

Economic thought – and Governance

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Special FC 2025





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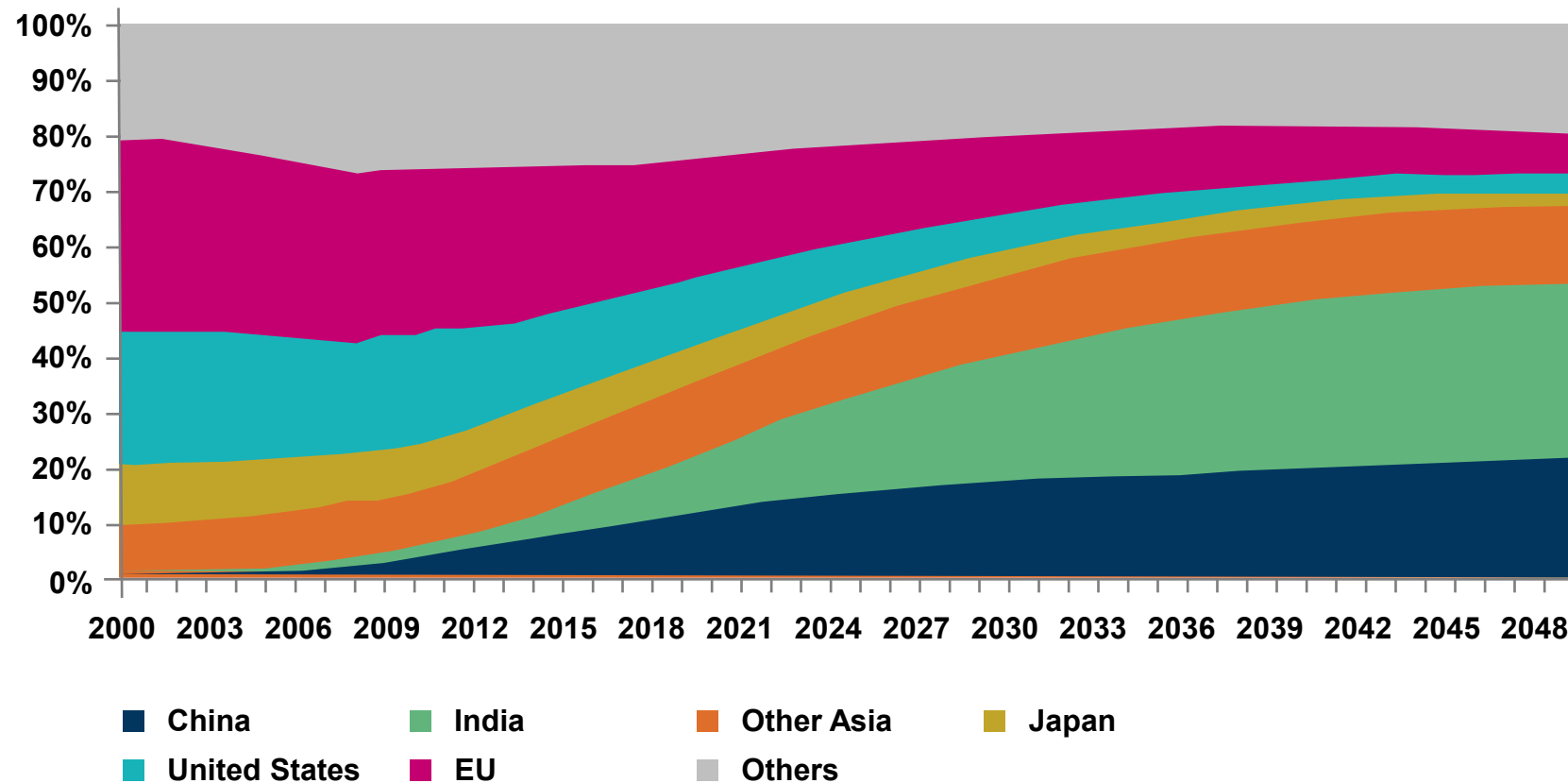


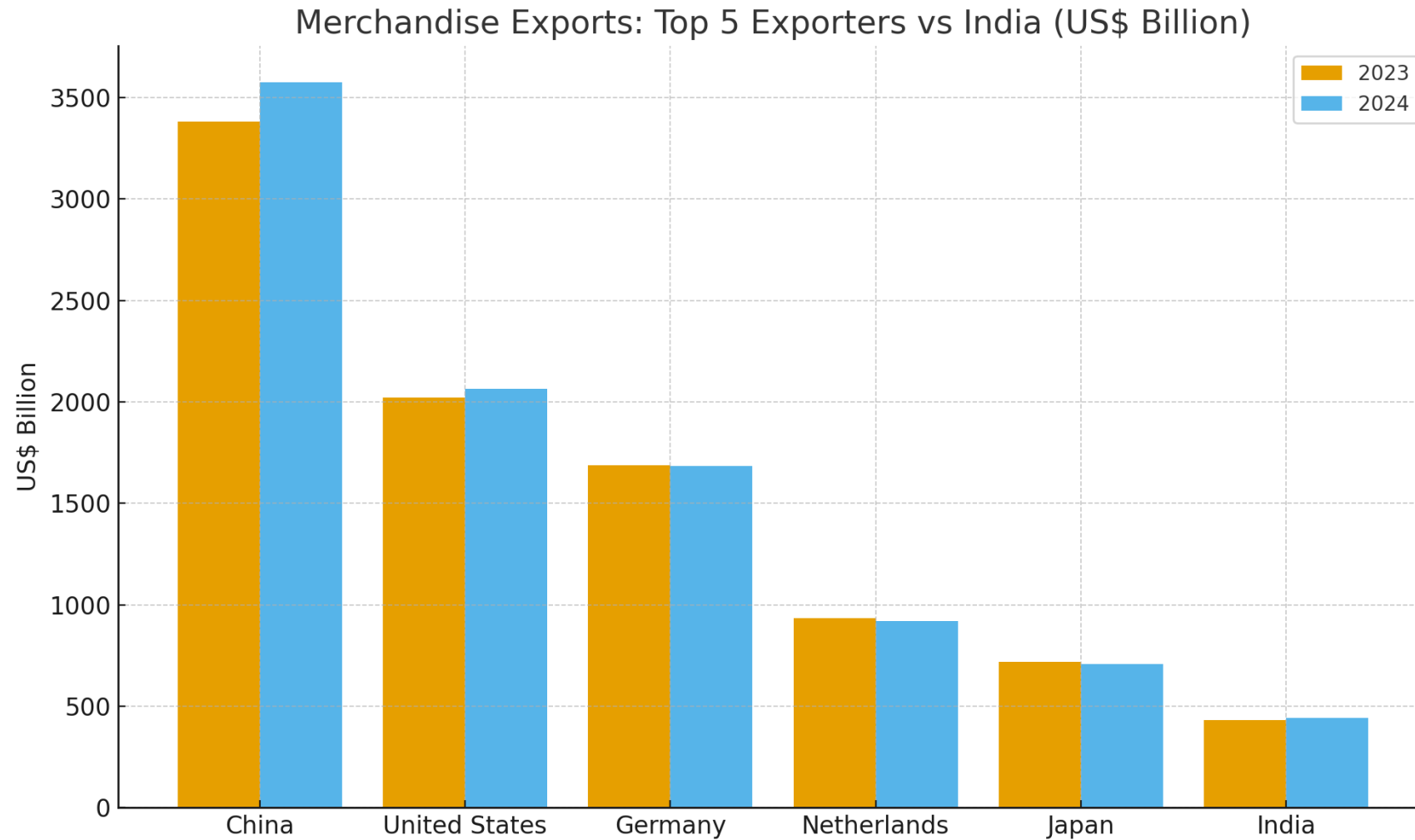
- *Examining the role of Economic theory and Development with respect to Governance in a growing economy*

Why is India important?

Middle Class market - Brookings' projection

 Shares of Global Middle Class Consumption, 2000-2050



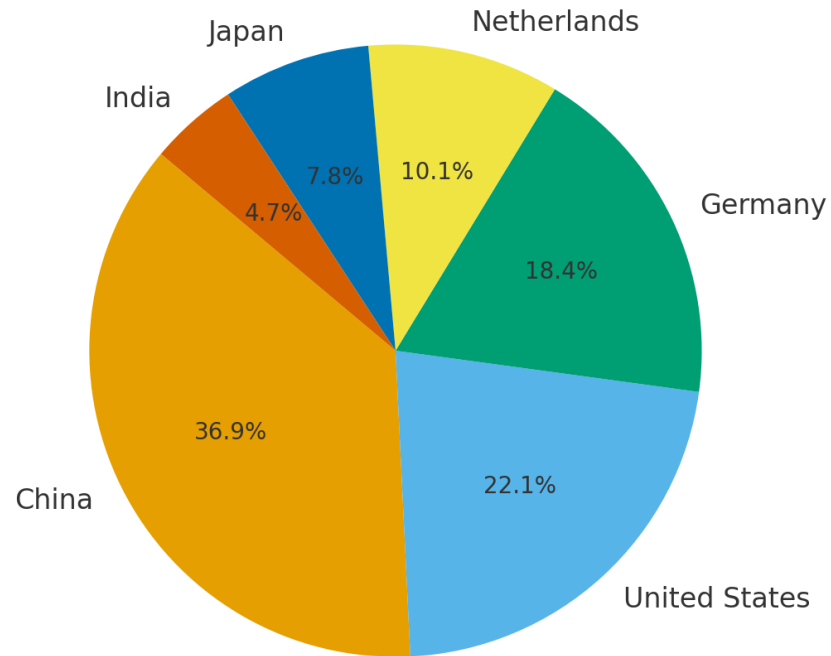


**Sources: WTO, Global Trade Outlook and Statistics – April 2024 (Appendix Table 1, 2023) & WTO, Global Trade Outlook and Statistics – April 2025 (Appendix Table 1, 2024).*

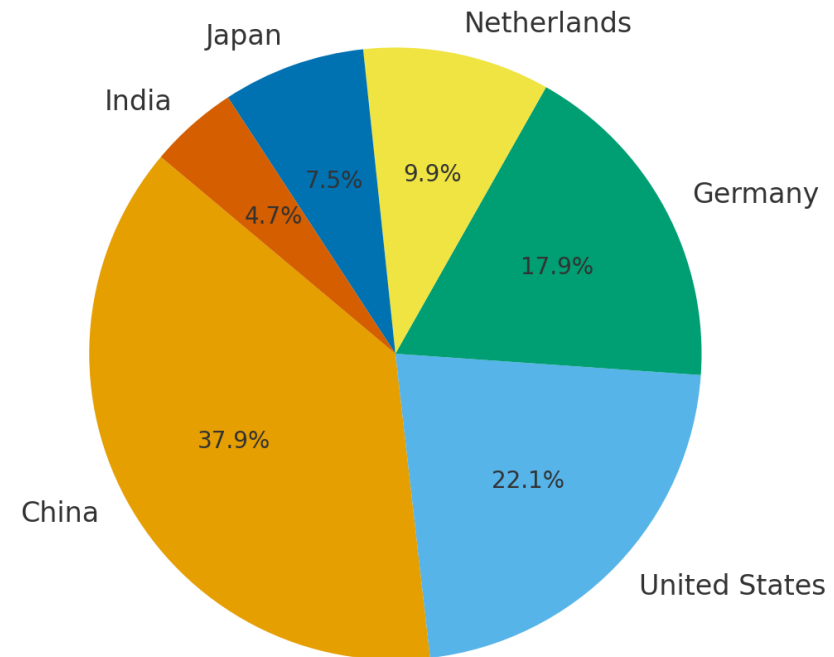
YoY change in 2024 (vs 2023): China +6%, USA +2%, Germany –1%, Netherlands –2%, Japan –1%, India +3%

Share in World Merchandise Exports – 2023 vs 2024 (Top 5 + India)

Share in World Merchandise Exports – 2023



Share in World Merchandise Exports – 2024



**Sources: WTO, Global Trade Outlook and Statistics – April 2024 (Appendix Table 1, 2023) & WTO, Global Trade Outlook and Statistics – April 2025 (Appendix Table 1, 2024).*

