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# RBI versus the Government: Independence and Accountability in a Democracy


## ABSTRACT

Conflicts between central banks and governments are embedded in the evolving discourse of every democracy. The recent discord between the Reserve Bank of India (RBI) and the Ministry of Finance (MoF) is neither the first nor likely to be the last. Institutionally, once a disagreement between the RBI and the MoF crosses the Rubicon, the government has the power to overrule the central bank's decisions. Moreover, such a structure is not restricted to the RBI but applies to all regulators, whether financial or non-financial. In its law-making wisdom, Parliament has decided that since accountability rests with an elected government and not the expert official, so should powers. To argue otherwise will only be political rhetoric and will not stand the test of law. This paper makes the case that since the RBI's most important monetary policy function has been protected by law through the setting up of the Monetary Policy Committee, all decisions beyond it fall within the realm of 'accountability', where the elected government has been enabled, again by law, to intervene when required. This is how it should be in any democracy.

## INTRODUCTION: ALL BARK BUT THANKFULLY NO BITE

The last round of battle for control between India's central bank, the Reserve Bank of India (RBI), and the government, through the Ministry of Finance (MoF), is only a small chapter in a larger and longer war between a central bank asserting its independence and a government seeking accountability. Indeed, this is a battle that spans geographies and timelines. Specific to the Indian experience, however, two important questions help reframe key issues around the systems of governance of these two institutions.

First, at the legislative level, is it necessary to amend or repeal existing laws around the creation and functioning of the RBI, in particular, and regulators (financial or non-financial), in general? Second, what will replace the status quo in terms of regulatory independence and the accompanying accountability? The first section of this paper introduces the problem. The second part then examines the underlying institutional and legal structures governing the powers of the RBI and the government. The third section explores the relationship between regulatory independence and accountability. Conclusions follow in the final part.

The RBI-MoF conflict—highly public and fiercely political—saw officials from both institutions engage in a battle of turfs through official speeches, press releases, and social media statements. Against this background, it is time to rethink and debate the larger issues around institutional governance and its functioning within the freedoms and confines of India's powerful democracy. While such conflicts may be inevitable given the "natural tensions"[1] between monetary policies drafted by central banks and fiscal policies designed by governments, the debate around these conflicts seems to have been framed around the 'David and Goliath' imagery. In the Indian context, this is misleading.

The alleged scams that were enabled by either loose regulations or corrupt practices, or both, at public sector banks (PSBs) have given rise to questions about the effectivity of the RBI as India's banking regulator. The officials, the managements and even the Boards of PSBs seemed either unaware or complicit, as known personalities allegedly siphoned off money, the most high-profile being Vijay Mallya and Nirav Modi. Trials are yet to begin, and the courts must rule on whether these alleged frauds were in fact inefficiencies, bad business decisions, or criminal conspiracies. On their part, Opposition parties have raised the issue of governmental complicity, citing the cases of both Vijay Mallya and Nirav Modi.[2] In turn, the government blamed banks and auditors,[3] as well as the RBI.[4] With six months to go before elections, the controversy has become as much political as it is economic, financial or regulatory— with the former almost drowning out the latter.

Already reeling under allegations of being a compliant RBI governor[5] following the poor execution of demonetisation[6] in November 2016, Urjit R. Patel gave his reply in a March 2018[7] speech, listing out seven points that showed that the RBI lacks the power to regulate PSBs. This was the first indicator of what is now being seen as a communication breakdown between the RBI and the MoF. Finance Minister Arun Jaitley then answered via media.[8] When examined legally, Patel's points were accurate: the RBI does not have as much power over PSBs as it has over private banks.[9] Seven months later, RBI Deputy Governor Viral V. Acharya added fuel to the tiff in an October 2018 speech[10] where he raised the issue of independence of the central bank. (This will be discussed in more detail below.)

Evidently, the RBI and the MoF were not talking to each other about monetary policy, lending norms or regulatory issues; rather, they were talking *at* each other, using innuendos and attacks, with the media as interlocutors. The issue began with the Opposition indulging in allegation politics and the government foisting responsibility onto the RBI, but progressively spiralled out of control. What could have been resolved within the walls of North Block and Mint Street, became a public brawl. The focus of both the institutions had shifted away from delivering governance to protecting their turfs.

