

Dr Raghuram G RAJAN

Citation

We all now know the sobering consequences of the sub-prime mortgage crisis that rolled across financial institutions in the United States and far beyond from late 2007. One among the very few to sound an early warning was Dr Raghuram Rajan in 2005, then the first non-western Chief Economist for the International Monetary Fund and since 2013 the Governor of the Reserve Bank of India.

It is no easy task to take on the financial establishment anywhere, let alone during a gathering celebrating the achievements of outgoing US Federal Reserve Chairman Alan Greenspan. Yet when research for his presentation showed the dangers of recent banking innovations, Dr Rajan, a star MBA graduate from the Indian Institute of Management, Ahmedabad, and PhD alumnus of MIT Sloan School of Management, did not hesitate to voice his concerns.

An insider and an outsider in both the developed and developing worlds, Dr Rajan has made unorthodox thinking and a willingness to brave the consequences his hallmark. At the same time, he has remained a well-liked and respected team player and leader, who contributes his brilliance while allowing others to shine.

Born in Bhopal, India, Dr Rajan spent his early childhood overseas with his diplomat family. On his return to India, he brought with him the knowledge of alternative systems and perspectives, and soon

proved an exceptional high achiever. In the hugely competitive Indian education arena, he not only attended one of the prestigious Indian Institutes of Technology as an undergraduate – acceptance rate, less than two per cent – he received the Director’s Gold Medal for best all-rounder.

Dr Rajan’s careful thinking and clarity of insight on the economic metapicture, financial microdetails, and how they impact on each other, have influenced a generation of researchers, including those at HKUST School of Business. His “*Essays in Banking*” PhD thesis was an early indication of his potential for disruption of traditional financial economic perspectives, with a dissection of the darker side of bank-firm relationships. Deregulation, securitization, the role of finance in economic growth, and cross-country development have all since come under his scrutiny as a faculty member of the University of Chicago Booth School of Business, where he is currently on leave from his position as Eric J Gleacher Distinguished Service Professor of Finance.

In 2003, Dr Rajan’s influential book, *Saving Capitalism from the Capitalists*, written with Luigi Zingales, drew him beyond the world of academic journals into a more public spotlight. The same year, he won the inaugural Fischer Black Prize, an honor awarded to a person under 40 who has contributed most to the theory and practice of finance. A second book, the award-winning *Fault*

Lines: How Hidden Fractures Still Threaten the World Economy, written in 2010, proved equally significant.

A believer in free markets while still seeing governments and regulators as having a public interest role to play, he has labelled himself a pragmatist. He has also shown himself brave enough to put such pragmatism into practice, first at the IMF and now in his Reserve Bank of India role, with its huge responsibilities for the livelihoods of 1.2 billion people.

As Governor, Dr Rajan is directly involved in steering real-time change, including steadying the Indian financial system, tackling inflation, and improving the country's long-term economic prospects. He is also continuing to speak out internationally, leveraging his mega standing to draw the attention of developed-economy monetary decision-makers to the need to expand their impact horizons from the local to the global in today's interconnected world. He is a member of the American Academy of Arts and Sciences and the elite Group of Thirty. He was President of the American Finance Association in 2011 and named Governor of the Year in the Central Banking Awards earlier this year. Recently, he was elected the Vice-Chairman of the Bank for International Settlements, the first Indian taking up this important role in the global banking sector.

What impels Dr Rajan? As his tennis and squash opponents have seen so often, there is an inner resolve that enables him to overcome challenging circumstances and to venture where others might hesitate to take a shot. But there is more: the determination to stand up for what you believe,

despite the criticism that might result. He has made this a feature of his speeches. Crucially, he has also shown in his own life what can be achieved through exercising such courage.

Mr Council Chairman, on behalf of the Council of the Hong Kong University of Science and Technology, I have the high honor of presenting to you, Dr Raghuram G Rajan, Governor of the Reserve Bank of India, for the award of Doctor of Business Administration *honoris causa*.