

## **Food Inflation: This Time it's Different\***

**Subir Gokarn**

I would like to thank Professor Parchure for inviting me to deliver this year's Kale Memorial Lecture. The lecture has been instituted to honour of the Rao Saheb R.R. Kale, who was instrumental in setting up this great institution, the Gokhale Institute of Politics and Economics. Despite his professional achievements as a lawyer, he was apparently a rather modest and humble person. Given his financial contribution to the establishment of the institution, it would have seemed perfectly appropriate for it to have been named after him. But he demurred and it was named after Gopal Krishna Gokhale, a somewhat more recognizable name for readers of Indian history. While Rao Saheb Kale's name may not adorn the institution, the attributes that he is given credit for, are the foundations for any activity to be sustainable and effective. I feel very honoured and privileged to be delivering this lecture in his memory.

I am also very pleased to be speaking at the Gokhale Institute itself. Many of my colleagues over the years are alumni of the Institute and I always enjoyed my interactions and collaborations with them, and appreciated and valued their understanding and insights. Besides, the Institute has a Reserve Bank of India Chair, which we are very glad to have Professor Parchure occupying at a time when we are strategically increasing our level of engagement and two-way knowledge transfer with the Chair Professors across the country.

Turning to the topic of today's lecture, the title is admittedly borrowed from a recent book, the very influential historical work on financial crisis by Carmen Reinhart and Kenneth Rogoff. Besides being a very catchy title, which is always very tempting to borrow, I felt that there was some similarity between the historical dynamic described in the book and the situation we are facing with food inflation in India today. Crises recur because there are just enough differences between the circumstances that cause them for people to be able to deny their inevitability. However, the underlying drivers of virtually every crisis are essentially similar. In the story of financial crises that the book tells, unsustainable build-ups of exposures, underestimation of risks and an erosion or inadequacy of regulatory capacity are the common elements of all crises.

When I joined the RBI, food inflation had been a headline issue for almost two years, beginning in late 2007 and consolidating very sharply in the first half

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\* Kale Memorial Lecture delivered by Dr. Subir Gokarn, Deputy Governor, Reserve Bank of India at the Gokhale Institute of Politics and Economics, Pune on December 9, 2011.

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