Duvvuri Subbarao: Five years of leading the Reserve Bank – looking ahead by looking back

Text of the Tenth Nani A Palkhivala Memorial Lecture by Dr Duvvuri Subbarao, Governor of the Reserve Bank of India, at the Nani Palkhivala Memorial Trust, Mumbai, 29 August 2013.

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First of all, my sincere thanks to the Nani Palkhivala Memorial Trust, particularly Shri Y.H. Malegam, the widely respected Chairman of the Trust, for extending me the honour of delivering the Palkhivala Memorial Lecture for this year. I know many eminent thought leaders had delivered this memorial lecture in the past, and I attach a lot of value to adding my name to that very select list.

Nani Palkhivala

2. I did not have the privilege of meeting or interacting with late Shri Palkhivala. He was already a preeminent public intellectual in the country by the time I had entered the IAS in the early 1970s. But I count myself among the millions of educated Indians who were deeply impressed by Shri Palkhivala's commitment to protecting India's democratic institutions, and the intellectual vigour with which he did so. In a career spanning over six decades, he distinguished himself as a brilliant lawyer, a perceptive political scientist, an intelligent communicator and an erudite diplomat, leaving behind a legacy that continues to influence our public discourse in several areas.

Topic of my lecture

3. I deliberated quite a bit on an appropriate topic for a lecture to honour the memory of such an eminent public intellectual. I was also conscious of the fact that this will be my last public lecture as the Governor of the Reserve Bank of India (RBI). Quite understandably, given the Palkhivala context, my thoughts started centering around the role and responsibility of a central bank in a democratic structure. Central banks make macroeconomic policy that influences the everyday life of people; yet they are managed by unelected officials appointed by the government. Such an arrangement is deliberate, based on the logic that an apolitical central bank, operating autonomously within a statutorily prescribed mandate and with a longer time perspective, is an effective counterpoise to a democratically elected government which typically operates with a political mandate within the time horizon of an electoral cycle.

4. An autonomous and apolitical central bank is a delicate arrangement too, and will work only if the government respects the autonomy of the central bank, and the central bank itself stays within its mandate, delivers on that mandate and renders accountability for the outcomes of its policies and actions.

5. Putting the three elements of today's lecture context together – Shri Palkhivala's exemplary commitment to preserve and promote values and institutions of democracy in India; the Reserve Bank's role in the democratic edifice of India; and the completion of my term as the Governor of the Reserve Bank – I determined that the best way I can pay tribute to Shri Palkhivala is to focus on a topic that threads together these three elements. That explains my topic for today: "Five Years of Leading the Reserve Bank: Looking Ahead by Looking Back".

"May you live in interesting times?"

6. The Chinese have an adage: "May you live in interesting times." I can hardly complain on that count. I had come into the Reserve Bank five years ago as the "Great

Recession" was setting in, and I am finishing now as the "Great Exit" is taking shape, with not a week of respite from the crisis over the five years.

7. From a central banking perspective, history will mark the last five years for two distinct developments. The first is the extraordinary show of policy force with which central banks responded to the global financial crisis. This has generated a vigorous debate on the short-term and long term implications of unconventional monetary policies as also on the responsibility of central banks for the cross border spillover impact of their policies. The second historical marker will be the manner in which, reflecting the lessons of the crisis, the mandate, autonomy and accountability of central banks are being redefined in several countries around the world. Notwithstanding all the tensions and anxieties of policy management during an admittedly challenging period, I consider myself privileged to have led one of the finest central banks in the world during such an intellectually vigorous period.

8. Against that context, I want to divide my lecture today on "Five Years of Leading the Reserve Bank: Looking Ahead by Looking Back" into two segments. In the first segment, I want to look back over the last five years and give my assessment of the macroeconomic developments during this period and the Reserve Bank's response. In the second segment, I will address the major challenges for the Reserve Bank on the way forward.

I. Macroeconomic developments over the last five years and RBI's response

9. For analytical purposes, macroeconomic developments over the last five years can be divided into three distinct phases: (i) The global financial crisis and RBI's response; (ii) Exit from the crisis and RBI's struggle with growth-inflation dynamics; and (iii) The external sector strains which have accentuated over the last few months and RBI's efforts to restore stability in the currency market.

First phase (2008/09) – Crisis management

10. Given all the water that has flown under the bridge since then, the Lehman crisis of 2008 seems an eternity away. Yet, that was the reality that I faced within less than two weeks of taking over as Governor. My intent here is not to rehash the events of those days, but try and put that crisis – and therefore the policy response – in perspective.