Exchange rate

$$S = \frac{P_1}{P_2}$$

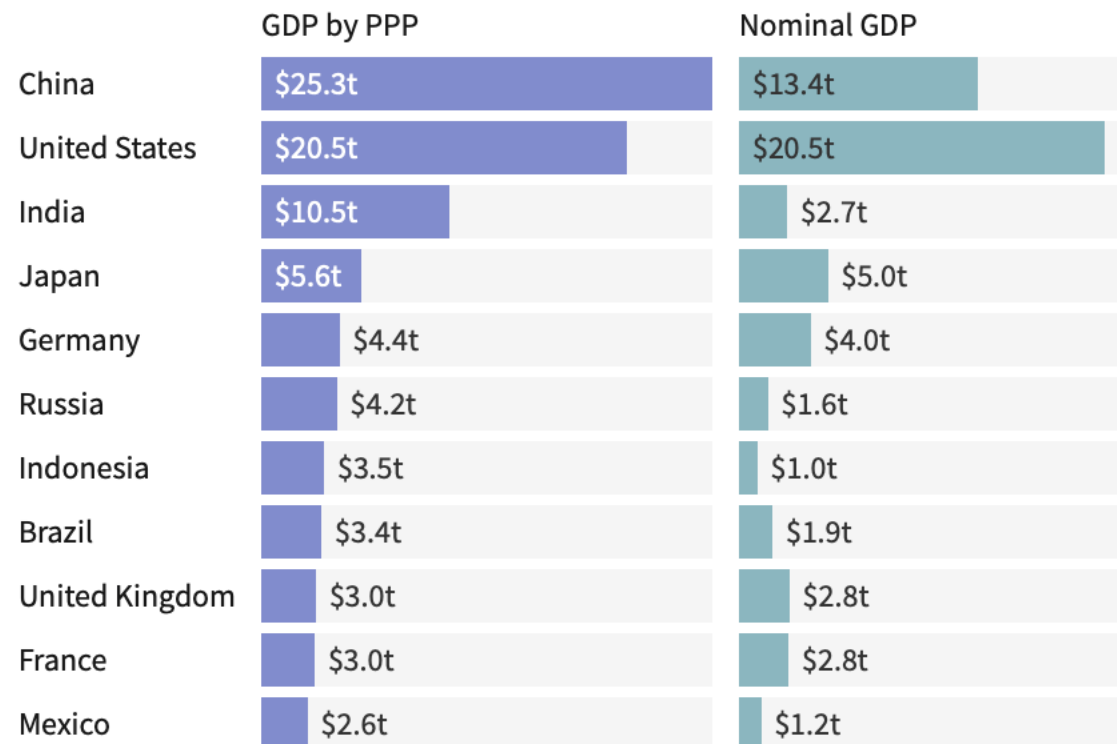
where:

S = Exchange rate of currency 1 to currency 2

P_1 = Cost of good X in currency 1

P_2 = Cost of good X in currency 2

■ PPP Vs Nominal GDP



Source: [International Monetary Fund](#)

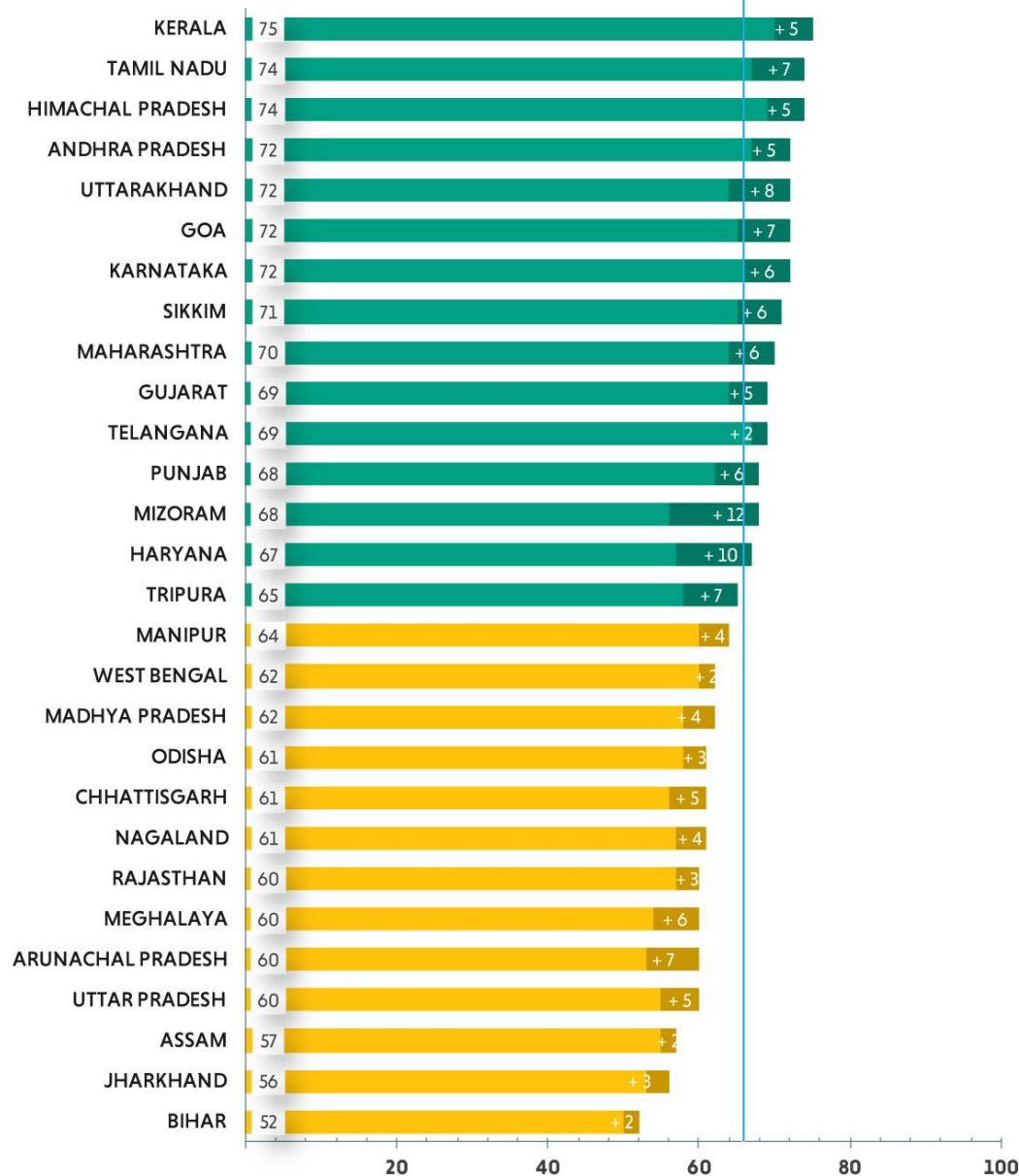


SDG



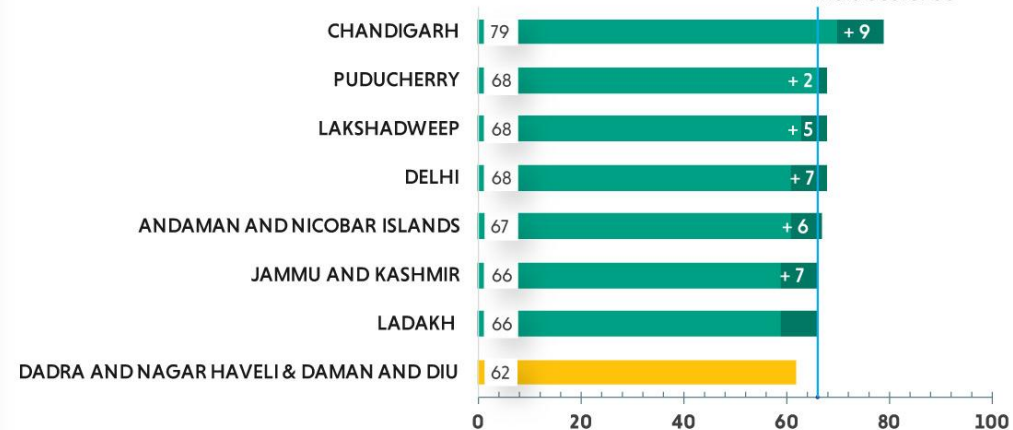
States

India Score: 66



Union Territories

India Score: 66



SDG India Index 2020-21

Performance of States and UTs



■ 2024

■ 2025

(Y-o-Y in %)

World



United States



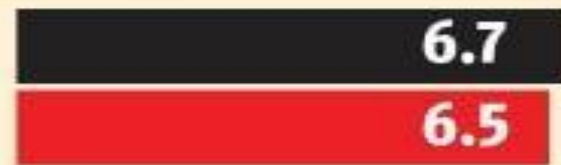
Japan



UK



India*



China



*Figures for India are for FY24 and FY25, respectively

Source: IMF

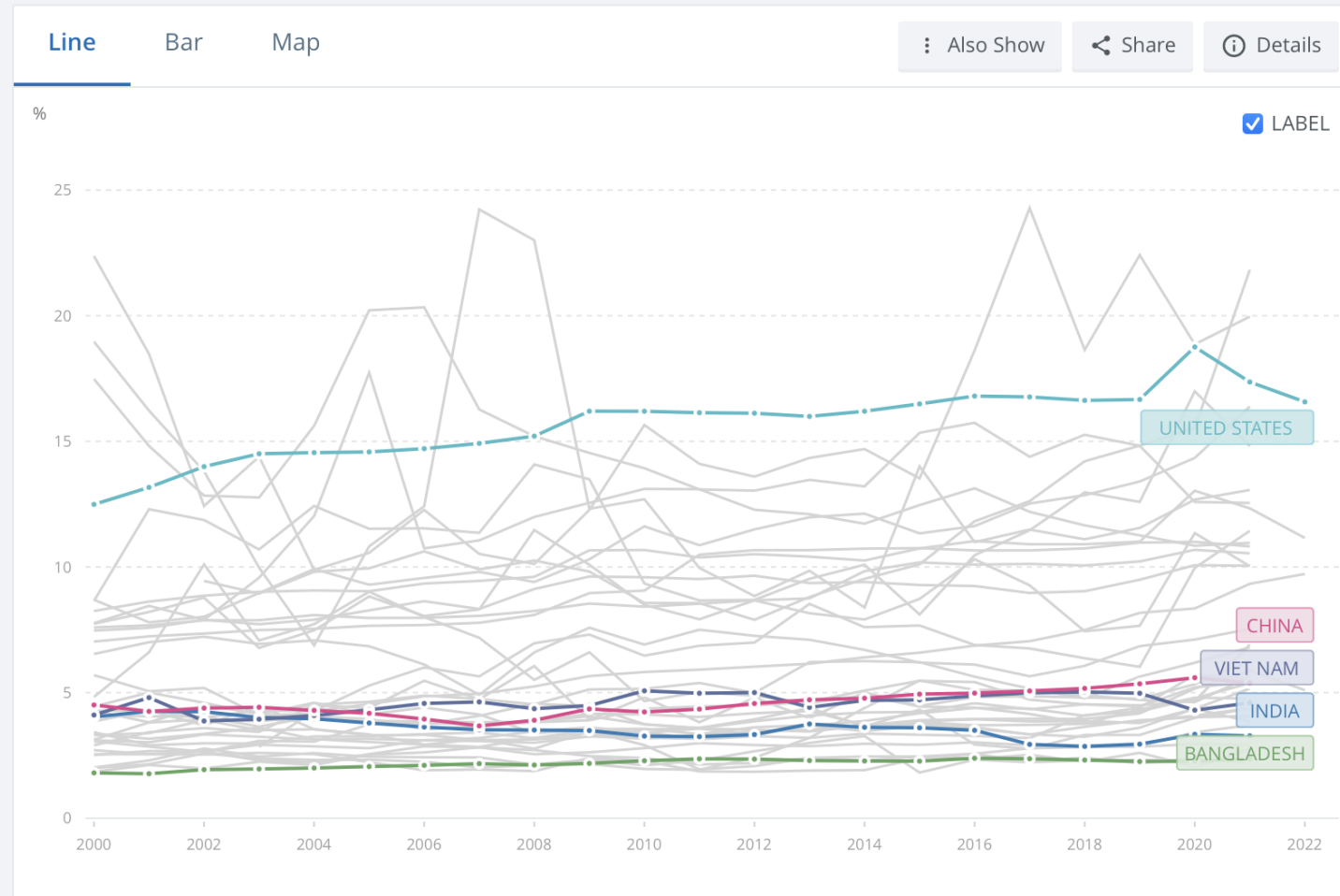
Health Outcomes

	Infant Mortality (per 1000)	Life Expectancy (at birth)	Healthy Life Expectancy	Stunting (percent)
	2019 (1970)	2018 (1960)	2016 (2000)	2018 (1990)
INDIA	28 (143)	69 (41)	59 (54)	35 (62)
CHINA	7 (80)	77 (44)	69 (65)	8 (38)
VIET NAM	16 (54)	75 (59)	68 (64)	24 (61)
BANGLADESH	26 (149)	72 (45)	63 (57)	31 (63)

Current health expenditure (% of GDP) - India, Bangladesh, Viet Nam, China, United States

World Health Organization Global Health Expenditure database (apps.who.int/nha/database). The data was retrieved on April 15, 2024.

