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Raghuram Rajan, governor of the Reserve Bank of India, will deliver the keynote address at the Hutchins Center April 10 event *Global Monetary Policy: The View from Emerging Markets*

Rajan became the governor of India's central bank in September 2013. He is on leave from the University of Chicago, where he is the Distinguished Service Professor of Finance at the Booth School. Between 2003 and 2006, Rajan was the Chief Economist and Director of Research at the International Monetary Fund. He was the President of the American Finance Association in 2011 and is a member of the American Academy of Arts and Sciences. In January 2003, the American Finance Association awarded Dr. Rajan the inaugural Fischer Black Prize for the best finance researcher under the age of 40. The other awards he has received include the global Indian of the year award from NASSCOM in 2011, the Infosys prize for the Economic Sciences in 2012, and the Center for Financial Studies-Deutsche Bank Prize for Financial Economics in 2013

On the Fed's responsibility to emerging markets

"International monetary co-operation has broken down," Rajan said in January. "Industrial countries have to play a part in restoring that [co-operation], and they can't at this point wash their hands off and say we'll do what we need to and you do the adjustment." Rajan's worries reflect "bitterness felt in many emerging markets that have struggled to manage both the inflows of hot money, while the Fed was ramping up its stimulus program, and the prospect of their withdrawal," writes the *Financial Times*.[1]

Despite Rajan's worry about the effect of Fed policy on emerging markets, he "would not alter the pace of tapering" or change Fed policy more generally. Rather, the *Economist* conjectures, Rajan wants developed country central bankers to a) "recognise the side-effects of their decisions on emerging markets," b) "acknowledge those spillovers in their language," and c) "say what they would do if those side-effects prove particularly large and damaging."[2]

Bloomberg recently reported that Rajan was pleased with the G-20 meeting and the "general recognition of the concerns of emerging markets, especially regarding capital flow volatility."[3]

On the causes of the financial crisis

Rajan's 2005 Jackson Hole speech on whether financial development has made the world riskier (deemed "prescient" by the *Wall Street Journal*) warned about skewed incentives in the financial sector and risks in the credit-default swaps market. Rajan's worry that bank write-downs from credit securities could lead to frozen interbank markets and "a full-blown financial crisis" was proven true two years later. [4]

In his 2010 book *Fault Lines* (awarded the *Financial Times*-Goldman Sachs prize for the best business book of that year), Rajan cautions against blaming a "scapegoat in the financial sector" for the financial crisis. Rather, he concludes that complex and wide-ranging economic flaws, which he calls "fault lines," led to the crisis and continue to pose threats to financial stability today. According to the *Wall Street Journal*, Rajan identifies three types of fault lines in his book. First, income inequality in the United States leads politicians to back an explosion of credit and profit-seeking financiers to happily comply. Second, foreign export-led growth strategies which rely on indebted American consumers create global systemic vulnerabilities. Third, the financial sector is prone to increased risk-taking because of expectations that governments will enact stimulative policies in response to economic catastrophes.[5]

1. Robin Harding, John Aglionby, Delphine Strauss, Victor Mallet and Amy Kazmin. "India's Raghuram Rajan hits out at uncoordinated global policy." *Financial Times*. January 30, 2014. http://www.ft.com/intl/cms/s/0/cc1d1716-89ac-11e3-abc4-00144feab7de.html
2. "What does Mr. Rajan actually want?" *The Economist*. February 25, 2014. http://www.economist.com/blogs/freeexchange/2014/02/g20-0
3. Unni Krishnan. "India Rajan Says G-20 Recognized Emerging Markets Concerns." *Bloomberg Businessweek*. February 22, 2014. http://www.businessweek.com/news/2014-02-22/more-india-rajan-says-g-20-recognized-emerging-markets-concerns
4. Justin Lahart. "Mr. Rajan was Unpopular (But Prescient) at Greenspan Party." *Wall Street Journal*. Jan 2, 2009. http://online.wsj.com/news/articles/SB123086154114948151
5. David Wessel. "Professor Finds Many Fault Lines in Crisis." *Wall Street Journal*. April 22, 2010. http://online.wsj.com/news/articles/SB10001424052748704133804575198080507492968