Essays on Contemporary Macroeconomic Developments in India

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Abstract of Thesis

This dissertation studies short-run and medium-run aspects of economic growth under a set of alternative analytical frameworks. Much of growth theory is about the long-run. On the other hand understanding contemporary growth experience often requires application of short-run analysis. For instance, if one wishes to study recent Indian growth then the fact is that growth rate has been changing, quantitatively as well as qualitatively. Clearly the Indian economy is not in long-run equilibrium. Secondly, the essence of the short-run is that some conditions of equilibrium are not fulfilled. For this reason, the existence of persistent excess capacity and unemployment needs to be recognized. Therefore this study employs a short-run framework and the set of comprehensive equilibrium conditions of the long-run are not invoked.
associated with out-of-steady-state behaviour.

The analysis carried out in this dissertation is theoretical and preliminary. The exercises

includes: (*i*) a demand-determined growth model having Keynesian features; (*ii*) a Harrod-Domar model modified to include autonomous consumption; (*iii*) a two-sector, fixed coefficients, shiftable capital model; (*iv*) a two-sector, fixed coefficients, non-shiftable capital model; (*v*) a two-sector, two-class, fixed coefficients, shiftable capital model; (*vi*) a two-sector, two-class, fixed coefficients, non-shiftable capital model; and (*vii*) a two-sector, two-class, variable coefficients, non-shiftable capital model.

An attempt has been made to analyze the models in the simplest possible manner without
ating *all* factors
that might affect growth or to attempt the widest generality in assumptions, but simply to focus on *possible* factors and show why each is important in the least complicated manner. Differences in the outcomes of different models bring out differences in the underlying structure and assumptions. Using the analysis we address some important questions such as the following, among others: (*i*) To what extent does a change in the rate of exponential
ii) What are the appropriate analytical definitions of
consumption-driven growth and investment-driven growth? (*iii*) What observable

characteristics of a growth path help identify if growth (or a change in growth) is consumption-driven in contrast to its being investment-driven? (*iv*) Under what conditions would market signals be useful for guiding investment allocation decisions to the long-run equilibrium growth path?

Naturally, the answers vary from one model to another. To provide just one example, while in the pure demand-determined Keynesian model increases in GDP growth do not depend on the relative strengths of investment and autonomous consumption growth rates, in the generalized Harrod