

## Look what's on the menu at Neemrana

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One of the remarkable institutions in the economics profession internationally is the National Bureau of Economic Research (NBER) of the United States. NBER has no full-time staff. It coordinates research programmes across a set of roughly 600 'NBER associates' who have full-time jobs in universities. This research programme is widely viewed as producing the best economics of the world.

The rise of China and India in the world economy created an imperative for NBER to take more interest in these countries. In turn, India's transition to a modern market economy has increasingly meant that recipes based on socialist economics do not work. Ideas that were mainstream in India from 1960 to 1990 are no longer relevant; there is a quest for new ideas. India's evolution into a market economy means that its uniqueness has diminished and mainstream economics that works in other countries is more and more important in this country.

Ten years ago, Martin Feldstein, professor of economics at Harvard University and president of NBER, visited India for the first time. Persuaded that this country would soon be a major player in the world economy, Feldstein wanted to learn more.

"Despite meeting some of the best India-born economists at MIT and Harvard, it was difficult to tell whether India was a socialist or market economy," says Feldstein. Raghuram Rajan, professor of finance at Chicago University and chief economist of the IMF until recently, discussed the idea of the conference with Rakesh Mohan, then the director-general of the National Council of Applied Economic Research (NCAER).

This led to the 'NCAER-NBER Neemrana Conference', which has been taking place every year from 1999 onwards. Bringing together a slice of the NBER community with top Indian policy-makers and economists, it has become famous as the best conference in Indian economics.

This year the Neemrana conference was attended by Finance Minister P. Chidambaram, officials of the ministry of finance, top officials of the Planning Commission including Deputy Chairman Montek Singh Ahluwalia, members of regulatory bodies and think-tanks, bankers, economists and columnists.

For the Indians, it was a place to learn about new ideas and empirical research in economics. For the Americans, it was a place to understand India and keep up with its rapid and complex transformations.

In recent decades, applied economic research has lagged in quality and quantity. Policy-making in India often suffers from low inputs from economics. The exposure to some of the best empirical research by academics in US universities often offers new insights.

A significant idea presented in this conference, by Andrew Rose, was that inflation targeting monetary policy is emerging as one of the most stable monetary frameworks in the world. While fixed exchange rate regimes are likely to break down, those central banks that let their exchange rate float and target an inflation rate, are best able to reduce financial fragility. At a time when there needs to be fresh thinking about a stable monetary policy framework for India, this presentation was a valuable input in the process of Indian monetary reforms.

These closed-door meetings provide Indian policy-makers with a forum to meet and talk freely. Candid discussions about contemporary policy issues and political difficulties take place. As Suman Bery, director general of NCAER, puts it, the conference facilitates a "high-level conversation among informed and interested Indians, overheard by interested Americans".

The core group from the NBER consists of Jagdish Bhagwati, Raghuram Rajan, Mihir Desai and Martin Feldstein. In addition, eight different NBER researchers drawn from all fields are invited each year. In America, where there is no institution of the IAS, top economists get recruited into decision-making positions in government. Many of those who were introduced to India through Neemrana have gone on to major public policy roles in the US.

"The Neemrana Fort Palace is a big factor", says Mihir Desai, who is among the organisers of the conference at the American end. The hotel offers no room service, no room telephones, no televisions and no business centre, and thus helps concentrate the focus on the discussions at hand. This level of focus has diminished when compared with 1999 — cell phone cover has reached Neemrana and improvements in the Delhi-Jaipur road make it possible for participants to flit in and out.

With each conference costing the NBER around \$100,000, close to a million dollars have already been spent on the conferences. "Indian companies like ICICI and Infosys are now chipping in to help me meet some of the costs" says Feldstein.

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