

The Economics of India

ECON-3559

Spring 2023

Monday and Wednesday 5:00 pm - 6:15 pm at Dell 2 -100

Instructor: Sushma Shukla, Ph.D.

Contact Information: sshukla@virginia.edu

Office Hours: Friday 10:00 am to 12:00 pm via zoom; here is the link:

<https://virginia.zoom.us/my/prof.shukla>

Overview of the course:

This course aims to provide an understanding of India's economic system, strengths, and challenges. After briefly surveying India's economic history, geography, and demographics, students will analyze economic reforms, economic Growth, economic development, and India's connection with the rest of the world, focusing on trade, aid, and economic cooperation. Finally, the course will provide students with a framework for analyzing macroeconomic problems and examining significant economic issues, focusing on what is needed to resolve those issues.

Prerequisites:

Principles of Microeconomics and Macroeconomics (ECON 2010 and ECON 2020) are prerequisites for the course. In addition, intermediate Microeconomics and Macroeconomics (ECON 3010 and ECON 3020) would be helpful. The course will cover international trade, development economics, labor, and public finance concepts, but no prior knowledge of these areas will be essential.

Structure of the course:

The course will meet twice Monday and Wednesday 5:00 pm - 6:15 pm at Dell 2 -100 and will be a combination of lecture and discussion, with participation encouraged.

Course Materials

Required Book: A Concise Handbook of the Indian Economy in the 21st Century, by Ashima Goyal, 2nd Edition

Additional readings: Assigned readings can be found at www.worldbank.org , www.imf.org and online.

Online access: Ensure that you have access to the course website on Canvas using your UVA ID. Course announcements, assignments, and instructor slides will be posted on the course Canvas site. Note that instructor slides will be made available on Canvas before each class.

Students are expected to complete the reading from the book and assigned articles before each class. The assigned reading for each class is given in the schedule below. The chapters listed in the schedule are from the course textbook.

Class Requirements and Grade Determination:

Your grade consists of an individual (50%) and a teamwork component (50%). The grade distribution is as follows-

Assessment	Percentage
Individual Work	50%
Exam -1	20 %
Exam -2	20 %
Class Participation	10 %
Group Work	50%
Article Analysis and Presentations	20%
Final research Project and Presentation	30%
1. Presentation - 10%	
2. Research Paper - 20%	
Total	100%

Individual Work: Class participation, Exam -1, and Exam -2 count toward the individual component of the grade as described below –

Class Participation

Participation, Attentiveness, Attendance, and Behavior in class: The grade for this component is determined based on your participation (quality and quantity) in class discussion, your attentiveness in class (are you participating in class discussion by sharing thoughtful comments and insights, responding to instructor's questions, etc.), attendance at lectures, arrival and departure times (late arrival or early departure negatively affect your grade), and your behavior in class. An integral part of the grade is evidence of careful preparation by taking a major role in pointing out new issues and new points of view in class discussions. Note that I take attendance in each class.

Exam-1

Exam-1 will take place on the date provided in the schedule. The list of chapters that you will be tested on is also provided in the schedule.

Exam-2

Exam-2 will take place on the date provided in the schedule. The list of chapters that you will be tested on is also provided in the schedule.

Group Work: Students form groups (Five students per group) within the first two weeks of the semester, as noted in the schedule. All group work listed below is done with the same group members throughout the semester. Article Analysis and Presentation of the assigned reading and a final research project consisting of two components - a research paper and a presentation, count toward the group component of the grade.

Article Analysis and Presentations

There are three Article Analysis and Presentation assignments in this course. Each group will be assigned three articles. Using the group # assigned to your group, check the schedule for the assigned articles for your group #. For the articles assigned to your group #, you will need to prepare a presentation and present in class. The detail of the assignment is available in CANVAS.