Outside these hallowed institutions, the economy was reeling under various problems affecting non-performing assets, non-banking finance companies, and loans to small and medium enterprises. Additionally, a liquidity crunch was imminent, the result of which was a clampdown on lending. That the RBI and the MoF chose to shout their way out instead of addressing these problems shows an institutional failure on both sides. It also highlights the importance and impact of public pressure, articulated through a sharp assault by a rising Opposition, a detailed followup by an alert media, and innumerable conversations on social media.

It took a nine-hour-long meeting[11] of the RBI Central Board on 19 November 2018 to finally bring a semblance of peace. In the weeks leading up to this meeting, the outcome[12]—discussing various issues, constituting expert committees, considering schemes for stressed assets of MSMEs and so on—had become incidental to the underlying real problems of governance. The next section addresses the first of these.

## GOVERNANCE BY THE ACCOUNTABLE OR PRIMACY OF THE GOVERNMENT

India's central bank was created under the Reserve Bank of India Act, 1934,[13] which among other things, lists out its functions,[14] composition of the central board, term of office of directors[15] and (specific to the current controversy) the power of the government to give directions to the RBI.[16] The threat by the government to use Section 7 under Chapter II of the Act was interpreted by a section of analysts as trespassing on the central bank's turf. However, a simple reading of the law places the legal powers clearly in the hands of the government.

"The Central Government may from time to time give such directions to the Bank as it may, after consultation with the Governor of the Bank, consider necessary in the public interest," Clause 1 of Section 7 states. The next clause consolidates this power: "Subject to any such directions, the general superintendence and direction of the affairs and business of the Bank [RBI] shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the Bank."

Thus, if the government views issuing directions as a matter of public interest, it does so based on the powers allowed it by the law. While mostly reported through unnamed officials and thus unattributed, the government had been considering the use of Section 7 through three letters.[17] Meanwhile, and based on the same terms of unnamed sources, it was also reported that RBI Governor Patel would be tendering his resignation.[18]

The question that must be answered is when the government should use this power. "Such a power should be constrained," and it should be "absolutely clear to the executive, legislature, and the general public that responsibility for the results lies with the government, not the central bank, if the central bank is overruled, its advice ignored, or its effectiveness is significantly limited by government policies."[19]

Even before the RBI and the government began to talk at each other through the media, this communication breakdown had been building up. Under pressure due to the Opposition's framing of the alleged Nirav Modi scam as evidence of the government's corruption, Finance Minister Arun Jaitley pushed the regulatory mantle towards the managements of PSBs, auditors and RBI.[20] "Regulators ultimately decide the rules of the game and regulators have to have a third-eye which is to be perpetually open," he said. The RBI's reply came three weeks later, in a lecture by Governor Patel,[21] in which he boldly stated, "Banking Regulatory Powers in India are not Ownership Neutral." He gave seven instances of legislative constraints the RBI faces while regulating PSBs. Using an analogy of the Devas and the Asuras in the *Amrit Manthan*, Patel sought to level the regulatory playing field between PSBs and private-sector banks.

Analogies aside, Patel is right. There are five laws governing the functioning of 27 PSBs.[22] These are:

1. The State Bank of India (SBI) Act, 1955, under which the SBI was established.

2. The State Bank of India (Subsidiary Banks) Act, 1959, under which five banks were established: State Bank of Bikaner and Jaipur, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore.

3. The State Bank of Hyderabad Act, 1956, under which the State Bank of Hyderabad was established.

4. The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, under which 14 banks were established: Central Bank of India, Bank of India, Punjab National Bank, Bank of Baroda, UCO Bank, Canara Bank, United Bank of India, Dena Bank, Syndicate Bank, Union Bank of India, Allahabad Bank, Indian Bank, Bank of Maharashtra, and Indian Overseas Bank.

5. The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, under which six banks were established: Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab and Sind Bank, and Vijaya Bank.

