Lord Desai, Governor, Distinguished guests, Ladies and Gentlemen;

It is a great honour and privilege for me to be asked to preside over this inaugural lecture in memory of Prof. Brahmananda. The Governor and his colleagues deserve our gratitude and admiration for deciding to honour a professional economist. I consider this in keeping with the developmental role of the Reserve Bank. Our Central Bank is not just there to control money, credit and exchange rates or to manage the public debt and foreign exchange reserves. It has played a proactive part in many broader aspects of development. In this, I include not just several institutional initiatives such as the IDBI or the NABARD. Even more important, the Bank has played an active role in creating an intellectual climate, which can sustain sound development. This it has done through the quality and range of its own research and publications as also through supporting teaching and research in our universities and research institutions and setting up its own independent research institute. The memorial lectures are a part of this intellectual and educational endeavor; and it is in the fitness of things that one memorial lecture should honour the Economics profession.

Prof. Brahmananda is indeed one of our most outstanding and quintessential professional economists. I hope the Governor does not misunderstand me if I emphasise this larger aspect of Dr. Brahmananda's distinction and not just his association with the RBI in varying capacities. That is one reason for the RBI to honour him, but I suggest not the most important one. In honouring Dr. Brahmananda, we are honouring the highest traditions of the economist's profession. In terms of sheer scholarship and deep understanding of the whole vista of economic knowledge, few can rival Dr. Brahmananda. In fact, I can think of only two economists in India who can share this distinction of his – Prof. A.K. Dasgupta and Dr. Sukhomay Chakravarty. None of them are with us now.

Brahmananda was a dedicated teacher who encouraged and inspired several generations of economics students in India – and as Lord Desai pointed out, he occasionally saw to it that they did not go hungry. To his devotion for the teaching profession, he added an active life of research and publications – both academic and policy related and in all this, he made contributions of the highest quality. I attach even more importance to what I might call his collegiate contribution. It is not just that he was the life and soul of the Indian Economic Association for several decades or that he maintained close association with the International Economic Association. He cared for his colleagues, young and old, those whom he admired and who he thought needed encouragement. At every important occasion in the life of India's leading economists, he would be there, inquiring about their work, their health and their future plans. He visited my father-in-law in far away places like Shantiniketan when he heard that Prof. Dasgupta was not keeping well. I am sure many of us assembled here would bear witness to his constant solitude for our intellectual and other well-being.

The Reserve Bank brochure prepared for this occasion, refers to him as a sage and that about sums it all up. Once again, on behalf of the Economics profession, I would like to thank the Governor and his colleagues for giving us this memorable occasion.

For the inaugural lecture, there could not have been a better choice than that of Lord Desai – one of the most distinguished of Brahmananda's students who also is a scholar in the classical tradition and an inspiring teacher. The broad historical sweep of Lord Desai's Lecture and the wisdom of his remarks would certainly have been appreciated by his teacher, as I am sure they are appreciated by all of us this evening.

A Chairman is supposed to comment on the lecture just given. I would have been delighted to rebutt what Lord Desai calls his revisionism by some counter-revisionism of my own. My trouble is, I really did not find him much of a revisionist to day - though I know that generally, he loves to be so. I was taught in my undergraduate days by my teacher Prof. D. Ghosh that the drain theory should be largely discounted. I found confirmation of this later in the writings of many other economists – including Prof. A.K. Dasgupta. As for Lord Desai's criticism of post-war economic policies in India, that too, now is accepted wisdom. To be a revisionist now, he has to agree with Stiglitz or Samuelson or our own CPM – which I do not think he would like to do. I am afraid Lord Desai will have to try harder to maintain his image as a rebel by having his own critique of today's received wisdom.

If I have a bone to pick with him, it is on one or two minor points. I really doubt if you can blame India's post-Independence sins on nationalist or the pro-drain theorists. They may have been against foreign investment. They were certainly not against foreign trade. And they were not advocates of the public sector or of the Mahalanobis type of double-jump industrialization. All Indians then and now are for industrialization and most of us would advocate domestic production of investment goods, at least for the consumer goods industries – what you might call single-jump industrialization. Whatever may be the case for sequencing and pacing, it does not negate the case for some governmental pump-priming and planning as the example of the South-Asian tigers amply illustrates. As I understand it, Prof. Brahmananda also was not against a pro-active policy of industrialization. What he was against was the ambition of the Mahalanobis model.

The trouble about any drain theory is that if one defines drain as all forms of exploitation, waste and inefficiency, there could be many drains and each will have an element of truth. In my opinion, those who talked of the brain-drain like Prof. Jagdish Bhagwati were wrong. As his own example and that of Lord Desai shows, those who have drifted away are not lost to us. But we can still argue that it would be better if academic conditions in India were better and only a few had drifted away. Much the same can be argued about the other drain with which the bankers are familiar – the drain of savings from the rural areas to the urban areas. At one level, it is not a drain. But one could still argue that things would be better if there were more investment opportunities in the rural areas. Budget deficit on current account and indiscriminate subsidies are also a drain – as Lord Desai rightly suggests. But, one can also argue that in this age of consumerism, the passion for luxuries in the private sector is also a drain. Luxuries can be considered an incentive good – but then, the much-maligned gold can also be considered so. Is gold hoarding then a drain or not?

I have some reservations on Lord Desai's ideas on idle hoards. But I will resist the temptation to comment on them before studying them carefully. I am tempted, however, to follow his example and offer a suggestion to the Governor as a token of my gratitude to him for his generous hospitality to my wife and myself. I would like to remind him that Lord Desai's suggestion, although couched in monetary terms, is really a fiscal suggestion with a fiscal intent. It would therefore be appropriate for the Governor to forward it to the Honourable Minister in New Delhi.

Ladies and Gentlemen, you will all agree I am sure that this has been an occasion worthy of the memory of Dr. Brahmananda; and all of you by your presence in such large numbers have made it truly memorable. Thank you.