

MONEY, FINANCE, POLITICAL ECONOMY- GETTING IT RIGHT**DEENA KHATKHATE****Academic Foundation, New Delhi, 2009, pp. 385, Price Rs.995/-**

Review by

ERROL D'SOUZA**Indian Institute of Management, Ahmedabad**

This is a heritage collection of the articles published over many years in an array of journals by the author. The observations in these articles on a wide range of topics from political leadership to intellectuals, the bureaucracy, and the nature of economic policy are insightful and novel. Best of all, the communication is direct and there is no attempt to play in the shadows which is rare in the annals of policy related writings. Take for instance the chapter on Financial Liberalization. Most of the literature in this area exhorts the Chakravarty Committee to review the working of the monetary system set up in 1983 as a landmark committee that indicated the path of financial reform. Much critical acclaim has been directed at the Chakravarty Committee but this author is blunt that "it did not come up with any new insights into the financial system". In fact, he points out that a major claim of the committee that the fiscal deficit should be measured as net Reserve Bank credit to government was a reinventing of the wheel as the RBI's own economists had suggested that as far back as 1961! Similarly the author does not stop short and is frank to state that the RBI has become flabby and fossilized. But after having put his finger on a problem he provides recipes for change. A redefinition of the RBI's role is suggested and that it should present an audit to Parliament every quarter. Bank supervision should become the first charge on the RBI's management and the Bank should develop a short-term forecasting model as indirect monetary policy instruments gain in salience.

It is not just the redesigning of objectives and mechanisms for delivery that is the subject of the essays. The role of agency is discussed in detail as well. Leadership in a developing society is one such aspect. Khatkhate points out that most leaders are transactional leaders as they are always looking to compromise and so cannot take a society out of its current malaise. The need rather is for what the author calls a transforming type of leadership that does not court popularity, does not employ manipulative skill, and has a vision of how society should evolve. The role of intellectuals in the polity is also dealt with. Four kinds of intellectual types are identified – imitative, assimilative, asseverative, and creative. The imitative type borrowed wholesale from the West while the assimilative type sought to change society in tune with the times. Asseverative intellectuals seek the revival of the Indian value system in the interest of national regeneration whilst creative intellectuals are original and find new pathways. Indian intellectuals were insignificant in India's development as they were not independent and were looking for patronage. They always found rationalizations for public policy issues rather than critically evaluating them and the author illustrates the self-effacing nature of the Indian intellectual in a variety of ways.

With regard to the bureaucracy the author argues that on the achievement of independence it tended to perpetuate itself and paid only lip-service to a socialist pattern or planned economic development. Some arms of the civil administration were even unimaginative, timid, and conservative.

There are numerous other issues that the book engages with – monetary policy, inflation targeting, interest rate policy, critical appraisals of important publications on India by Prabhat Patnaik, Vijay Joshi and Ian Little, Ashok Desai, Shankar Acharya, and Partha Shome, as well as essays on the multilateral financial institutions and the financial crisis. A strong case is made (in an essay as far back as 1971) for removing existing restrictions on migration of high skilled individuals. According to latest estimates (World Bank, 2008) about 10 million people have emigrated from India and high skilled migrants are an increasing proportion of these over time. The author argues that brain drain is like the old development argument of a vent for surplus as long as surplus university graduates are produced. He argues for no restrictions on such migration and for permitting university and industry professionals to go abroad periodically so as to keep abreast of new developments. Also, countries should facilitate the temporary reflux of existing emigrants to encourage an eventual later permanent return, as well as permit the import of high quality foreign personnel for building up centres of knowledge. South East Asia and China have begun implementing this with the result that scientific advances have been faster there than in slumbering India. There are many grand visions in this book written by a razor sharp mind whose heart bleeds for India. The task of creating the calculus of consent whereby we act on that vision is an open one and we need to follow up with a debate on whether this will eventually be promoted best by coercion or by solidarity.