11. In order to appreciate that perspective, just throw your mind back to those heady days of 2008. Recall that India was on the verge of being christened the next miracle economy. Growth was surging along at 9 per cent. Fiscal deficit was on the mend. The rupee was appreciating and asset prices were rising. There were inflation pressures but the general perception was that inflation was a problem of success, not of failure. Most importantly, we thought we had "decoupled" – that even if advanced economies went into a down turn, emerging market economies will not be affected because of their improved macroeconomic management, robust external reserves and sound banking sectors.

12. The crisis dented, if not fully discredited, the decoupling hypothesis. It affected virtually every country in the world, including India. So, why did India get hit? The reason was that by 2008, India was more integrated into the global economy than we recognized. India's two way trade (merchandize exports plus imports), as a proportion to GDP, more than doubled over the past decade: from about 20 per cent in 1998/99, the year of the Asian crisis, to over 40 per cent in 2008/09, the year of the global crisis.

13. If our trade integration was deep, our financial integration was even deeper. A measure of financial integration is the ratio of total external transactions (gross current account flows plus gross capital account flows) to GDP. This ratio had more than doubled from 44 per cent in 1998/99 to 112 per cent in 2008/09, evidencing the depth of India's financial integration.

14. What this meant was that as the global financial and economic conditions went into a turmoil, we were affected through trade, finance and confidence channels. The Reserve

Bank responded to the crisis with alacrity, with policies aimed at keeping our financial markets functioning, providing adequate rupee liquidity, and maintaining the flow of credit to the productive sectors of the economy.

Lessons in crisis management

15. As someone said, this crisis was too valuable to waste. In the event, we learnt several lessons in crisis management. I will only list the important ones. First, we learnt that in a global environment of such uncertainty and unpredictability, policy action has to be swift, certain and reassuring. Also, during crisis times, it helps enormously if governments and central banks act, and are seen to be acting, in concert. Second, we learnt that action is important, but communication is even more important. When the economic environment is uncertain, market players and economic agents look up to governments and central banks for both reassurance and clarity. Indeed, communication was a critical tool all central banks, including India, adopted in those heady autumn days of 2008.

16. The third lesson we learnt is that even in a multi-nation crisis, governments and central banks have to adapt their response to domestic conditions. There is typically pressure on every country to copy the crisis response of other countries, especially of advanced economies (AEs). For example, AEs were forced to resort to quantitative easing (QE) to loosen monetary conditions, raise inflation expectations and lower real interest rates. Was there any need for emerging market (EM) central banks to do so? I believe there wasn't because they had sufficient conventional ammunition left. Instead, what we had to show was that we were fully prepared to use it.

17. While on the subject of crisis, I also want to share with you a dilemma. Crisis management is a percentage game. We have to do what we think has the best chance of reversing the momentum. At the same time, we have to weigh the short-term benefits against the longer term consequences, including moral hazards. In 2008, massive infusion of liquidity was seen as the best bet. Indeed, in uncharted waters, erring on the side of caution meant providing the system with more liquidity than considered adequate. This strategy was effective in the short-term, but with hindsight, we know that excess liquidity may have reinforced inflation pressures. In the thick of the crisis, the judgement call we had to make was about balancing the benefits from preventing a crisis against the costs of potential inflation down the line. Remember we were acting in real time. Analysts who are criticising us are doing so with the benefit of hindsight.

Second phase (2010/11) – Exit from the crisis

18. India recovered from the crisis sooner than even other emerging economies, but inflation too caught up with us sooner than elsewhere. Inflation, as measured by the wholesale price index (WPI), which actually went into negative territory for a brief period in mid-2009, started rising in late 2009, and had remained around 9–10 per cent for all of 2010 and much of 2011, reflecting both supply and demand pressures. Supply pressures stemmed from elevated domestic food prices and rising global prices of oil and other commodities. Demand pressures stemmed from rising incomes and sudden release of pent up demand as recovery began. The supply shocks and demand pressures combined to trigger a wider inflationary process. We were caught in the quintessential central banking dilemma of balancing growth and inflation.