Final Research Project

For the final project, each group will be assigned one of the research topics from the list of available topics. The instructor assigns a topic for the final research project to each group based on their choice list and the availability of the topic. As noted in the schedule, since the topic allocation is on a first-come-first-served basis, one student from each group should email the top three topic choices for their group from the topics list. As noted in the schedule, this is done toward the beginning of the semester. Once the instructor finalizes the group#-topic allocations, they will be posted on Canvas under Modules. Each group will write a research paper for their assigned topic and present it to the class.

Presentation - The purpose of the presentation is twofold - (1) to allow each group to share their research on the assigned topic with the class, and (2) to allow the instructor to assess group progress (and provide feedback) on the research topic; this is to ensure that each group is on track for their final research paper, which is normally due a few days after the presentation (check the schedule for the due date for the research paper).

Each group should prepare a 10-minute presentation on their assigned topic. Your presentation should include the topic and the questions as given in the topic list, your analysis of the problem or task at hand, possible solutions (if the question is asking for a solution), or description (if your topic requires a description based on research), your justification for choosing a particular solution or business implications. The text on each slide in your presentation must be at least a minimum font size of 24. For on-campus classes, please bring a hard copy of your slides (no more than two slides per page) and give them to the instructor before your presentation. Please avoid dark backgrounds on your slides to save ink! You must submit your presentation through Canvas (Assignments) half an hour before class begins on the day of your scheduled presentation.

Research Paper - In addition to the group presentation, each student group will write a research paper on their assigned topic. This serves as the final exam for the course. One submission per group is required, and it should be submitted via Canvas. Please check the schedule for the submission due date. No hard copies are needed. Your paper should not be more than 2500 words (excluding the bibliography); please use Times New Roman, font size 12, double-spaced. Please submit your assignment as a word document (not as a pdf or any other format). In addition to the material discussed in class and the material from the textbook, you may want to use outside sources to develop your arguments for the paper. You must cite the sources in your paper and include the corresponding reference in the References or Bibliography section of your paper. You can include a maximum of six exhibits (i.e., graphs, charts, data tables, etc.) to support your analysis. When you use exhibits, please label them, refer to them, and explain them in the text.

If you are unsure about how to write a research paper, please refer to the following website, which has a wealth of information on these topics –

<http://owl.english.purdue.edu/owl/section/2/9/>

The following questions should give you a sense of what I look for when grading your paper:

- Does the introduction section briefly describe the purpose, importance, and plan of the research paper?
- Is the thesis clearly stated in the introduction?
- Is the paper well organized; in other words, is the main point of each paragraph easily understood?
- If applicable, does the paper provide a historical perspective on the problem?
- Does the paper provide a complete and accurate discussion of the topic using examples from reliable sources such as scholarly books, peer-reviewed publications, or government publications, etc.?
- Does it demonstrate critical thinking when evaluating ideas?
- Does the paper offer supporting evidence to make a strong case for arguments being made?
- Are the conclusions explained and backed by reasons?
- Do the sentences flow in a logical order?
- Are in-text citations appropriately used to credit all material from other sources?
- Are all citations listed?
- Are the citations appropriately distributed among popular literature, peer-reviewed journals, textbooks, and other sources?
- Are the sentences clear, free of spelling, and grammatical errors?

Tentative schedule:

Weeks	Dates	Required Reading	Additional Tasks
Week-1	1/18/2023	Class Introduction and Syllabus	(i) Students need to form their groups (Five students per group) and pick a topic for the final research project. (ii) Each student group should select their top three choices from the list of given topics. (iii) One student from each group should email the following to the instructor: (a) names and email addresses of all members in their group, and (b) the top three topic choices. You MUST include your course name and section number in the subject line. The topic assignment is on a first-come-first-served basis, so email the instructor as soon as possible, but the latest by the end of day, Friday January 28th.
Week-2	1/23/2023	The Indian economy: structure, reform, and change	
	1/25/2023	Ch-1, Sources of Growth in India	
Week-3	1/30/2023	Ch-1, Sources of Growth in India	Each student must check the Group-Topic allocations file posted on Canvas for their assigned topic and group # and ensure that they are listed in the correct group. Contact instructor promptly if you see an issue with the allocation, or you are not included in any group.
	2/1/2023	Ch-2, After liberalizing reforms the importance of domestic demand Assigned Reading: <i>Rodrik, D., & Subramanian, A. (2005). From "Hindu Growth" to productivity surge: the mystery of the Indian growth transition. IMF Staff Papers, 52(2), 193-228.</i>	Group-1 will present their presentation on the assigned reading article.