Analysing these five laws shows key differences in the way the RBI regulates PSBs compared with how it regulates private banks in 10 distinct areas—appointment of the management; appointment of additional directors; removal of the management; displacement of the board; suspension of businesses; levying of penalties; closure of branches; conflicts of interest; liquidation; and appointment of auditors. In all these aspects, the rules are different for PSBs.[23]

For instance, Sections 46 and 47A of the Banking Regulation Act, 1949, allows the RBI to penalise officials for various offences such as wilfully making a false statement in a balance sheet (penalty: imprisonment of up to three years or fine of INR one crore or both). However, these sections are not applicable to an officer of the government or the RBI, those nominated or appointed as director of the SBI, any corresponding new bank, PSBs established under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or under Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, regional rural banks, any subsidiary bank or a banking company. The government must propose, and Parliament needs to execute, amendments to these provisions. Currently, however, such provisions being law, the RBI cannot regulate PSBs. Thus, it is out of line to blame the RBI on this count.

The RBI, too, has been pushing back. While PSBs have been under scrutiny for bad loans, their source of capital is the money of the Indian taxpayers—an advantage that private banks do not have. On the regulatory side, the RBI can ensure that private banks make up any shortfall of capital if leverage ratios fall. By demanding the same from PSBs, it is levelling the playing field. For the government, putting this capital together is a bigger political-economy issue; it involves reallocation of funds on the one hand, and managing the interests of trade unions (say, privatising a bank or disinvesting a part of its equity) on the other.

As the debate on regulating PSBs continued and pressures of silence between the central bank and the government increased, RBI Deputy Governor Viral V. Acharya raised the pitch and opened another flank in the battle. "Governments that do not respect central bank independence will sooner or later incur the wrath of financial markets, ignite economic fire, and come to rue the day they undermined an important regulatory institution," he said.[24] "Their wiser counterparts who invest in central bank independence will enjoy lower costs of borrowing, the love of international investors, and longer life spans." The timing of this speech—24 days to the RBI central board meeting amid the ongoing tensions—added fuel to the fire and was widely seen as political grandstanding and virtue signalling than practical concern for 'independence'.

Facing pressures from the public, the government had no option but to harden its stand. As threats of the government using Section 7 became imminent, reports surfaced of Patel threatening to resign. However, as reality came closer in a nine-hour-long faceoff, matters eased: the RBI relented, the government backed off, conflicts converted into committees and the proverbial peace treaty was signed.

An issue that remains unexplored is that while nobody wants the government to use Section 7 and give directions to the RBI, the provision to do so exists in the law. Moreover, the power to use it rests with the government alone, and it can decide to use it if it considers it necessary "in public interest." That Parliament, while enacting this law, considered it a necessity and left it to the government's discretion to use it, reflects a party-neutral political will behind this section.

Such provisions of giving directions are part of every law under which all regulators function—Section 16 under Chapter VII of the Securities and Exchange Board of India (SEBI) Act, 1992;[25] Section 18 under Chapter VI of the Insurance Regulatory and Development Authority (IRDA) Act, 1999;[26] and Section 42 under Chapter X of the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013.[27] Beyond finance, too, this provision exists—Section 25 under Chapter VI of the Telecom Regulatory Authority of India (TRAI) Act, 1997;[28] Section 55 under Chapter IX of the Competition Act, 2002;[29] Section 85 (1) under Chapter XII of the Food Safety and Standards Act, 2006;[30] and Section 83 (1) under Chapter X of the Real Estate (Regulation and Development) (RERA) Act, 2016.[31]

Further, the legislative control in favour of the government does not end at giving directions; lawmakers have gone a step further, and given the government the powers to supersede the governance systems of regulators. Section 30 of the RBI Act enables the government to supersede the Central Board if RBI "fails to carry out any of the obligations imposed on it by or under this [RBI] Act."[32] Following this, the government needs to place a full report of the circumstances leading to such action and of the action taken before Parliament within six months.[33] Section 17 of the SEBI Act enables the government to supersede the board of capital markets regulator for up to six months, if it is unable to discharge the functions and duties imposed on it by or under the provisions of the Act or persistently defaults in complying with the directions issued by the government. A full report of any action taken must be placed before Parliament "at the earliest."[34]

Similarly, Section 56 of the Competition Act under Chapter 9 strengthens the directional clause and enables the government to supersede the commission for six months, if the Competition Commission of India "has persistently made default in complying with any direction given by the Central Government."[35] In this case, too, the report before Parliament must be placed "at the earliest."[36] Similar provisions have been placed in all other regulatory acts as well—Section 19 of the IRDA Act, Section 44 of the PFRDA Act, and Section 82 of the RERA Act.