19. In response to the inflation pressures, the Reserve Bank reversed its crisis driven accommodative monetary policy as early as October 2009 and started tightening. We have been criticized for our anti-inflationary stance, ironically from two opposite directions. From one side, there were critics who argued that we were too soft on inflation, that we were late in recognizing the inflation pressures, and that even after recognizing such pressures, our "baby step" tightening was a timid and hesitant response. Had the Reserve Bank acted quickly and more decisively, inflation could have been brought under control much sooner. From the other side of the spectrum, we were criticized for being too hawkish, mainly on the

argument that there was no need for the Reserve Bank to respond to inflation driven largely by food and supply shocks, and that we only ended up stifling growth without easing inflation pressures.

20. Let me respond to this criticism from both ends of the spectrum.

21. To those who say that we were behind the curve, my simple response is to recall the context of the years 2010 and 2011. Much of the world was still in a crisis mode, the eurozone crisis was in full bloom and there was a lot of uncertainty globally. And as we learnt from the experience of the 2008 Lehman episode, we remained vulnerable to adverse external developments. Our “baby steps” were therefore a delicate balancing act between preserving growth on the one hand and restraining inflation on the other.

22. With the benefit of hindsight, of course, I must admit in all honesty that the economy would have been better served if our monetary tightening had started sooner and had been faster and stronger. Why do I say that? I say that because we now know that we had a classic V-shaped recovery from the crisis, that growth had not dipped in the Lehman crisis year as low as had been feared, and that growth in the subsequent two years was stronger than earlier thought. But remember, all this is hindsight whereas we were making policy in real time, operating within the universe of knowledge at that time. Just as an aside, this episode highlights the importance of faster and more reliable economic data for effective monetary policy calibration.

23. Let me now respond to the doves who argue that the Reserve Bank was too hawkish in its anti-inflationary stance.

24. First, I do not agree with the argument that the Reserve Bank failed to control inflation but only ended up stifling growth. WPI inflation has come down from double digits to around 5 per cent; core inflation has declined to around 2 per cent. Yes, growth has moderated, but to attribute all of that moderation to tight monetary policy would be inaccurate, unfair, and importantly, misleading as a policy lesson. India’s economic activity slowed owing to a host of supply side constraints and governance issues, clearly beyond the purview of the Reserve Bank. If the Reserve Bank’s repo rate was the only factor inhibiting growth, growth should have responded to our rate cuts of 125 bps between April 2012 and May 2013, CRR cut of 200 bps and open market operations (OMOs) of `1.5 trillion last year.

25. Admittedly, some growth slowdown is attributable to monetary tightening. Note that the objective of monetary tightening is to compress aggregate demand, and so some sacrifice of growth is programmed into monetary tightening. But this sacrifice is only in the short-term; there is no sacrifice in the medium term. Indeed, low and steady inflation is a necessary precondition for sustained growth. Any growth sacrifice in the short term would be more than offset by sustained medium term growth. I want to reiterate once again that the Reserve Bank had run a tight monetary policy *not because it does not* care for growth, *but because it does* care for growth.

26. Critics of our monetary tightening must also note that our degrees of freedom were curtailed by the loose fiscal stance of the government during 2009–12. Had the fiscal consolidation been faster, it is possible that monetary policy calibration could have been less tight.

27. And now let me respond to the criticism that monetary policy is an ineffective tool against supply shocks. This is an ageless and timeless issue. I am not the first Governor to have to respond to this, and I know I won’t be the last. My response should come as no surprise. In a $1500 per-capita economy – where food is a large fraction of the expenditure basket – food inflation quickly spills into wage inflation, and therefore into core inflation. Indeed, this transmission was institutionalized in the rural areas where MGNREGA wages are formally indexed to inflation. Besides, when food is such a dominant share of the expenditure basket, sustained food inflation is bound to ignite inflationary expectations.

28. As it turned out, both these phenomena did play out – wages and inflation expectations began to rise. More generally, this was all against a context of consumption-led growth, large fiscal deficits, and increased implementation bottlenecks. If ever there was a potent cocktail for core inflation to rise this was it. And it did – rising from under 3 per cent at the start of 2010 to almost 8 per cent by the end of the next year. It is against this backdrop that our anti-inflationary stance in 2010 and 2011 needs to be evaluated.

Third phase (2012/13) – Pressures in the external sector

29. Remember, I began my speech with the old Chinese saying – "May you live in interesting times." So, as inflation began to moderate yielding space for monetary easing to support growth, we got caught up with external sector strains over the last two years and a sharp depreciation of the rupee over the last three months. There has been dismay about the ferocity of depreciation; there has also been a growing tendency to attribute all of this to the "tapering" of its ultra easy monetary policy by the US Fed.