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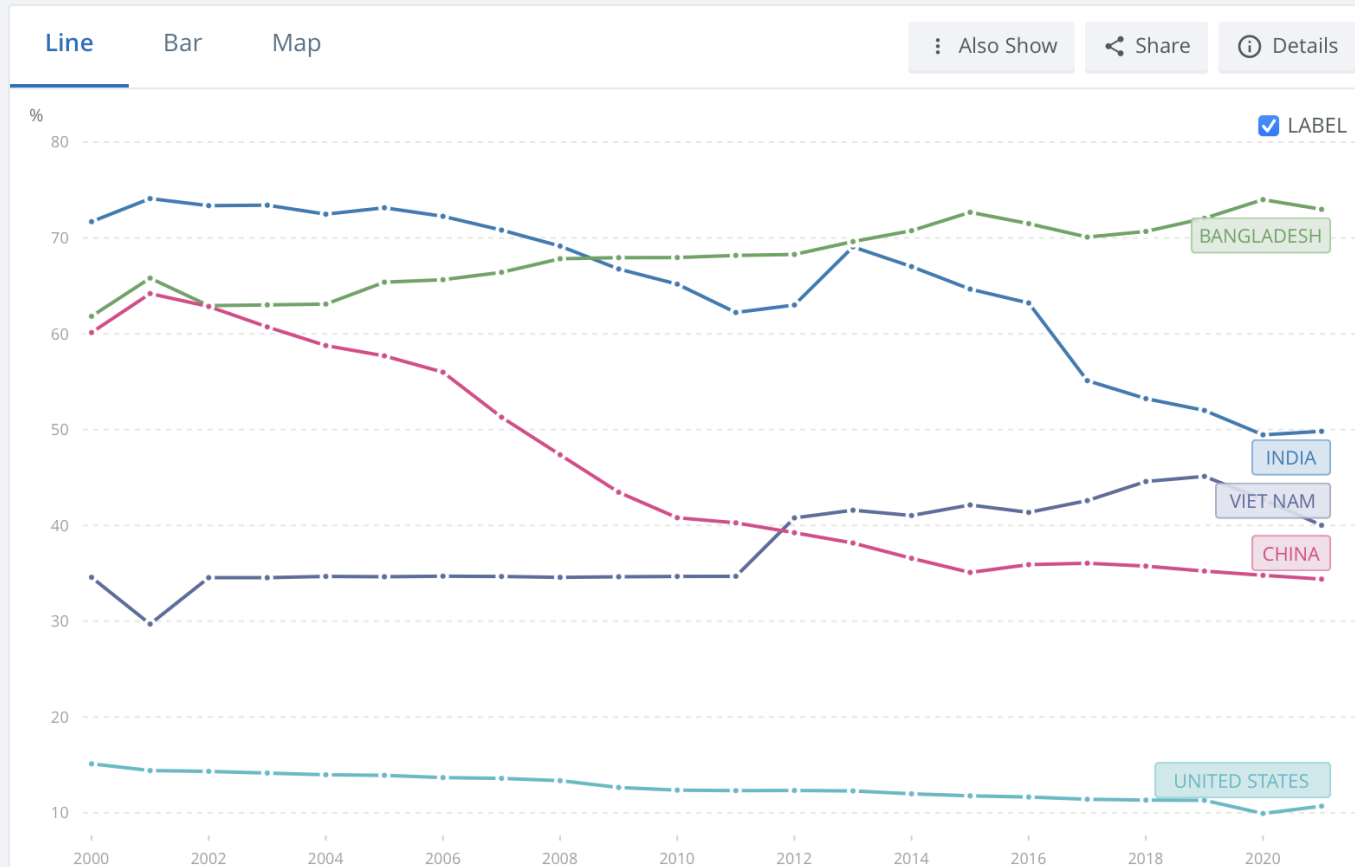


<https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=IN-BD-VN-CN-US>

Out-of-pocket expenditure (% of current health expenditure) - India, Bangladesh, Viet Nam, China, United States

World Health Organization Global Health Expenditure database (apps.who.int/nha/database). The data was retrieved on April 15, 2024.

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<https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS?locations=IN-BD-VN-CN-US>



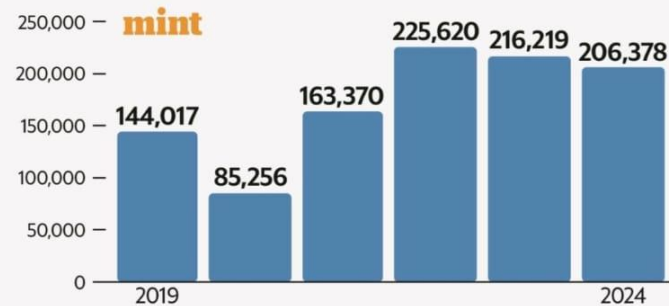


A good society



Fleeing Indians

Number of Indians who renounced their citizenship



Source: External affairs ministry, Parliament answers

THE NUMBER of Indians giving up their citizenship has declined over the past two years, though it remains above the 200,000 mark annually. Between 2019 and 2024, more than a million Indians renounced their citizenship, data from the external affairs ministry shows.



98

215

5.1K



Post your reply

Economic reasoning



1. Examples from France
2. Digitisation and the future of work
3. Regulating property rights over data
4. AI and ML that allow platforms to break up production into simple tasks and to discriminate among customers via surge pricing
5. How does the drift to a superstar economy—in which a small group of giant companies dominates—affect the optimal tax system in a dematerialized world of increasingly easy international tax arbitrage?

A SHIFT AWAY FROM THE CLASSIC DEBATE OF STATE VERSUS MARKETS, OR LEFT VERSUS RIGHT TO

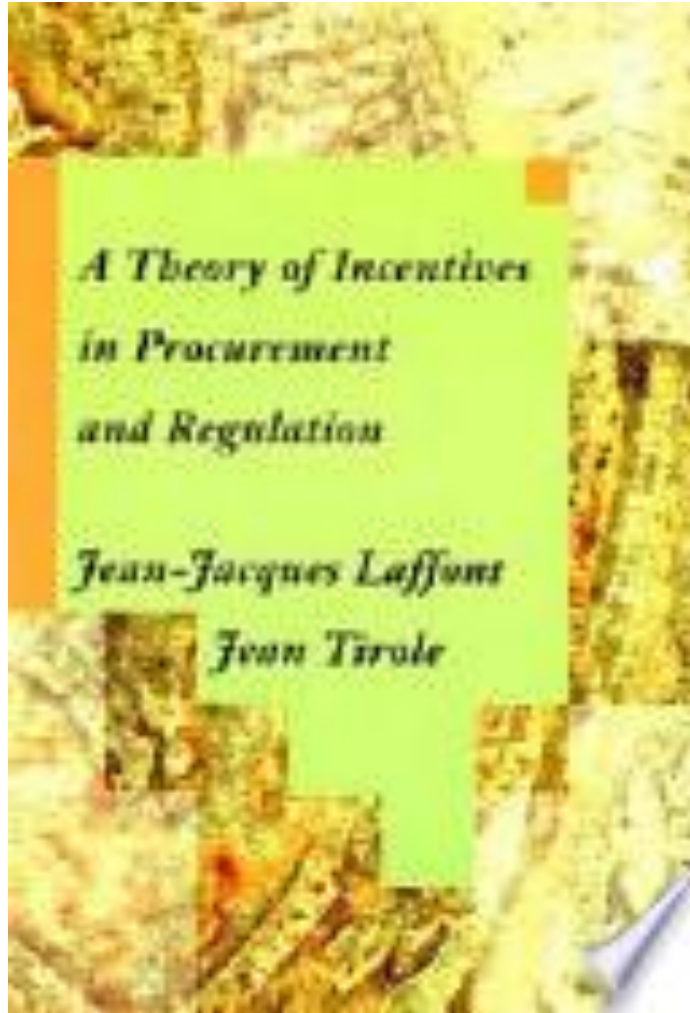
STATE-WITH-MARKETS THINKING. THE ROLE OF GOVERNMENTS IS NOT TO PRODUCE GOODS INSTEAD OF MARKETS, BUT RATHER TO COMPLEMENT MARKETS BY REGULATING THEM THROUGH THE ESTABLISHMENT OF COMMON GROUND RULES.



MISLEADING SIMPLE ECONOMIC INTUITION OFTEN FOCUSES ONLY ON DIRECT EFFECTS AND TYPICALLY OVERLOOKS THE INDIRECT AND EQUALLY IMPORTANT.

FOR EXAMPLE, STRICT ENVIRONMENTAL LAWS IN ONE COUNTRY REDUCE OIL CONSUMPTION AND HENCE POLLUTION—THE DIRECT EFFECT—AND AT THE SAME TIME REDUCE THE DEMAND FOR OIL AND HENCE ITS PRICE. BUT THE LOWER PRICE OF OIL MAKES IT A MORE ATTRACTIVE ENERGY RESOURCE IN THE REST OF THE WORLD, POSSIBLY INCREASING POLLUTION—THE INDIRECT EFFECT.





