

ABSTRACT

This research intends to be a study in the field of applied macro-econometric research as it has been a country-specific research on macroeconomic instability analysis, particularly in the context of the Indian economy. Though its broad contour is macroeconomics, it has been both either in the part of growth studies or in business cycle studies. However, the main tenet of this research catered around the theme of instability and growth right across the research, which has long been at the core of economic analysis not only in the theoretical works but also in the outpouring of empirical literatures. Whatever may be the sources of origin of instability are broadly clubbed either in the exogenous premise or endogenous domain. However, decoupling their mutual influence has always been a challenging task even before the best empirics.

Measuring and quantifying the theme of instability is not always an easy task. In quest of this, methodological revolution seems to have gone from metaphorical ideas of equilibrium-disequilibrium to recent co-integration and error correction conception of time-series econometrics. Macroeconomic imbalances may emanate from both exogenous shocks such as ban of economic sanctions or natural events and distortions on account of unsustainable domestic policies. This research kept going in detail in quest of the analysis of macroeconomics of imbalances and adjustment, which considered necessary to correct both the internal and external dimension. The basic problem of this research hinges on to trace out the moving short-run disequilibrium dynamics of the Indian economy towards steady-state long-run equilibrium growth path, explaining the details of adjustment.

Over the past few decades, India has gone through several economic and institutional changes, including its fiscal policy framework, monetary policy framework, exchange rate regime, financial regulatory framework and trade policy structure. Its macroeconomic policy context including the role of the public sector, the pervasive influence of legislation, and degrees of government controls have changed over time. Relative priorities in setting economic strategies have varied in contents across sectors and policy areas, and pace of policy changes also varied as surfaced extraneous economic and political shocks from time to time. And the nature of the shocks, their origin, degrees of gravity, and government responses to them varied with different intensities, which motivate the present research to enquire into the questions for associated recessions in the 1960s and 1990s, particularly to present a comparative instability perspective in the

India's changing macroeconomic policy context additive to presence of exogenous supply shocks.

This research is computationally demanding as to how its lurched out growth process took shape and how its transient staying varied in response to policy changes in the face of economic and political shocks over the studied sample period from 1950-51 to 2002-03. This research evaluates various macroeconomic policy options from the point of view of macroeconomic stability and growth in the Indian economy. It has been about India's changing macroeconomic policy contexts, which were adopted to maintain economic stability in the wake of international price, interest rate, and demand shocks or domestic crises in the forms of investment booms and related budgetary problems. Its main purpose is to analyse the underlying economic relationships to draw upon the cause and effect relationships behind these policies to generate instability ideas.

The thesis takes shaped in nine separate chapters. Chapter 1 has been to set out the tone of this research in its preliminary effort while chapter 2 surveys literatures to explore thematic stylised facts of instability, measurement and underlying methodologies. Chapter 3 has been to collect instability information across development planning, budgetary exercises with historical factual information. Chapter 4 has been to provide India's changing macroeconomic policy trends. Chapter 5 has been to build theoretical framework in order to slate theoretical channels of instability and chapter 6 has been with methodological framework to provide methodological linkage in quantifying instability issues and their relationships. Chapter 7 deals phase analysis of Indian instability stages informing policy analysis and economic shocks and macroeconomic instability dips in the 1960s and 1990s. Chapter 8 examines the instability channels econometrically with causation and long-run growth and stability implications in the context of India's changing policy posture. Chapter 9 provides comparative perspective of instability episodes with analysis of comparative devaluation on India's macroeconomic growth with overall long-run policy assessment and concludes the research leaving future agenda for further research.