



Policies for Growth and Financial Stability beyond the Crisis – The Scope for Global Cooperation

**ICRIER/InWent/DIE - Conference
Mumbai, 27/28 October 2010**

Background

The global economy is now rebounding from the crisis. There is a widespread belief that the worst of the global crisis is over as output and trade is back to pre-crisis levels in 2010 in most of the emerging and developing world, whereas the OECD countries still suffer from low growth and high fiscal deficits. Unprecedented expansionary fiscal policies to stimulate demand and large interest rate cuts to inject liquidity in the market, domestic as well as international, to sustain credit have helped lower uncertainty and systemic risk in financial markets. However, there is no consensus in the path of recovery as global imbalances persist and major regulatory reforms are still debated.

The key issues at this juncture are unsustainable fiscal expansion, inflationary pressure in some countries, appropriate time for exit extraordinary levels of public intervention, global cooperation to check macroeconomic imbalances and the quest for a new global regime for coordinated regulation of the financial industry.

Conference Concept

The conference will, firstly, take stock of the major reports on the reform of the global financial system and the implementation of suggestions thereof in the G 20 process; secondly, key issues such as the major fiscal, monetary and regulatory initiatives around the world after the crisis will be discussed. Given the different impact of the crisis in the OECD countries and the emerging and developing economies, it is imperative to contemplate some of the country and regional crisis and reform experience, especially in the EU and Asia.

Against this backdrop, the conference aims to bring together distinguished policymakers, regulators, practitioners and academicians for a dialogue on important questions at this juncture. What is the consensus on the regulation of financial markets on the background of the recommendations of major reports and the G 20 process? What are the measures recommended by multilateral agencies such as IMF, BIS and FSB? What are the reforms undertaken in the advanced economies such as EU and US and in the developing countries in Asia especially in India and China. And finally, what are the exit and growth strategies, taking into account the need for global rebalancing? To address these questions, the conference will be organized around three sessions and a panel discussion.



Program schedule*

Day 1 (27 October)

09:30 Opening

- Words of welcome by **Parthasarathi Shome**, Director and CE (Designate), ICRIER
- Address by **Benno Graw**, Financial Counsellor, Consulate General of the Federal Republic of Germany, Mumbai
- Inaugural Address by **D. Subbarao**, Governor, Reserve Bank of India

10:15 Coffee break

10:30 Session 1: Taking stock – Regulation of financial markets two years after Lehman

A lot of renowned people have written about the causes of the global crisis and a set of proposals were put forward with a strong emphasis on regulation and corporate governance in financial institutions to ensure stability. A number of reports have eminently surveyed the issues, proposed recommendations, prioritized them and chalked out the implementation path.

The G 20 members are struggling to reach an international consensus on regulatory reforms, and the emerging and developing economies are facing the challenge of adapting the G 20/FSB regulatory concepts and adapt them to their national circumstances. The theme of the session is to see how the crisis was used as an opportunity to bring in regulatory reforms, taking into account the major recommendations and the progress to date, between the G 20 summits in Canada and Korea in 2010.

Chair: **Peter Wolff**, German Development Institute

- Input 1: **K.P. Krishnan**, Joint Secretary, Ministry of Finance, India
- Input 2: **Dietrich Lingenthal**, Federal Ministry of Finance/Germany
- Comment 1: **Joseph Massey**, Managing Director and CEO, MCX Stock Exchange
- Comment 2: **Bandi Ram Prasad**, President, FT Knowledge Management Company

Guiding questions:

1. Key recommendations of selected reports on financial market regulation
2. Results of G 20/FSB–process with regard to major regulatory issues



3. Common regulatory standards for all countries or differentiation according to the level of development?

12.30 Lunch

14:00 Keynote, Subir Gokarn, Deputy Governor of Reserve Bank of India on ‘India’s expectations to the G 20 process’

Open discussion

15:30 Session 2: Capital account management in emerging market economies

The liberal paradigm of open capital accounts, recommended also for developing countries, is being reassessed as a result of the recent financial crisis. Countries with controlled capital accounts have clearly fared better, being less vulnerable to volatile short-term capital flows. Now, in times of persisting low interest rates in the OECD countries the emerging economies are subject to large capital inflows due to widening yields. This increases the danger of new financial and real estate bubbles in these countries. Furthermore, this might have long-term negative consequences for the domestic real and financial sectors in emerging economies, due to the upward pressure on their currencies, the possible misallocation of resources towards non-productive activities and the risks to domestic financial institutions.

Chair: **Ashima Goyal**, Professor, IGIDR

- Input 1: **Jonathan Ostry**, Deputy Director, IMF
- Input 2: **Abhijit Sen Gupta**, Associate Professor, JNU
- Comment 1: **Guonan Ma**, Bank for International Settlements (BIS)
- Comment 2: **Ulrich Volz**, German Development Institute

Guiding questions:

1. Recent trends of capital flows to and from EME with particular reference to India
2. Policy options for capital account management - A new policy paradigm after the crisis?
3. Can domestic capital markets compensate for a slowdown of capital inflows?



Day 2 (28 October)

09:30 Session 3: Macroeconomic management and exit strategies

Unprecedented government interventions, especially fiscal and monetary policies, all around the world are cited to be the major instruments that tamed the crisis. The key issues facing policymakers today are when to exit the expansionary fiscal policies and stabilize the fiscal conditions. The concern is not to prolong the policies too far away which might destroy the incentive structure and would sow the seeds for future crises. The key issue for monetary authorities is when to tighten the accommodative policy in the wake of raising inflation. Furthermore, the question arises what growth models should be pursued by surplus and by deficit countries in order to avoid the global imbalances that have been one of the reasons for the crisis.

Chair: **Parthasarathi Shome**, Director and CE (Designate), ICRIER

- Input 1: **Ashima Goyal**, Professor, IGIDR
- Input 2: **Ansgar Belke**, Research Director, DIW, Berlin
- Comment 1: **Cinzia Alcidi**, Centre for European Economic Policy Research , Brussels
- Comment 2: **Kaushik Bhattacharya**, Associate Professor, IIM Lucknow

Guiding questions:

1. Macro policies after the crisis – between deflationary pressure and inflationary expectations
2. Adequate policies for fiscal sustainability and growth
3. Should there be a coordinated exit strategy?

11:00 Coffee break



11.30 Panel discussion: The new global financial order – Perspectives for Europe and Asia

Chair: **Parthasarathi Shome**, Director and CE (Designate), ICRIER

- **Cinzia Alcidi**, CEPR, Brussels
 - **Peter Wolff**, German Development Institute
 - **Sanjaya Panth**, Senior Resident Representative, IMF, India
 - **Rammohan Rao**, Professor, IIT Kanpur
1. The state of the G 20 process: Can national interests and global financial and macroeconomic coordination be reconciled?
 2. Will the IFI's stay relevant? The role of the IMF, the World Bank and the Regional Development Banks in the post-crisis setting
 3. The future of the global monetary system: Anchor currencies and regional monetary and financial arrangements

13:00 Conference wrap-up: Parthasarathi Shome, Director and CE (Designate), ICRIER