The two provisions of giving directions to regulators and superseding them, come with restraints that can, at best, be called prerogatives. The restraints range from questions of policy (with the authority to declare whether it is a policy decision or not vesting with the government) to the inability of the regulator to discharge its functions and duties; default in complying with directions; and compromising the sovereignty and integrity of India, the security of India, public order, decency or morality.[37]

These provisions grant the government unambiguous powers to give directions or supersede the governance of a regulator. In the current case of the RBI, directions under Section 7 can be imposed in the public interest, after consultation with the governor, while the board can be superseded if the RBI fails to carry out its obligations. For anyone—the regulator, the Opposition, the expert, the people—to claim otherwise is an extrapolation of an opinion; it will not stand the test of law. If the nation does not want these provisions, amendments will need to be made. For this, citizens must reach a consensus through the only tools available to democracies for making legislative changes: public debates and discussions through Parliament. However, as long as the provisions exist, they are law and must be followed.

The question that presents itself then is why these provisions exist in the first place. The following section tackles this question.

## ACCOUNTABILITY TO THE PEOPLE VERSUS TYRANNY OF THE UNELECTED EXPERT

The debate around the centrality of central bankers hinges on one word: independence. This idea was created and gathered momentum in the 1980s and "it became fashionable to formally guarantee the autonomy of the central bank vis-a₹-vis the government, as well as providing central banks with explicit (or implicit) quantitative inflation objectives."[38] What has emerged as an unintended consequence is the conflict between central banks and governments.

Resolving these debates rests around another idea: accountability. In most democracies, governments face the consequences of bad monetary policy decisions by being voted out, while regulators emerge unscathed. Yet, if accountability rests with the government, the powers should too. A scenario, where unelected expert-officials can protect themselves against all questioning behind the shield of 'independence' and leave the dirty job of accountability to the government thrives only in imagination. Further, conflicts between central bankers and governments have been around for a long time, as evident from the studies conducted across eras and geographies.

The first visible and public conflict in India happened a little more than a decade before Independence. In October 1936, the first Governor of RBI, Osborne Arkell Smith, resigned after only 18 months in his post, two years before his term was to expire. The reason was Smith's divergent views from then Finance Member of the Viceroy's Executive Council James Grigg's and his deputy James Taylor's. The issue was not merely the "temperamental incompatibility," as Chintaman Deshmukh, the first Indian RBI Governor, said in a public lecture, but "serious difference of opinion which arose between him and the Finance Member over the lowering of the Bank rate, with all its implications, and the management of the Bank's investments."[39]

Once the original powerplay was established—that in case of a conflict, it would be the RBI governor who would stand down—a linear progression followed. The Smith episode found an "uncanny echo in the 1950s in the resignation of Governor Benegal Rama Rau,"[40] under Prime Minister Jawaharlal Nehru, who backed his Finance Minister T.T. Krishnamachari against his public criticism of the governor. Krishnamachari had announced a stamp duty on bills and termed it a "fiscal measure with monetary intent,"[41] openly hijacking the RBI's monetary policy mandate. In the ensuing negotiations, Nehru made it clear to Rau that the RBI was "obviously a part of the activities of the Government ... and has to keep in line."[42] While Rau resigned, the accountability of the government with the accompanying powers was underlined.

Fast forward a quarter of a century to 1983 and, under Prime Minister Indira Gandhi, Governor Manmohan Singh was brought to the brink of resigning. Singh believed that if the UK-based Swaraj Paul's Caparo group of companies was allowed to buy shares of Arun Nanda's Escorts Ltd., it would make it difficult to enforce foreign exchange regulations. This view conflicted with Indira Gandhi's. The rift increased when Indira Gandhi cleared a proposal to give a banking licence to the controversial Bank of Credit and Commerce International (BCCI). "We had to give the licence because the government forced us to," Singh said. However, he then sent his resignation to Finance Minister Pranab Mukherjee as well as to Indira Gandhi.[43]

Three decades later, with Singh as prime minister, the conflict tables turned, this time between Finance Minister P. Chidambaram and