- **Rethinking regulation in imperfect markets:** Tirole's research addressed the consequences of leaving markets with only a few powerful firms unregulated, such as high prices and barriers to entry. **Tailored regulation:** Tirole demonstrated that general rules, like simple price caps on monopolies, could be counterproductive. **Addressing information asymmetry:** Regulators often have less information than the firms they regulate, which can be exploited by the firms. **Two-sided markets**

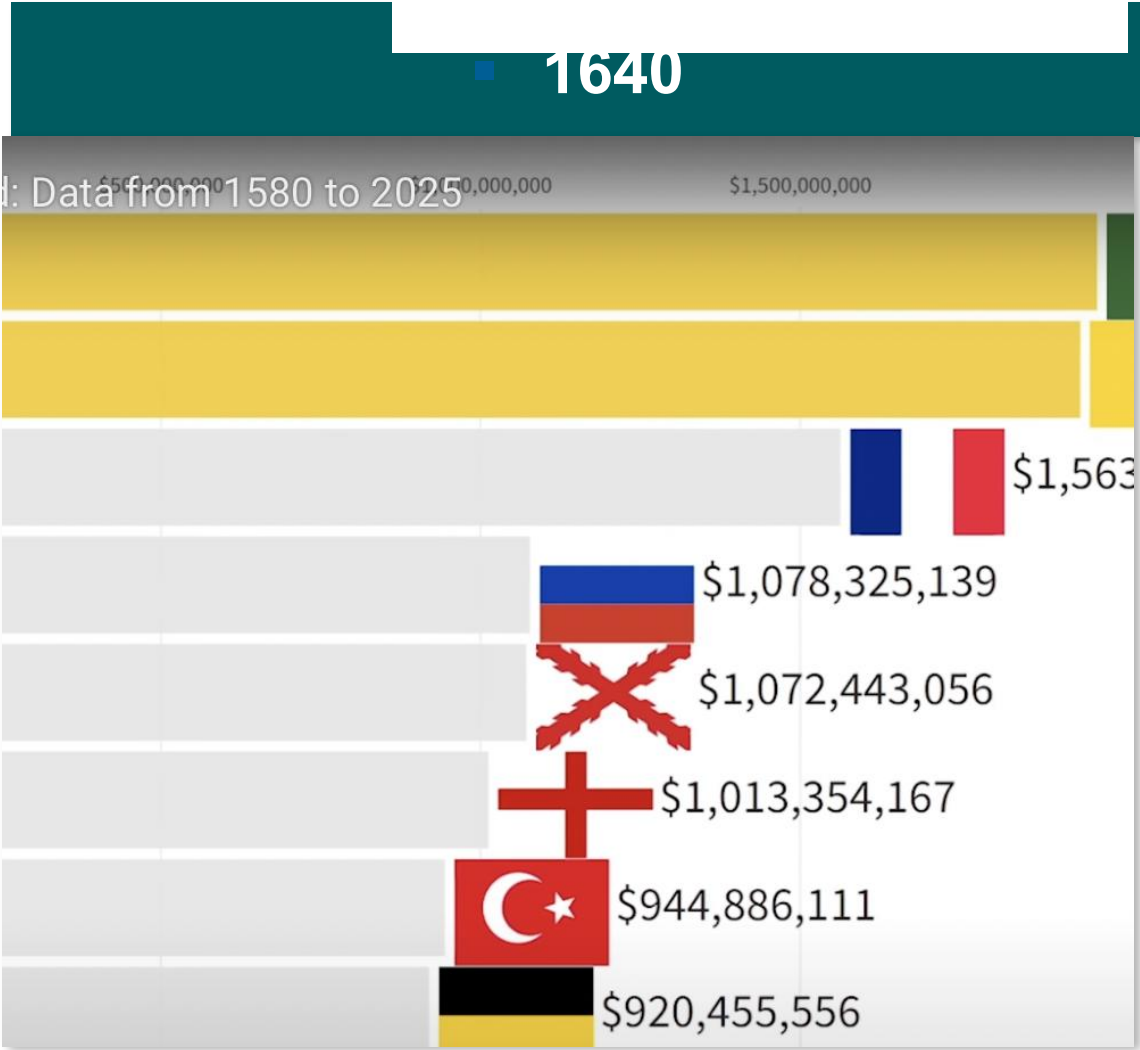
Maddison Project

Angus Maddison (1926–2010) was a British economist known for his work in quantitative macroeconomic history, particularly in measuring and analyzing economic growth and development.

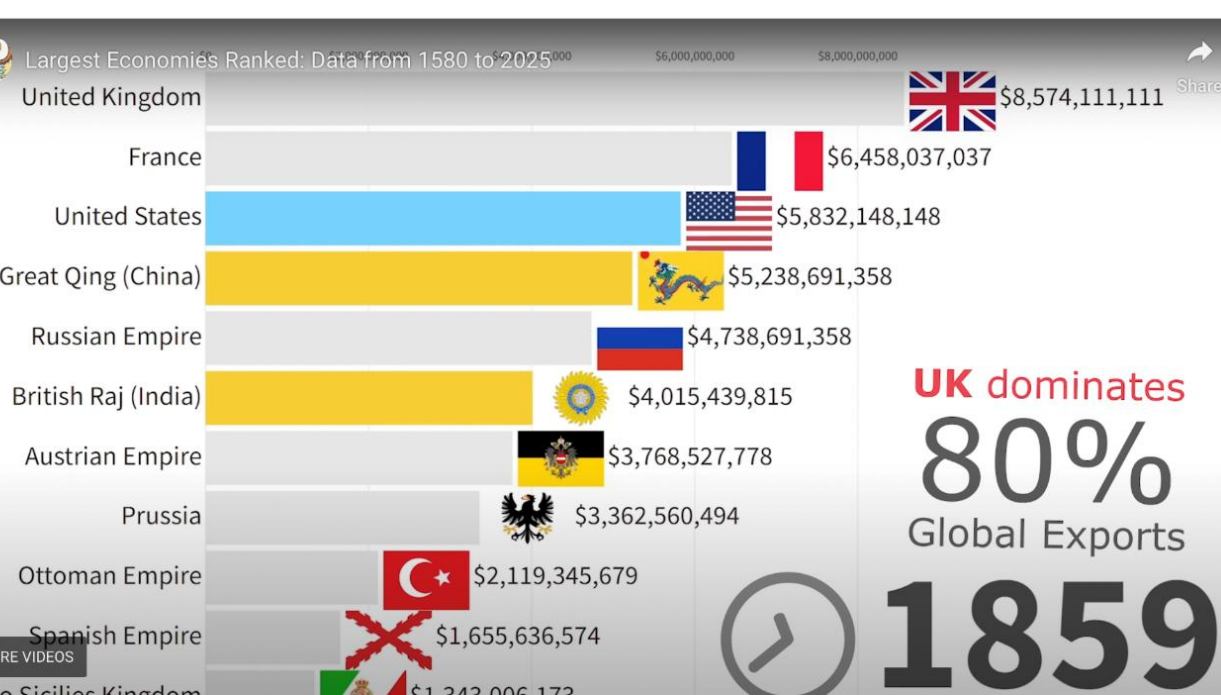
Professor at the University of Groningen and played a key role in documenting long-term economic performance across major countries and regions.

The Top 10

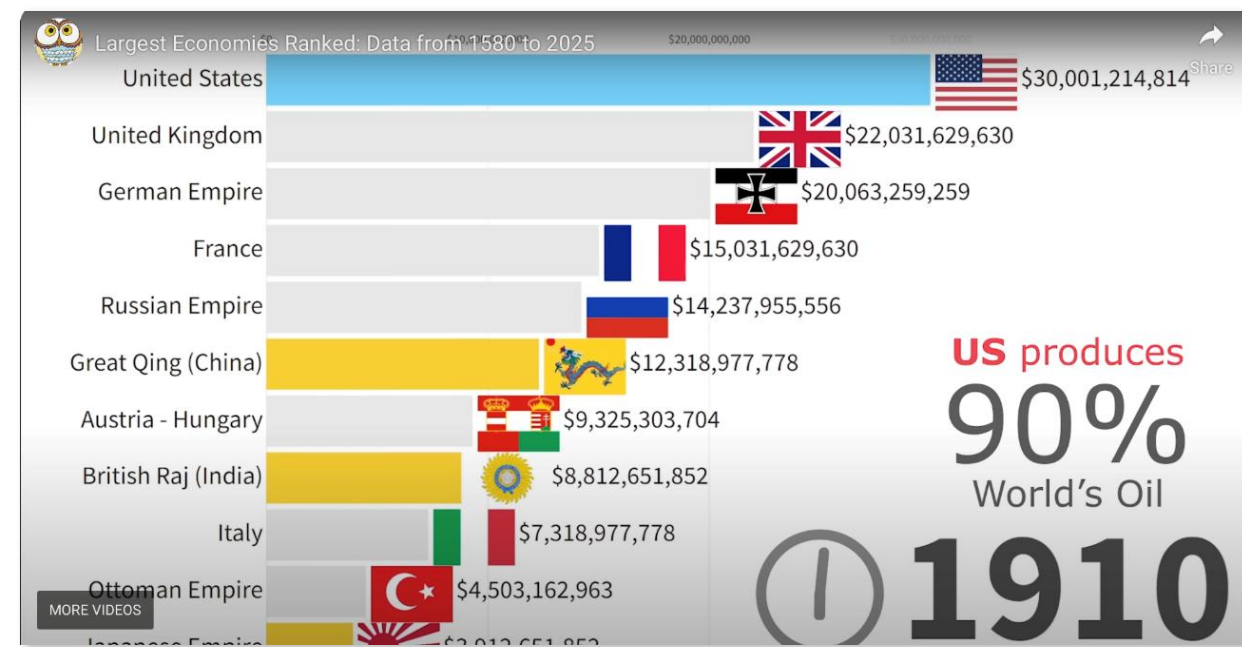
Today				
1	United States	America	\$30.51 trillion	\$89.11 thousand
2	China	Asia	\$19.23 trillion	\$13.69 thousand
3	Germany	Europe	\$4.74 trillion	\$55.91 thousand
4	India	Asia	\$4.19 trillion	\$2.88 thousand
5	Japan	Asia	\$4.19 trillion	\$33.96 thousand
6	United Kingdom (U.K.)	Europe	\$3.83 trillion	\$54.95 thousand
7	France	Europe	\$3.21 trillion	\$46.39 thousand



The 19th century



The 20th



Poverty and Population

Last ten

Rank	Country	GDP-PPP per capita thousand
1	South Sudan	\$960.24
2	Burundi	\$1.01 thousand
3	Central African Republic	\$1.31 thousand
4	Malawi	\$1.76 thousand
5	Mozambique	\$1.79 thousand
6	Somalia	\$1.9 thousand
7	Democratic Republic of the Congo (DRC)	\$1.91 thousand
8	Liberia	\$2 thousand
9	Yemen	\$2.02 thousand
10	Madagascar	\$2.06 thousand

Source: IMF

Top ten

Rank & Country	GDP (USD)	2025 Projected Real GDP (% Change)	GDP Per Capita (Prices) (USD)
#1 United States (U.S)	\$30.51 trillion	1.8%	\$89.11 thousand
#2 China	\$19.23 trillion	4.0%	\$13.69 thousand
#3 Germany	\$4.74 trillion	-0.1%	\$55.91 thousand
#4 India	\$4.19 trillion	6.2%	\$2.88 thousand
#5 Japan	\$4.19 trillion	0.6%	\$33.96 thousand
#6 United Kingdom (U.K.)	\$3.83 trillion	1.1%	\$54.95 thousand
#7 France	\$3.21 trillion	0.6%	\$46.39 thousand
#8 Italy	\$2.42 trillion	0.4%	\$41.09 thousand
#9 Canada	\$2.23 trillion	1.4%	\$53.56 thousand
#10 Brazil	\$2.13 trillion	2.0%	\$9.96 thousand

GAMBLING ON DEVELOPMENT

WHY SOME COUNTRIES WIN
AND OTHERS LOSE



WHY NATIONS FAIL



DARON ACEMOGLU AND
JAMES A. ROBINSON



ISB

Executive
Education

"Gambling on Development" is a book by Stefar Dercon that explores why some countries succeed in development while others fail.



Dercon argues that success is not tied to specific policies but rather to a "**development bargain**", where a country's elites shift from protecting their own interests to betting on a growth-based future

Why Nations Fail: The Origins of Power, Prosperity, and Poverty is a book by economists Daron Acemoglu and James A. Robinson that explores why some nations succeed while others remain trapped in poverty.

The central argument is that inclusive institutions—both political and economic—are the key to long-term prosperity, while extractive institutions lead to stagnation and failure.