30. Such a diagnosis, I believe, is misleading. Admittedly, the speed and timing of the rupee depreciation have been due to the markets factoring in "tapering" by the US Fed, but we will go astray both in the diagnosis and remedy, if we do not acknowledge that the root cause of the problem is domestic structural factors.

31. What are these structural factors? At its root, the problem is that we have been running a current account deficit (CAD) well above the sustainable level for three years in a row, and possibly for a fourth year this year. We were able to finance the CAD because of the easy liquidity in the global system. Had we used the breathing time that this gave us to address the structural factors and brought the CAD down to its sustainable level, we would have been able to withstand the "taper". In the event, we did not. We therefore made ourselves vulnerable to sudden stop and exit of capital flows driven by global sentiment; the eventual cost of adjustment too went up sharply.

32. But what drives the CAD so high? Basic economics tells us that the CAD rises when aggregate demand exceeds aggregate supply. There is an argument that this logic is not applicable to us in the current juncture given the sharp slowdown in growth. But we need to recognize that the CAD can increase substantially even in a low growth environment if supply constraints impact both growth and external trade as has been the case with us.

33. The only lasting solution to our external sector problem is to reduce the CAD to its sustainable level and to finance the reduced CAD through stable, and to the extent possible, non-debt flows. Reducing the CAD requires structural solutions – RBI has very little policy space or instruments to deliver the needed structural solution. They fall within the ambit of the government. Structural adjustment will also take time. In the interim, we need to stabilize the market volatility, a task that falls within the domain of the Reserve Bank.

34. It is the avowed policy of the Reserve Bank not to target a level of exchange rate and we have stayed true to that policy. Our efforts over the last few years, particularly the last three months, have been to smoothen volatility as the exchange rate adjusts to its market determined level so as to make the near-term cost of adjustment less onerous for firms, households and banks.

35. There has been criticism that the Reserve Bank's policy measures have been confusing and betray a lack of resolve to curb exchange rate volatility. Let me first of all reiterate that our commitment to curbing volatility in the exchange rate is total and unequivocal. I admit that we could have communicated the rationale of our measures more effectively.

36. But our actions were consistent. Our capital account measures were aimed at encouraging inflows and discouraging outflows. Also, we tightened liquidity at the short end to raise the cost of short-term money so as to curb volatility. At the same time, we wanted to inhibit the transmission of the interest rate signal from the short end to the long end as that

would hurt flow of credit to the productive sector of the economy. So, we instituted an Indian version of “operation twist”.

37. I must reiterate here that it is not the policy of the Reserve Bank to resort to capital controls or reverse the direction of capital account liberalization. Notably, the measures that we took did not restrict inflows or outflows by non-residents.

II. Challenges for the Reserve Bank on the way forward

38. Now let me turn to the second part of my lecture. Several times over the last five years. I have often been asked about the challenges for the Reserve Bank on the way forward. As I finish my term as Governor of this great institution, this is a question that has been playing repeatedly in my mind. I am deeply conscious that this is not a seminar, so I will highlight, but only briefly, four challenges that the Reserve Bank will need to address in order to remain a premiere policy institution.

Managing policy in a globalizing world

39. The first challenge on my list is for the Reserve Bank to learn to manage both economic and regulatory policies in a globalizing world. The global financial crisis, the eurozone sovereign debt crisis as well as the currency market volatility over the last few months have emphatically demonstrated how external developments influence our domestic macroeconomic situation in complex, uncertain and even capricious ways. In making our policies, we have to factor in external developments, particularly the spillover impact of the policies of advanced economies on our macroeconomy. This will become even more important as India’s integration with the global economy increases. Surely, globalization is a double edged sword. It comes with costs and benefits. The Reserve Bank needs to sharpen the analytical and intellectual rigour to make policies that exploit the advantages of globalization and mitigate its risks.

40. Over the last five years, as an institution, we have learnt quite a lot about managing policy in a globalizing world. Yet the learning curve ahead is steep. My wish is that the Reserve Bank should take the lead in setting standards for how an emerging market central bank manages policies in a globalizing world. In other words, we should become the best practice that other central banks emulate.