Governors Y.V. Reddy and Duvvuri Subbarao. Seeking growth, Chidambaram sought lowering of interest rates, which first Reddy and later Subbarao rejected. Chidambaram vented his frustration in public: "Growth is as much a challenge as inflation. If the Government has to walk alone to face the challenge of growth then we will walk alone."[44] When the issue of extending Subbarao's term came up, it took Singh to facilitate it.[45] Four years earlier, in 2008, his predecessor Y.V. Reddy had considered resigning on the issue of opening up the banking system to foreign ownership.[46]

Under Prime Minister Narendra Modi's tenure, there are echoes of the same conflict between Finance Minister Arun Jaitley and Governors Raghuram Rajan and, now, Urjit R. Patel. The difference is that while in the 20th century, governors had to resign, the 21st century is able to negotiate conflicts better, with mere threats—the government using Section 7 or the RBI Governor threatening resignation—and public pressure being enough to ward of the conflict. However, while execution and enforcement of government authority may have taken a backseat or made the government seem more circumspect, the fact is that policy tension does and will continue to exist between the two institutions.

Outside India, too, the situation is similar. In March 1953, the first Governor of the Central Bank of Ireland Joseph Brennan resigned following disagreements with the government over economic and financial policy matters.[47] In his conflict with Finance Minister John Fleming, Bank of Canada's Governor James Coyne resigned six months before completing his seven-year term in July 1961.[48] In 1989, in his fight with German Chancellor Helmut Kohl over currency in the unification of East and West Germany, President of Bundesbank (the German central bank) Karl Otto Pohl resigned.[49]

Clearly, there is a reason why the government holds greater power than central bank governors: the accountability and the checks-and-balances clauses that are embedded in every public institution of every democracy. Even today, long after the Congress-led United Progressive Alliance government has been out of office, the blame for the creation of non-performing assets continues to fall on Congress (P. Chidambaram and Manmohan Singh in particular), not with Y.V. Reddy, Duvvuri Subbarao or Raghuram Rajan (appointed by UPA, retained by NDA). Likewise, the blame for any banking problems between May 2014 and May 2019 will lie with Arun Jaitley and Narendra Modi, not Raghuram Rajan or Urjit R. Patel.

As if non-accountability in matters of governance was not enough, the RBI has no accountability even on its regulatory actions. Other regulators have appellate authorities—Securities Appellate Tribunal in case of regulations and orders of SEBI or PFRDA; Telecom Disputes Settlement and Appellate Tribunal in case of TRAI; or National Company Law Appellate Tribunal in case of CCI. However, there is no such appellate body or even a mechanism to review the RBI's regulatory and supervisory decisions. Thus, in addition to the RBI's governance being unaccountable, there is also no scope to question its regulatory decisions.

This is not in line with the functioning of all other regulators. For instance, the Competition Act, 2002 received presidential assent on 13 January 2003, and the Competition Commission of India was formed on 14 October 2003. However, two years later, challenged by two writs (one each in the Madras High Court and the Supreme Court) on the ground that the commission was more of a judicial body and the chairman had to be a retired judge, the Supreme Court gave Parliament a legislative nudge in its 20 January 2005 order.[50] The law was amended and the Competition (Amendment) Act, 2007 was enacted on 24

September 2007. The addition of Chapter VIIIA then enabled the creation of an Appellate Tribunal.[51] It is strange how the law has given the RBI so many exceptions that are in direct conflict with the principle of democratic legitimacy.

A related question is: who does RBI need independence from and to what end? The most important decision any central bank takes—and RBI is no exception—is about policy rates: repo rate, reverse repo rate, marginal standing facility rate and bank rate. This function has now been hived off by law to a Monetary Policy Committee,[52] through a 2016 amendment of the RBI Act[53] following an agreement between the RBI and the government.[54] Now, six members decide India's policy rates: three members from the RBI, including the governor and the deputy governor in charge of monetary policy; and three appointed by the government. Decisions are based on majority vote (of those present and voting), and in case of a tie, the RBI Governor has the casting vote. Effectively, policy rates are in control of RBI, with which it can undertake inflation targeting—four percent, with an upper tolerance level of six percent and a lower tolerance level of two percent.[55] Once this key determinant of the central bank's independence has been established by law, it is as free as can be.

