

Main points from the **Round Table on Macro-Economic Issues**

November 7, 2006

9.00am-10.30am

Dr Bimal Jalan chaired the session. The panelists were: Dr Shankar Acharya, Dr Vijay Joshi, Dr Avik Chakrabarti and Dr Surjit S. Bhalla.

- Improvement in combined fiscal deficit (center and states) is a key success of macroeconomic management in recent years.
- There appears to be a positive correlation between periods of reducing fiscal deficit and high economic growth.
- Gross domestic savings have increased in recent times and have positively influenced growth. The improvement in savings can be linked to enactment of fiscal responsibility legislations at both center and states.
- Moving towards double-digit growth calls for much higher investment, which, in turn, call for higher savings. Enhancing savings further is a critical issue.
- One of the worrying signs since mid 1990s (between 1995-96 to 2005-06) is the increase in overall government debt as a proportion of GDP.
- Future fiscal management will have to factor in the implications of the forthcoming Central Pay Commission.
- The main issue at hand is make high growth more conducive to employment generation, particularly for the semi-skilled category.
- India's external sector management during the last one and a half decades has been exemplary leading to lowering of external debt and increase in reserves.
- A key component of external sector management has been the steady move towards a flexible exchange rate policy.
- Ideally, India should move towards full capital account convertibility. However, such a move must be careful and cautious and should take note of fiscal consolidation and strengthening of financial sector institutions.
- In the medium term, India should move towards inflation targeting as a major goal of monetary policy.
- Infrastructure is the key to India's achieving higher growth in future.
- Regarding improving efficiency and productivity of infrastructure services, governance in delivery of public services becomes a critical issue.
- Sustained expansion of investment for augmenting infrastructure services calls for major institutional and organizational reforms.
- One of the main structural changes that have taken place in India post-reforms is the emergence of a large and growing middle class.
- Interest rate deregulation and an effective exchange rate policy are producing results in terms of higher growth.

