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Book Review

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I DO WHAT I DO

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Following the demonetization move which happened three months after the exit of Rajan, 'I Do What I Do' was one of the most awaited books of last year. The book is a well organized compilation of speeches and articles given at various occasions. This book provides a running commentary of the actions and the rationale of actions that Rajan took during his short stint at RBI. Some of the selections include speeches and articles he wrote as the Chief Economist at the IMF and as Professor of Finance at the Baath School of Business. The title of the book comes from the sensational

headlines made by media after an interview where Rajan had proclaimed that ‘My name is Raghuram Rajan and I Do What I Do’. You will find why Rajan said this in this book. The words had prophetic value and achieved greater significance after the early exit of the writer from RBI and still more significance after 8th November, 2016.

The book has appeared after one year of the exit of Rajan as RBI Chief. It is not a coincidence as Rajan puts it. The silence of one year has been purposeful and the reason, as he puts in the introduction, ‘I did not want to intrude on my successor’s initial engagement with public, so I decided to stay silent on India for a year’. But even after one year the book gives us the glimpse at the wisdom of conservative banking as it is practiced at the RBI. This book is important in another sense that it explains the role of RBI Governor as the ‘primary technocrat managing the macroeconomic risks for the country’.

Rajan’s book was awaited more earnestly as it was likely to explain the melodrama behind the scenes of demonetization. But unfortunately, there is not even a single chapter related to the demonetization in this compilation. But Rajan speaks in bits and pieces about it when he says in Lalit Doshi Memorial Lecture that demonetization is not the solution for checking the growth of black money as money hoarders find ways to divide their hoard into smaller pieces. According to Rajan, the tax system was the main culprit behind the generation of black money. He has explained his

stance on demonetization in few paras in the introduction. But this book is not a ‘tell-all’ story.

Now, let me tell you what this book is all about. The first part of the book, aptly titled as ‘RBI Days’ presents us a visual picture of making of and thinking of Rajan as the Governor of one of world’s most prestigious central banks. The part takes you through a time trail. The first subpart is devoted to the appointment and challenges before the 23rd Governor of RBI. After the tapering tantrums of Ben Barnake and possibility of a hung parliament the world had put India in a group of Fragile Five emerging economies. The rupee was in free fall against the dollar and other international currencies. This required an all out effort. In his statement on taking office he has reposed immense faith in the personnel and institution called the Reserve Bank of India. He reproduces Rudyard Kipling- ‘If you can trust yourself when all men doubt you’ to explain the hard times RBI was going through.

RBI Days

This section is for everybody who wants to understand the making of monetary policy in India. You will come across many new concepts such as lazy banking, dosanomics, internationalization of rupee, authorities’ dilemma, five pillars of RBI’s Financial Sector Policies, Five Ps of Financial Inclusion and other in this book which are here to stay for some time. The speeches and running commentary of the writer takes you closer to Rajan as a good professor. Take for example, the case of Dosa Economics, where Rajan vary simply

explain why lower interest rates coupled with lower inflation rates were better than higher interest rate and higher inflation rate.

This section tries to answer the rationale behind various monetary reforms such as granting new bank licenses or why inflation targeting has been and should be the important objective of monetary policy in India. Rajan can be credited for institutionalizing the fight against inflation through the establishment of Monetary Policy Committee. In some other chapter the author tries to explain how some critics debate without theory or evidence and how some vested interests are wary of the competence and integrity of RBI staff. He puts it in plainly that these vested interests believe that the easiest way to twist the hands of the RBI is to take away its powers. He even questions the usefulness and the legitimacy of the committee reports appointed by the Government. He gives the case of Financial Sector Legislative Reforms Committee whose some recommendations were well thought but some appeared biased and motivated. As Rajan says that he is being diplomatic in putting up the ante but he has to raise the right questions. He seeks the attention of students and readers about what RBI is being asked to and forced do especially in cases such as RBI Dividend Policy. He vehemently puts why it is necessary to keep the central bank independent. He underlines that some people are trying to belittle the role of governor as just another bureaucrat or regulator. And he boldly puts that there is every reason to well define the role of RBI governor as apex technocrat in monetary matters.

