

Highlights: Ideas of India - 2024 in Review

Shruti Rajagopalan talking to Dallas Floer

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1) Essential readings on the Indian economy

FLOER: Anish Tiwari, he wants you to recommend three essential readings on the Indian economy, preferably books.

RAJAGOPALAN: Essential is really hard, but there are some books I find super useful about the Indian economy. I really like Arvind Panagariya's, I think it's called "The Emerging Giant." That's a really good book. It gives you a very good sense of India over the last 70 years or so.

I really like this book by Tirthankar Roy and Anand Swamy called "Law and the Economy." We discussed the first part of that book on the podcast when they came on the show, which was, I think, Law and the Economy in Colonial India. Now they've done the follow-up, and it's coming out as one big book. I think that's a really good one.

I like Ajay Shah and Vijay Kelkar's book, "In Service of the Republic." I think that was the first episode we ever did on the podcast. That's a great book.

Another really fun book—this is now getting into the weeds of some geeky stuff that we do—I love Arun Shourie's "Governance." This is a book which just, it's like a Yes Minister show in book form. Arun Shourie was also a journalist, other than being an economist. He writes the journey of all the bureaucracy and red tape and the craziness that he had to encounter when he was the Minister of Disinvestment. That's a super fun book. I guess these are some of the books I recommend.

2a) RAJAGOPALAN: Well, I think factually, yes. I think there are too many people who are doing RCTs. I don't have a problem with RCTs as a method. I think that's totally fine. I think the problem is if we expect development outcomes to come out of RCTs. I think that's where we run into trouble. We shouldn't kid ourselves into thinking that RCTs are going to find us some magic silver bullet or some particular scheme that will lead India out of poverty.

2b) RAJAGOPALAN: The overinvestment in RCTs is because of the political economy of [the] American publication and tenure system, which is so focused on the top five or top ten journals, where you solve a particular kind of identification problem by doing an RCT instead of some kind of macro dev paper. That's where this nonsense is coming from. Maybe also demoting those people in status would be good, and elevating people who do big-picture questions, but without a very specific narrow, causal answer, that would also be good.

3) RAJAGOPALAN: I don't think the problem is one of opportunity. I think the problem is one of what is considered high status and low status. When students are doing their PhD, a lot of their self-worth is tied to what they're working on and the outcome of what they're working on. I'm not kidding. I've heard students tell me that they took a private sector job, and their

academic advisor will no longer speak with them, or none of their PhD friends hang out with them anymore because they exited the system. Some of it is organic like you don't see each other in the conference circuit, or you don't have reason to keep in touch as much, but a lot of it is quite explicit. It's like, "Okay, now you're not part of the system. You're of no real value to us, so please leave."

I think that is the reason a lot of people feel like there isn't enough opportunity because quitting that academic pipeline and doing something completely different is not just the loss of a dream you might have had in your first or second year of PhD, it's actually just loss of an entire life, which you knew as a young adult in your 20s for six, seven, eight years. I think that's the bigger problem.

We need to elevate the status of these other jobs, and we need to demote the status of these people who are very obsessed with a particular pecking order or class system in academia. It never bothered me particularly, but I know it bothers a lot of other people.

4) FLOER: "If you would start your PhD today, what would be your potential dissertation topics?"

RAJAGOPALAN: The advice I give doctoral students is, do what you are really excited about because you have to keep that excitement up for four, five, six years. Sometimes that particular paper may not get published for another few years. I remember it took seven, eight years to get my job market paper published. Just pick something that a year from today when you're working on it, you're not like, "Oh my God, I can't believe I picked this topic. It's coming out of my eyes and ears. I hate it. I hate my life." That's the advice.

Having said that, I also have this feeling that we should work on really big-ticket items during our doctoral work, right? What are the big-ticket items of today? You have immigration. That's the big \$20 bill lying on the sidewalk. We have air pollution. I think that's a really big one, especially in the Global South. We have AI. These are big global topics.

In India, I think delimitation is a really big one. This is basically how India's going to reassign its parliamentary constituencies to account for population. That's, I think, a very big-ticket item. I think migration flows within India because India is like a continent, so it has countries. The top 12 states in India would find themselves as countries within the top 50 biggest countries of the world. India's enormous. I think interstate flows, intrastate migration, I think those are big things to study. Air pollution in India is huge. In India, I think we still need work on all your macro dev questions, fiscal policy, monetary policy, trade policy.

