

Rakesh Mohan's great Odyssey



Rakesh Mohan's analysis of macroeconomic issues and monetary economics is nonpareil. Starting with first principles, he came out with many novel and sound central banking policies and made an enduring contribution to the RBI, says S. S. TARAPORE, in a tribute to the Deputy Governor who demits office on June 10.

Dr Rakesh Mohan will be laying down office as Deputy Governor, Reserve Bank of India (RBI), on June 10. A panoramic view of his career is difficult to encapsulate because of the array of subjects on which he has made significant and enduring contributions. If his

admirers, including the present writer, reveal a tinge of envy, the fault lies in Rakesh's sterling performance in the RBI!

The RBI is a very possessive institution — it would rightfully claim entire ownership of Rakesh by virtue of his contributions to central banking. Academics would, no doubt, claim their share by virtue of his having steered a number of research organisations of repute.

Real sector economists would claim that he belongs to their tribe, given his vast work on infrastructure. The Ministry of Finance (MoF) could claim that that RBI had merely twice borrowed Rakesh.

To top all, this the international financial community would stake its claim by virtue of his monumental reports which are reference documents in international financial circles.

The moral of this is that no single institution or body can claim exclusive rights over Rakesh.

After his academic pursuits at Imperial College London (in electric engineering) and Yale and Princeton (economics) he had a fruitful stint at the World Bank and then headed home. The first I heard about Rakesh was at a rather stormy RBI-Planning Commission meeting in

the early 1980s, when Professor A. M. Khusro told us about the pioneering work by Rakesh Mohan on housing.

As Economic Adviser, Ministry of Industry, he spearheaded the real sector reforms in the early 1990s. My first personal interaction with Rakesh was at a meeting in the Prime Minister's Office in 1991, when he handled senior decision-takers who were part of the dirigiste-controlled regime.

Contrary views

His advocacy of a more efficient liberalised system of industrial development predictably met stiff resistance, but Rakesh listened attentively to the contrary views, only to bring around key policymakers to his point of view!

His two stints in the MoF and two separate appointments as Deputy Governor RBI are indeed unique. From being Adviser to the Minister of Finance and Chief Economic Adviser, Rakesh came to the RBI as Deputy Governor.

Thereafter, he went back to the Ministry of Finance as Secretary Economic Affairs and, once again, came back to the RBI as Deputy Governor. Never in the annals of the RBI-MoF has there been a case of such to and fro movement of top officials.

I am arrogant enough to believe that I am best suited to assess Rakesh's two stints as Deputy Governor, especially as I handled virtually identical portfolios as him. Rakesh had confided in me that he had very little knowledge about monetary economics and that he would have a lot of learning to do before being able to contribute effectively to the RBI. I attribute this to his extreme modesty and his discipline of listening to other viewpoints before deciding on major policy issues.

The fact is that his knowledge and analysis of macroeconomic issues as also monetary economics is nonpareil. He had an open mind on key policy issues. Starting with first principles, he used empirical evidence and practical knowledge of central banking operations to come out with novel and sound central banking policies.

He was willing to take positions against the flow, which put considerable pressure on him but he bore these burdens without demur.

A feature of the RBI is that the Deputy Governor in charge of monetary policy functions is a punching bag to absorb criticism of the RBI, and Rakesh had his fair share of punishment, which is inherent in the job.

Far-reaching recommendations

The qualitative improvement in the RBI's official reports in recent years clearly bears his unmistakable imprimatur and these reports have received acclaim the world over. In the

upshot, his central banking skills excelled those who spent their entire working life in the central bank.

Rakesh was of the firm view that one should not shrink from taking policy stands that were anti-establishment and he stoutly resisted inroads into the domain of the RBI's responsibility. At the same time he was open to reason and logic. The RBI was fortunate to have had a Deputy Governor of his stature.

His appointment as Distinguished Consulting Professor at the Stanford Centre for International Development at Stanford University is not only an honour for him but for the RBI. Rakesh stands as a unique case where a member of RBI's top management was so honoured.

In a global economy in turmoil, it is a major achievement that Dr Rakesh Mohan was appointed as Chairman of the Working Group on Enhancing Sound Regulation and Strengthening Transparency (March 2009).

While this column cannot go into the details of this Report, suffice it to say that the Working Group's Report makes far-reaching recommendations to strengthen international regulatory standards, enhance transparency in global financial markets and ensure that financial markets, products and participants are appropriately regulated or subject to oversight. The authorities in all countries, particularly India, would do well to treat this Report as a reference document for action.

In my column of March 13, 2009, I discussed, in some detail, the Report of the Working Group chaired by Rakesh Mohan on Capital Flows and Emerging Market Economies (Bank of International Settlements) and this Report has been internationally acclaimed.

The Report of the Committee on Financial Sector Assessment (2009) set up by the Government was also Chaired by Dr Rakesh Mohan.

This Report presents the results of the assessment of India's financial sector along with a set of recommendations for the medium term of the next five years. Along with other Reports on the financial sector, it provides enough material for the next stage of implementation of financial sector reforms and this requires early consideration.

When the definitive history of the RBI of the recent period is written up, Dr Rakesh Mohan will be recognised as an architectonic thinker who made an enduring contribution to the RBI. I am sure many will join me in saluting Rakesh Mohan on his phenomenal achievements.

(This article was published in the Business Line print edition dated June 5, 2009)