

2018 Commencement Address to Brandeis International Business School

by

Kaushik Basu

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The Dean of the Brandeis International Business School, Professor Peter Petri, the incoming Dean, Professor Katy Graddy—it feels odd to add the “dean” to Katy’s name since it was just the other day that Katy was a student in my Industrial Organization Theory class in Princeton—, graduating students, their parents and friends, and professors and staff of the university, it fills my heart with a sense of warmth and joy as I rise to speak on this important occasion.

The joy comes from partaking in the celebration of a great university and its students. A nation’s progress depends more critically on its universities and intellectual nurture than most people realize. There should be no surprise that Greece was the seat of philosophy and mathematics in the 4th and 5th centuries BC and it was also one of the world’s most advanced economies. Likewise, the Age of Enlightenment in Europe coincided with Europe’s rise as an economy. And I believe there is a close connection between the fact that United States is one of the world’s leading economies and that it has absolutely the best universities of the world.

As Louis Brandeis, who provides the eponym for your university, observed, “The greatest danger to liberty lies in the insidious encroachment by men of zeal, well-meaning but without understanding”. The university is that critical seat of *understanding*, which all nations need. Brandeis’ observation needs repetition today as the world reels with political leaders who have little understanding, and, to make matters worse, provide no evidence of being well-meaning either.

The second reason for my joy is personal. It feels good to see a university celebrate but I cannot deny that it feels even better when the celebration includes an award being given to me. It is an honor to receive the Dean’s award and to give this commencement address. Thank you.

I have been lucky in life. As a child growing up in Calcutta, I enjoyed solving puzzles and paradoxes. It was only after I went to the London School of Economics for my master's degree that I realized that solving puzzles and paradoxes could be a full time career—it is called research. And I decided that was what I wanted and so I became a professor. It was a decision made on a whim and *in my case* it clicked. I have led a life in which the lines between work and leisure are entirely blurred.

I loved the life of research and would have gone on doing so if it was not for that fateful phone call in the year 2009, on 9th August. At the end of my usual summer months in India, as I prepared to return to my job of Chairman of the Economics Department at Cornell, I got a phone call, out of the blue, from the Indian Prime Minister's office, to ask if I would consider becoming the Chief Economic Adviser to his government. I replied this was too big a question for a spot answer. Minimally I would need to talk to the Prime Minister to know what he had in mind. So on the following evening, on my way to the airport, I met with Dr. Manmohan Singh at his residence. At the end of our conversation I knew that this was something I would like to try my hand at.

From December 8th that year I moved to policymaking, and that would be my world for close to 7 years--nearly 3 years as Chief Economic Adviser to the Indian government and then 4 years as Chief Economist of the World Bank, in Washington.

Economics may be the only discipline in which when you refer to the world, you are expected to use the adjective 'real.' In its absence, we assume you are referring to some model. To be suddenly diverted from the modeled world and planted in the real world was a great learning experience. I am glad I did not spend a life-time in policymaking—temperamentally that would not suit me—but I feel blessed that I had the opportunity to take my ideas from books and journals to the real world; and now I am in a position to bring ideas from the real world back to research and analysis.

My early days in the world of policymaking were not easy. The then Prime Minister, Dr. Manmohan Singh, is a remarkable human being—honorable, modest

and honest, rare qualities in politics. India was fortunate to have had him at the helm and I was glad for the opportunity to work with him.

But the job was demanding. With inflation raging, the fallout of the US sub-prime crisis palpable in several sectors of India's economy, and fiscal strain building up as a result of repeated expenditure injections that we had to make to protect India against the global recession, it was round-the-clock work.

The only cheer came from my mother's unmitigated faith in me. She had turned 90 and she was certain that I could stop the countrywide inflation and maybe even the US sub-prime crisis. Her only problem was she was beginning to get confused between the words 'economist' and 'communist'. Proud, like mothers are, she told all and sundry that I was "one of the leading communists in India".

I tried to correct her. I gently explained her mistake to her, and then told her about my various engagements as an economist around the world, exaggerating a little, the way one does to make a parent happy. A few days later my wife asked me what I had told my mother because she was now calling up friends and relatives to say that she had made a mistake—that I was "one of the leading communists in the world."

Except for such moments of levity, it was onerous work, made more onerous by my acknowledgment that as a researcher I had led a life of indulgence—reading what I wanted to read, developing ideas primarily for their aesthetic beauty, whereas now, as a policymaker I decided to do what economists ought to do but at least I did not do as a researcher: strive to make the world a better place.

And there is scope for that. The world is going through a difficult phase. There is an explosion of narrow-mindedness, with effort to build walls to exclude 'others', and an alarming rise in xenophobic protectionism. Dear students, as you go out into the big wide world, into diverse careers, there will be good times and bad. You will have your own personal problems to attend to and you must attend to them. At the same time, I must urge you not to forget your global responsibilities, and to have concern for fellow human beings whatever their religion, race, gender or sexual orientation, and wherever they reside.

There are many species that survived thousands of years but eventually perished because they developed traits that were evolutionarily dysfunctional or failed to develop traits that would make their lives viable in a changing world. In a recent paper I call this the “dinosaur risk”—the risk that we human beings may become, like dinosaurs, a species carrying on merrily but on an evolutionary course that is not viable in the long run. If we do not make course correction, we, like the dinosaur, will go extinct.

Fortunately, we humans are probably the first species on earth able to analyze its own evolutionary predicament, and so have the capacity to make corrections and veer off the path to extinction. It is, for instance, now clear that if we continue to destroy the environment and pay no heed to climate change, we will go extinct. This is now known to all human beings—well, almost all. We are therefore trying to create global conventions and have rules and regulations which steer us off the path of this dinosaur risk.

But there are other risks. Global inequality is today reaching a level that is unconscionable and is bound to damage democracy and cause strife and turmoil. A simple calculation shows that the 3 wealthiest persons on earth have greater wealth than all the people of 3 vast nations—Angola, Burkina Faso, and the Democratic Republic of Congo, which together have a population of approximately 130 million.

As an economist I am aware that we need some inequality for the economy to function efficiently, for people to strive and work hard. But the inequality we have today is out of all proportions. Given that extreme relative poverty tends to make people lose their voice, this huge inequality is an assault on democracy. In the words of Louis Brandeis: “We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both.”

I think we need to bring the best of mind and morality to take on this challenge of inequality. It is not an easy task as we know from the failures of many a radical movement in the past.

As you go out into the world, let me give one piece of advice to you. This is not an advice on how to further your career, or do better wealth management for yourself. I am assuming you will take care of those without being urged to do so in a commencement speech. The advice concerns morality in personal life.

By morality I do not mean religion nor deontological codes written in some book. Many a religious person adheres to codes of behavior because they expect they will be rewarded by being sent to heaven. But that is not morality; that is profit-maximization.

I use the word morality in the sense in which it was used by the enlightenment philosophers from David Hume to Immanuel Kant. Morality is about compassion and kindness, about treating all human beings as equal, about trying not to do unto others what you do not want others to do unto you. This kind of morality is compatible with both atheism and theism, and with being deeply religious and irreligious.

We need to vote in elections with this moral hat on. When we do business and play the market we must have a self-enforced moral code, which comes from respect for other human beings, including future generations. The power of political leaders ultimately resides in the beliefs of ordinary citizens, in the choices that people make in the course of their daily lives. That is what gives us ordinary human beings a responsibility much bigger than most people realize. That we carry this out with diligence is therefore essential to preserve democracy, create a better world and, ultimately, to avoid the dinosaur risk.

Thank you.