The Macro economic policy - government's strategies and actions aimed at achieving specific economic goals for the overall economy,

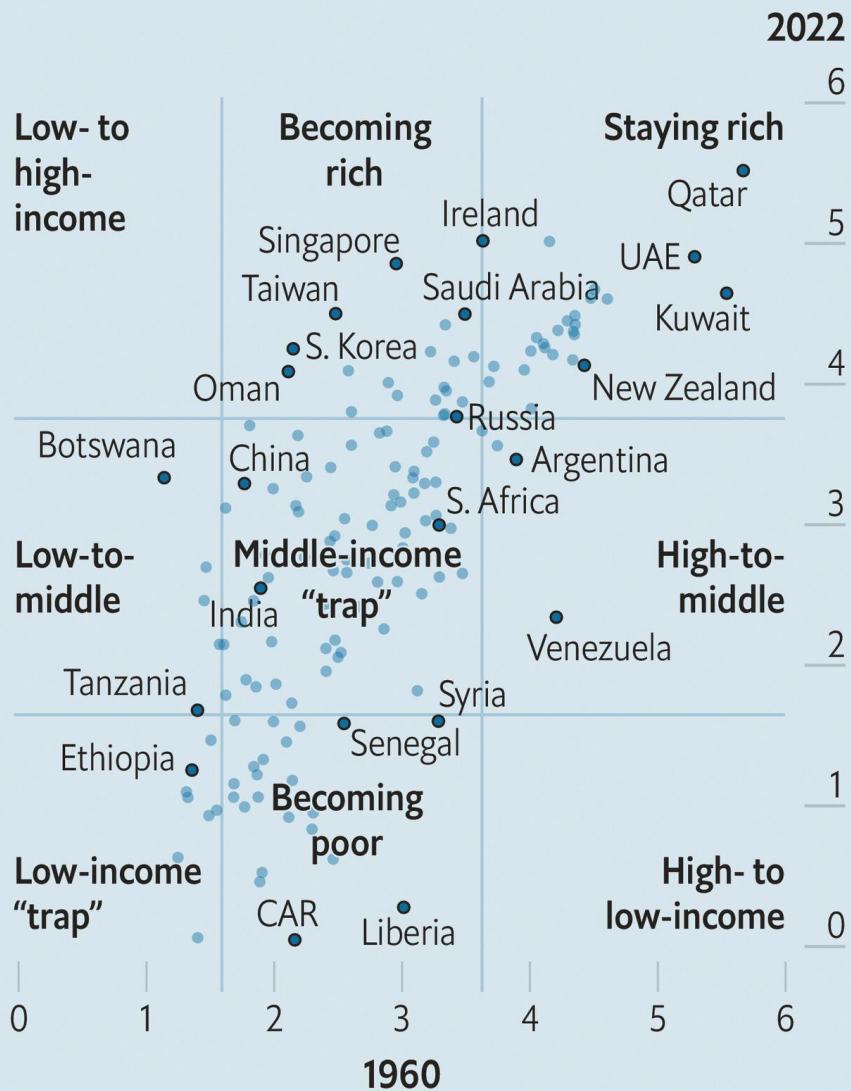
Robert Aumann

Paul Krugman

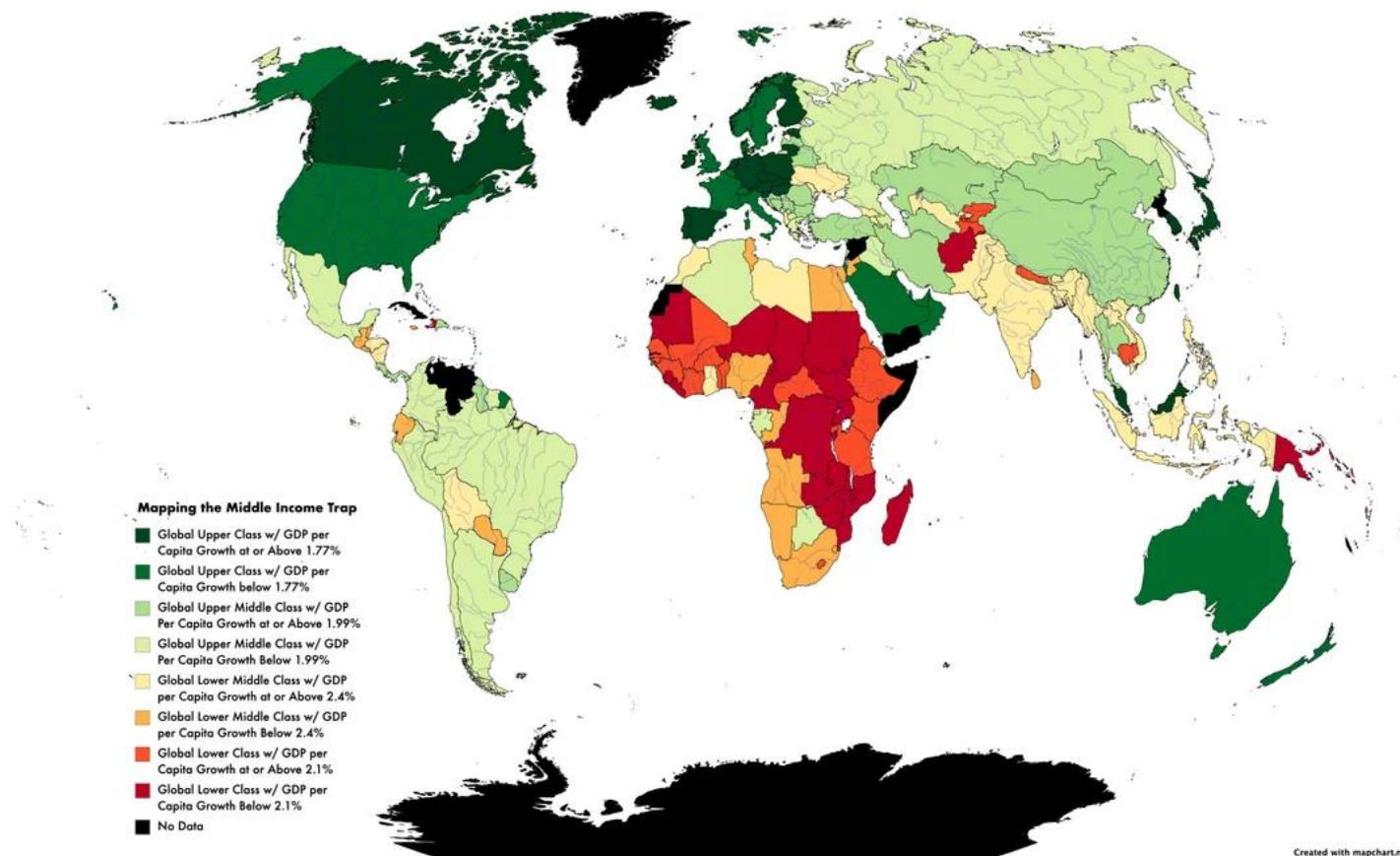
Progress report

Income per person relative to the United States

Log of %

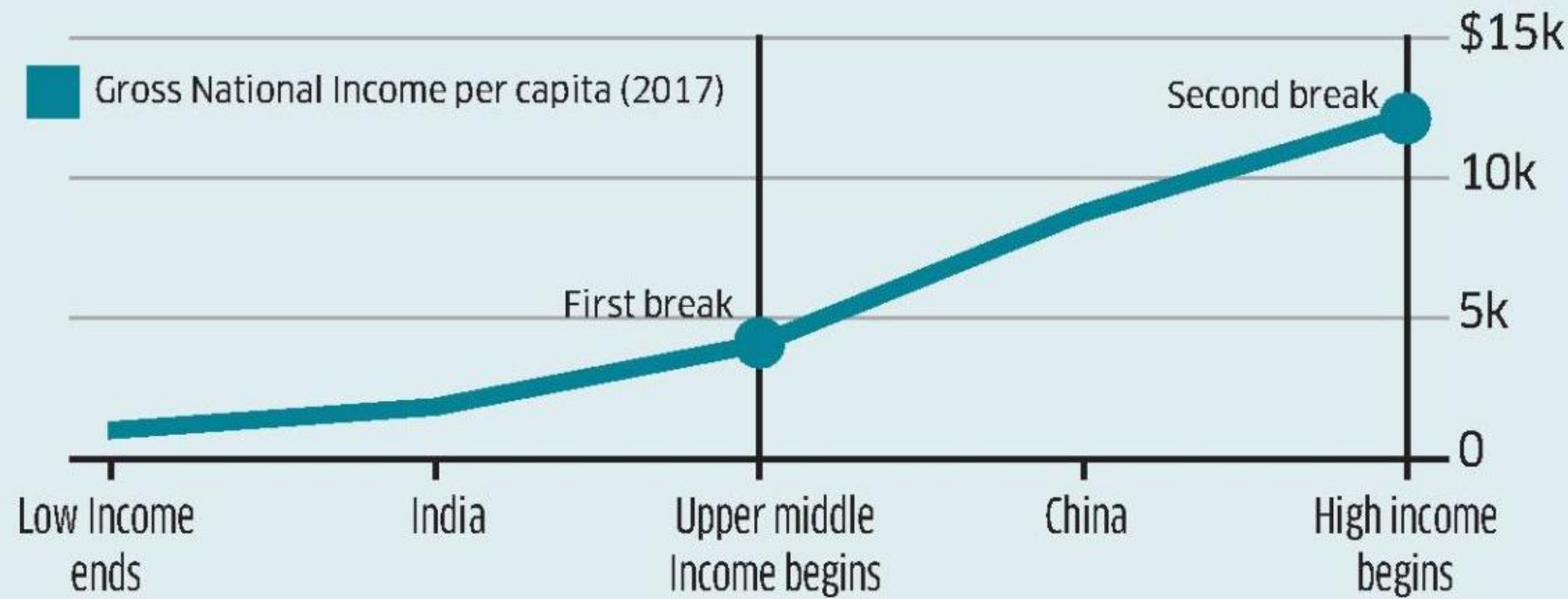


Sources: EIU; Maddison Project; World Bank



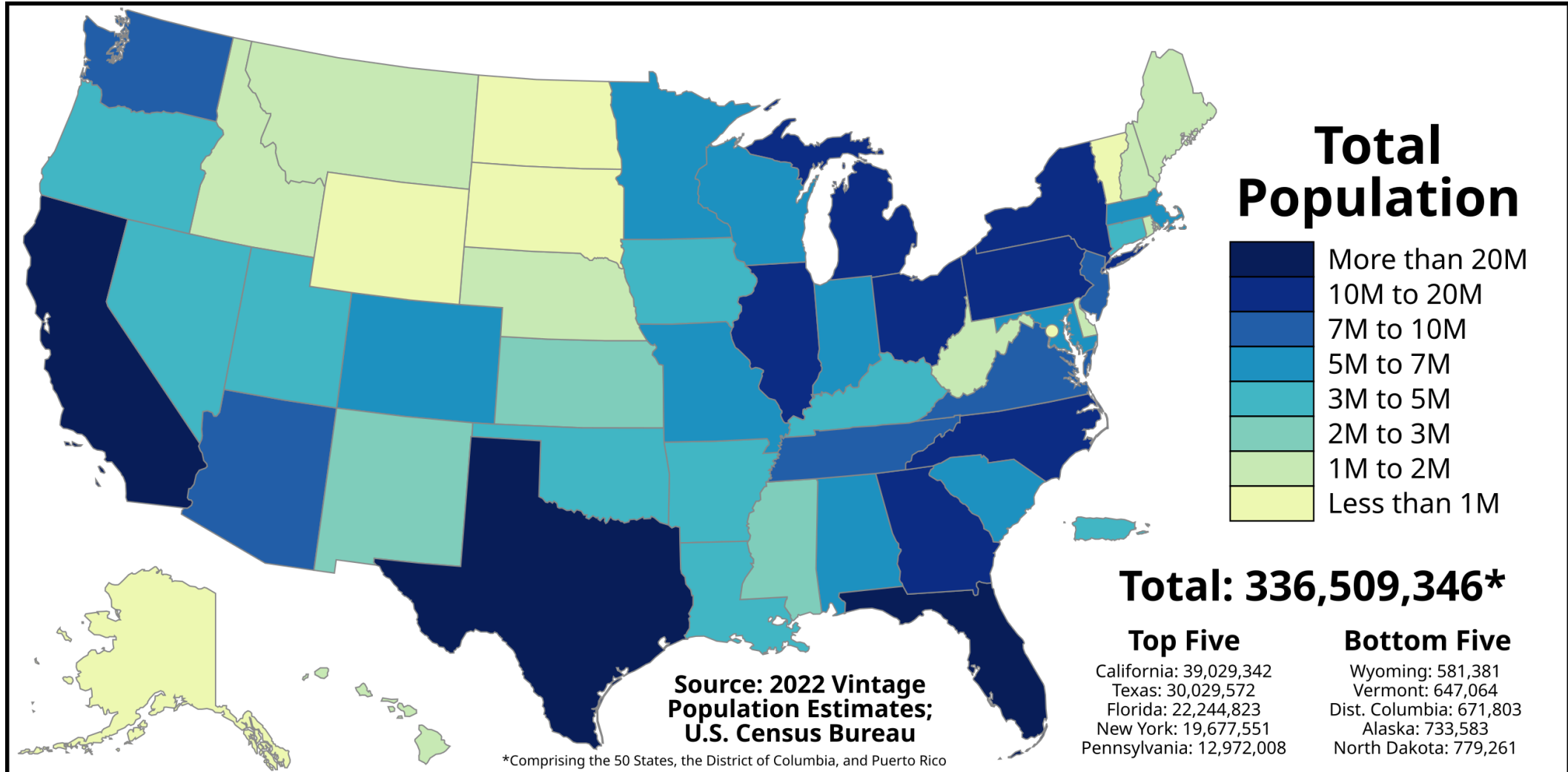
Created with mapchart.net

Both India and China face the middle-income trap, but of different kinds

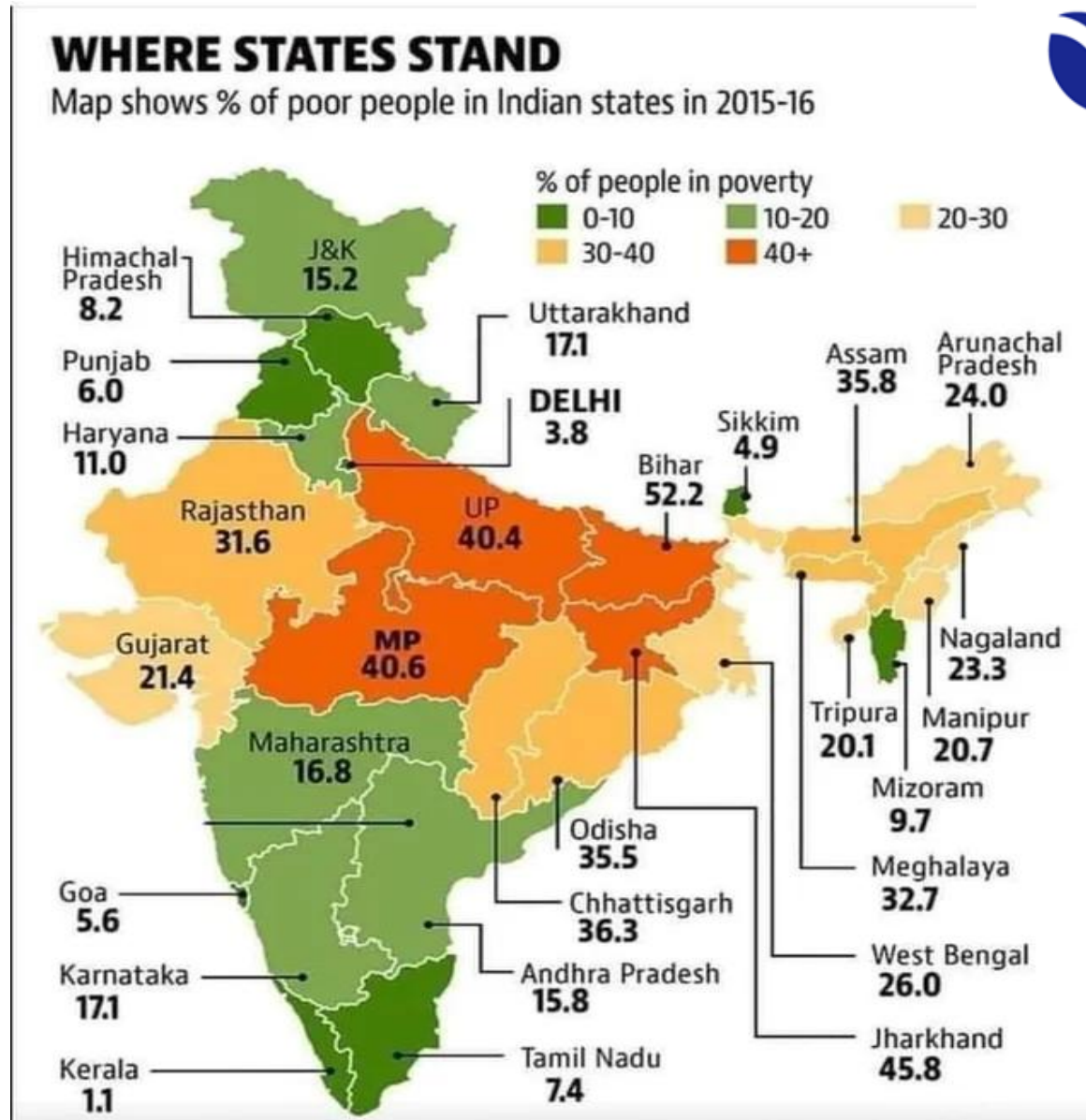


Per Capita Real GDP, by State
All Industry Total, 2022





Poverty across Indian states



10 Most Populous Indian States

State	Population	Comparable
Uttar Pradesh	230 million	Brazil
Maharashtra	125 million	Japan
Bihar	125 million	Mexico
West Bengal	100 million	Egypt
Madhya Pradesh	85 million	Turkey
Rajasthan	80 million	Germany
Tamil Nadu	75 million	Thailand
Gujarat	70 million	UK
Karnataka	70 million	France
Andhra Pradesh	55 million	South Korea