Knowledge institution

41. The second on my list of challenges is that the Reserve Bank must position itself as a knowledge institution. The crisis has shown that knowledge matters. Those central banks which are at the frontiers of domain knowledge and are pushing the envelope in terms of policies and actions will be better equipped to deal with the complexities of macroeconomic management in an increasingly dynamic and interconnected world.

42. There is obviously no template or manual for becoming a knowledge institution nor is there a comprehensive list of attributes. Becoming a knowledge institution is a continuous process of learning from the best practices in the world, oftentimes reinventing them to suit our home context, pushing the envelope, asking questions, being open minded, acting with professionalism and integrity and encouraging an institutional culture that cuts through hierarchies. The Reserve Bank will also need to review its HR policies so as to build a talent endowment that can meet the challenges on the way forward.

Keep your ear close to the ground

43. When I was appointed Governor of the Reserve Bank in 2008, I went to call on the Prime Minister before I took charge. A man of few words as we all know, he told me one thing that stuck in my mind: “Subbarao, you are moving from long experience in the IAS into the Reserve Bank. In the Reserve Bank, one runs the risk of losing touch with the real world.

With your mind space fully taken up by issues like interest rates, liquidity traps and monetary policy transmission, it is easy to forget that monetary policy is also about reducing hunger and malnutrition, putting children in school, creating jobs, building roads and bridges and increasing the productivity of our farms and firms. Keep your ear close to the ground."

44. In the five years that I have been at the Reserve Bank, I have followed this wise counsel to the best of my ability. We have introduced a number of initiatives. The outreach programme of village visits by top executives of the Reserve Bank, village immersion programme for our younger officers, town hall shows and meetings with focus groups, conferences with frontline managers, conventions of business correspondents, to mention some of the important ones.

45. As a result of all these initiatives, the Reserve Bank is more conscious today than before that the policies it makes have a meaning if, and only if, they make a positive difference to the real world. For example, one of the core concerns of the Reserve Bank's anti-inflationary stance is that inflation hurts, but hurts the poor much more than the better off. But the poor are not an organized, articulate lobby. As a public policy institution, the Reserve Bank has the responsibility to make that extra effort to listen to the silent "voice of the poor".

46. Outreach is not a discrete task; it is a continuous process. As I said earlier, the policies of the Reserve Bank impact the everyday lives of people. The Reserve Bank will remain a useful and relevant institution only if it is able to understand the hopes and aspirations of ordinary people and factor them into its policy calculus.

Autonomy and accountability

47. The crisis over the last five years has reopened some fundamental questions about central banks – their mandates, the limits to their autonomy and the mechanisms through which they render accountability. These questions are playing out in India too. Several committees have suggested that the mandate of the Reserve Bank should be narrowed on the argument that its currently broad mandate is diluting its focus on price stability – the core concern of monetary policy. The Financial Sector Legislative Reforms Commission (FSLRC) which submitted its report to the Government in March this year has argued that the mandate of the Reserve Bank should be restricted to monetary policy and regulation of banks and the payment system.

48. In the context of the mandate of central banks, one needs to keep in mind that the global financial crisis was a powerful rebuke to central banks for neglecting financial stability in the pursuit of price stability. In the immediate aftermath of the crisis, which saw the US Fed and other central banks provide liquidity in spades and use unconventional tools, a consensus had emerged that financial stability needed to be explicit in the objectives of monetary policy. Then the euro zone debt crisis forced the ECB to bend and stretch its mandate to bail out sovereigns, in essence implying that a central bank committed to financial stability could not ignore sovereign debt sustainability. Put differently, the fundamentalist view of a central bank with a single-minded objective (price stability), and a single instrument (short-term interest rate) is being reassessed across the world.

49. The jury is still out, but a consensus is building around the view that central banks now need to balance price stability, financial stability and sovereign debt sustainability. How this is to be achieved is the big question.

50. Clearly there are no easy answers. But there are certain tenets that must inform the thinking over this issue. First, the fundamental responsibility of central banks for price stability should not be compromised. Second, central banks should have a lead, but not exclusive, responsibility for financial stability. Third, the boundaries of central bank responsibility for sovereign debt sustainability should be clearly defined. Fourth, in the matter of ensuring financial stability, the government must normally leave the responsibility to the regulators, assuming an activist role only in times of crisis.

51. The crisis has made a strong case for a more expanded role for central banks. Do we ignore all that, and fall back on the old understanding of what a central bank should or should not do to change the RBI's remit and scope of influence? That could turn out to be sub-optimal, even risky.

