

Abstract

We examine the ways in which macroeconomic policy differs in an emerging market with a dualistic labour market structure and partial capital account convertibility. Labour markets are crucial for macroeconomic policies. Past practices have to change during a catch-up phase with potential faster absorption of labour into the modern sector. There is convergence to practices in mature economies, but vital differences remain. Moreover, countries at different levels of development, but with an expanding labour force, high capital mobility and growth rates can share similarities in optimal policy. But recent developments in capital markets suggest that regulatory practices in the most advanced countries should not be emulated.

The issues are illustrated with Indian experience of inflation, coordination of interest and exchange rate policy, the impossible trinity, and development of forex markets. The conclusion is that India has done well with middling through, but improvements are possible.

Speaker's Profile:

Dr. Ashima Goyal is a professor at the Indira Gandhi Institute of Development Research, Mumbai, India. She has been a visiting fellow at the Economic Growth Centre, Yale University, USA, and a Fulbright Senior Research Fellow at Claremont Graduate University, USA. Her research interests are in institutional macroeconomics, the open economy, international finance, development and governance. She is the author of numerous international and national publications, a book on Developing Economy Macroeconomics, and is co-editor of a Routledge journal on Macroeconomics and Finance. Her research has received national and international awards. She is also active in the Indian policy debate, and is a member of several committees.