Source

<https://www.mospi.gov.in/GSVA-NSVA>

<https://prsindia.org/budgets/states/censusofindia.net>

GSDP per capita of Indian states in FY 202

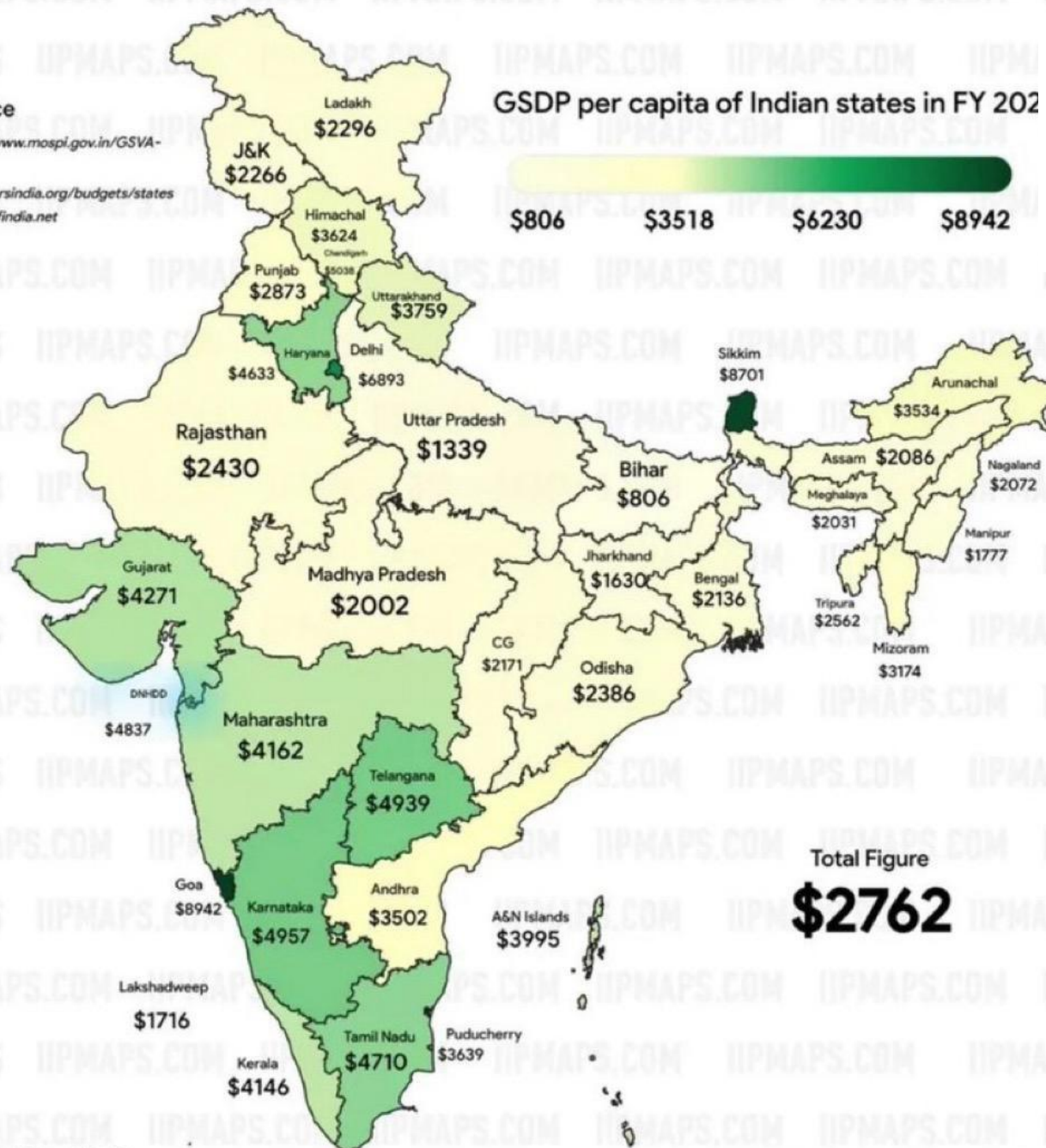
\$806 \$3518 \$6230 \$8942



ISB

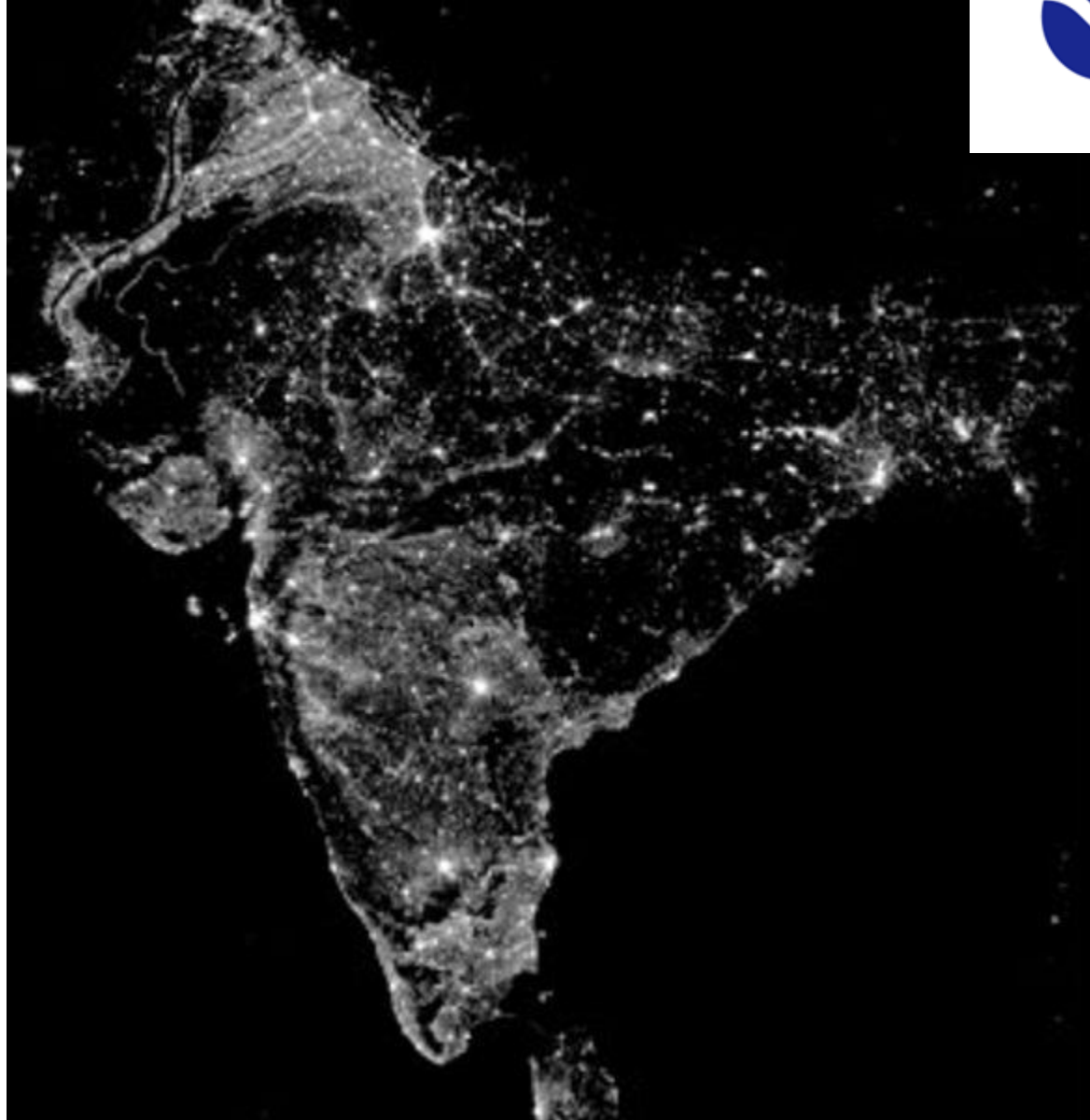
**Executive
Education**

