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IG Patel: Centenary Remembrance

By: Ashok V. Desai

A tribute to IG Patel, once Governor of the Reserve Bank of India and many other things: senior official in the Ministry of Finance, official in the IMF and the UN, and also head of important educational institutions in India and abroad.

The 11th of November was the birth centenary of Indraprasad Gordhanbhai Patel, better known as I.G. Patel.

IG was born in Baroda, a princely state. It was then ruled by Sayajirao Gaekwad III, who took the throne in 1877 at the age of 14 and reigned for 62 years. Baroda was relatively peaceful, and IG could pursue his studies undisturbed. He and Mahendra, my brother, were virtually the same age, and appeared for the Matriculation examination of Bombay University in the same year. I am not sure who stood first, but the two topped the examination. IG continued to distinguish himself in college, and on finishing his BA, went to King's College, Cambridge. There too he graduated in first class. He returned to Baroda and became professor and later, principal of Baroda College. Then he was recruited by the International Monetary Fund (IMF) and went to Washington. There he met Alaknanda, daughter of A.K. Das Gupta, then Chief of the South Asia Division of the IMF, and married her.

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In 1954, India had one of its many economic crises and sought assistance from the IMF and World Bank. IG came in the IMF team sent to Delhi to negotiate a loan in 1954. He impressed T.T. Krishnamachari, the finance minister, who asked the IMF to lend him to the government. He was never returned to the IMF. So began IG's tenure in the finance ministry. He served for 18 years, and saw the government through many crises. The worst was the crisis of 1965, when the rains failed and agricultural production fell by a fifth, and, meanwhile, India fought a war with Pakistan. Managing scarce foreign exchange, together with persuading spendthrift finance ministers to be careful, took all of IG's economic skills, and taught him diplomacy.

These lessons, learnt over years, proved insufficient in 1971, when a minister of state for finance was appointed who was trying to make money. IG tried his best to prevent him. When he could no longer do so, IG resigned and went to the United Nations Development Programme in New York. Five years later, Indira Gandhi was defeated in the elections. Morarji Desai, the new Prime Minister, went to New York and persuaded IG to come back. IG came to serve as Governor of the Reserve Bank of India. He completed his five-year term, and then went to Ahmedabad as director of the Indian Institute of Management. His experience and diversity were conspicuous, and two years later he was invited to the directorship of the London School of Economics. It was then in a serious financial crisis. Nations in crisis could borrow from international institutions, negotiate postponements or not repay; they would still survive. An educational institution could not, and IG had to find money quickly. He left the LSE in a comfortable position. In the meanwhile he also talked to his students and pacified those inclined to rebel as is their wont.

He could have commuted between the IMF and great American and British universities and enjoyed himself. He was in the IMF as a young man; he could have just continued there. Instead, he chose difficult jobs, worked with politicians while remaining completely honest – in brief, chose to live a challenging, difficult life, and never faltered.

After this diverse, frantic and efficacious career, IG returned to Baroda, constructed a house and settled down. He decided to relax, but India did not. It had another financial crisis – actually, a fourth crisis in succession, after three in the 1980s. Through them all, Yashwant Sinha, the finance minister in the Chandrasekhar government, kept going to Washington and borrowing ever more. Finally, he ran out of luck: for lack of majority in Parliament, his government had to resign. A Congress government took over in 1991, and Narasimha Rao became prime minister. It was his turn to ring up the IMF and ask for a loan. By then, however, the IMF had had enough of broken promises; it refused to lend any more. After a sleepless night, he rang up the IMF again, and said, quite truthfully, that it must rescue him – he had no other option. He was told to find a finance minister whom the IMF could trust. The IMF thought about it, and remembered the young man who had served them four decades earlier: I.G. Patel, whom they would trust enough to lend. The prime minister asked where he could find IG; he was told IG was living in Baroda in retirement. He rang up IG; but his call was

infructuous. IG refused to come back ever. The prime minister rang up the IMF; he said IG was not prepared to come, and asked if the IMF could think of someone else. The IMF suggested Manmohan Singh, who had followed IG in the same posts in the finance ministry and the RBI, and was reputed for his integrity.

Thus ended IG's connection with policy and management. For the rest of his life, he continued to give talks and write papers when invited, and published a few books; the most valuable was *'Glimpses of Indian Economic Policy: An Insider's View'*, published in 2002. He passed away in 2005, at the age of 81.

After I served in the finance ministry during and after the 1991 crisis, IG said he used to think of me as a younger brother, that my stint in the finance ministry made him change his opinion, and respect me as an economist. I did not last very long in government; once the economic crisis was over, the finance minister shelved me, and one of his favourite babus made my life hell. So I left, went to Germany and had a heart attack; it is thanks to the German medical system that I am still alive, 30 years later. But I am proud of what I did in the finance ministry – what I was allowed to do at any rate. IG's is a compliment I treasure.

IG had a gentle sense of humour, which got him into trouble sometimes. For instance, he had a difficult colleague in the government; to please him, he started calling him *motabhai*, which means elder brother in Gujarati. He could not understand why that made this man mad; it took him some time to learn that *'mota'* means fat in Hindi, which was an accurate description of the man.

|| The sort of public life IG Patel lived might have been possible for an American or European – a patriot in a country where mobility across public and private institutions is normal. In India, however, it is highly unusual.

What I find remarkable is the life that IG did not live. He was a brilliant student; what most Indians of his genre do is to go abroad, do a PhD, and then find a job in a university or financial institution and live a comfortable life abroad. He was as brilliant as Amartya Sen, and could have lived an equally itinerant life. He could have commuted between the IMF and great American and British universities and enjoyed himself. He was in the IMF as a young man; he could have just continued there. Instead, he chose difficult jobs, worked with politicians while remaining completely honest – in brief, chose to live a challenging, difficult life, and never faltered. Those on the other side of the political divide might say he was lucky; I would say that he was entrepreneurial. An economist may well say that he could not be called an entrepreneur, which is a word for a risk-taker. Perhaps this story from *Glimpses of Indian Economy: An Insider's View*, might illustrate what I mean.

A Soviet delegate to a conference in Washington asked him why his country had to assist India. As IG writes, “I was at a loss what to say and replied tongue in cheek that I was the only Hindu in the room and believed in life after death. Since this can neither be proved or disproved, the probability of life after death can be taken as one in two. Since two-thirds of the world was poor, there was one in three chances that my Russian friend might be born in next life in Zambia or India. Does it not make sense for him to ensure his future by doing something in this life which might make Zambia or India better places to live in next life?” He meant it as a joke; I am not sure he believed in rebirth. But in this world, he did what he thought best for his country and his world.

The sort of public life he lived might have been possible for an American or European – a patriot in a country where mobility across public and private institutions is normal. In India, however, it is highly unusual. I tried my hand at being an economist in government, and I know how difficult it is to work blamelessly amongst expert opportunists. IG did it – with a light touch. There were, I am sure, tough times, tough choices to make, in his life; he made them without making a fuss about it. He is amongst the handful of people I admire.

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