Week-4	2/6/2023	Ch-2, After liberalizing reforms the importance of domestic demand Assigned Reading: <i>Goyal, A. (2018). Demand-led growth slowdown and inflation targeting in India. Economic and Political Weekly, 53.</i>	Group-2 will present their presentation on the assigned reading article.
	2/8/2023	Ch-3, Fiscal and Monetary Policy Outcomes and Coordination Assigned Reading: <i>Reddy, Y. V. (2000). Fiscal and Monetary Policy Interface: Recent Developments in India. RBI Bulletin, 1257-72.</i>	Group-3 will present their presentation on the assigned reading article.
Week-5	2/13/2023	Ch-4, Monetary policy transmission in India interplay of rate and quantum channels Assigned Reading: <i>Patnaik, I., Shah, A., & Bhattacharya, R. (2011). Monetary policy transmission in an emerging market setting. International Monetary Fund.</i>	Group-4 will present their presentation on the assigned reading article.
	2/15/2023	Ch-4, Monetary policy transmission in India interplay of rate and quantum channels Assigned Reading: <i>Prasad, M. A., Kramer, M. C. F., & Ward, M. H. P. (2008). Challenges to monetary policy from financial globalization: the case of India. International Monetary Fund.</i>	Group-5 will present their presentation on the assigned reading article.
Week-6	2/20/2023	Ch-5, Openness and Growth in the Indian Economy Assigned Reading: <i>Nagaraj, R. (2008). India's recent economic Growth: a closer look. Economic and Political Weekly, 55-61.</i>	Group-6 will present their presentation on the assigned reading article.
	2/22/2023	Ch-5, Openness and Growth in the Indian Economy Assigned Reading: <i>Dholakia, R. H. (2009). Regional sources of growth acceleration in India. Economic and political weekly, 67-74.</i>	Group-1 will present their presentation on the assigned reading article.
Week-7	2/27/2023	Ch-6, Reforms and Global Economic Integration of the Indian economy, emerging patterns, challenges, and future directions Assigned Reading:	Group-2 will present their presentation on the assigned reading article.

		Ahluwalia, M. S. (2006). India's experience with globalisation. Australian Economic Review, 39(1), 1-13.	
	3/1/2023	Ch-6, Reforms and Global Economic Integration of the Indian economy, emerging patterns, challenges, and future directions Assigned Reading: Huang, Y., & Khanna, T. (2003). Can India overtake china?. Foreign Policy, 137(July–August), 74-81.	Group-3 will present their presentation on the assigned reading article.
Week-8	3/6/2023	Spring recess	
	3/8/2023	Spring recess	
Week-9	3/13/2023	Exam-1(Ch1-6)	
	3/15/2023	Ch-7, Poverty and Inequality Redesigning Interventions Assigned Reading: Jha, R., Kang, W., Nagarajan, H. K., & Pradhan, K. C. (2011). Vulnerability as expected poverty in rural India.	Group-4 will present their presentation on the assigned reading article.
Week-10	3/20/2023	Ch-7, Poverty and Inequality Redesigning Interventions Assigned Reading: Deaton, A., & Kozel, V. (2005). Data and dogma: the great Indian poverty debate. The World Bank Research Observer, 20(2), 177-199.	Group-5 will present their presentation on the assigned reading article.
	3/22/2023	Ch-8, Caste, Class, Gender Dynamism or Stasis? Assigned Reading: Béteille, A. (2012). The peculiar tenacity of caste. Economic and Political Weekly, 41-48.	Group-6 will present their presentation on the assigned reading article.
Week-11	3/27/2023	Ch-9, A governance analysis of Transportation in India Assigned Reading: Pucher, J., Peng, Z. R., Mittal, N., Zhu, Y., & Korattyswaroopam, N. (2007). Urban transport trends and policies in China and India: impacts of rapid economic Growth. Transport reviews, 27(4), 379-410.	Group-1 will present their presentation on the assigned reading article.
	3/29/2023	Ch-9, A governance analysis of Transportation in India Assigned Reading: Yadav, G., Mangla, S. K., Luthra, S., & Rai, D. P. (2019). Developing a sustainable smart city	Group-2 will present their presentation on the assigned reading article.