made with iipmaps.com

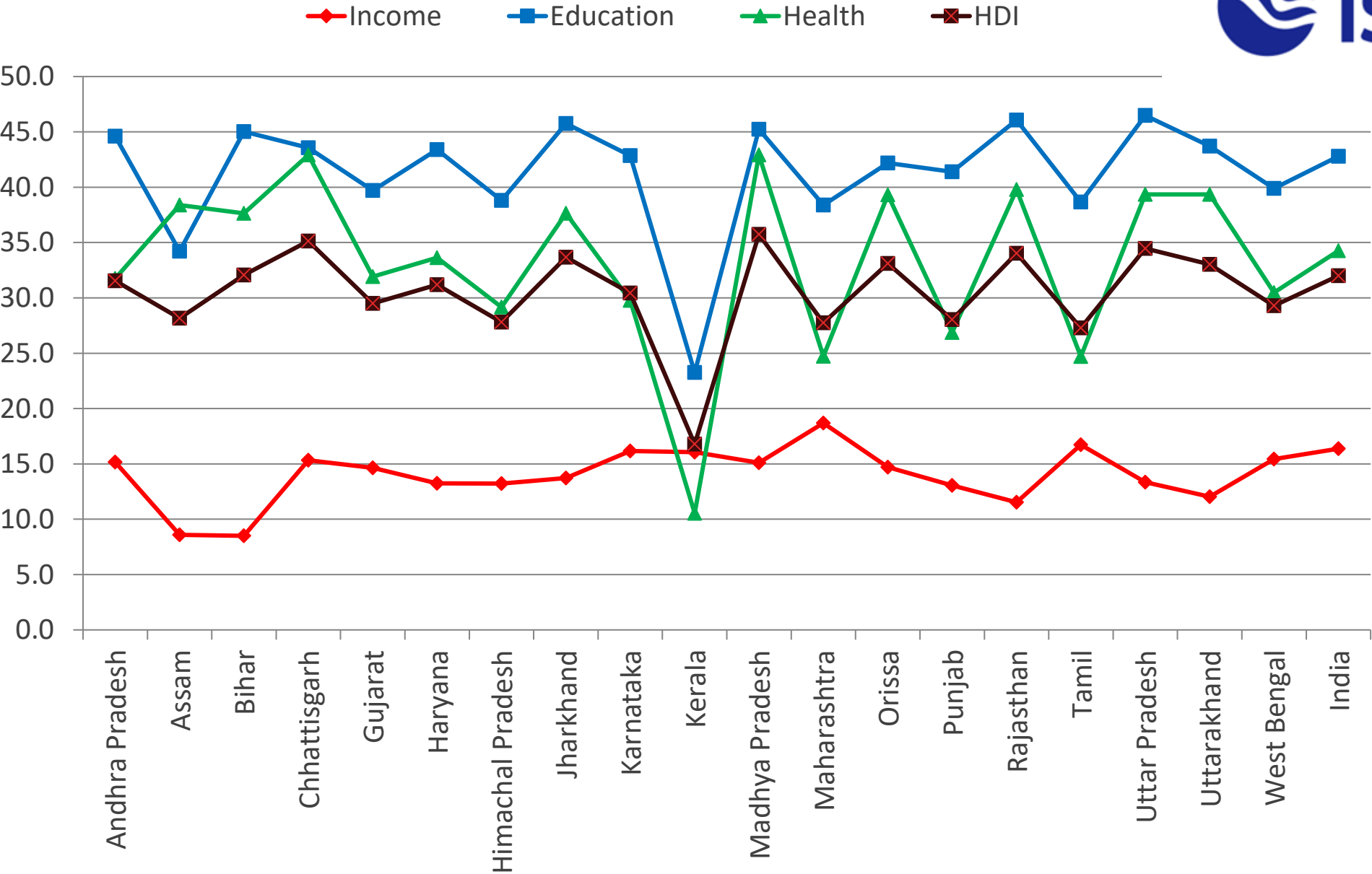


Total Figure
\$2762

Created by



Percentage loss in the three inequality adjusted indices

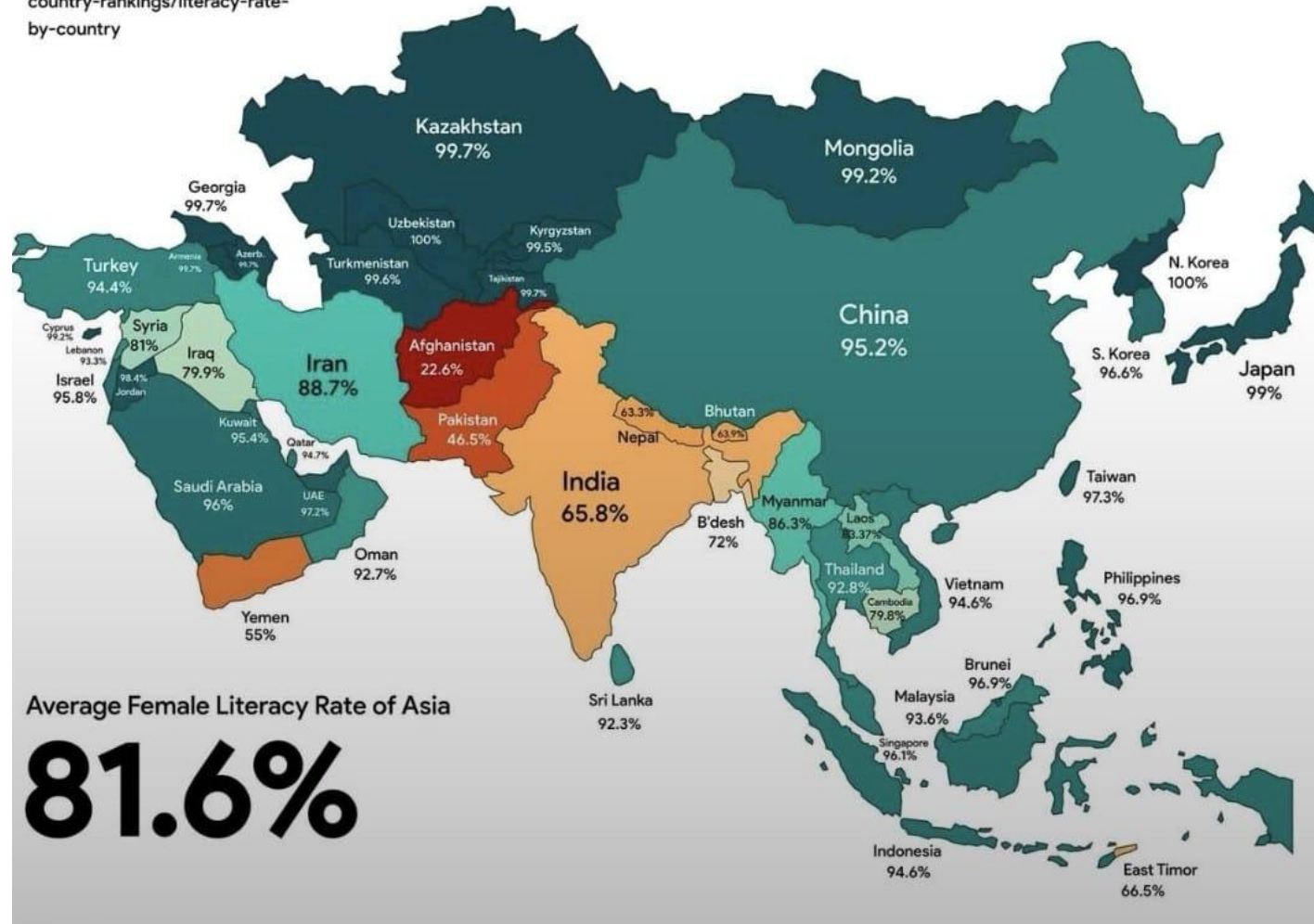


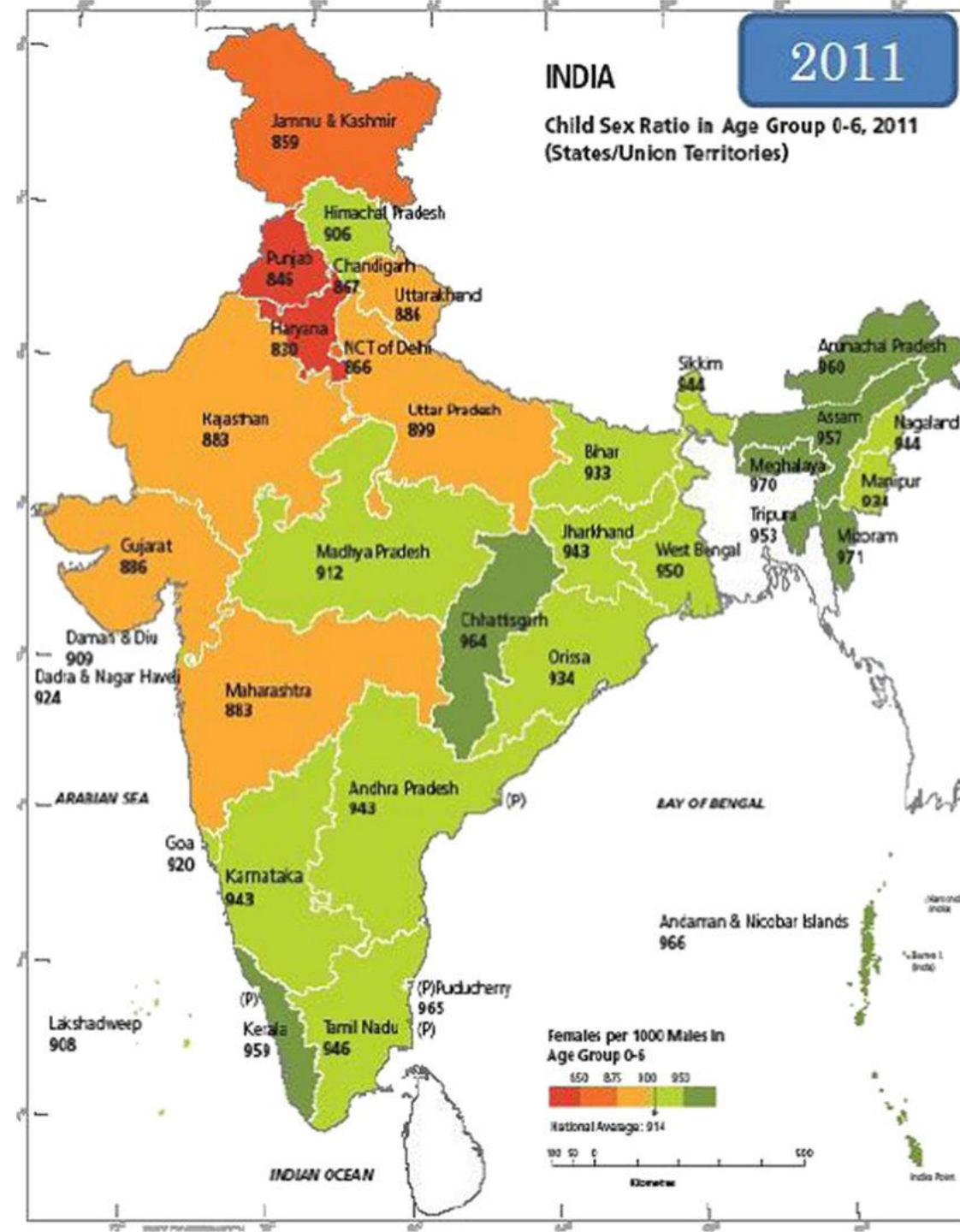
Female Literacy Rates in Asia (2024)



