Book Review

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Yaga Venugopal Reddy, *India and the Global Financial Crisis: Managing Money and Finance*, Orient Black Swain Pvt. Ltd., 2009. 368pp., ₹1920, ISBN: 9788125036944 (Hardback).

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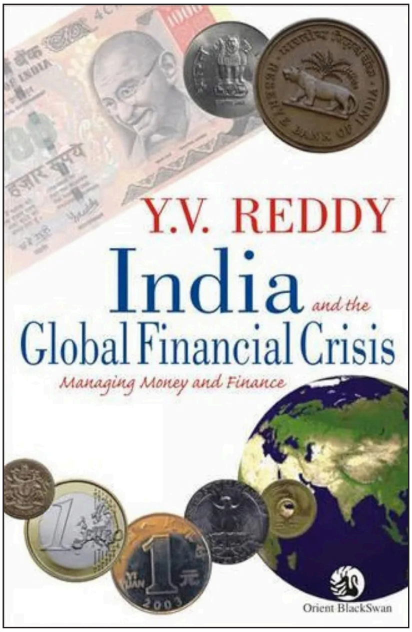

Over the last decade, several good books have been written. *India and the Global Financial Crisis: Managing Money and Finance* is a welcome addition to this list. The book is a compilation of twenty-three selected speeches delivered by the author as Governor of the Reserve Bank of India from September 2003 to September 2008, which was very eventful both for the national and global economy. Aravind Panagariya, former professor of economics at Columbia University and the former chairman of NITI Aayog, appreciates the author and says,

> At a time when the financial crisis rocked the global economy and banks around the world seen their capital bases melt away, Indian banks and other financial institutions remain in excellent health. The credit for this largely goes to the foresight of one man: Dr. Yaga Venugopal Reddy.

There are seven units in this book, with a long introduction of forty pages. The first unit of the book has four chapters. The first chapter of the first unit covers the role of public policy in global economic regulation. The author rightly described that economic integration occurs through three channels, namely moments of people, of goods, and finance or capital. The first movement of people, that is, the opportunities to move and connect freely that is the notable achievement of recent globalization (p. 42). By describing the second one, which is the movement of goods, the author emphasizes two types of barriers, namely natural barriers and artificial barriers, and the third one is capital movement for which interplay between technology and public policy becomes relevant.

The third section of the units deals with the challenges of the economy. By describing the challenges, Dr. Reddy chose to rewrite the monetary policy statement of RBI for January 2016 and April 2016, namely infrastructure, fiscal deficit, and agriculture are three critical issues for maintaining growth momentum. The poor state of infrastructure, both in terms of quality and quantity, is a matter of agitation for the business class and policymakers. By discussing the third factor, which is the fiscal deficit, Dr. Reddy rightly appreciated the fiscal consolidation policy of the government. However, he also addressed the issues of power subsidies and the quality of education and health services (p. 85). In the last part of the chapter, Dr. Reddy appreciated the macroeconomic efficiency of India in relation to the high-growth performers of Asia and noted the competitiveness of the Indian manufacturing industry, despite the higher per-unit power costs compared to other Asian economies. Dr. Reddy rightly pointed out the factors, namely political stability, anti-terrorism policy, woman empowerment, and demographic dividend are the measure factors for maintaining stability in the growth of the Indian economy.

In the last chapter of the first unit, Dr. Reddy shared the success stories and reform experiences of the Indian economy. The author narrated that unlike other countries, the Indian approach to reforms was gradual but steady rather than a big bank approach. The reforms have been viewed as a process rather than an event and were inclusive (p. 99). From 2003 to 2007, Indian economy entered a high-growth phase, with the GDP averaging 8.6% per annum. India's growth is mainly driven by domestic consumption, which contributed on average to almost two-thirds of overall demand. The second and third units of the book cover the different reform measures undertaken by the central bank to strengthen the financial sector of the country, particularly the banking sector. Some of the reform measures undertaken by the central bank are as follows:

- For improving efficiency and productivity of the system, clear and transparent guidelines were laid down. New private sector banks and foreign banks were allowed to compete with liberal entry norms (p. 122).
- A precondition clause introduced that new banks had to be fully computerized from ab initio.
- The equity base of most public sector banks was expanded by infusing private equity.
- To converge toward international practices, some of the global practices are included, namely risk-based capital standards, asset classification, provisioning requirements for non-performing assets and standard loans, exposure limits of single and group borrowers, and investment valuation norms.
- "To minimize settlement risk in the money, Govt. Securities and forex market the clearing corporation of India Ltd. Was established in 2002" (p. 123).
- Debt recovery tribunals were introduced for the adjudication of delinquent loans concerning banks.

The fourth unit of the book states the impact of different monetary policy instruments, that is, both direct and indirect instruments, in the short as well as in the long run: "In practice, the choice between direct and indirect instruments is not easy. While direct instruments are effective, they are considered inefficient in terms of their impact on the market" (p. 199). In the fifth unit of the book, Dr. Reddy discusses the communication prospects and problems of a central bank: "A central bank communication is varied and includes the general public, financial market participants, media persons, entities that it regulates, rating agencies, international and multinational bodies etc." (p. 223). The sixth unit covers the matter relating to capital account liberalization, which includes foreign exchange reserve management, government-owned investment vehicles and capital flows. The last unit covers global financial imbalances, their causes, and their impact on both national and international economies.

In summary, this book is a deeply researched piece of work in which Dr. Reddy appreciated the stand of India in the face of global financial imbalances and agreed that "despite soaring economic growth, real per capita incomes, and therefore the standard of living in the developing countries, remain well below those in the developed countries" (p. 335). The author's emphasis on inclusive growth for poverty eradication and on balanced reform in both real and financial sectors—to ensure there are no financial sector constraints on real sector activity—is worth noting. Overall, the book is remarkably successful in its objective of providing a sketch of the global financial imbalances, their impact on the Indian economy, and the reform measures undertaken during this crucial period.

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