On the other hand, the checks on governments come from their accountability to several institutions. To Parliament, where their actions are debated and ministers made answerable through questions by Members of Parliament. Further, all actions of the government can be, and often are, tested before the law through the judiciary. Pressures from the media, particularly social media, add their own pressures to accountability. And most importantly, the accountability comes through the most important tool that the public can wield: elections, not merely national, but in states, Panchayats and municipalities.

Through the creation of an office of any regulator, the government is essentially outsourcing the law-making process to this body. Thus, the government proposes a law, Parliament enacts it, a regulatory body is created and tasked with the nitty-gritty of rule-making and sectoral oversight. The regulatory body cannot be an independent feudal fief or democratically unaccountable. In case of the RBI, Sections 7 and 30 are instruments of ensuring that accountability.

If the citizens find the arrangement sub-optimal, they have two options: First, get Parliament to amend and remove the chapters, sections and clauses that ensure the primacy of the government over the regulator in matters of conflict. This way, once a regulator (the governor in this case) has been appointed, she will work through her full term until a point when her successor is appointed. During the term, the country must live with all the decisions the governor makes, irrespective of how the outcomes affect the economy. This will even apply to situations in which all negotiations have failed between the regulator and the government, as was the case in the last round of the RBI–government battle.

Second, turn all regulatory bodies Constitutional. To illustrate, make all regulatory bodies akin to the office of the Comptroller and Auditor General of India (CAG), created under Articles 149, 150 and 151 of the Constitution.[56] This will give the heads of all regulatory bodies more power, equivalent to that held by the judges of the Supreme Court. In case of a conflict, their word would be law. If the people then wish to bring about change through the removal of the regulatory head, the process will be similar to that of removing a judge, through "an order of the President passed after an address by each House of Parliament supported by the majority of the total members of the House and by the majority of not less than two-thirds of the members of the House present and voting has been presented to the President in the same session for such removal on the ground of proved misbehaviour or incapacity."[57]

Of the two governance models, neither seems viable. While it is easy to allege that the political class is dishonest, inefficient and a failure, one must remember that the weight of accountability falls on this class. Moreover, the survival of this class depends on the process of elections. The alternative rise of the unelected specialists will mean welcoming the tyranny of the expert: to expect that a professional will be more effective is seeing the regulatory world through wishful glasses. The country does not need benign dictatorships ruling its regulatory bodies; it needs a system of checks and balances that govern their behaviour.

## CONCLUSION

While it is true that the RBI–government conflict is now in the past, this was, by no means, the last such encounter. After all, the world of regulatory institutions and their governance is constantly evolving; it mirrors the market, the players, the consumers; and it changes to adapt. With technologies also having a multifaceted impact in society, there is no reason to believe that regulatory institutions will remain unaffected. Conflicts are now embedded in the central bank and the government relationship; they are par for the course.

As agents of change, it imperative that the government deliver benefits to society. The political economy of every democracy ensures that incentives are aligned with this change. On the other hand, regulators such as the RBI are driven by rules and regulations, stability and liquidity, interest rates and inflation targeting. While the government has the power to issue directions as well as change the board, it must do so with extreme caution and give the RBI the flexibility to function within the ambit of its constraints.

Both the government and the RBI must avoid breakdowns in communication. Given that egos, preferences, and divergent views and opinions on matters of policy do exist, there is a need for greater sensitivity and respect on both sides. Above all, any long-running public display of antipathy is simply unacceptable from high-ranking officials, as it attracts nothing but contempt from the public and corrodes the credibility of the institutions.

The crux of the tension, therefore, comes from a policy challenge to balance two goals:

1. Independence of the central bank from political interference, so it can undertake its monetary policy and regulatory responsibilities freely and without any pressures. In India, this has now become the law through the creation of the Monetary Policy Committee.

2. Accountability of the economic system, with the government currently holding that responsibility, the mechanism of elections making it answerable.

Pushed to extremes, the two goals are in direct conflict with each other. It is up to those running these two institutions of economic governance—the RBI and the MoF—to come together and deliver outcomes through a process of negotiations. However, when negotiations fail and communications break down or when there is an unresolvable conflict between the two, an institutional answer in the form of decision-making power becomes necessary. That power is unambiguously in the hands of an accountable government instead of an independent regulator—as it should in a democracy. ORF

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