

**Farewell to “World Money”**

My writing began in 1977 (after almost 20 years in SBI), with a weekly bulletin on foreign exchange markets I used to bring out for a firm of brokers, Batliwala and Karani (B&K). At the time, the rupee was linked to a basket of currencies, composition kept confidential. In one article in early 1979, titled “Is this the basket?”, by regression analysis, I arrived at a model:  $\$1 + \pounds 0.5 = \text{INR } C$ , a constant. Major currencies were floating and these two were appreciating against the other European currencies and the Japanese yen; I recall I had argued that, in such an environment, linking the rupee to the two currencies would hurt exports.

This article came to the notice of Dr. Hannan Ezekiel, formerly with the IMF (incidentally, one of the authors of the SDR scheme), and the editor of The Economic Times at the material time. He sent a word requesting me to call on him, which I did. At that time, there was no coverage of currency markets in the Indian media, and Dr. Ezekiel suggested that I write a monthly piece. After the initial few pieces, he suggested that I convert it into a weekly column which should be delivered by Saturday, for publication the following Monday. It was he who suggested the title of the column, “World Money”, which has continued under the name until now. It was published in the ET until mid-1994, and since then in Business Standard.

From the start, the column started attracting attention of bank and corporate executives and treasuries – and later also in the central bank as it increasingly focused on broader policies relating to the external sector of the economy, on issues like FDI vs external debt, etc. (Swaminathan Aiyar, then editor of FE, once told me around that time that he had asked his journalists to read the column regularly to study how a topic can be covered in the limitations of a given number of words.)

In the 1990s, I started commenting also on monetary policy and broader growth issues. By then, major policy changes had been made, including in the exchange rate. Capital had started flowing in and, for the first time in participants' memory, the supply of dollars in the market exceeded the demand. Those days, the central bank was intervening daily in the market, buying dollars, and the rate was kept steady at around Rs. 31 to a dollar until late 1995 – the RBI would not allow an appreciation, and the surplus supply ensured that there was no depreciation. The result was that a huge amount of interest-differential-based leads and lags got created in financing imports and exports.

The scenario changed in the second half of 1995-96, with capital inflows dropping, and the rupee fell sharply to Rs. 38 per \$ at one stage. I was perhaps the only commentator then to comment on the interaction between exchange and money markets, and to argue that the sharp increase in demand for rupee funding and the consequent increase in bank lending were the result of the reversal of leads and lags with the economics of trade finance reversing itself, and not a sign of an “overheating” economy as assumed by the central bank. The argument got considerable attention at the time and was probably the background to my being appointed on the 1997 Committee on Capital Account Convertibility; this led to a deeper study of capital flows, their impact on the exchange rate and the real economy, etc. In the later 1990s, the column became increasingly more broad-based covering not only the exchange and money markets and policies, the IMF approach to capital flows and exchange rates, but banking regulation, derivatives, growth and the political economy, etc.

It is difficult for a columnist to know what proportion of a paper's readership actually goes through what he writes, let alone who they are. But from the mails (and reactions) I get, I think the column has had a wide range of readership ranging from the policy-makers to bank and corporate finance/treasury executives and professionals, -- and management students. I have had responses also from abroad including the Gulf countries, the U.S., Australia, Japan, and, perhaps most surprisingly, from students in a management school in Mexico! It was also instrumental in getting me an invitation to teach a paper at IIMA; many corporate clients; the privilege of working on various

committees appointed by RBI and other professional bodies; and introductions from four former Governors of the central bank for my books. My life has been enormously enriched by writing the column.

After more than three decades, time has come to bid farewell to “World Money”. This would be my last weekly column for Business Standard. It will take me some time to mentally adjust to the freedom from the weekly deadlines and more time to pursue other interests this gives me. All good things in life must come to an end: unless old people die, where would be the space for the new-born?

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