As a reviewer I feel that the best part of the book is the parting letter written by Raghuram G Rajan to his colleagues at the RBI. In his letter Rajan writes about what has been achieved during his term and what remains to be achieved. Like a good crisis manager, he has sailed the Indian Economy through the turbulent times. And he shows the courage of returning to the academia without any grief or hesitation but with the assurance that he would be available to serve the country whenever needed.

In various articles in the first part Rajan has discussed about challenges and opportunities in banking in India today. It includes the discussion about the new bank license policy, stress in Indian banking, role of technology in ensuring financial inclusion and reforms required in the debt markets. But more importantly, he has discussed the financial inclusion in great detail. He refers to Francis Fukuyama to bring home the point why inclusive policies are needed for democratic functioning. He adds a fourth pillar to Fukuyama's three pillars and that pillar is free markets. He stresses that democratic accountability is more important than strong and efficient administration. He cautions policy makers, students and the public to not to get swayed by the talks so called efficient and bold administrators. He elaborates that Hitler's Germany was efficient but that does not mean that he was on the right path.

Throughout this book, you would find that though Rajan is in America but he knows the real India and knows how to filter out India. He explains the bipolar behavior of Indians cricket fans to elevate the Cricketers when they are winning to god like status (and

neglecting their obvious weaknesses) and to equally outright reject them when they are losing (again overlooking the positives in the loss). But a good economist must know that the equilibrium lies somewhere between these two poles.

In public life you would hardly find that a leader is showering praise on his deputies. Rather, everybody tries to undermine the works of colleagues but Rajan proves that he is different. He is all praise for and gives due credit for various reforms to the stalwarts in RBI such as Rakesh Mohan, Anand Sinha, Nachiket Mor, Urjit Patel, H R Khan and many others.

Global Financial Crisis

This is the shortest section in this book. But we could not have found any better person than Rajan to talk about Global Financial Crisis. Rajan was one of the few persons who predicted the crisis much before it happened. In fact, Rajan was extensively interviewed on the global financial crisis for the Academy Award-winning documentary film *Inside Job*. In 2005, Rajan delivered a lecture in Jackson Hole Conference where he had argued that very high incentives were being paid to the executives in the financial sectors for making money but they were penalized only lightly for the losses. This led them to create complex derivative products such as credit default swaps whose fallout was unknown to them. Rajan, anticipated a full blown crisis. But some ridiculed him and other rejected him. Time proved he was right.

But predicting the crisis was not enough and in the later collections in this section Rajan reminds us about the remedies that

were suggested by him to mitigate this Great Depression like crisis. Some of his ideas have become the part of post crisis regulation as Contingent Convertible Bonds and living wills. The study of this crisis wouldn't be complete without reference to these brilliant speeches.

The occasional pieces

The Occasional Pieces section belongs primarily to the era when Rajan worked at the IMF. His 'straight talks' (Quarterly Columns) and research works with Luigi Zingales and Arvind Subramniam (Current Chief Economic Advisor of India) and others would hit you through their compelling logic. Here, you will find why Capitalism doesn't rhyme with colonialism and why democracy can't be imposed by outside forces in countries like Iraq. You would find a skeptical Rajan when he explains why he doesn't believe in quick fix 'Magic Bullets' and unrealistic nature of economic modeling. The book concludes with discussion on cost and benefits of foreign aid and how it is not always useful, debt write offs and their consequences. But in the final piece it also talks about a looming futuristic problem which could be the Replay of the Great Game of acquiring commodity producing areas abroad as the growth of populous countries like India, China creates shortages of commodity resources.

To conclude, this is a very well architected book. Like a bioscope which creates a motion picture out of still images, this compilation creates a motion picture of Indian and World economy through apt commentary of the author. Though the book beautifully

connects with the audience due to its lucid language, it would be more readable for those who are acquainted with the economic terminology.