

MYSURU LITERATURE FESTIVAL
18th November 2018

I am thankful to the organisers, in particular, Shubha and Sanjay for giving me this opportunity.

I must explain why I am here. Babloo, also known as Raghunandan, studied Engineering in Mysore and is now working in Delhi. His father Late Rajamani garu has been my guru in many ways for over three decades. Babloo wanted me to accept this invitation and, therefore, I am here to show my respect for shared values and importance of friendship.

The organisers gave me a very short notice, but full freedom to talk about any subject. I decided to talk about my experience as a writer.

My first writing was in 1956. I wrote for the Government Arts College, Anantapur, on "Evils of Caste System". I read it again before coming here. The theme remains relevant even today.

My next publication was in 1962 as a Research Scholar for Ph.D. My guide was V.V. Ramanadham. He had displayed a card on the wall, which said: "Even a fish would avoid trouble if it keeps its mouth shut." He had another card on the table. It said: "Your time is precious; don't waste it here." He was a rough disciplinarian. As a Research Scholar in Osmania University, for research articles for publication, the guiding principle was precision; not one superfluous word: every sentence should be hypothesis or derived from hypothesis or backed by empirical evidence. The result is that my writings generally have firstly, secondly, and thirdly; though not reader friendly, not elegant, but very clear. That habit continued almost all through my life.

My Ph.D. Thesis on Multi-level Planning was the next publication. That was the first full-fledged book in 1978. But, I was so diffident that I requested my friends to have a Seminar. It was arranged in IIPA, New Delhi. When I read the book recently, I found it very dense and very difficult to read. My obsession was with brevity and technical perfection – nothing else. The book was great success among select scholars; especially the regional planners, I came to be known as Multi-level Planning Reddy.

After this, some people thought that there were two Y V Reddys. One IAS Y V Reddy and another Multi Planning Y V Reddy. I referred to this book after all these decades since I was writing on Indian Fiscal Federalism. The analytical under-pinning of multi-level planning is relevant for Federalism. But I found that the analysis in the book of 1978 was apt, but too dense for expression in the current context.

Sometimes, what the writer considers as valuable may not sell much. In fact, sale of a book depends not only on the inherent worth, but also the willingness of people to accept that particular context. The best example is the book I wrote in 1985. I wrote a book on World Bank Borrowers' Perspective on the basis of my experience in the World Bank for five years. I was happy writing this book because it was full of insights. There was not much sales.

In 1988, I took Study Leave for nearly two years and wrote on contemporary policy issues. I felt that my knowledge had become out-dated. I also felt that in our own country we are missing out on important developments in theory as well as practice of policy. We were too stuck up

with socialist planning and ideological device(?). During the Study Leave attached to Osmania University, Staff College and London School of Economics, I studied relationship between state and market and privatisation, etc. I read a number of articles which I think were published either in newspapers or in research journals; a few abroad also. They were mostly contemporary economic policy issues with a journalistic flavour. Subjects covered were new like privatisation. Number of articles were published since I was on study leave. A collection of few pieces was published by Himalaya Book House in 1990. I believe that it contains the most important policy analysis of that period in India. Barring a few people like Bimal Jalan, very few economists bothered to notice them. What I wrote was of no interest to many others, but of great value to me in learning. Later that knowledge became handy in my work life also, especially in my association with economic reforms in 1993-95 and later in Central Bank.

I joined as Deputy Governor, Reserve Bank of India in 1997. I mentioned to my guru Dr. Rangarajan, the Governor that Monetary Policy and Central Banking are not my specialisation and I would like to learn the

subject. He told me that the best way to learn is by reaching. He said that if you have to teach, you will have to learn. He suggested that I take every opportunity to speak as Deputy Governor in the various fora and prepare diligently for that. Incidentally, the speeches are published in the Bank for International Settlement of Switzerland apart from the RBI Bulletin. Communication through speeches was one of the functions of Deputy Governor. From 1977 till 2008, for 11 years, my output was speeches as part of central bank communication. The communication had to be with a purpose, it had to be addressed to different segments, financial markets, common person, government, overseas investors, etc. The timing mattered. They had impact on the economy. It was serious business. I had to get up at 4.00 a.m. and prepare for the speeches. Three of my books containing selected speeches as Deputy Governor during the period of six years were published. One of them was published by Oxford University Press. It was very well received. This contained official explanation of inflation, interest rates, capital account management, etc. It was both education and information to a number of students and scholars.

