

# Raja Chelliah: Father of India's tax reforms

*He'll be remembered for conceptualising and implementing India's tax reforms, even as his early books on fiscal policy are still widely referred to, says M Govinda Rao*

**R**aja Jesudoss Chelliah, a renowned economist, the doyen among Indian public finance scholars, the architect of tax reforms in the country is no more. He passed away on April 7, in Chennai after a brief period of illness. With his passing away, we have lost a peer, a scholar of eminence, a passionate reformer, an institutional builder and, above all, a genial human being. The National Institute of Public Finance and Policy (NIPFP) has lost its founder and many in the institute feel a personal loss. There is hardly anyone in the country today who has done so much for the cause of public finance teaching, research and reform and his passing away truly marks end of an era.

After graduating from the University of Pittsburgh, Dr Chelliah was in the National Council of Applied Economics Research (NCAER) for a short period where he worked on economic and functional classification of the budgets. He then moved on to the Rajasthan and Osmania universities, before joining the International Monetary Fund (IMF) where he rose to become the Chief of the Fiscal Analysis Division in the Fiscal Affairs Department of the Fund. Convinced that there is much to be done back in India to redesign the architecture, engineering and management aspects of fiscal policy, at the behest of the then Finance Minister C Subramanian, Dr Chelliah returned to India and started the NIPFP as a think tank to work closely with the Ministry of Finance, while remaining autonomous. The institute was started in a small room in the Planning Commission in 1976 with Dr Pulin Nayak being one of the earliest recruits. The strong foundation he laid and the tradition of policy research he established, has continued to shape the institution as a premier think tank on fiscal policy. Concerned about the quality of teaching and research in the universities in the southern part of the country, he started the Madras School of Economics, and nursed it from infancy to maturity. Very few people will have the stamina and courage to start an institution after the age of 70, but Dr Chelliah was different. He successfully nursed it as a rare institution of excellence in teaching, particularly in areas such as environmental economics, financial economics and actuarial economics.

Dr Raja Chelliah belonged to the rare breed of economists in the country who made tremendous con-



PORTRAIT: BINAY SINHA

tribution to applied research in public finance and provided strong analytical underpinning for fiscal policy calibration. From his seminal work on *Fiscal Policy in Underdeveloped Countries* in 1960, in which he expounded the fundamental problems of calibrating fiscal policy in underdeveloped countries, he went on to do research on a variety of issues ranging from the profound to the utterly practical. The above book is still a classic and is widely used as a learning tool by students and policymakers alike all over the developing world. In a career spanning almost 60 years, Dr Chelliah undertook his research on theoretical and policy issues on subjects such as concept of budget deficit, tax policy and reforms, allocative

**Few people have the courage to start something new when they're 70 years old, but that's what Chelliah did when he set up the Madras School of Economics**

and technical efficiency in public spending, sustainability of public debt in India and intergovernmental finance. His focus was not confined to fiscal policy issues alone; he put together an important book on *Income, Poverty and Beyond*, and was presently engaged in completing a study on regional equity.

Perhaps, no other economist in India has made as much contribution to the fiscal policy debate as Dr Chelliah has. His contribution to the design and implementation of tax reforms in India is particularly notable. He was the main architect of the tax reforms programme when the Government of India embarked on economic reforms in 1991. In fact, the Tax Reforms Committee (TRC) and the

Commission on Financial Sector Reforms (chaired by Narasimham) were the first two commissions set up when the economic reform programme was initiated by the then Finance Minister Manmohan Singh. Dr Chelliah served as member and chairman of several committees and commissions appointed by the Government of India and various state governments. He was a member of the Economic Administration Reforms Commission, Indirect Taxation Enquiry Committee, Planning Commission, Ninth Finance Commission and Fiscal Adviser to the Finance Minister. As a Chairman of the TRC, Dr Chelliah prepared the blueprint for tax reforms for the country, and it goes to the credit of Manmohan Singh that he appointed Dr Chelliah as fiscal advisor to the finance minister to implement the recommendations. His sphere of policy influence was not confined to India alone. He was appointed as the chairman of the Tax Reforms Commission in Zimbabwe (1984-85) and was called upon to advise the Financial and Fiscal Commission in South Africa. He undertook one of the earliest studies on fiscal devolution in Sri Lanka as well.

Dr Chelliah was not merely a policymaker, but also an academician of great standing. His basic study on *Fiscal Policy in Underdeveloped Countries* is, perhaps, the most profound contribution dealing with the problems of fiscal policy formulation in developing countries. The conceptual work he carried out at the IMF on alternative concepts of budget deficits provides rare insights into the dynamics of debt, deficits and economic growth. His study on trends in taxation in developing countries is one of the most widely-referred articles in public finance. He laid enormous importance not merely to what was written but also to how it was written. The focus always was communicating to the common man, and generations of public finance scholars have learnt this art from him. For me, he was always a teacher and an adviser and I had the distinction of co-authoring a book with him on *Trends and Issues in Indian Federal Finance* (1981) in early part of my career and we also published the *Survey of Research in Indian Fiscal Federalism* (1996) for the Indian Council of Social Science Research. We, at NIPFP, will surely miss his guidance, and the public finance scholars in the country will miss a scholar and a critique.

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