Source

worldpopulationreview.com/
country-rankings/literacy-rate-
by-country





SEX RATIO AT BIRTH (LAST FIVE YEARS)

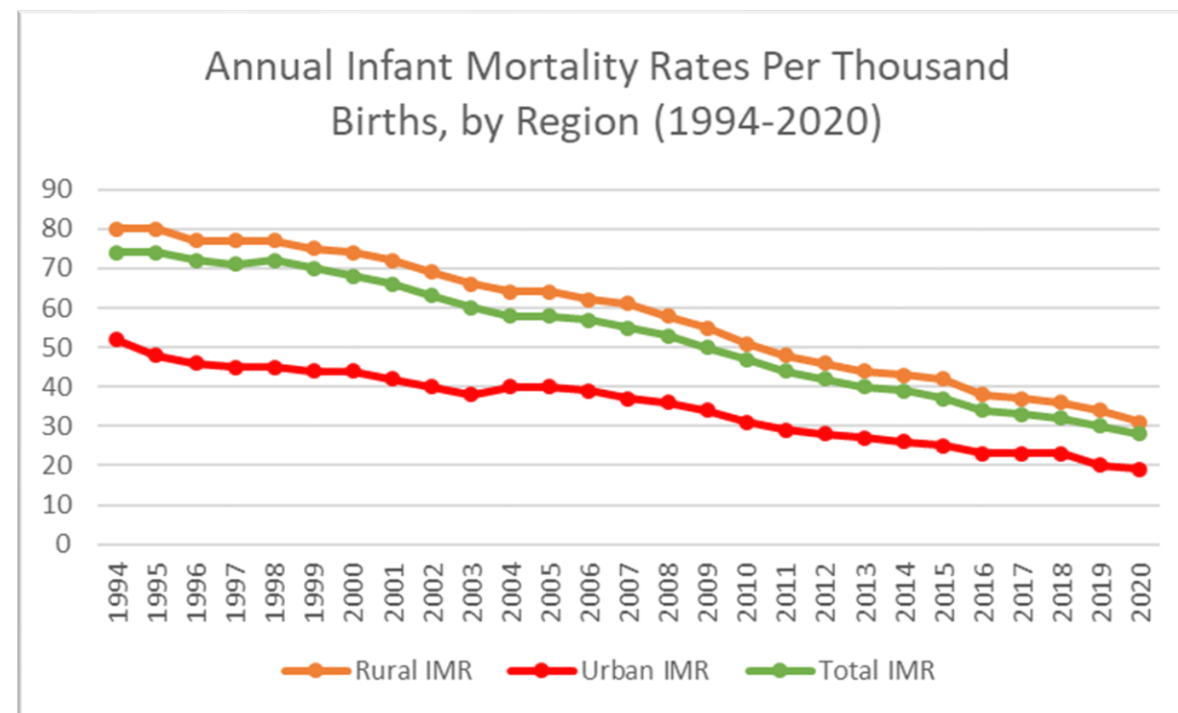
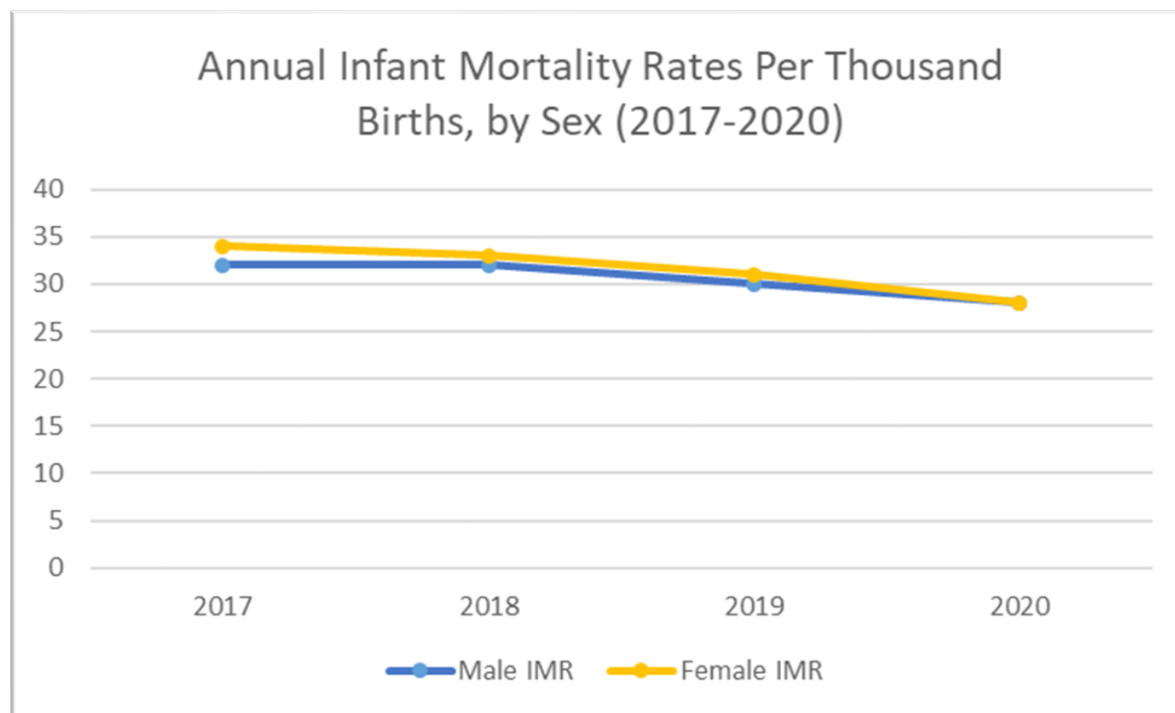
State	NFHS-5	NFHS-4	Increase
India	929	919	10
Delhi	923	812	111
Uttarakhand	984	888	96
Karnataka	978	910	68
Haryana	893	836	57
J & K	976	923	53
Gujarat	955	906	49
Punjab	904	860	44
Uttar Pradesh	941	903	38
Assam	964	929	35
Madhya Pradesh	956	927	29
Telangana	894	872	22
Andhra Pradesh	934	914	20
West Bengal	973	960	13
Rajasthan	891	887	4
Maharashtra	913	924	-11
Chhattisgarh	960	977	-17
Jharkhand	899	919	-20
Bihar	908	934	-26
Odisha	894	932	-38
Himachal	875	937	-62
Tamil Nadu	878	954	-76
Kerala	951	1,047	-96



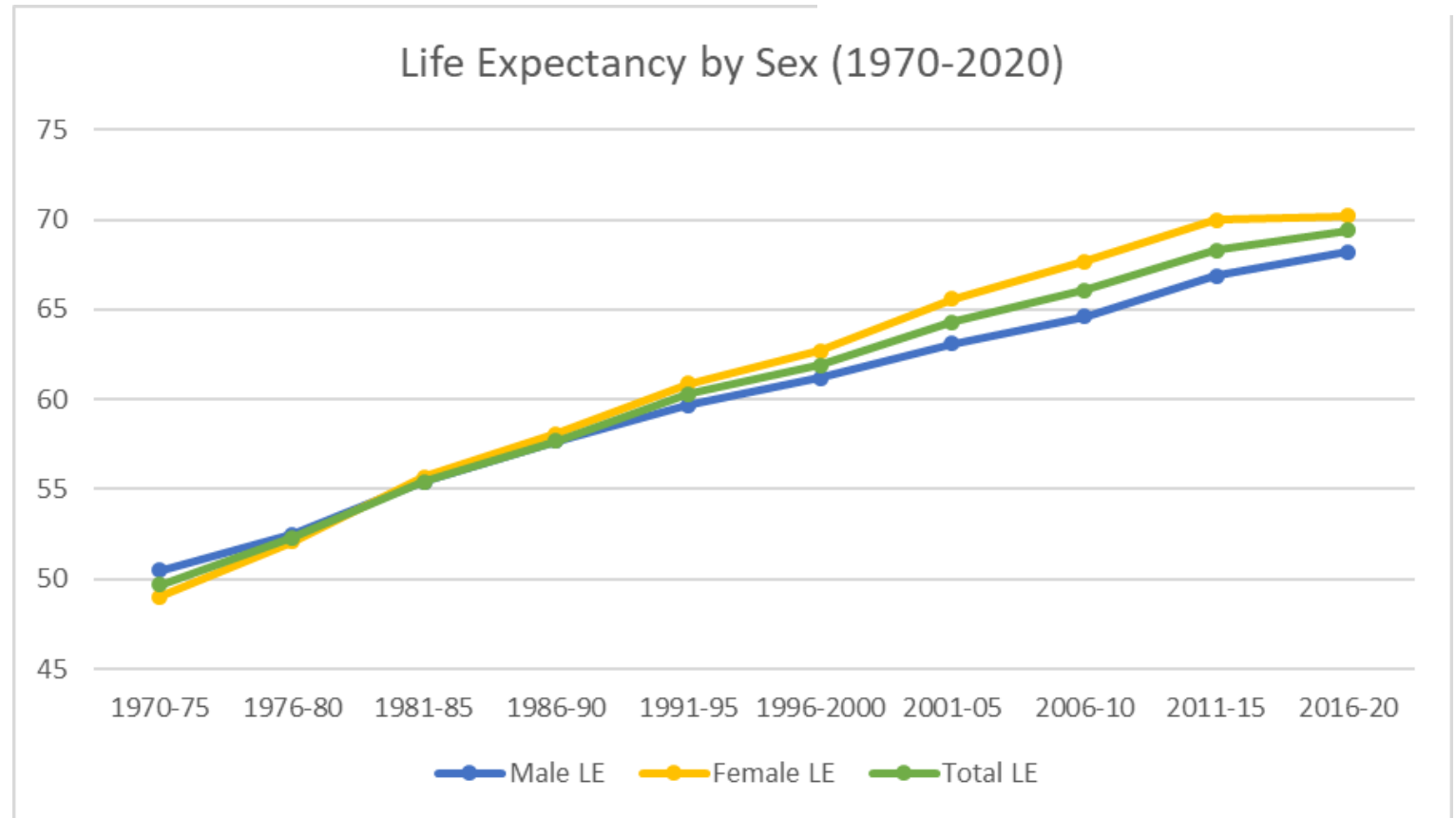
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State	Sex ratio at birth		
	Rural	Urban	Total
Andhra Pradesh	890	924	912
Assam	905	914	908
Bihar	939	936	938
Chhattisgarh	950	926	939
Delhi	913	925	924
Gujarat	914	889	897
Haryana	901	904	903
Himachal Pradesh	926	929	928
Jammu & Kashmir	967	927	952
Jharkhand	885	843	871
Karnataka	951	935	938
Kerala	967	961	963
Madhya Pradesh	897	903	901
Maharashtra	902	920	916
Odisha	911	911	911
Punjab	898	891	892
Rajasthan	882	916	901
Tamil Nadu	901	939	930
Telangana	921	925	924
Uttar Pradesh	930	907	922
Uttarakhand	962	938	948
West Bengal	984	930	958
Grand Total	924	918	921

Infant Mortality Over Time and By Sex and Region



Life Expectancy Over Time and By Sex



* Huge variation between classes and regions.