52. Related to all this is the question about the limits to the autonomy of the Reserve Bank and where and to what extent it should defer to the executive. Finally, there are also questions about the accountability of the Reserve Bank for the outcomes of its policies.

53. As Governor of the Reserve Bank, I not only welcomed the debate on these issues, but even encouraged it, in the firm belief that such a debate is in the larger public interest. At various times and in various contexts, I have responded to the issues in the debate. This is not the time and platform for extensive engagement on these issues. Here, I only want to give my broad view.

54. Admittedly, the Reserve Bank has a mandate that is wider than that of most central banks. This is an arrangement that has served the economy well. There are synergies in the various components of the Reserve Bank's mandate and we should not forefeit those synergies. Surely, our institutional structures must adapt to the changing socioeconomic context, but any such change must be brought about only after extensive debate and discussion.

55. Notably, in a full length feature on the Reserve Bank in 2012, *The Economist* had said that the RBI is a role model for the kind of full service central bank that is back in fashion worldwide. There is something to that.

56. It is also important that the mandate of the Reserve Bank is written into the statute, so that it is protected from the political dynamics of changing governments.

57. In the opening part of my lecture today, I explained the rationale for an autonomous central bank. Like in most other developing economies, the Reserve Bank was not born autonomous; it gained its autonomy over time as a result of the lessons of international experience and the maturity of our political executive who saw the benefits of preserving the autonomy of the Reserve Bank. On its part, the Reserve Bank earned this autonomy by staying committed to the pursuit of larger public interest.

58. Accountability is the flipside of autonomy. The Reserve Bank of India Act does not prescribe any formal mechanism for accountability. Over the years, however, certain good practices have evolved. Let me briefly illustrate. We explain the rationale of our policies, and where possible indicate expected outcomes. The Governor holds a regular media conference after every quarterly policy review which is an open house for questions, not just related to monetary policy, but the entire domain of activities of the Reserve Bank.

59. The Reserve Bank also services the Finance Minister in answering parliament questions relating to its domain. Most importantly, the Governor appears before the Parliament's Standing Committee on Finance whenever summoned, which happens on the average three to four times a year.

60. It has often struck me that for a public policy institution with such a powerful mandate, these mechanisms for accountability are both inadequate and unstructured. Perhaps, we should institute an arrangement whereby the Governor goes before the Parliament Standing Committee on Finance twice a year to present a report on the Reserve Bank's policies and outcomes and answers questions from the members of the Committee. In my view, this will not only secure the accountability structure but also protect the Reserve Bank from any potential assaults on its autonomy.

61. I have dwelt a bit longer on this last challenge of autonomy and accountability if only because we have not debated this in the larger public domain as much as we should have. And to the Reserve Bank staff, I want to say that they must be as zealous about rendering accountability as they are about guarding its autonomy.

Thank God, the Reserve Bank exists

62. A final thought on this issue of autonomy and accountability. There has been a lot of media coverage on policy differences between the government and the Reserve Bank. Gerard Schroeder, the former German Chancellor, once said, "I am often frustrated by the the Bundesbank. But thank God, it exists." I do hope Finance Minister Chidambaram will one day say, "I am often frustrated by the Reserve Bank, so frustrated that I want to go for a walk, even if I have to walk alone. But thank God, the Reserve Bank exists."

Conclusion

63. Let me now conclude. Over the course of this lecture, I have looked back to the last five years and indicated how that period divided into three different phases of complex policy challenges. I made an assessment of the Reserve Bank's policy response and addressed some of the criticism of that policy response at a broad level. Then, I looked ahead to four challenges that the Reserve Bank must address in order to remain a responsible, relevant and intellectually agile policy institution.

64. It has been an enormous privilege for me to serve the Reserve Bank of India over the last five years. There were taxing times, testing times, anxious times. But at all times, I moved on with the confidence that there is a great institution behind me that will keep me in the right direction. I have been deeply impressed by the professionalism, intellectual agility and commitment of the staff and officers of the Reserve Bank. This is an institution that has served the country with dignity and distinction and will continue to set exacting standards for professional integrity and work ethic.

Dharma

65. Nani Palkhivala said, "*Dharma* lives in the hearts of public men; when it dies, no constitution, no law, no amendment can save it." If I can extend that thought a little, a nation prospers only if its public institutions are guided by *dharma*. The Reserve Bank of India tops the list of India's public institutions that are guided by *Dharma* and *Dharma* alone.