These are just things that there's so much work that is yet to be done. Lots of stuff on law and economics. That's how I started my career working on law and economics and the Constitution. I would write the same dissertation again today because I just enjoyed doing it. It's hard to say.

5) FLOER: Another anonymous listener wants to know, what are the under-researched and over-researched questions on the Indian economy?

RAJAGOPALAN: I think the under-researched questions are some of the things that I listed. I don't think there's enough work that's happening today on trade. I don't think there's enough work happening within India migration or air pollution.

I think the overstudied questions are the usual like, do we really need one more evaluation of one more government scheme without understanding the broader political economy context in which that scheme was created or it exists in? I seem to see a hundred upon a hundred papers on this. It's terrible.

I think we need to have a better grip on China. I think the Indian literature on how Indians perceive China is woefully slim. It's very narrow. I think a few bureaucrats and some very senior diplomats have written books. There isn't much of an academic literature there, and I think we should get on it. Those would be my big ones. I would repeat the ones I mentioned in the previous answer as still the under-researched questions. Let's just stop doing RCTs evaluating one more cute government project. If I never read a paper like that again, I would not be unhappy.

6a) FLOER: Impact of generative AI? I can see that it makes certain things very fast and cheap, but how would that impact the rest of the value chain?"

6b) RAJAGOPALAN: The person who I've read who is pretty useful on this is Anton Korinek. He's an economist. I think he has a paper in the Journal of Economic Literature and a couple of other working papers. I think that might be useful to read.

I recently heard our colleague, Robin Hanson, did a really good podcast called "Awakening the Machine," where he talks about the future of AI. Robin, one of the smartest people on this, talks about when and how we will know if we [have] singularity and what kind of insurance markets can solve for that. Robin's always super useful to learn from. I'm sorry, I'm not giving a very good answer to this question, but it's just hard.

7) RAJAGOPALAN: Factor market reforms, we've been doing a lot of work on that here at Mercatus. We've had amazing scholars like Anirudh Burman talk about land reforms. I've been writing about labor reforms with my excellent colleague, Kadambari Shah. I think factor market reforms are really important, and that is harder at the union government level because the states need to do it.

8) RAJAGOPALAN: One thing that genuinely surprised me was Atanu Chatterjee's dissertation. I love sociologists and geographers because they send the entire dissertation, which is so amazing. Normally, we just get to read a single job market paper.

Atanu's work is on slum rehabilitation in Ahmedabad in Gujarat. Ahmedabad and Gujarat are the success stories when it comes to slum rehabilitation. Delhi is a disaster. You put out these tenders. The developers screw the government. They screw the people. The slum never gets built or rebuilt. People are displaced. It's a corrupt nightmare. Ahmedabad is always put forth as this amazing success story where they actually manage to get the slum rebuilt and get the inhabitants moved back in.

The amount of discontent, the number of coordination problems they were facing, just the unhappiness caused by the new kind of spatial organization when you move away from a slum into these high-rise low-income apartments, that genuinely surprised me. It genuinely surprised me that spatial dislocation can have such big impacts.

9) RAJAGOPALAN: I've always long held the view that education and really good public or private schooling is the way we change the fortunes of people, and we overcome the birth accident. In India, if we fix education, that's going to change things enormously for people. I have been rethinking that a lot, mainly because of the research coming out on this. But intergenerational upward mobility, upward social mobility in general, and also at an intergenerational level—it's a really hard puzzle to solve, not just in India, but across the world.

I've been reading some of Jim Heckman's research on this. He's been working on the Scandinavian countries, especially Denmark, and Denmark has higher income mobility and things like that compared to the United States. They invest a lot more in education, but even his research finds that family background is so incredibly important in determining future outcomes or lifetime earnings and things like that.

Family being that key, this may seem like a stupid thing to say, but I didn't realize that there are just limits to education programs, welfare programs. Everything we throw at this problem, at some point, just family becomes such an enormous constraint. The birth accident is still well and alive because we don't get to pick what families we are part of. I guess that is something I have quite significantly changed my mind or I'm open to changing my mind on.