

PUBLIC LECTURE



Rakesh Mohan

Distinguished Consulting Professor,
Stanford Centre for International Development at Stanford University
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Date: Thursday, 5 November 2009

Time: 5.15 p.m. - 6.30 p.m.

Venue: Seminar Room 3-1, Level 3, Manasseh Meyer
Lee Kuan Yew School of Public Policy
469C Bukit Timah Road, Singapore 259772

Admission is free.

Free seating.

Seats are limited.

To enable us to gauge attendance,
please contact us to indicate your
interest at 6516 4202 / 5357 or
email us at lkyspppl@nus.edu.sg

Liberalisation and Regulation of Capital Flows: Lessons for Emerging Market Economies

ABOUT THE SPEAKER

Dr. Rakesh Mohan is Distinguished Consulting Professor at Stanford Centre for International Development at Stanford University. He took up this position on June 15, 2009. Prior to this, he worked as Deputy Governor of the Reserve Bank of India (July 2, 2005 to June 10, 2009). In the Reserve Bank, Dr. Mohan looked after the Monetary Policy Department, Department of Statistical Analysis and Computer Services, Department of Economic Analysis and Policy, Secretary's Department, Financial Markets Department and also Co-ordination work. Born on January 14, 1948, Dr. Rakesh Mohan received his Masters Degree and Doctorate in Economics from Princeton University and BA in Economics from Yale University. He is also a Bachelor of Science in Electrical Engineering from Imperial College of Science and Technology, University of London. Dr. Rakesh Mohan has researched extensively in the areas of economic reforms and liberalisation, industrial economics, urban economics, infrastructure studies, economic regulation, monetary policy and the financial sector. He is the author of three books on urban economics and urban development and co-author of one and editor of another on Indian economic policy reforms, and of numerous articles. Dr. Rakesh Mohan has been Director General of the National Council of Applied Economic Research, Director and Chief Executive of the Indian Council for Research and International Economic Relations and Vice Chairman, Infrastructure Development Finance Company. He also held the position of Adviser to the Finance Minister and Chief Economic Adviser between January 4, 2001 and May 15, 2002. He recently co-chaired the "Committee on Financial Sector Assessment" (2009) set up by the Government of India and the Reserve Bank of India. He also co-chaired the G20 Working Group "Enhancing Sound Regulation and Strengthening Transparency" (2009). He served as Economic Adviser to the Government of India in the Ministry of Industry (1988-1996) where he played a major role in the formulation of the new Industrial, Trade and Foreign Investment Policy and at the Development Policy Division of the Planning Commission (1986-1988). He started his professional career at the World Bank in 1976 as an Economist at the Development Economics Department, and worked extensively on urban economics for developing countries. He later participated in the Structural Adjustment Programme for the Philippines in the mid-1990s as Senior Economist in the Philippines Division.

SYNOPSIS

Capital flows to Emerging Market Economies (EMEs) have been characterised by high volatility over the past couple of decades. In recent years although gross capital flows have increased greatly overall net capital flows have flowed uphill from EMEs to advanced economies. This has challenged the conventional view that capital flows to EMEs are always beneficial through augmentation of their resources leading to greater investment. Full capital account liberalisation can impart avoidable volatility and have an adverse impact on growth prospects of the EMEs. Available evidence is strongly in favour of a calibrated and well-sequenced approach to opening up of the capital account and its active management, along with complementary reforms in other sectors. Greater caution is necessitated in the liberalisation of debt flows. In order to cushion their economies from undue volatility, despite much advice to the contrary, most EMEs manage their capital accounts actively, including interventions in the foreign exchange markets accompanied by sterilization. Sound macroeconomic and financial policies, accompanied by prudent capital account management, greater exchange rate flexibility, purposive use of prudential regulation, along with continued financial market development, as practised by the Asian EMEs over the past decade have cushioned their economies from the current global financial crisis. They have successfully achieved a virtuous circle of high growth, low inflation and financial stability. How these elements can be best combined will depend on the country and on the period: there is no "one size fits all". Such a discretionary approach does put great premium on the skill of policymakers and can run the risk of markets perceiving central bank actions to become uncomfortably unpredictable. Such risk is mitigated by a record of successful management.