The speeches as Deputy Governor had different objectives depending on the circumstances. Sometimes they are purposeful and sometimes educational, or clarificatory. Often, they are highly contextual. The audience may be from financial markets, governments, international rating agencies, etc. Speech addresses a particular gathering, but in reality it goes well beyond the wide audience. At the speaking event, questions are asked by media, if not audience. Sometimes questions are highly motivated by interested parties.

We have to be up-to-date also. We have to think on our feet and respond to questions. For example, on one occasion I was giving a speech in close door session. After the speech was over, I came out and I was getting into the car. The Press surrounded me and asked my reactions to the "serious developments". The Press was surging forward and panicking. I did not know of any developments at that point of time. I simply said: "it is very serious; it has serious implications. That is why I am rushing to the office. I will respond as soon as possible." I got into the car and drove down to my office. I tried to check up from my office. I was told that Kargil

War has broken out. The moral is simple. Sometimes you have to think on your feet and keep your mouth shut.

For purpose of releasing a speech, we wait till the delivery of the speech is completed. The Press often asks questions on the speech and that is the big challenge. Sometimes Deputy Governor has to be an instrument of Governor's ideas, with a plausible deniability by the Governor. Example is Goa speech, on which Governor and I worked together.

The speeches were a combination of valuable inputs received from experts, the institutional position and the personal inclinations and so, I was not the sole author, in reality. The major consideration in a speech is not how I feel like, but how the others relevant to our work will react to my speeches and how it affects the image of the institution, its policies and my own personal reputation.

When I became Governor, the position changed and was a more sensitive level of communication. More important, what the Governor does not say is more important than what the Governor says in his speeches. Every word that is used as to be carefully weighed. For example, to describe

the policy of liquidity, we have a whole range of adjectives – calibrated liquidity, liquidity as essential, liquidity as needed, appropriate liquidity, adequate liquidity, ample liquidity, etc.

Sometimes we spend hours in drafting a couple of sentences and nobody even notices what we try to do. I must mention two examples here. One related to Tobin Tax. There was significant capital coming into the country. The political leadership was very happy. I was warning against the dangers of too much capital inflow, and wanted some restrictions. All my efforts pleading with Government failed. So, I had to go public, but it had to be in academic context. It is my habit to share my speech with relevant officials in RBI, and only after consulting them, I finalise the speech. Two of the three people I consulted told me that this will have serious repercussions. I decided to take the risk and alert public opinion, government and financial markets to my concerns. I gave the speech at 5 p.m. in Bombay. I reach the office by 5.30 p.m. or so. Soon I got calls from Delhi. There was a big reaction from Delhi, apparently also from New York via Delhi. In a way, therefore, it had more impact than what I intended. I

was, therefore, forced to change some sentences in my speech which was delivered and which was already in public domain.

The next example is the opposite, where the speech did not have any effect. In January 2008, I gave a speech virtually warning the possibility of a global financial crisis and the fact that India was reasonably prepared in case it happens. I cannot say that there will be crisis nor can I say that we are sure of handling it because I may be accused of triggering a problem. We struggled for number of hours and together in the RBI we framed three sentences to say that: change in the direction of international capital flows cannot be ruled out and in such an eventuality, we should be prepared in advance which we have taken into account in our management of external sector. It was so convoluted that nobody even noticed this till after the crisis occurred in September 2008.

As Governor, all the speeches should have an underlying theme. The theme should be addressed to our society as a whole and should be on the following sentiment: "Trust me, I am in charge of money and finance. Your money is reasonably safe." Governor should also tell the Government what

is the best interest in the long term. The Governor should also put fear into the hearts of the regulated entities. They should know that the Governor is watching. At the same time, we should convince the depositors that Banks are a safe place to put their money in, but no guarantee! I retired in early September, 2008.

My speeches as Governor which were read with interest by some and with indifference by many, suddenly became very relevant once the global financial crisis hit in third week of September. At the instance of a publisher, I made a collection of speeches already delivered with an introduction. The title was "**India and the Global Financial Crisis: Managing Money and Finance**". This became the best seller.

I was invited to various Universities and to international conferences all over the world and in India. A dramatic change occurred in my work. My speeches were, therefore, meant only to inform, analyse, share the experiences and indicate the future challenges. I was a free man. I could talk freely about the issues.