		<i>framework for developing economies: An Indian context. Sustainable Cities and Society, 47, 101462.</i>	
Week-12	4/3/2023	Ch-10, Promoting special economic zones as a strategy of industrialization and lessons learned Assigned Reading: <i>Cantore, N., Clara, M., Lavopa, A., & Soare, C. (2017). Manufacturing as an engine of Growth: Which is the best fuel?. Structural Change and Economic Dynamics, 42, 56-66.</i>	Group-3 will present their presentation on the assigned reading article.
	4/5/2023	Ch-11, Agriculture in India performance, challenges, and opportunities Assigned Reading: <i>Bhattacharyya, S., Abraham, M., & D'Costa, A. (2013). Political economy of agrarian crisis and slow industrialisation in India. Social Scientist, 41(11/12), 43-63.</i>	Group-4 will present their presentation on the assigned reading article.
Week-13	4/10/2023	Ch-11, Agriculture in India performance, challenges, and opportunities Assigned Reading: <i>Mahendra Dev, S. (2014). Small farmers in India: Challenges and opportunities.</i>	Group-5 will present their presentation on the assigned reading article.
	4/12/2023	Ch-12, New sources of dynamism in the industry Assigned Reading: <i>Oura, H. (2008). Financial development and Growth in India: A growing tiger in a cage?</i>	Group-6 will present their presentation on the assigned reading article.
Week-14	4/17/2023	Ch-13, The financial sector in India	
	4/19/2023	Exam-2(Ch7-12)	
Week-15	4/24/2023	Group Day	
	4/26/2023	Final Project: Group Presentations for Groups 1,2, and 3	
Week-16	5/1/2023	Final Project: Group Presentations for Groups 4, 5 and 6	
	Final Exam 5/9/2023	Final Project: Group Research Paper due electronically	One submission per group. All groups submit their final research paper online via Canvas by the end of the day, i.e., 11:59 pm on 5/9/2023

TOPIC LIST FOR FINAL RESEARCH PROJECT

This section contains the list of topics for the final research project. Please refer to the Final Research Project section of Grading Policy for more details on this component. Instructions for group formation are available in the Course Schedule. As the final research project is a group project, group members are encouraged to brainstorm and work together on the research paper and the presentation for their assigned topic. Setting clear goals for each student can reduce group member participation issues. Each group should meet (online) and divide up the work clearly, so every member knows which deliverables he/she is responsible for.

GROUP ISSUES: Each group should address free-rider problems promptly. In other words, if one or more students in a group are not doing their part for the group assignments, other members of the group should talk to the student/s directly. If, however, the problem persists, please inform the instructor as soon as possible. Do not wait until the end of the semester to report such issues to the instructor.

Topic#	Topic	Question/s
1	Unemployment and rural and urban economic Growth in India?	Despite rapid economic Growth, unemployment is still an issue in both rural and urban areas. The fast economic growth rate has left unskilled workers behind, and they have struggled to find work in growing industries. In 2017, the official unemployment rate was just below 5%. However, a report by the OECD found over 30% of people aged 15-29 in India are not in employment, education or training (NEETs). With, little if any government welfare support for the unemployed, it leads to dire poverty. What is the current state of unemployment in rural and urban areas in India, what are the causes and solutions to resolve the issue?
2	Can Rural India be the backbone of India's Economic Growth? Why and why not?	Around 70% of the population in India lives in villages. Agriculture produces 17.4% of economic output but, over 51% of the workforce are employed in agriculture. This is the economy's most inefficient sector, and reform has proved slow.
3	Is Globalization Reducing Poverty and Inequality in India?	It is hoped that economic Growth would help drag the Indian poor above the poverty line. However, so far economic Growth has been highly uneven benefiting the skilled and wealthy disproportionately. Many of India's rural poor are yet to receive any tangible benefit from India's economic Growth. More than 78 million homes do not have electricity. 33% (268million) of the population live on less than \$1 per day. Furthermore with the spread of television in Indian villages, the poor are increasingly aware of the disparity between rich and poor.

