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Economic Policies and India's Reform Agenda

Navigating through the debates between 2010 and 2012 on the continuing global financial crisis, this book is built on experience that is gifted with foresight and understanding of theory.



Economic Policies and India's Reform Agenda

Dr. Y.V. Reddy

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It is well-known that the Indian economy has registered lower growth rates in the last decade. What are the steps to be taken to lift the economy from the morass into which it is sinking?

Some of the best and the brightest individuals have thought over this and offered solutions to overcome this impasse. Dr. Y.V. Reddy belongs to this elite group. He is the Chairman of the Fourteenth Finance

Commission and was the distinguished Governor of the RBI from 2003 to 2008 and virtually buffeted the country from the depredations of the global financial crisis. In fact Joseph Stiglitz, the Nobel Laureate in Economics, declared, “ If only we had a Y.V. Reddy at the helm, America would not have faced a financial crisis.” It is essential to heed the voice of a pundit like Reddy.

This is Dr. Reddy’s latest book and comprises lectures he delivered at different fora. It tackles the Reforms agenda India has adopted which could possibly ignore the current debates on the latest crisis, the broader policy lessons and the burgeoning uncertainties that envelope the world economy. Reddy’s lectures herald new thoughts on economic policies with particular reference to the management of money, finance and external sector. The volume attempts to generate a discussion on the strategies that deserve to be adopted for development and the revised programme for reforming the economy.

Reddy formulates clearly what ought to be done for achieving a 9-10 per cent annual growth. Firstly, the level of domestic saving should be restored to pre-crisis levels and also it has to be enhanced significantly. Secondly, the climate for investment should be conducive to domestic investor. Small and medium business should be recognised and their scope for enlarging employment utilised. Vertical economic and social mobility has to be guaranteed.

Thirdly, Productivity has to be improved and the country should have the capacity to pay for all imports through exports. Fourthly, public sector capacity should be improved to overcome bottlenecks in our social infrastructure. Indian society demands a sense of fairness in public systems. Finally a stirring call is made to the private sector to ensure healthy standards of governance and ethical conduct. The task of attaining 9-10 per cent growth has to be attended to by both public and private sector.

The book is divided into three parts. Part one on ‘Economic Policy’ contains seven lectures focused on the macro economic policies starting with governance in central banks and concluding with an essay on new strategies for development. According to the author, Reserve Bank has to become “more central than they were before and with an enlarged mandate.” Dr. Reddy calls upon the International Financial Institutions to review their approaches regarding public debt management in the light of experience gained from the crisis. Reforms in the Financial Sector will have to take place with reference to global thinking and development.

The second part of the book — with six essays — is devoted to the Financial Sector and asserts that it is an integral part of broader economic policies serving the society at large. Dr. Reddy has presented a new approach to public sector banking. The current debate on strengthening of regulation of the Financial Sector should be expanded to cover ownership, governance, competition and regulation. Good and appropriate governance is the key to desirable performance of both the public and private sectors.

The third part on ‘Global Economy’ – five essays – is an exposition of new realities confronting developing economies and implications of the global economic developments for India. We have a succinct analysis of the recent global financial crisis, its implications and how it was tackled. Global crisis has unimagined consequences for developing countries. India has emerged as an influential nation in the global community of nations.

Two essays deal with Management of Capital Account, which has direct impact on stability of financial institutions and the Exchange Rate. One essay is devoted to India, EU and the World Economy. The final

essay is on the impact of global economic development and India. Dr.Reddy is of the firm view that India has a potential to play an influential role in the global economy because of its diversity in social, economic and political

The book is an outstanding contribution to the world of development and will be of immense use to planners, bankers, economists and students of economics.