At the same time, there were two constraints. I could not undermine my successors, and secondly, I was not a privy to up-to-date information which the incumbents have. Therefore, I had to be guarded in what I said. However, the time available for interaction of various scholars and policy makers in the world provided a unique opportunity to learn and to share the learning with the rest of the people. This was, perhaps, the first time that I could write with a view to communicate what I wanted to communicate and not research findings or institutional requirements, i.e. needs of RBI / Government. My select speeches were brought out in two volumes, though many were published in various journals.

In 2013, I was appointed as a Chairman of the Fourteenth Finance Commission. I had to observe silence during these two years. I was also in confinement within the country. I had to deal with all States and all political parties at the status of a Cabinet Minister. So, I was virtually dumb till end of 2014 when my term ended.

I was totally free and so, I thought of a book of my own. This was the moment of liberation. I could write what I wanted to.

Nobody was interested in my life till I became Governor. From the time I became Governor, many people wanted me to write my Memoirs. I think they were curious to know how I became Governor and what happens behind the scenes between the Governor and others, after becoming Governor. Initially, I was reluctant, but later I found that almost ten years have passed since I retired; so, it was time for me to find ways to Vanaprastha Ashram – retreat to the forest. Unfortunately, we do not have forests left. If there are forests, there is no refrigerator for storing Insulin. I created a small space in my house.

Once I decided to write my autobiography, I thought that I should do some reading. I read some autobiographies of central bankers of other countries. There was only one, Indonesian Central Banker among the emerging market economies who wrote his memoirs. In India, Narasimham wrote, but he was Governor for less than a year. C D Deshmukh wrote, but central banking was a very small part of his narration. I G Patel, and more recently Subbarao, have written some aspects of their working. Apart from that I read a few autobiographies of civil servants in India. I was impressed mainly only with one book by B.K. Nehru. This helped me, to some extent,

to know about what to write and what not to write. More important, it helped me understand the problems a writer faces.

Why write at all?

- Why does a bird sing? It is the duty of people in public office to write their experience to help the scholars and future generations.
- Next question, should it be in English or Telugu? I think in English, but I feel in Telugu. I decided to write Telugu first and then English, though almost concurrently.
- The real problem starts when I start writing; how detailed can we be?
- How does it affect the feelings of people in family, friends, institutions, etc?

If we consult them in advance, I have to honour whatever they say. Further, they will lose the freedom to deny some things in public though in their hearts of heart, they know the truth to be different. In any case, they did not know at the time the discussions took place that I am going to disclose our conversations sometime later in their life. So, is it appropriate to disclose such exchanges even if they were true? Perhaps, you can

disclose if I judge that it is in public interest to disclose and also it will not be offensive to the persons concerned. Then the problem is that the real picture will not emerge in the narration – only my recollection does. This is the biggest problem that I faced.

There is another issue. Many of the people with whom we are very close and love them, may not be involved in matters of public interest. But, at the same time, they may feel that their contribution to me in my life has not been acknowledged enough in the book if it is not disclosed.

At the outset, I depended on my recall. I could confirm with some friends. But it is not easy to get sources or old correspondence. Therefore, we have to depend on recall and mention about those matters about which we are certain, and be guarded if we are not certain.

Usually, there is a temptation to write one's own point of view and one's own actions. It is not easy to fully appreciate and even more difficult to records other's point of view. We have to make an effort to do this in a balanced manner. We cannot afford to lose readers interest by being too detailed. There is also a temptation to value the problems of yesterday with

the wisdom of today. It is also easy to write about "I told you so". It is also difficult for the reader to appreciate an incident of the past without reference to present even if it is sub-conscious. So, we have to handle this delicately.

Above all, there were number of technical details which may be necessary to understand complexities particularly at the senior level in policy making. But some readers may be interested in technicalities while others may not be. As a strategy, we decided to have long End Notes so that the narration is not distracted by technical details. Sometimes, inter-personal issues could also be incorporated in the End Notes.

While this is all about the substance, there is an issue about the style. My first draft read like an office note. I have been accustomed to writing office notes for 30 years. In some cases, it sounded like speeches by a central banker. In the past, the only time I wrote about my feelings without reference to profession was in 1956 when I was a college student.

As part of my preparation for this lecture, I recall all my writings from 1956. I tried to find out what I enjoyed most. I realised that what I enjoyed most was wring about myself.