4	Is Indian Education System needs reform? Why or why not?	Although India has benefited from a high % of English speakers, (important for call centre industry) there is still high levels of illiteracy amongst the population. It is worse in rural areas and amongst women. Over 50% of Indian women are illiterate. This limits economic development and a more skilled workforce.
5	The Impact of Inflation on India's Economic Growth?	The overall consumer price index (CPI) inflation has remained above the upper range of the RBI's target rate for most of the year. Earlier this year, inflation was largely driven by higher commodity prices and supply disruptions. While upstream energy companies benefitted due to higher realizations, profitability in most other sectors remained stressed due to rising production and transportation costs. This prompted manufacturers, from consumer goods to automobiles to steel, to pass on the higher costs to consumers by calibrating price increases. What are your suggestions to resolve this issue?
6	Is Indian Infrastructure complementary of Economic Growth? Why or why not?	Many Indians lack basic amenities lack access to running water. Indian public services are creaking under the strain of bureaucracy and inefficiency. Over 40% of Indian fruit rots before it reaches the market; this is one example of the supply constraints and inefficiency facing the Indian economy. What needs to be done to resolve the issue?
7	The economic consequences of the Russian-Ukraine Crisis in India.	Between April 2020-March 2021 Indian-Russian trade amounted to \$8.1 billion – around 1% of Indian trade. Indian exports were \$ 2.6 billion while imports from Russia amounted \$5.48 billion. Since the 2022 invasion of Ukraine by Russia, India has been caught in the crossfire of international sanctions against Russia. Indian importers are struggling to get paid because the ban on SWIFT international payments. In particular, India is reliant on the imports of military equipment and components for military hardware; with Russia accounting for 50% of India's armaments. What are the effects of this war in Indian economy and how these issues can be resolved?
8	Can India surpass China in the economy? Why or why not?	China currently has a nominal GDP of \$17.7 trillion while India's GDP stands at only \$3.1 trillion. On the other hand, India is expected to surpass China as the world's most populous country in 2023, raising its domestic challenges of providing food, education, and employment for an expanding young population. Given its economic gap with China, can India overtake China in its economy? Why or why not?

9	Is there a need to rebalance the Indian economy and improve the competitiveness of exports? Why or why not?	Although India has built up large amounts of foreign currency reserves, the high rates of economic Growth have been at the cost of a persistent current account deficit. In late 2012, the current account reached a peak of 6% of GDP. Since then, there has been an improvement in the current account. But, the Indian economy has still seen imports grow faster than exports. This means India needs to attract capital flows to finance the deficit. Whilst the deficit remains, there is always the fear of a further devaluation in the Rupee. There is a need to rebalance the economy and improve the competitiveness of exports.
10	Does Fiscal Deficit Matter for the Economic Growth Performance of India? Why or why not?	India has one of the largest budget deficits in the developing world. Excluding subsidies, it amounts to nearly 8% of GDP. Although it is fallen a little in the past year. It still allows little scope for increasing investment in public services like health and education. India also only manages to collect 12% of GDP in tax, making it one of the lowest in world.

Additional Resources:

- International Monetary Fund: www.imf.org
- The World Bank: www.worldbank.org
- The Library of Economics and Liberty: <https://www.econlib.org/>
- The World Factbook published by the CIA: <https://www.cia.gov/the-world-factbook/>
- India - OECD Data: <https://data.oecd.org/india.htm>
- Department of Economic Affairs, India: <https://dea.gov.in/data-statistics>