshop will comprehensively train participants in the philosophy, methodology and design of social science research, with a view to learning to use an inter-disciplinary approach and multiple perspectives to produce research that has an impact.

The workshop is designed for PhD scholars registered at an academic institution in India, who have completed at least one year of course work and who already have a research proposal or an advanced conceptualisation of their proposed research. The proposed research must be related to natural resource management, preferably on issues related to water.

Selection will be competitive. About ten selected participants will be given free boarding and lodging. Travel support is being considered. Participants who successfully undergo the training this year will be given preferential selection for an advanced workshop on analysis and writing to be held next year.

The application must include:

- (1) A 4-6 page essay on the proposed research.
- (2) A one-page note on what the applicant is seeking from such a workshop.
- (3) A curriculum vitae detailing the applicant's academic background, current academic affiliation, work experience, if any, and contact details.

Applications may be sent either (and preferably) as softcopy to Ms. Sharmila Joshi, Research Associate, at: [rmtiss@gmail.com](mailto:rmtiss@gmail.com).

Or

as hardcopy to Dr. Lakshmi Lingam, Professor, Centre for Women's Studies, Tata Institute of Social Sciences, Deonar, Mumbai 400 088, India.

The last date for receiving applications is March 25, 2008. Selected candidates will be contacted by March 28, 2008.

much more to remedy the situation. There was frustration, for he wanted the state to do well.

Amaresh-da's most important contribution to students is *Readings in Public Finance*, the book he edited in 2005. This is a fascinating compilation of some of the most important contributions on public goods, public choice theory, theoretical and policy issues in taxation, macroeconomic linkages of fiscal policy and fiscal federalism. The gem in the entire collection is surely the concluding essay he wrote on the book he admired, *Public Finance and Public Choice: Two Contrasting Visions of the State*, which recorded a week-long symposium between two giants in public finance, Richard Musgrave and James Buchanan. The symposium reviewed 50 years of developments in public finance. The former still believed in the benevolent state and the latter believed

that special interest groups can make the state malevolent. Amaresh Bagchi's essay in the readings succinctly captures his admiration for the two giants in public finance and must be savoured by students and experts alike.

In building the NIPFP, Amaresh Bagchi's contributions have been immense. Raja Chelliah counted on him for support and he got it in immense measure in the formative years. The 10 years he guided the institution as its director firmly placed the institution as a major think tank. He encouraged collaboration with other institutions, notably with the Indian Statistical Institute and Delhi School of Economics.

Amaresh-da edited some important books such as *Tax Policy and Planning in Developing Countries*, *State Finances in India*, the *Report of the Ninth Finance Commission: Before and After* and the *Readings in Public Finance* (referred to above).

He wrote extensively in *Economic and Political Weekly* on virtually every fiscal development in the last 40 years. He was close to Krishna Raj, the late editor of this journal, and would readily accede to his requests for papers on contemporary fiscal policy issues and often obliged him with editorials. The romance with EPW continued after Krishna Raj and went on until the very end. On several occasions, he would discuss with us the editorials he was writing to get our views on these subjects.

We will all miss Amaresh-da. And, for me, his advice and guidance in managing the affairs of NIPFP have been invaluable. He leaves behind a large community of friends who will miss him and his writings. Without Amaresh-da, we feel truly diminished in the world.