FOR HINDU BUSINESS LINE

“Master-Servant: Elected Reps and Governemnt servants” by S L Rao

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Demands nave been made by Dr Subramaniam Swami, M.P. Rajya Sabha, that RBI Governor, Chief Econmic Adviso, and the Secretary, Economic Affairs, be removed. t is clear from this episode that we must establish and folliw strict ground rules for the relationships between legislators (including Mnisters) and government servants.

This relationship has tended to range between government servants who are independent, or obsequious, cor ollusive, or matter-of-fact or combative. Many independent government servants are independent but with finesse, and yet are subjected to harsh treatment (poor confidential reports, frequent transfers, harsh language). The obsequious ones are the ones who get coveted assignments. All political parties when they come to power identify them quickly, and use them. The ones that collude are soon identified as favouring one party. Unless they have made enough money and moved to secure assignments (constitutional or statutory regulators for example), they suffer when their preferred party loses office. The matter-of-fact ones do what they are told but ensure that there is enough on paper to protect them when investigations take place. Many of them reach high office. The combative ones are those with the courage to stand up to unreasonable demands. They have courage and willingness to suffer harsh treatment. Many stagnate in uninteresting assignments.

Dr Swami has picked three officers to attack, two of whom are successful academics who are NRI’s in contract assignments. The third is an IAS. Officer. Government servants are not expected to respond in public to harsh comments about them. Of the three who Swami targeted, only the Governor of RBI has responded, not to specific Swami allegations but sufficiently and broadly.

Governemnt servants are soft targets for public attacks. The Govertnor of a central bank, responsible for monetary and financial stability in a country, is more so. Such attacks could undermine his credibiolity and authority. The fact that Dr Rajan is to be in office till September 4 will diminish the public acceptance of his observations on the economy. The global foreign exchange values reacted sharply and negatively to the British decision to exit the European Unio. Other consequences to international trade, money markets and money flows will follow. This is not a time for uncertainty about the leadership of the RBI. Nor is it a time for doubts about the understanding beterrm the Prime Minister and Finance Minister representing government, with the Governor of the RBI. It sends out wrong messages about observations and actions on the economy.

Dr Swami was a noted economist, with recognized expertise on the Chinese economy who had ro leave Harvard where he was Associate Professor, and later Proffessor at IIT Delhi. He might well have been a candidate (till he turned 75) to be Finance Minister of india. Today he has no position except that the media give asmple room to his statements. His political career has been chequered. He has the reputation of thoroughness in investigating politicians that he has charged, most times successfully, making his charges stick. To my knowledge this is the first time he has gone after government servants. If he persists at this time of globnal uncertainty and crisis, he could severly damage the Indian economy.

The Econopmic Advisor and the Secretary, Economic Affairs, are not reported as having made statements outside their taks. However Governor Rajan ahs been a public intellectrual with a sense of humour. He has on more than one occasion been reported as having reacted almost facetiously to remarks on the economy by the Prime Minister and on the burning political issue of intolerance. His ability is unquestioned and his actions (in addition to collapsing oil oil prices) have helped to bring down inflation, and improved our foreign exchange situation. Similarly he has confronted the need to improve bank balance sheets and non-performing loans. His obduracy in sharply and quickly reducing interest rates was resented by industry associations and the Finance Minister. His stradfastness of resolve is desirable in a Governor of the RBI. This might be reduced by his lame duck status and the attacks on him.

It couldof course be argued that interest rates are not he problem. Inflation was not controlled by maintaining high interest rates. Inflation has been mainly in food prices. Thety were caused by supply constraints of food products. It could also be argued that lowering interest rates would not have stimulated growth as the Finance Minister and others have said. What was required for growth of production and jobs was substantial new investment. This was so far retarded by government. Measures (like opening sectors to 100% FDI) and others to come, will stimulate growth. Sadly Dr Swami does not talk economics, only personalities.

We must have the equivalent of a Public Service Commission, with penal powers, that can act against individuals who make pub;ic allegations against governemtn servants including the Governor fomthe RBI. Even if the allegatiosn are proved terue, making them in public against key economic authorities like the Governor RBI, must be punished because of their effect on the economy.

Ultimatyely, the Commission should judiciously consider in camera any charges and decide on action by government.

Public llegatins against government servants must be strongly discouraged. They have no way to retaliate.(880)