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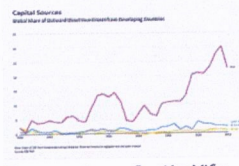
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Chaitanya Kalbag -- RBI's Patel: an insider, a hawk, an enigma



Reserve Bank of India (RBI) Deputy Governor Urjit Patel, right, who has been named the next RBI governor, attends a news conference with Governor Raghuram Rajan after the bi-monthly monetary policy review in Mumbai, Feb. 2. © Reuters

Not surprisingly for a country obsessed with politics and gossip, the appointment of India's new central bank chief has already spawned reams of newsprint and hours of television talk-time on what makes Urjit Ravindra Patel tick.

Two words sum up Patel: low key. Unlike other deputy governors of the

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Reserve Bank of India he has hardly made any speeches, only occasionally intervening in interactions with the press or analysts at the request of his boss, outgoing Governor Raghuram Rajan. Unlike the loquacious and frequently passionate Rajan, who relished the limelight, made dozens of speeches and gave innumerable interviews during his three-year term, Patel looks likely to keep his own counsel.

The RBI website carries only one short speech by Patel from 2015, and a newspaper interview from 2014. In his speech to management students, Patel made a point of praising several economic programs of Prime Minister Narendra Modi. In his interview, he strongly criticized the International Monetary Fund's prescription of more public spending on infrastructure just as interest rates began to rise. "Increasing fiscal spending in infrastructure is the big bazooka that people are talking about to end secular stagnation in large parts of the developed world. However, starting a publicly driven infrastructure cycle when interest rates are going up does not sound terribly responsible," he said.

These examples shine some light on the philosophy Patel, 52, brings to his role. At a time when India's gross domestic product is likely to average 7.5% annual growth for the next few years, Patel faces a number of unique challenges.

In his role overseeing monetary policy, Patel was the most important of Rajan's four deputies. His promotion to the top RBI post is seen as a textbook rise by an insider. But the politics surrounding his elevation are not so straightforward.

Although he initially looked set for an academic career, his trajectory over the past quarter-century spans five years with the IMF, and two decades in India: a two-year deputation with the RBI, a stretch as a consultant to India's ministry of finance, a brief stint with the country's biggest private conglomerate, the Reliance Group, and spells as a visiting fellow with the Brookings Institution and an advisor to the Boston Consulting Group.

Patel is well liked by both the ruling Bharatiya Janata Party (BJP), which appointed him to several blue-ribbon panels during the 1998-2004 tenure of Prime Minister Atal Behari Vajpayee, and by the opposition Congress party. During Modi's long term as chief minister of Gujarat state, Patel also briefly served on the board of the Gujarat State Petroleum Corporation. Although the government, was insistent in its announcement that Patel was rigorously vetted by a search committee of senior officials, it is widely believed that the final decision was taken by Modi, Finance Minister Arun Jaitley, Modi's principal secretary Nripendra Misra and BJP president Amit Shah.

Markets underwhelmed

The RBI post is politically sensitive, especially after it became clear that Rajan's decision not to seek a second term was linked to attacks on him by

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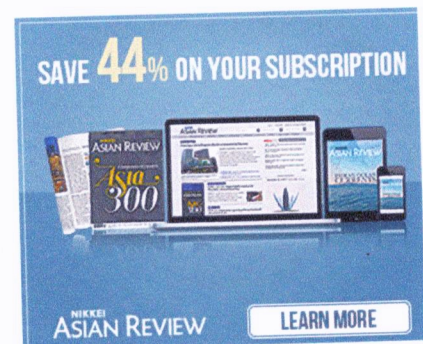


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BJP politicians and Modi's perceived reluctance to ride to his defense. Investors and markets did not take kindly to Rajan's strained exit, nor have they been overjoyed at Patel's appointment.

This is because, officials say, the nature of Rajan's departure had forced Modi and Jaitley to opt for continuity. "They have no option but to bring in an inflation hawk like Patel because high inflation could queer the pitch for Modi ahead of the 2019 general elections," one economist said. Little wonder that both bond markets and the rupee fell on the Monday after his appointment was announced Aug. 20.

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